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Information Memorandum
20 May, 1998 ✓

Bayerische Motoren Werke Aktiengesellschaft

Munich, Federal Republic of Germany

BMW Finance N.V.

The Hague, The Netherlands

BMW US Capital Corp.

Wilmington, Delaware, USA

BMW Coordination Center N.V.

Mechelen, Belgium

BMW (UK) Capital plc ✓

Warwick, England

USD 3,000,000,000**Euro Medium Term Note Programme**

unconditionally and irrevocably guaranteed by

Bayerische Motoren Werke Aktiengesellschaft

Munich, Federal Republic of Germany

Arranger

Dresdner Kleinwort Benson

Dresdner Bank Aktiengesellschaft

Co-Arranger

Merrill Lynch International

FRF Arranger

Merrill Lynch Finance SA

Dealers

Barclays Capital**Bayerische Vereinsbank**
Aktiengesellschaft**Citibank International plc****Commerzbank**
Aktiengesellschaft**Credit Suisse First Boston****Deutsche Bank AG London****Dresdner Kleinwort Benson**
Dresdner Bank Aktiengesellschaft**Goldman Sachs International****Lehman Brothers****Merrill Lynch International****Merrill Lynch Finance SA****J.P. Morgan Securities Ltd.****Morgan Stanley Dean Witter****SBC Warburg Dillon Read****UBS Limited**

Programme Agent

Dresdner Kleinwort Benson
Dresdner Bank Aktiengesellschaft

Paying Agents

Dresdner Kleinwort Benson
Dresdner Bank Aktiengesellschaft**Morgan Guaranty Trust**
Company of New York

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The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

1. Important Notice

On 6 May, 1994, the Issuers (as defined below) entered into a USD 1,000,000,000 Euro Medium Term Note Programme (the "Programme") and issued an information memorandum on that date describing the Programme. On 21 May, 1996 the aggregate principal amount was increased from USD 1,000,000,000 to USD 3,000,000,000 and the Programme was updated. This Information Memorandum supersedes all previous information memoranda. Any Notes (as defined below) to be issued after the date hereof under the Programme are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

Responsibility of the Issuers

Bayerische Motoren Werke Aktiengesellschaft, BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc (each an "Issuer" and together the "Issuers") and Bayerische Motoren Werke Aktiengesellschaft in its capacity as Guarantor for Notes issued by any of the Issuers other than Bayerische Motoren Werke Aktiengesellschaft (the "Guarantor") accept responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuers and the Guarantor (who have taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the importance of such information.

The Issuers and the Guarantor have confirmed to the Dealers, as defined below, that the information contained in this Information Memorandum is true and accurate in all material respects and not misleading; that the opinions and intentions expressed herein are honestly held and there are no other facts in relation to the information contained or incorporated by reference herein the omission of which would, in the context of the issue of the Notes contemplated herein, make any statement herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

Requirements

This Information Memorandum contains at the date hereof all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuers and the Guarantor and of the rights attached to the relevant Notes.

Responsibility of the Dealers

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, whether expressed or implied, is made, and no responsibility is accepted, by the Dealers with respect to the accuracy or completeness of this Information Memorandum or any further information supplied in connection with the Programme. The Dealers accept no liability in relation to this Information Memorandum or its distribution or with regard to other information supplied by the Issuers or the Guarantor herein.

Exclusiveness

The Issuers and the Guarantor have not authorised the making or provision of any representation or information regarding the Issuers or the Notes other than as contained or incorporated by reference in this Information Memorandum, or any pricing supplement the form of which is described in Section 5 of this Information Memorandum (each a "Pricing Supplement") or as approved for such purpose by the Issuers. Any such representation or information should not be relied upon as having been authorised by any Issuer or Dealer or the Guarantor.

Significance of Delivery

Neither the delivery of this Information Memorandum and any Pricing Supplement nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change in the financial situation of any Issuer or the Guarantor since the date hereof.

The delivery of this Information Memorandum or any Pricing Supplement or the offering, sale or delivery of any Note does not at any time imply that the information contained herein concerning the Issuers, the Guarantor or any of their subsidiaries and associated companies is correct at any time subsequent to the

date thereof or that any other written information delivered in connection therewith is correct as at any time subsequent to the date indicated in the document containing the same.

Restriction on Distribution

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuers, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Information Memorandum and other offering material relating to the Notes please refer to Section 11 of this Information Memorandum. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to U.S. persons.

Admission of the Programme

Application has been made to the London Stock Exchange Limited (the "London Stock Exchange") for tranches of Euro Medium Term Notes (the "Notes") to be issued under the Programme in bearer form to be admitted to the Official List of the London Stock Exchange for a period of 12 months from the date hereof (the "Official List") and application will (in certain circumstances as described herein) be made to list Notes in bearer form (including Notes denominated in French francs or denominated in another currency or currencies but linked, directly or indirectly, to French francs ("French Franc Notes")) on the *Paris Bourse*. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined below) of Notes will be set forth in a Pricing Supplement which, with respect to Notes to be admitted to the Official List and/or listed on the *Paris Bourse*, will be delivered to the London Stock Exchange and/or the COB on or before the date of issue of the Notes of such Tranche. Copies of this Information Memorandum, which comprises the listing particulars (the "Listing Particulars"), in relation to Listed Notes (as defined below) issued under the Programme during the period of twelve months from the date of this Information Memorandum, approved as such by the London Stock Exchange as required by the Financial Services Act 1986, have been delivered for registration to the Registrar of Companies in England and Wales. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List ("Listed Notes")) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-17 Epworth Street, London EC2A 4DY, and from the specified office of the Agent.

Application has also been made to the Frankfurter Wertpapierbörse (the "Frankfurt Stock Exchange") for Notes to be issued under the Programme in bearer form to be listed on the Frankfurt Stock Exchange, *Geregelter Markt* (Regulated Market) or admitted to the *Amtlicher Handel* (Official List).

For this purpose a prospectus in the German language has been prepared which substantially represents a translation of this Information Memorandum and which is issued in compliance with the listing rules of the Frankfurt Stock Exchange made under Section 10 Wertpapier-Verkaufsprospektgesetz (Securities Prospectus Act) and Section 71-73 Börsengesetz (German Exchange Act).

For the sole purpose of listing French Franc Notes on the *Paris Bourse*, this Information Memorandum has been submitted to the clearance procedures of the COB and has been registered by the COB under no. P98-199 dated 18 May, 1998.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes.

In connection with the listing of the Notes on the London Stock Exchange, each Issuer confirms that, if at any time after preparation of the Listing Particulars for submission to the London Stock Exchange and before the commencement of dealings in any Notes following their admission to the Official List:—

- (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by section 146 of the Financial Services Act 1986 or by the listing rules made by the London Stock Exchange under that Act (the "Listing Rules") or by the London Stock Exchange; or

- (b) a significant new matter arises, the inclusion of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared;

the relevant Issuer shall give to Merrill Lynch International in its capacity as listing agent (the "Listing Agent") for the Listed Notes and each Dealer full information about such change or matter and shall publish such supplementary listing particulars as may be required by the London Stock Exchange (in a form approved by the Listing Agent), and shall otherwise comply with sections 147 and 159 of the Financial Services Act 1986 and the Listing Rules in that regard.

The relevant Issuer will also, if and for so long as any Notes are listed on the Paris *Bourse*, notify the Noteholders of any material adverse change in its financial condition and will publish details thereof in accordance with Condition 19 of the Terms and Conditions of the Notes. If the terms of the Programme are modified or amended in a manner which would make the Information Memorandum, as supplemented, inaccurate or misleading, a new Information Memorandum will be prepared.

Exclusion

This Information Memorandum does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any Issuer, the Guarantor or any Dealer that any recipient of this Information Memorandum should subscribe for or purchase any Notes. Each recipient shall be taken to have made its own investigation and appraisal of the financial condition and affairs as well as of the creditworthiness of any Issuer and of the Guarantor. This Information Memorandum may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Information Memorandum is not intended to provide the basis of any credit or other evaluation.

Stabilisation

In connection with the issue of Notes under the Programme, the Dealer who is specified in the Pricing Supplement in relation to the relevant Tranche of Notes may over-allot or effect transactions which stabilise or maintain the market price of the Notes of such Tranche at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. All such transactions will be carried out in accordance with all applicable laws and regulations.

2. Documents Incorporated by Reference

The following documents shall be deemed to be incorporated in, and to form part of, this document (provided, however, that such incorporated documents and any subsequent documents as referred to below do not form part of the Listing Particulars given in compliance with the Listing Rules made under Section 142 of the Financial Services Act 1986):

- (1) the most recently published annual accounts of each Issuer and the Guarantor from time to time;
- (2) any Pricing Supplement prepared in respect of the Programme for Notes which are listed on the Frankfurt Stock Exchange, the London Stock Exchange or any other stock exchange;

save that any statement contained herein, in the most recently published annual accounts of any Issuer and of the Guarantor shall be deemed to be modified or superseded for the purpose of this Information Memorandum but not the listing particulars to the extent that a statement contained in any such subsequent document modifies or supersedes such statement.

Documents will be available from the principal office in London of the Listing Agent (and, if and for so long as any Notes are listed on the *Paris Bourse*, from the principal office of Merrill Lynch Finance SA in its capacity as listing Agent (the "Paris Listing Agent") for Notes listed on the *Paris Bourse*).

The documents incorporated by reference referred to above have not been submitted to the clearance procedures of the COB.

This Information Memorandum and any supplement (and the prospectus in the German language and any supplement) will only be valid for listing Notes on the Frankfurt Stock Exchange, the London Stock Exchange and/or the *Paris Bourse* in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed USD 3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the US dollar equivalent of the aggregate amount of Notes issued under the Programme from time to time:

- (a) the US dollar equivalent of Notes denominated in another Issue Currency shall be determined, at the discretion of the relevant Issuer, as of the trade date of such Notes (the "Trade Date") or on the preceding day on which commercial banks and foreign exchange markets are open for business in Frankfurt, in each case on the basis of the spot rate for the sale of the US dollar against the purchase of such Specified Currency in the Frankfurt foreign exchange market quoted by any leading bank selected by the relevant Issuer on such date;
- (b) the US dollar equivalent of Dual Currency Notes, Indexed Notes and Partly Paid Notes shall be calculated in the manner specified above by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the US dollar equivalent of Zero Coupon Notes and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

3. Summary of the Programme

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuers

Bayerische Motoren Werke Aktiengesellschaft ("BMW AG")
BMW Finance N.V. ("Finance")
BMW US Capital Corp. ("BMW US")
BMW Coordination Center N.V. ("Coordination Center")
BMW (UK) Capital plc ("BMW UK")

The above mentioned companies together with all other BMW group companies shall be referred to in this document as "BMW Group" or "BMW".

Guarantor

Bayerische Motoren Werke Aktiengesellschaft

Description

Euro Medium Term Note Programme

Arranger

Dresdner Bank Aktiengesellschaft

Co-Arranger

Merrill Lynch International

FRF Arranger

Merrill Lynch Finance SA

Dealers

Barclays de Zoete Wedd Limited
Bayerische Vereinsbank Aktiengesellschaft
Citibank International plc
Commerzbank Aktiengesellschaft
Credit Suisse First Boston (Europe) Limited
Deutsche Bank AG, London
Dresdner Bank Aktiengesellschaft
Goldman Sachs International
Lehman Brothers International (Europe)
Merrill Lynch International
Merrill Lynch Finance SA
J.P. Morgan Securities Ltd.
Morgan Stanley & Co. International Limited
Swiss Bank Corporation
UBS Limited

The Notes may be issued from time to time to one or more of the Dealers specified above (the "Dealers"), which expression shall include any additional Dealer appointed under the Programme and which appointment may be for a specific issue or on an ongoing basis.

Restrictions

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Selling Restrictions" below).

Each issue of Notes denominated in Pound Sterling shall comply with all applicable laws and regulations (as amended from time to time) of the United Kingdom authorities (see "Banking Act 1987 (Exempt Transactions) Regulations 1997" under "General Information" below).

Each issue of Notes denominated in Deutsche Mark will take place only in compliance with the guidelines, applicable for the time being, of the Deutsche Bundesbank regarding the issue of DEM-denominated debt securities. Under current guidelines, only credit institutions domiciled in Germany or a German branch of a foreign credit institution will be eligible to act as Dealers in relation to such Notes except in the case of the issue of DEM-denominated Notes on a syndicated basis (which will be lead managed by a credit institution domiciled in Germany or a German branch of a foreign credit institution).

Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading on 2nd December, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the "Swiss Dealer") must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the issue date of the relevant Notes.

Issues of Notes denominated in Austrian Schillings will be arranged in compliance with the Austrian requirements prevailing at the time of issue via an Austrian credit institution capable of carrying out, and which does carry out, the functions of a Dealer.

A credit establishment or investment institution resident in a member state of the European Union which is authorised to lead manage Eurobond issues by the competent authority of its home state may, (i) act as a dealer in respect of issues of French Franc Notes and (ii) act as lead manager of issues of French Franc Notes issued on a syndicated basis. The arranger for issues of French Franc Notes, the Dealers who purchase French Franc Notes and the relevant Issuer must comply with the rules and regulations from time to time relating to the *Marché de l'Euro-franc* (the "Euro French Franc Regulations"). In the case of a public issue of French Franc Notes the minimum aggregate principal amount for the issue shall be FRF 300,000,000. In addition, Notes, including French Franc Notes which are listed on the Paris Bourse, will be issued subject to the requirements of the Paris Bourse. Under the current regulations, private placements shall be construed as issues of Notes placed on a firm basis with a small number of predetermined non-resident investors. Indexed Notes which are French Franc Notes will be issued in compliance with the *Principes Généraux* set by the COB and the CBV or any successor authority.

Notes will only be issued by BMW (UK) Capital plc in bearer form and if approval has been given for the listing of such Notes on a recognised stock exchange (as defined in section 841 of the Income and Corporation Taxes Act 1988) and arrangements satisfactory to BMW (UK) Capital plc for such Notes to be held in a recognised clearing system (as defined in section 124(6) of such Act) have been made.

Programme Amount

The aggregate principal amount of all outstanding Notes or the USD equivalent in the relevant foreign currency or composite currency on the respective Trade Dates thereof at any one time shall not exceed USD 3,000,000,000 or such increased amount as may be agreed by the Dealers, the Issuers and the Guarantor (the "Programme Amount").

Subject to the provisions of a dealers agreement dated 6 May, 1994 which has been amended and restated by an amended and restated dealers agreement dated 21 May, 1996 (the "Dealers Agreement") and to the Programme Amount not being exceeded each Issuer is entitled to issue Notes up to an aggregate principal amount of USD 3,000,000,000 outstanding, or such increased amount as may be agreed by the Dealers, the Issuers and the Guarantor.

Distribution

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies

Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s), including, without limitation, Australian dollars, Austrian Schillings, Canadian dollars, Danish kroner, Deutsche Mark, Dutch guilders, ECU, Finnish markkas, French francs, Hong Kong dollars, Irish punts, Italian lire, New Zealand dollars, Portuguese escudos, Pound Sterling, Swedish kronor, Swiss francs, United States dollars and Japanese Yen (as indicated in the applicable Pricing Supplement).

Maturities

Any maturity, subject to a minimum maturity of 30 days, as indicated in the applicable Pricing Supplement (except (i) in the case of Notes which are French Franc Notes, where the minimum maturity will be one year, or (ii) in any case, such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency). Save as provided above, the Notes are subject to a maximum maturity of 30 years.

On the final maturity date specified in the relevant Pricing Supplement the outstanding Notes will be redeemed in the case of Fixed Rate Notes, Floating Rate Notes, Indexed Notes and Dual Currency Notes at par (or such other amount as may be specified in the Pricing Supplement) and in the case of Zero Coupon Notes at the amortised face amount specified in the relevant Pricing Supplement.

Series and Tranches

Notes will be issued in Tranches, one or more of which shall comprise a Series. The Notes of each Tranche shall have identical Terms and Conditions and identical features. The Notes of each Series shall also have identical Terms and Conditions and identical features except (in the case of more than one Tranche) for the Issue Date, the Interest Commencement Date and the Issue Price.

Denominations

The Notes will be issued in denominations as agreed between the relevant Issuer and the relevant Dealers, save that the minimum denomination of each Note will be such minimum denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) and, in each case, subject to compliance with all applicable legal or regulatory requirements.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom will have a minimum denomination of £100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until the third anniversary of their Issue Date and are to be listed on the London Stock Exchange or another EEA stock exchange.

Types

Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Partly Paid Notes, Dual Currency Notes or any appropriate combination thereof depending upon the Interest Basis, if any, specified in the Pricing Supplement.

Indexed Notes

Payments in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement). Each issue of Indexed Notes denominated in Deutsche Mark will be made in compliance with German law and the policy of the Deutsche Bundesbank regarding the indexation of DEM denominated debt obligations. Indexed Notes which are French Francs Notes will be issued in compliance with the *Principes Généraux* set by the COB and the CBV or any successor authority.

Registered Notes

If Notes are specified as "Registered Notes" in the Pricing Supplement such Registered Notes will bear the name of the Noteholder (or the name of a nominee who holds such Note on behalf of the Noteholder) and will be registered under the name of the Noteholder with Dresdner Bank Aktiengesellschaft.

("German Registrar") or with Morgan Guaranty Trust Company of New York ("Euro Registrar") (each a "Registrar"). It is not contemplated by the Issuers to list Registered Notes on any stock exchange.

Form of the Notes

Each Tranche of Notes with a maturity of more than 365 days will initially be represented by one or more temporary Global Notes (unless the relevant Agent is notified to the contrary by the relevant Issuer), and each Tranche of Notes with a maturity of 365 days or less and/or represented by one or more Global Notes held on behalf of the Deutsche Börse Clearing AG, Frankfurt am Main ("Clearing AG") (unless the Issuer is BMW US Capital Corp.) or in relation to which the relevant Issuer so notifies the relevant Agent will initially be represented by one or more permanent Global Notes, which will be deposited (a) in the case of a Tranche intended to be cleared through Cedel Bank, société anonyme, Luxembourg, ("Cedel Bank") and/or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear"), on the issue date with a common depositary on behalf of Euroclear and Cedel Bank, or (b) in the case of a Tranche intended to be cleared through Deutscher Kassenverein (unless the issuer is BMW US Capital Corp.), on the issue date with Deutscher Kassenverein, or (c) in the case of a Tranche intended to be cleared through a clearing system other than Euroclear or Cedel Bank or delivered outside a clearing system, as agreed between the relevant Issuer, the relevant Agent and the relevant Dealer(s). Interests in temporary Global Notes will be exchangeable for interests in permanent Global Notes or, if so stated in the relevant Pricing Supplement, for definitive Notes in bearer form, in the case of Notes in bearer form, which are intended to be cleared through Euroclear and/or Cedel Bank after the date falling 40 days after the issue date upon certification as to non-US beneficial ownership. Interests in permanent Global Notes will be exchangeable for definitive Notes in bearer form in accordance with the terms of the relevant Global Note.

Settlement

Transactions will normally be effected for settlement within five Banking Days, but in any case not earlier than three Banking Days (in case of settlement through Clearing AG not earlier than two Banking Days) after the date of the transaction. Settlement arrangements will be agreed between the relevant Issuer, the relevant Dealer and the Issuing Agent.

Delivery

Purchasers of the Notes will acquire co-ownership shares in the Global Note issued for the respective Tranches of Notes which are intended to be lodged, in the case of Notes denominated in DEM, with the Deutscher Kassenverein, and, in case of Notes denominated in any other currencies, with any common depositary for Cedel Bank and Euroclear.

Interest

Notes may be interest-bearing or non-interest-bearing or a combination of both as specified in the relevant Pricing Supplement.

Taxation

Principal and interest (including accrued interest), if any, are to be paid without withholding at source or deduction at source of any present or future taxes, fees or duties of whatsoever nature which are imposed by or in the country of incorporation of the relevant Issuer or the Guarantor. Any taxes, fees or duties levied by means of withholding at source or deduction at source by or in the country of incorporation of the relevant Issuer or the Guarantor are to be borne by the relevant Issuer or the Guarantor subject to the provisions of Condition 11 paragraph 1 of the Terms and Conditions of the Notes and with the exceptions of Condition 11 paragraph 2 of the Terms and Conditions of the Notes.

Early Redemption/Optional Put Right

The relevant Pricing Supplement of each Note will specify whether an early redemption of the relevant Note may be possible. Any minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank or any laws or regulations applicable to Notes denominated in any other currency are to be observed.

Upon the holder of Notes (the "Noteholder") giving to the Issuer not less than 30 nor more than 60 days' notice, the Issuer will, upon the expiry of such notice, redeem a Note at any time if so provided in the relevant Pricing Supplement.

N.B. Other than for taxation reasons, reporting requirements in respect of BMW US Capital Corp. or following an Event of Default, Notes denominated in Deutsche Mark and issued by any Issuer other than BMW AG may not be redeemed prior to two years from the relevant Issue Date and French Franc Notes may not be redeemed prior to one year from the relevant Issue Date.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom must have a minimum redemption amount of £100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until the third anniversary of their Issue Date and are to be listed on the London Stock Exchange or another EEA stock exchange.

Redemption for Tax Reasons or Reporting Requirements

If as a result of (a) the introduction of Reporting Requirements in respect of BMW US Capital Corp. as defined and specified in paragraph 2 of Condition 5 of the Terms and Conditions of the Notes or (b) the enactment of any legal provision of whatsoever nature by or in the country of incorporation of the relevant Issuer or the Guarantor or (c) a change of application or interpretation of legal provisions in the country of incorporation of the relevant Issuer or the Guarantor, the relevant Issuer or the Guarantor has been or will be required to pay additional amounts pursuant to Condition 11 paragraph 1 of the Terms and Conditions of the Notes, the relevant Issuer is entitled upon not less than 30 days' notice to redeem (a) those Notes as described in paragraph 2 of Condition 5 of the Terms and Conditions of the Notes or (b) all, but not part only, of the Notes at their Early Redemption Amount or at the price specified in the Pricing Supplement.

Negative Pledge of the Issuers and the Guarantor

The Issuers and the Guarantor will undertake to Dresdner Bank Aktiengesellschaft as trustee for the holders of Notes (the "Trustee") to observe certain restrictions regarding the granting of security to present or future "International Capital Market Indebtedness" (as defined in Condition 13 and 14 of the Terms and Conditions of the Notes), including any guarantee or indemnity assumed therefor.

Status

The Notes will constitute a direct, unconditional and unsecured obligations of the relevant Issuer without any preference among themselves; they will rank at least equally with all other unsecured and unsubordinated obligations of that Issuer.

Guarantee

Bayerische Motoren Werke Aktiengesellschaft has given its unconditional and irrevocable guarantee, governed by the laws of the Federal Republic of Germany, for the due payment of all obligations of BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc arising under the Notes issued by them. The intent and purpose of the Guarantee is to ensure that the Noteholders under all circumstances, whether factual or legal, and regardless of the motives or considerations by reason of which BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc may fail to effect payment, shall receive the relevant amounts on the due dates.

Trustee, Programme and Paying Agent, German Registrar

Dresdner Bank Aktiengesellschaft

Paying Agent, Euro Registrar

Morgan Guaranty Trust Company of New York

Trusteeship

The rights arising under the Guarantee as well as under any security which may be granted by the relevant Issuer or by the Guarantor shall be held and exercised exclusively by the Trustee.

The rights and obligations of the Trustee are set out in a trust agreement dated 6 May, 1994 as amended and restated by an amended and restated trust agreement dated 21 May, 1996 (the "Trust Agreement") between the Issuers, the Guarantor and the Trustee.

Announcements

Subject to the provisions of Condition 19 of the Terms and Conditions of the Notes all notices concerning the Notes shall be published in (i) the Bundesanzeiger (German Federal Gazette) of the Federal Republic of Germany and in a national newspaper recognised by the Frankfurt Stock Exchange (which is expected to be the *Börsen-Zeitung*) in respect of any Notes listed on the Frankfurt Stock Exchange, (ii) in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) in respect of Notes listed on the London Stock Exchange and (iii) in respect of any Notes quoted on the Paris Bourse (so long as that exchange requires) in a daily newspaper of general circulation in Paris (which is expected to be *Les Echos*).

Substitution of Issuer

The relevant Issuer shall be entitled at any time without the consent of the Noteholders to be substituted as Issuer under the Notes. The New Issuer as defined in Condition 18 of the Terms and Conditions of the Notes will assume all obligations of the relevant Issuer arising under or in connection with the Notes. The Guarantor will give an unconditional and irrevocable guarantee of the obligations of the New Issuer unless the New Issuer is Bayerische Motoren Werke Aktiengesellschaft.

Applicable Law, Place of Performance, Jurisdiction

The form and content of the Notes including the Global Notes and all the rights and duties arising therefrom shall be governed exclusively by the laws of the Federal Republic of Germany.

Place of performance and exclusive court of venue for all litigation with the Guarantor arising from legal relations established in the Guarantee or the Declaration of Undertaking is Munich, Federal Republic of Germany.

For all litigation with the Issuers arising from legal relations established in the Terms and Conditions of the Notes, the Noteholders are entitled to assert their claims, to the exclusion of all other venues, at their discretion either before the competent courts in the relevant country of incorporation of the relevant Issuer or before the competent courts in Munich, Federal Republic of Germany. It is agreed that such courts shall apply exclusively the laws of the Federal Republic of Germany.

Listing

Application has been made for the bearer Notes to be issued under the Programme to be admitted to the Official List of the London Stock Exchange. The bearer Notes may also be listed at the Frankfurt Stock Exchange (if DEM-denominated) on the Official List or in the Regulated Market or on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each issue. The Euro French Franc Regulations recommend the listing of French Franc Notes on the Paris Bourse where (i) such French Franc Notes are, or are intended to be, listed on any other stock exchange or (ii) such French Franc Notes are, or are intended to be, distributed as a public offer (within the meaning of the Euro French Franc Regulations). Unlisted Notes may also be issued. The Pricing Supplement relating to each issue will state whether or not the Notes are to be listed.

Purpose of the Issue

The net proceeds of the Notes will be used to assist in the general business of BMW Group.

Variation of Terms and Conditions

The relevant Issuer may agree with any Dealer that any specific Notes may be issued in a form not contemplated under the Terms and Conditions of the Notes. The relevant Pricing Supplement will describe the effect of the agreement reached in relation to such Notes, provided however, if necessary, supplementary Listing Particulars will be prepared describing such Terms and Conditions.

Foreign Exchange Rates

On 11 May, 1998 the official rate of exchange at the Frankfurt Currency Exchange was as follows:

100 Dutch guilders (NLG) = 88.740 Deutsche Mark (DEM)

100 Belgian francs (BEF) = 4.8473 DEM

1 US dollar (USD) = 1.7738 DEM

1 Pound Sterling (GBP) = 2.9057 DEM

4. Bedingungen der Teilschuldverschreibungen

Für auf DEM lautende Teilschuldverschreibungen (wie in §1 unten definiert) ist der deutsche Text dieser Bedingungen der Teilschuldverschreibungen (die "Bedingungen") ausschließlich rechtlich maßgebend, und die englische Übersetzung ist unverbindlich. Für Teilschuldverschreibungen, die nicht auf DEM lauten, ist der englische Text der Bedingungen ausschließlich rechtlich maßgebend.

Die nachfolgenden Bedingungen gelten für Teilschuldverschreibungen der jeweiligen Emittentin (Bayerische Motoren Werke Aktiengesellschaft, BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. oder BMW (UK) Capital plc) (die "Emittentin") wie in der entsprechenden Sammelverschreibung (die "Sammelurkunde") beschrieben, und gegebenenfalls durch ein Pricing Supplement (wie nachfolgend definiert) ergänzt, und werden als ein Bestandteil jeder einzelnen Schuldverschreibung beigefügt. Teilschuldverschreibungen, die von der BMW Finance N.V., der BMW US Capital Corp., dem BMW Coordination Center N.V. oder der BMW (UK) Capital plc begeben werden, sind mit einer unbedingten und unwiderruflichen Garantie der Bayerische Motoren Werke Aktiengesellschaft (wie in § 14 beschrieben) ausgestattet. Wenn die Bayerische Motoren Werke Aktiengesellschaft selbst Emittentin ist, gelten alle Hinweise auf die "Garantin" und die "Garantie" (die beide nachfolgend definiert werden) als nicht anwendbar. Das entsprechende pricing supplement (Konditionsbeschreibung) (das "Pricing Supplement") jeder Schuldverschreibung kann andere Bedingungen enthalten, die spezifizierte Regelungen zu und Abweichungen von den folgenden Bedingungen beinhalten und die folgenden Bedingungen entsprechend dem Zweck der Emission einer solchen Schuldverschreibung ersetzen oder verändern.

Worte und Begriffe, die in diesen Bedingungen definiert oder enthalten sind, haben im Pricing Supplement dieselbe Bedeutung wie in diesen Bedingungen, soweit dort nicht anders beschrieben. Kopien des Agency Agreements (wie nachfolgend definiert) (das ein Muster des Pricing Supplement beinhaltet) sowie Kopien des Pricing Supplement für die Teilschuldverschreibungen einer jeden Tranche und eine Kopie der Garantie stehen bei den Hauptgeschäftsstellen des ProgrammAgenten und der Zahlstellen (wie in § 8 genannt) zur Einsicht zur Verfügung. Pricing Supplements, die zu einer nicht-börsennotierten Teilschuldverschreibung gehören, sind für die Inhaber von Teilschuldverschreibungen nur einsehbar, wenn der jeweiligen Zahlstelle ein ausreichendes Interesse bezüglich dieser Teilschuldverschreibung nachgewiesen wird. Die Inhaber der Teilschuldverschreibungen, die Inhaber der Abschnitte, die Inhaber der Zinsscheine und die Inhaber von Talons (wie nachstehend definiert) sind anspruchsberechtigt aus und gebunden an alle Regelungen des Agency Agreements und des jeweiligen Pricing Supplements; diese Regelungen gelten als bekannt.

Teilschuldverschreibungen werden in "Tranchen" begeben, die jede für sich oder mit mehreren gemeinsam eine "Serie" bilden. Die Teilschuldverschreibungen jeder Tranche haben identische Bedingungen und Ausstattungsmerkmale. Die Teilschuldverschreibungen einer Serie haben ebenfalls identische Bedingungen und Ausstattungsmerkmale, mit Ausnahme (im Fall von mehr als einer Tranche) des Begebungstags, und des Emissionspreises. Bezugnahmen auf Teilschuldverschreibungen gelten gleichermaßen als Bezugnahmen auf solche Tranchen oder Serien.

4. Terms and Conditions of the Notes

For Notes (as defined in Condition 1 below) denominated in DEM the German text of these Terms and Conditions of the Notes (the "Terms and Conditions") is the exclusively legally binding one and the English translation is for convenience only. For Notes not denominated in DEM the English text of these Terms and Conditions is the exclusively legally binding one.

The following are the Terms and Conditions for Notes issued by the relevant issuer (Bayerische Motoren Werke Aktiengesellschaft, BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. or BMW (UK) Capital plc) (the "Issuer") as set out in the relevant global note (the "Global Note") and, as the case may be, completed by a Pricing Supplement (as defined below), which will be attached to each Note. Notes issued by BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. or BMW (UK) Capital plc will have the benefit of an unconditional and irrevocable guarantee of Bayerische Motoren Werke Aktiengesellschaft (as described in Condition 14). If Bayerische Motoren Werke Aktiengesellschaft acts as Issuer itself all references to "Guarantor" and "Guarantee" (both as defined below) shall be deemed to be not applicable. The applicable pricing supplement (the "Pricing Supplement") in relation to any Note may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Note.

Words and expressions defined or set out in these Terms and Conditions shall have the same meaning when used in the Pricing Supplement unless otherwise stated therein. Copies of the Agency Agreement (as defined below) (which contains the form of the Pricing Supplement) and the Pricing Supplement applicable to any Note and the Guarantee are available for inspection at the specified offices of each of the Programme Agent and the Paying Agents (as set out in Condition 8) save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a Noteholder upon proof satisfactory to the relevant Paying Agent as to interest in the Note. The Noteholders, the Receiptholders, the Couponholders and the Talonholders (as defined below) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement, which are binding on them.

Notes will be issued in tranches ("Tranches"), one or more of which shall comprise a series ("Series"). The Notes of each Tranche shall have identical Terms and Conditions and identical features. The Notes of each Series shall also have identical Terms and Conditions and identical features, except (in the case of more than one Tranche) for the Issue Date, and the Issue Price. References to Notes shall be construed as references to such Tranches or Series.

§ 1
(Form, Eigentum und Folgeemissionen)

(A) Form

1. Die Emittentin begibt auf den inhaber lautende Teilschuldverschreibungen ("Inhaberschuldverschreibungen") oder auf den Namen lautende Teilschuldverschreibungen ("Namensschuldverschreibungen") in Höhe des Gesamtnennbetrags und auf die Währung lautend (in der Sammelurkunde, im Pricing Supplement und nachstehend auch "Emissionswährung" genannt) wie in der Sammelurkunde und/oder im Pricing Supplement bestimmt ist. Solche Teilschuldverschreibungen können in Form einer Sammelurkunde oder in Einzelurkunden verbrieft sein und werden dementsprechend als Sammelurkunde oder effektive Teilschuldverschreibungen bezeichnet. Sie sind eingeteilt in untereinander gleichberechtigte Teilschuldverschreibungen in dem in der Sammelurkunde genannten Nennbetrag (die "Teilschuldverschreibungen").
2. Diese Teilschuldverschreibungen sind festverzinsliche, variabel verzinsliche, Nullkupon-, Index-, Doppelwährungs oder Teileingezahlte Teilschuldverschreibungen oder jede andere Art von Teilschuldverschreibungen oder eine mögliche Kombination der vorgenannten Teilschuldverschreibungen, jeweils entsprechend der im Pricing Supplement dargestellten Zins/Zahlungsmodalitäten.
3. Die Teilschuldverschreibungen werden aufgrund eines Agency Agreements vom 6. Mai 1994, ergänzt und neu gefasst durch die Fassung vom 21. Mai 1996 (Emissions — und Zahlstellenvereinbarung) (das "Agency Agreement"), in der jeweils gültigen Fassung, das zwischen den Emittenten und den in § 8 Absatz 1 genannten Zahlstellen abgeschlossen wurde, ausgegeben.
4. Soweit im Pricing Supplement nicht anders festgelegt, werden die Teilschuldverschreibungen durch eine Inhaber-Sammelschuldverschreibung verbrieft, die bei der Deutscher Kassenverein AG, Frankfurt am Main, ("Deutscher Kassenverein") oder einem gemeinsamen Verwahrer für Cedel Bank, société anonyme, Luxemburg, ("Cedel Bank") und der Morgan Guaranty Trust Company of New York, Brussels Office, als Betreiberin des Euroclear Systems ("Euroclear"), hinterlegt ist. Für die jeweils fälligen Zinsen ist kein Globalzinsschein beigelegt. Der etwaige Anspruch auf Zahlung von Zinsen ist durch die Sammelurkunde mit verbrieft.

Jeder Bezug auf "Euroclear" und/oder "Cedel Bank" beinhaltet, sofern der Zusammenhang es erlaubt, auch eine Bezugnahme auf jedes weitere oder alternative Clearing System (im Falle von Teilschuldverschreibungen, die an der Pariser Börse notiert werden, beinhaltet dieser Begriff die "Sicovam SA" und die "Intermédiaires Financiers Habilités" die Kontoinhaber hierin sind (zusammen "Sicovam")), das vom Emittenten und der jeweiligen Zahlstelle genehmigt worden ist.
5. Wenn die Begebung von Teilschuldverschreibungen gemäß Pricing Supplement in Form effektiver Inhaber-Teilschuldverschreibungen erfolgt, dann werden die Teilschuldverschreibungen mit einer Seriennummer versehen. Sie können mit beigelegten Zinsscheinen für die Zahlung von Zinsen (die "Zinsscheine") begeben werden. Falls erforderlich werden Talons für weitere Zinsscheine (die "Talons") beigelegt, soweit es sich nicht um Nullkupon-Teilschuldverschreibungen handelt. In diesem Falle finden Verweise auf Zinsen (sofern es sich nicht um nach dem Endfälligkeitstag (wie im maßgeblichen Pricing Supplement definiert) fällige Zinsen handelt) und Zinsscheine in diesen Bedingungen keine

Condition 1
(Form, Title and Further Issues)

(A) Form

1. The Issuer issues notes in bearer form ("Bearer Notes") or in registered form ("Registered Notes") (in each case "Notes") in the aggregate principal amount and denominated in the respective currency (in the Global Note, the Pricing Supplement and hereinafter also referred to as the "Issue Currency") as specified in the Global Note and/or the Pricing Supplement. Such Notes may be represented by global or definitive certificate(s) and shall be referred to as Global Notes or Definitive Notes, accordingly. The Notes are in denominations as specified in the Global Note and/or the Pricing Supplement and rank pari passu with each other.
2. The Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Dual Currency Notes or Partly Paid Notes, or any other type of Notes, or an appropriate combination of any of the foregoing, depending upon the interest/payment basis as specified in the Pricing Supplement.
3. The Notes are issued pursuant to an agency agreement dated 6 May, 1994 as amended and restated by an amended and restated agency agreement dated 21 May, 1996 (the "Agency Agreement") and made between the Issuers and the Agents mentioned in Condition 8 paragraph 1, as amended from time to time.
4. Unless otherwise specified in the Pricing Supplement, the Notes shall be represented by a Global Bearer Note deposited with the Deutscher Börse Clearing AG, Frankfurt am Main ("Deutscher Kassenverein") or a common depositary for Cedel Bank, société anonyme, Luxembourg ("Cedel Bank") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"). No global bearer coupon will be attached to the Global Note for any interest due. The right to receive interest, if any, is also represented by the Global Note.

Any reference to "Euroclear and/or "Cedel Bank" shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including, in the case of Notes listed on the Paris Bourse, Sicovam SA and the Intermédiaires Financiers Habilités authorised to maintain accounts therein (together "Sicovam")) approved by the Issuer and the relevant Paying Agent.
5. If Notes are specified as Definitive Bearer Notes in the Pricing Supplement, such Notes will be serially numbered and may be issued with interest coupons for the payment of interest ("Coupons") attached, and if applicable, talons for further Coupons ("Talons") attached, unless they are Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date (as defined in the relevant Pricing Supplement)) and Coupons in these Terms and Conditions are not applicable. Definitive Notes redeemable in instalments will be issued with receipts ("Receipts") for the payment of instalments of principal prior to the stated maturity attached. The Pricing

Anwendung. Effektive Teilschuldverschreibungen, die in Raten getilgt werden, sind mit Abschnitten (die "Abschnitte" oder "Empfangsbescheinigungen") für die Zahlung von Tilgungen vor der jeweiligen Endfälligkeit ausgestattet. Das Pricing Supplement kann andere Regelungen für die Durchführung von Zahlungen von Zinsen oder Tilgungsraten bei effektiven Teilschuldverschreibungen anstelle von Zinsscheinen oder Abschnitten vorsehen. Wenn Doppelwährungs-, Teileingezahlte — oder Index-Teilschuldverschreibungen begeben werden, die mit einem festen oder variablen Zinssatz oder ohne laufende Verzinsung ausgestattet sind, werden die Bestimmungen dieser Bedingungen, die sich auf die vorstehenden Arten der Verzinsung beziehen, sinngemäß auf die Doppelwährungs-, Teileingezahlte- oder Index-Teilschuldverschreibungen angewandt. Jeder Bezug in den vorliegenden Bedingungen auf Zinsschein(e) und Inhaber von Zinsscheinen stellt, soweit der Zusammenhang nichts anderes erfordert, in gleicher Weise einen Hinweis auf Talon(s) und Inhaber von Talons dar.

6. Wenn die Begebung von Teilschuldverschreibungen gemäß Pricing Supplement in Form von auf den Namen lautenden Schuldverschreibungen erfolgt ("Namensschuldverschreibungen"), dann wird der Name des Anleihegläubigers (oder eines Beauftragten des Anleihegläubigers, der diese Schuldverschreibung im Namen des Anleihegläubigers hält) auf der Schuldverschreibung sowie in einem Register eingetragen, das bei der Dresdner Bank Aktiengesellschaft ("deutsche Registerstelle") oder bei der Morgan Guaranty Trust Company of New York ("Euro-Registerstelle") (jeweils die "Registerstelle") geführt wird.
7. Jede Sammelurkunde, jede effektive Teilschuldverschreibung, jeder Abschnitt und jeder Zinsschein — soweit vorhanden — trägt die Unterschriften von zwei durch die Emittentin für diesen Zweck bevollmächtigten Personen (deren Unterschriften gemäß § 793 Abs. 2 BGB Faksimile-Unterschriften sein können) und jede Sammelurkunde sowie jede effektive Teilschuldverschreibung — soweit vorhanden — die eigenhändige Unterschrift eines Kontrollbeauftragten. Jede effektive Teilschuldverschreibung, jeder Abschnitt und jeder Zinsschein — soweit vorhanden — soll einen Prägestempel der Emittentin oder ein geprägtes Faksimile hiervon tragen.

(B) Eigentum

1. Der Inhaber von Teilschuldverschreibungen, Zinsscheinen, Abschnitten oder Talons gilt (soweit nicht zwingende Gesetze — oder Verwaltungsbestimmungen entgegenstehen) in jeder Hinsicht als Alleineigentümer (ob fällig oder nicht fällig, und unabhängig von irgendwelchen Mitteilungen bezüglich des Eigentums, möglichen Treuhandschaften oder anderen Ansprüchen hieran oder hieraus, etwaigen Vermerken auf der Urkunde oder einem Diebstahl oder Verlust) und niemand kann dafür verantwortlich gemacht werden, daß er den Inhaber als Alleineigentümer angesehen hat.
2. Die Übertragung des Eigentums an Inhaber-Teilschuldverschreibungen, Empfangsbescheinigungen, Zinsscheinen oder Talons geschieht durch Einigung der beteiligten Parteien über den Eigentumsübergang und durch die Übergabe oder auf andere Weise in Übereinstimmung mit den jeweils anzuwendenden Gesetzen und Vorschriften einschließlich der Regeln beteiligter Clearing Systeme, Bezugnahmen in den Bedingungen auf "Inhaber" oder auf "Anleihegläubiger" von Inhaber-Teilschuldverschreibungen oder von Empfangsbescheinigungen oder Zinsscheinen oder Talons sind Bezugnahmen auf die Inhaber solcher Inhaber-Teilschuldverschreibungen oder Empfangsbescheinigungen, Zinsscheine, oder Talons.

Supplement may specify alternative arrangements for the payment of interest or instalments of principal in respect of Definitive Notes in place of Coupons or Receipts, respectively. Wherever Dual Currency Notes, Partly Paid Notes or Indexed Notes are issued to bear interest on a fixed or floating rate basis or on a non interest-bearing basis, the provisions in these Terms and Conditions relating to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes respectively shall, where the context so admits, apply to such Dual Currency Notes, Partly Paid Notes or Indexed Notes. Any reference in these Terms and Conditions to Coupon(s) or Couponholder(s) shall be deemed to include a reference to Talon(s) or Talonholder(s).

6. If Notes are specified as Registered Notes in the Pricing Supplement, such Registered Notes will bear the name of the Noteholder (or the name of a nominee who holds such Note on behalf of the Noteholder) and will be registered under the name of the Noteholder with Dresdner Bank Aktiengesellschaft ("German Registrar") or with Morgan Guaranty Trust Company of New York ("Euro Registrar") (each a "Registrar").

7. Each Global Note, Definitive Note, Receipt and Coupon, if any, bears the signatures of two persons authorised by the Issuer for that purpose (which signatures may be facsimile signatures pursuant to Section 793 paragraph 2 BGB (German Civil Code)) and each Global Note, and Definitive Note, if any, bears the manual signature of an authentication officer. Each Definitive Note and each Receipt and each Coupon attached, if any, shall bear the embossed seal of the Issuer or an embossed facsimile thereof.

(B) Title

1. The Holder of any Note, Coupon ("Couponholder"), Receipt ("Receiptholder") or Talon ("Talonholder") will (except as otherwise required by applicable laws or regulatory requirements) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.
2. The transfer of title to Bearer Notes, Receipts, Coupons or Talons is effected by agreement on the transfer among the relevant parties and by delivery or otherwise in accordance with any applicable laws and regulations including the rules of any relevant clearing system. References herein to the "Holders" or the "Noteholders" of Bearer Notes or Receipts or Coupons or Talons are to the bearers of such Bearer Notes or such Receipts, Coupons, or Talons.

3. Die Übertragung des Eigentums an Namensschuldverschreibungen geschieht in Übereinstimmung mit den nachstehenden Bestimmungen durch Umschreibung und Eintragung in das Register, das auf Veranlassung der jeweiligen Anleiheschuldnerin bei der jeweiligen Registerstelle zu führen ist. Bezugnahmen auf "Inhaber" oder "Anleihegläubiger" von Namensschuldverschreibungen sind Bezugnahmen auf Personen, auf deren Namen solche Schuldverschreibungen im Register eingetragen sind.

- a) Eine Namensschuldverschreibung kann gemäß dem Agency Agreement ganz oder teilweise (sofern dieser Teil dem im Pricing Supplement bestimmten kleinsten Nennbetrag oder einem vielfachen Ganzen davon entspricht) gegen Einreichung dieser Namensschuldverschreibung und mit einem ordnungsgemäßen Übertragungsvermerk bei der benannten Geschäftsstelle der maßgeblichen Registerstelle übertragen werden. Dem Erwerber wird dann eine neue Namensschuldverschreibung ausgestellt und im Falle einer teilweisen Übertragung einer Namensschuldverschreibung wird dem Veräußerer zusätzlich in Höhe des nicht übertragenen Betrags eine neue Namensschuldverschreibung ausgestellt.
- b) Auf Antrag eines Anleihegläubigers einer Inhaber-Teilschuldverschreibung wird die Registerstelle im Auftrag der Emittentin eine Umschreibung in eine Namensschuldverschreibung gemäß § 806 BGB bewirken. Namensschuldverschreibungen können jedoch, vorbehaltlich einer vorher erteilten Zustimmung der Emittentin, nicht in Inhaberschuldverschreibungen umgeschrieben werden. Um eine Inhaberschuldverschreibung in eine Namensschuldverschreibung umzuschreiben, ist die Inhaberschuldverschreibung zusammen mit einem schriftlichen Verlangen auf Umschreibung vom Anleihegläubiger bei der benannten Geschäftsstelle der Registerstelle einzureichen. Jeder so eingereichten Inhaberschuldverschreibung müssen alle zugehörigen noch nicht fälligen Empfangsbestätigungen, Zinscheine und Talons beigelegt sein. Die Registerstelle kann die Umschreibung entweder durch Anbringen eines Umschreibungsvermerks auf der eingereichten Schuldverschreibung oder durch Ausgabe einer neuen Schuldverschreibung an den Anleihegläubiger bewirken.
- c) Jede nach der Übertragung einer Namensschuldverschreibung oder der Umschreibung einer Inhaberschuldverschreibung in eine Namensschuldverschreibung neu ausgestellte Namensschuldverschreibung wird innerhalb von drei Geschäftstagen (wie in § 2 (F) definiert) nach dem Übertragungs — oder gegebenenfalls dem Umschreibungstag bei der hierfür benannten Geschäftsstelle der Registerstelle zur Auslieferung bereitgehalten oder, nach Wahl des die Umschreibung oder die Übertragung verlangenden Anleihegläubigers per Post (auf Gefahr des Anleihegläubigers), an die von diesem (oder diesen) Anleihegläubiger(n) angegebene(n) Adresse(n) versandt. Geht ein Übertragungs — oder Umschreibungsverlangen nach dem in § 8.7 bestimmten Tag betreffend die Fälligkeit einer Zahlung aus Namensschuldverschreibungen bei der Registerstelle ein, so gilt dieses als am Tag nach der Fälligkeit einer solchen Zahlung wirksam zugegangen.

In diesen Absätzen (b) und (c) ist:

- (i) der "Umschreibungstag" der Geschäftstag, der dem Tag der Einreichung der entsprechenden In-

3. The transfer of title to the Registered Notes is effected in accordance with the following provisions by transcription (Umschreibung) and registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" or the "Noteholders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

- (a) A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the relevant Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.
- (b) Upon request by the holder of a Bearer Note, the Registrar, acting on behalf of the Issuer, shall effect a transcription (Umschreibung) into a Registered Note in accordance with Section 806 of the German Civil Code. Except with the prior consent of the Issuer, Registered Notes will, however, not be transcribable into Bearer Notes. In order to transcribe a Bearer Note into a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office of the Registrar together with a written request for the transcription. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts, Coupons and Talons appertaining thereto. The Registrar may effect such transcription by either placing a transcription legend (Umschreibungsvermerk) on the surrendered Note or by issuing a new Note to the Noteholder.
- (c) Each new Registered Note to be issued upon the transfer of a Registered Note or the transcription of a Bearer Note into a Registered Note will, within three Business Days (as defined in Condition 2 (F)) of the transfer date or, as the case may be, the transcription date be available for delivery at the specified office of the Registrar or, at the option of the Holder requesting such transcription or transfer, be mailed (at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for transcription received by the Registrar after the date specified in Condition 8.7, in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the day following the due date for such payment.

For the purposes of paragraph (b) and (c):

- (i) "transcription date" shall be the Business Day following the day on which the relevant Bearer

haberschuldverschreibung zur Umschreibung gemäß Absatz (b) folgt und

- (ii) der "Übertragungstag" der Geschäftstag der auf den Tag der Einreichung der entsprechenden Namensschuldverschreibung zur Übertragung gemäß Absatz (a) folgt.

- (d) Die Ausstellung neuer Namensschuldverschreibungen nach einer Übertragung oder einer Umschreibung von Inhaberschuldverschreibungen in Namensschuldverschreibungen wird von der Anleiheschuldnerin oder in deren Namen von der Registerstelle auf Kosten des Anleihegläubigers und nach Zahlung (oder nachdem der Anleihegläubiger eine Kostenfreistellung in dem von der Anleiheschuldnerin oder dem Registrar diesbezüglich verlangten Umfang erklärt hat) der Steuern, Gebühren oder sonstiger staatlicher Abgaben durch den Anleihegläubiger, die im Zusammenhang mit dieser Ausstellung erhoben werden, vorgenommen.

(C) Folgeemissionen

1. Die Emittentin behält sich vor, ohne Zustimmung der Inhaber von Teilschuldverschreibungen weitere Teilschuldverschreibungen mit gleicher Ausstattung zu begeben in der Weise, daß sie mit den Teilschuldverschreibungen zusammengefaßt werden, eine einheitliche Emission mit ihnen bilden und ihren Gesamtnennbetrag erhöhen. Der Begriff "Teilschuldverschreibungen" umfaßt im Falle einer solchen Erhöhung auch solche zusätzlich begebenen Teilschuldverschreibungen.

§ 2

(Verzinsung, Verzugszinsen)

(A) Verzinsung von festverzinslichen Teilschuldverschreibungen

1. Jede Teilschuldverschreibung ist auf der Grundlage ihres ausstehenden Nennbetrages (oder, wenn es sich um eine Teileingezahlte Teilschuldverschreibung handelt, auf der Grundlage des teileingezahlten Betrages) zu verzinsen, und zwar ab dem im Pricing Supplement genannten Datum des Beginns der Verzinsung (der "Beginn der Verzinsung") einschließlich (der dem Begebungstag entspricht, soweit nicht anderweitig im Pricing Supplement bestimmt) mit einer Jahresrate entsprechend dem Nominalzinssatz für eine Laufzeit bis zu, aber ausschließlich, dem Endfälligkeitstag, zahlbar nachträglich an den im Pricing Supplement genannten Zinstermen für festverzinsliche Teilschuldverschreibungen eines jeden Jahres (die "Festzinstermine") und am Endfälligkeitstag der Teilschuldverschreibung, wenn dieser nicht auf einen Festzinstern fällt.
2. Die erste Zinszahlung erfolgt an dem dem Beginn der Verzinsung folgenden nächsten Festzinstern und, sofern der Zeitraum vom Beginn der Verzinsung bis zum ersten Festzinstern von dem Zeitraum zwischen den nachfolgenden Festzinsternen abweicht, in Höhe eines zeitanteiligen Bruchteils (wie im Pricing Supplement definiert) der folgenden Zinszahlungen. Wenn der Endfälligkeitstag nicht mit einem Festzinstern zusammenfällt, erfolgt die letzte Zinszahlung am Endfälligkeitstag in Höhe eines zeitanteiligen Bruchteils (wie im Pricing Supplement definiert) für den Zeitraum vom letzten Festzinstern (oder dem Beginn der Verzinsung) einschließlich bis zum Endfälligkeitstag ausschließlich. Zinszahlungen erfolgen ausschließlich gemäß den Bestimmungen in § 8.
3. Die Verzinsung jeder Festzins-Teilschuldverschreibung endet mit Ablauf des Tages, der dem Fälligkeitstag (oder — im Fall einer nur teilweise zurückgezahlten Teilschuldverschreibung — für diesen Teil dieser Teilschuldver-

Note shall have been surrendered for transcription in accordance with paragraph (b); and

- (ii) "transfer date" shall be the Business Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with paragraph (a).

- (d) The issue of new Registered Notes on transfer or on the transcription of Bearer Notes into Registered Notes will be effected by or on behalf of the Issuer or the Registrar, at the expense of the Noteholder and upon payment by the Noteholder of (or the giving by the Noteholder of such indemnity as the Issuer or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

(C) Further Issues

1. The Issuer reserves the right from time to time without the consent of the Noteholders to issue additional notes with identical terms, so that the same shall be consolidated, form a single Tranche of Notes with and increase the aggregate principal amount of the Notes. The term "Notes" shall, in the event of such increase, also comprise such additionally issued notes.

Condition 2

(Interest, Overdue Interest)

(A) Interest on Fixed Rate Notes

1. Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date as set out in the Pricing Supplement (the "Interest Commencement Date") (which will be the Issue Date, unless otherwise specified in the Pricing Supplement) at the rate(s) per annum equal to the Fixed Rate(s) of Interest to, but excluding, the Maturity Date, payable in arrear on the interest date(s) for Fixed Rate Notes set out in the Pricing Supplement ("Fixed Interest Date(s)") in each year and on the Maturity Date if that does not fall on a Fixed Interest Date.
2. The first payment of Interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to the first Fixed Interest Date differs from the period between subsequent Fixed Interest Dates, will amount to the Initial Broken Amount (as defined in the Pricing Supplement). If the Maturity Date is not a Fixed Interest Date, interest from and including the preceding Fixed Interest Date (or the Interest Commencement Date) to but excluding the Maturity Date will amount to the Final Broken Amount (as defined in the Pricing Supplement). Interest will be paid subject to and in accordance with the provisions of Condition 8.
3. Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note), as from the due date for redemption thereof unless, upon due presentation thereof, payment of

schreibung dem Rückzahlungstag) vorausgeht, es sei denn, daß die Rückzahlung der Teilschuldverschreibung vertragswidrig aufgeschoben oder verweigert worden ist. Letzterenfalls verlängert sich der Zinslauf (sowohl bis zu als auch nach einem Gerichtsurteil) bis zu dem früheren der beiden folgenden Termine:

- a) dem Tag, an dem alle bis zu diesem Tag ausstehenden Beträge im Zusammenhang mit der Teilschuldverschreibung dem Inhaber der Teilschuldverschreibung zugeflossen oder zu seinen Gunsten eingegangen sind; oder
- b) dem Tag, an dem die jeweilige Zahlstelle den Inhaber der Teilschuldverschreibung darüber unterrichtet hat (entsprechend § 19 oder individuell), daß alle bis zu diesem Tag fälligen Beträge bei ihr eingegangen sind.

4. Wenn Zinsen für einen Zeitraum von weniger als einem vollen Kalenderjahr zu berechnen sind, erfolgt die Berechnung auf der Basis eines Jahres mit 360 Tagen, eingeteilt in 12 Monate zu je 30 Tagen (oder gemäß einer anderen, im Pricing Supplement festgelegten Regelung), und im Falle eines Zeitraums von weniger als einem Monat auf der Basis der verstrichenen Tage.

(B) Verzinsung von variabel verzinslichen Teilschuldverschreibungen

1. Jede variabel verzinsliche Teilschuldverschreibung ist auf der Grundlage ihres ausstehenden Nennbetrages (oder, wenn es sich um eine Teileingezahlte Teilschuldverschreibung handelt, auf der Grundlage des teileingezahlten Betrages) ab dem Datum des Beginns der Verzinsung einschließlich zu verzinsen. Die Zinsen sind nachträglich an jedem Zinstermin (jeder ein "Zinszahltag") zahlbar, der (soweit in diesen Bedingungen oder im jeweiligen Pricing Supplement nichts anderes bestimmt ist) nach einer Anzahl von Monaten (oder solche(r) Periode(n)), die als Zinsperiode(n) im Pricing Supplement festgelegt wurde(n) (die "Monatslaufzeit") dem vorhergehenden Zinstermin oder, im Falle des ersten Zinstermins, dem Beginn der Verzinsung, folgt. Die Verzinsung für die jeweilige Zinsperiode endet jeweils einen Tag vor dem jeweiligen Zinszahltag.
2. Sofern ein Zinszahltag auf einen Tag fällt, der kein Geschäftstag ist, so ist der Zinszahltag (sofern im Pricing Supplement nichts anderes bestimmt ist) statt dessen der nächstfolgende Geschäftstag, es sei denn, der Zinszahltag würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall ist der Zinszahltag der unmittelbar vorausgehende Geschäftstag.
3. Zinszahlungen erfolgen gemäß den Bestimmungen in § 8. Die Verzinsung jeder variabel verzinslichen Teilschuldverschreibung (oder — im Fall einer nur teilweise zurückgezählten Teilschuldverschreibung — für diesen Teil dieser Teilschuldverschreibung) endet mit Ablauf des Tages, der dem Fälligkeitstag unmittelbar vorausgeht, es sei denn, daß die Rückzahlung der Teilschuldverschreibung vertragswidrig aufgeschoben oder verweigert worden ist. Letzterenfalls verlängert sich die Zinslaufzeit (sowohl bis zu als auch bis nach einem Gerichtsurteil) bis zu dem früheren der beiden folgenden Termine:
 - a) dem Tag, an dem alle bis zu diesem Tag ausstehenden Beträge im Zusammenhang mit der Teilschuldverschreibung dem Inhaber der Teilschuldverschreibung zugeflossen oder zu seinen Gunsten eingegangen sind; oder
 - b) dem Tag, an dem die jeweilige Zahlstelle den Inhaber der Teilschuldverschreibung darüber unterrichtet hat

principal is improperly withheld or refused, in which event interest will continue to accrue (before as well as after any judgment) until whichever is the earlier of:

- a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note; and
- b) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with Condition 19 or individually) of receipt of all sums due in respect thereof up to that date.

4. If interest is to be calculated for a period of less than one year, it shall (unless otherwise specified in the Pricing Supplement) be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and, in the case of an incomplete month, the actual number of days elapsed.

(B) Interest on Floating Rate Notes

1. Each Floating Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on each interest payment date (each an "Interest Payment Date") which (save as otherwise mentioned in these Terms and Conditions or in the applicable Pricing Supplement) falls the number of months (or such other period(s)) specified as the Interest Period(s) in the Pricing Supplement (the "Specified Number of Months") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. The interest calculation for each Interest Period ceases one day prior to each Interest Payment Date.
2. In case an Interest Payment Date would otherwise fall on a day which is not a Business Day, the Interest Payment Date shall (unless otherwise specified in the Pricing Supplement) be the next succeeding Business Day unless it would thereby fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.
3. Interest will be paid subject to and in accordance with the provisions of Condition 8. Interest will cease to accrue on each Floating Rate Note (or, in the case of the redemption of part of a Note, that part only of such Note) as from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue (before as well as after any judgment) until whichever is the earlier of:

- a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note; and
- b) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with

(entsprechend § 19 oder individuell), daß alle bis zu diesem Tag fälligen Beträge bei ihr eingegangen sind.

4. Der Zinssatz ("Zinssatz"), der für die Teilschuldverschreibung regelmäßig ausbezahlt ist, wird, wenn es sich dabei um eine variabel verzinsliche Teilschuldverschreibung handelt, nach der im Pricing Supplement festgelegten Weise bestimmt.
5. Wenn als die Art und Weise der Zinsbestimmung im Pricing Supplement das Verfahren der International Swaps and Derivatives Association, Inc. ("ISDA") bestimmt ist, handelt es sich bei dem Zinssatz für jede Zinsperiode um den jeweiligen ISDA-Satz plus oder minus (wie in dem Pricing Supplement angegeben) der Marge (soweit eine solche vorgesehen ist). Im Sinne von diesem Absatz 5 entspricht der "ISDA-Satz" für eine Zinsperiode dem variablen Zinssatz, der von der Zahlstelle oder einer anderen in dem Pricing Supplement angegebenen Stelle festgesetzt wird, wenn die Zahlstelle bzw. die jeweilige andere Stelle als Berechnungsstelle für einen Zins-Swap auf Grundlage eines Vertrages unter Einbeziehung der ISDA-Definitionen (wie nachstehend definiert) fungieren würde und nach dem:
- a) die Floating Rate Option den Angaben in dem Pricing Supplement entspricht,
 - b) es sich bei der vorgesehenen Fälligkeit (Designated Maturity) um eine Frist handelt, die der Zinsperiode entspricht, und
 - c) es sich bei dem betreffenden Neufestsetzungstermin (Reset Date) (i) entweder um den ersten Tag der jeweiligen Zinsperiode, wenn die betreffende Floating Rate Option auf dem Londoner Interbanken-Angebotssatz (LIBOR) für eine Währung basiert, oder (ii) in allen anderen Fällen um den in dem maßgeblichen Pricing Supplement angegebenen Termin handelt.

Im Sinne von § 2 (B) Absatz 5 haben die Begriffe "variabler Zinssatz" (Floating Rate), "Berechnungsstelle" (Calculation Agent), "Floating Rate Option", "vorgesehene Fälligkeit" und "Neufestsetzungstermin" die in den ISDA-Definitionen angegebenen Bedeutungen.

Wenn § 2 (B) Absatz 5 Anwendung findet gilt in Bezug auf jede Zinsperiode folgendes:

- a) es handelt sich bei dem Zinssatz für die betreffende Zinsperiode um den von der Berechnungsstelle gemäß § 2 (B) Absatz 5 festgesetzten variablen Zinssatz; und
 - b) die Berechnungsstelle gilt hinsichtlich der betreffenden Zinsperiode als von ihren Verpflichtungen zur Festsetzung des Zinssatzes gemäß den ersten beiden Sätzen in § 2 (B) Absatz 7 entbunden, wenn sie den Zinssatz für die betreffende Zinsperiode in der in § 2 (B) Absatz 5 dargelegten Form festgesetzt hat.
6. Wenn die Festsetzung des Zinssatzes nach dem Pricing Supplement auf der Basis einer Bildschirm-Notierung erfolgt, handelt es sich bei dem Zinssatz für jede Zinsperiode, vorbehaltlich der nachstehend genannten Bestimmungen, entweder um:
- a) den Angebotssatz (wenn nur ein Angebotssatz angezeigt ist), oder
 - b) das arithmetische Mittel (falls erforderlich, auf — oder abgerundet auf die fünfte Dezimalstelle, wobei 0.000005 aufgerundet wird) der Angebotssätze,

(ausgedrückt in Prozent per annum) für den Referenzzinssatz (wie im Pricing Supplement bestimmt), der bzw. die auf der betreffenden Bildschirmseite (wie im

Condition 19 or individually) of receipt of all sums due in respect thereof up to that date.

4. The rate of interest (the "Rate of Interest") payable from time to time in respect of this Note if it is a Floating Rate Note will be determined in the manner specified in the Pricing Supplement.
5. Where the manner in which the Rate of Interest is to be determined is specified in the applicable Pricing Supplement as being International Swaps and Derivatives Association, Inc. ("ISDA") Determination, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this paragraph 5, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Pricing Supplement under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions (as defined below) and under which:
- a) the Floating Rate Option is as specified in the applicable Pricing Supplement;
 - b) the Designated Maturity is a period equal to that Interest Period; and
 - c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this paragraph 5, "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

When this paragraph 5 applies, in respect of each relevant Interest Period:

- a) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent in accordance with this paragraph 5; and
 - b) the Calculation Agent will be deemed to have discharged its obligations under the first two sentences of Condition 2 (B) paragraph 7 in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this paragraph 5.
6. Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
- a) the offered quotation (if there is only one offered quotation indicated); or
 - b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the Pricing Supplement) which appears or appear, as the case may be, on the

Pricing Supplement bestimmt) um 11.00 Uhr (Londoner Zeit) an dem fraglichen Zinsfestsetzungstag (wie im Pricing Supplement bestimmt), angezeigt wird bzw. werden, plus oder minus (wie in dem Pricing Supplement angegeben) der Marge (falls eine solche vorgesehen ist), wobei sämtliche Sätze von der Berechnungsstelle festgesetzt werden. Wenn auf der betreffenden Bildschirmseite fünf oder mehr Angebotssätze angezeigt werden, ist der höchste (oder, wenn mehr als ein Höchstsatz erscheint, einer dieser Sätze) und der niedrigste Satz (oder, wenn mehr als ein niedrigster Satz erscheint, einer dieser Sätze) von der Berechnungsstelle bei der Bestimmung des arithmetischen Mittels (auf — oder abgerundet, wie weiter oben angegeben) dieser Angebotssätze außer acht zu lassen.

Für den Fall, daß jeweils zu dem im vorstehenden Absatz genannten Zeitpunkt die betreffende Bildschirmseite nicht verfügbar ist, oder wenn, wie in Fall a) oben, kein Satz angezeigt wird, oder wenn, wie in Fall b) oben, weniger als drei Angebotssätze angezeigt werden, wird die Festsetzung des Zinssatzes in der Zahlstellenvereinbarung geregelt.

Wenn der jeweilige für die Floating Rate Notes geltende Referenzzinssatz in dem maßgeblichen Pricing Supplement als von dem Londoner Interbanken-Angebotssatz abweichend angegeben wird, erfolgt die Festsetzung des Zinssatzes für diese Teilschuldverschreibungen wie in dem maßgeblichen Pricing Supplement angegeben.

7. Die Berechnungsstelle wird an jedem Zinsfestsetzungstag baldmöglichst und in dem üblichen Zeitraum den Zinssatz bestimmen und den zahlbaren Zinsbetrag in Bezug auf den Nennbetrag jeder Stückelung für die entsprechende Zinsperiode (der "Zinsbetrag") berechnen. Wenn der Zinssatz entsprechend § 2 (B) Absatz 5 festgelegt wird, ist der Zinsfestsetzungstag der Tag oder der Zeitpunkt, der in dem zugehörigen befristeten Kaufangebot mit variablem Zinssatz (die "Floating Rate Option") gemäß den ISDA-Definitionen (aufgrund derer es üblich ist, in Übereinstimmung mit den Bedingungen der zugehörigen Floating Rate Option den Zinssatz festzulegen) festgelegt ist. Wenn der Zinssatz in Übereinstimmung mit § 2 (B) Absatz 4 und entweder 5 oder 6 festgelegt wird, wird der Zinsfestsetzungstag im Pricing Supplement angegeben.

Der Zinsbetrag für jede Teilschuldverschreibung wird ermittelt, indem der für die betreffende Zinsperiode geltende Zinssatz auf den Nennbetrag der Teilschuldverschreibung bezogen wird, dieser Betrag mit der tatsächlichen Zahl von in der betreffenden Zinsperiode vergangenen Tagen multipliziert wird, durch 360 dividiert wird (oder durch einen anderen Divisor, der von der Berechnungsstelle als üblich für eine solche Berechnung, und in Übereinstimmung mit dem Pricing Supplement, festgelegt wird) und der resultierende Betrag auf die nächstkleinste Einheit der Emissionswährung auf — oder abgerundet wird (bei 0,5 einer Währungseinheit wird aufgerundet). Die Bestimmung des Zinssatzes und die Berechnung jedes Zinsbetrages durch die Berechnungsstelle ist (von offensichtlichem Irrtum abgesehen) endgültig und für alle Vertragsparteien bindend.

8. Die Berechnungsstelle wird den für die jeweils folgende Zinsperiode festgelegten Zinssatz, den zahlbaren Zinsbetrag sowie den Zinstermin unverzüglich der Emittentin und (soweit die variabel verzinslichen Teilschuldverschreibungen an einer Börse notiert werden) dieser Börse mitteilen und in Übereinstimmung mit § 19 baldmöglichst, aber keinesfalls später als vier Banktage (ein Banktag ist ein Tag, an dem Geschäftsbanken und Devisenmärkte in der Stadt, in der die Berechnungsstelle ihren Sitz hat, Zahlungen abwickeln) nach

Relevant Screen Page (as specified in the Pricing Supplement) as at 11.00 a.m. (London time) on the Interest Determination Date (as specified in the Pricing Supplement) in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of a) above, no such quotation appears or, in the case of b) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than the London inter-bank offered rate, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

7. The Calculation Agent will, as soon as practicable after the customary time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of Interest payable in respect of each specified denomination (each, an "Interest Amount") for the relevant Interest period. The Interest Determination Date means, if the Rate of Interest is being determined in accordance with Condition 2 (B) paragraph 5, the day or date as set out in the appropriate floating rate option set out in the ISDA Definitions (upon which it is customary, in accordance with the terms of the appropriate floating rate option which is being used to determine the Rate of Interest), to determine the Rate of Interest. If the Rate of Interest is being determined in accordance with Condition 2 (B) paragraphs 4 and either 5 or 6, the Interest Determination Date shall be set out in the Pricing Supplement.

Each Interest Amount shall be calculated by applying the Rate of Interest to a Specified Denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 (or such other denominator determined by the Calculation Agent to be customary for such calculation and in accordance with the Pricing Supplement) and rounding the resultant figure to the nearest unit of the Issue Currency, half such a unit being rounded upwards. The determination of the Rate of Interest and calculation of each Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

8. The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and in the case of Floating Rate Notes which are listed on any stock exchange, such stock exchange, and to be published in accordance with the provisions of Condition 19 as soon as possible but in any event not later than the fourth banking day (being a day on which commercial banks and foreign exchange markets settle payments in the city where

der Festlegung, veröffentlichen. Im Fall einer Verlängerung oder Verkürzung der Zinsperiode werden von der Berechnungsstelle der bekanntgegebene Zinsbetrag und der Zinstermin ohne erneute Veröffentlichung nachträglich angepasst (oder im Wege der Anpassung geeignete andere Maßnahmen getroffen). Jede solche Anpassung wird umgehend allen Börsen mitgeteilt, an denen die Teilschuldverschreibungen zum Zeitpunkt der Anpassung notiert werden, wenn es sich dabei um variabel verzinsliche Teilschuldverschreibungen handelt.

9. Wenn das Pricing Supplement einen Mindestzinssatz bestimmt, darf der Zinssatz in keinem Fall weniger als dieses Minimum betragen, und wenn dort ein Höchstzinssatz aufgeführt ist, darf der Zinssatz in keinem Fall dieses Maximum überschreiten.

10. Ein Exemplar der ISDA-Definitionen und das Vertragsformular der ISDA-Vereinbarung sind am Sitz der jeweils ernannten Zahlstellen erhältlich.

(C) Verzinsung von Nullkupon-Teilschuldverschreibungen

Periodische Zinszahlungen werden auf Nullkupon-Teilschuldverschreibungen nicht geleistet. Wenn eine Nullkupon-Teilschuldverschreibung vor dem Endfälligkeitstag fällig und zahlbar wird und dann nicht zurückgezahlt wird, ist der fällige und zahlbare Betrag der abgezinsten Nennbetrag der Teilschuldverschreibung gemäß § 7 (B) (2). Ab dem Endfälligkeitstag wird jeder in Verzug befindliche Rückzahlungsbetrag der Teilschuldverschreibung mit einem Jahreszinssatz verzinst, der ihrem vorherigen Satz der Abdiskontierung entspricht oder einem anderen Satz, der im Pricing Supplement festgelegt ist. Die Zinslaufzeit dauert in diesem Fall (sowohl bis zu als auch nach einem Gerichtsurteil) bis zu dem früheren der beiden folgenden Termine:

- a) dem Tag, an dem alle bis zu diesem Tag ausstehenden Beträge im Zusammenhang mit der Teilschuldverschreibung dem Inhaber der Teilschuldverschreibung zugeflossen oder zu seinen Gunsten eingegangen sind; oder
- b) dem Tag, an dem die jeweilige Zahlstelle den Inhaber der Teilschuldverschreibung darüber unterrichtet hat (entsprechend § 19 oder individuell), daß alle bis zu diesem Tag fälligen Beträge bei ihr eingegangen sind.

Die Zinsen werden auf der Grundlage eines Jahres mit 360 Tagen, eingeteilt in 12 Monate zu je 30 Tagen, ermittelt, und im Falle eines verkürzten Monats anhand der Anzahl der verstrichenen Tage.

(D) Verzinsung von Index-Teilschuldverschreibungen und Doppelwährungs-Teilschuldverschreibungen

Im Fall von Index-Teilschuldverschreibungen oder Doppelwährungs-Teilschuldverschreibungen, bei denen die Zinsen (zu einem Zinszahlungstermin, zu einem Festzinstermine, zur vorzeitigen Rückzahlung, zur Endfälligkeit oder zu jedem anderen Termin) in Bezug auf einen Index und/oder eine Formel oder gegebenenfalls in Bezug auf einen Wechselkurs ermittelt werden, wird der zu zahlende Zinssatz oder Zinsbetrag gemäß dem im Pricing Supplement festgelegten Verfahren ermittelt.

the Calculation Agent is located) after their determination. Each Interest Amount and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which this Note, if it is a Floating Rate Note, is for the time being listed.

9. If the Pricing Supplement specifies a Minimum Interest Rate, then the Rate of Interest shall in no event be less than such minimum, and if there is so shown a Maximum Interest Rate then the Rate of Interest shall in no event exceed such maximum.

10. A copy of the ISDA Definitions and the form of ISDA Agreement are available from the office of each of the Paying Agents appointed from time to time.

(C) Zero Coupon Notes

There will be no periodic payment of interest on Zero Coupon Notes. Where a Zero Coupon Note becomes due and payable prior to the Maturity Date and is not paid when due, the amount due and payable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 7 (B) 2. As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Amortisation Yield or such other rate as is specified in the Pricing Supplement. Such interest shall continue to accrue (as well after as before any judgment) until whichever is the earlier of:

- a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note; or
- b) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with Condition 19 or individually) of receipt of all sums due in respect thereof up to that date.

Such interest will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and in the case of an incomplete month the actual number of days elapsed.

(D) Interest on Indexed Notes and Dual Currency Notes

In the case of Indexed Notes or Dual Currency Notes where the rate or amount of interest (whether on any Interest Payment Date, Fixed Interest Date, early redemption, maturity or otherwise) falls to be determined by reference to an Index and/or a Formula, or, as the case may be, an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.

(E) Zinsen auf Teileingezahlte Teilschuldverschreibungen

Im Fall von Teileingezahlten Teilschuldverschreibungen (außer solchen, die Nullkupon-Teilschuldverschreibungen darstellen) erfolgt die Verzinsung wie vorstehend auf den für diese Teilschuldverschreibungen gezahlten Betrag in Übereinstimmung mit § 2 (A) oder § 2 (B), oder im übrigen wie im Pricing Supplement festgelegt.

(F) Geschäftstag

In diesem § 2 bedeutet "Geschäftstag" in Bezug auf Teilschuldverschreibungen, die auf eine andere Emissionswährung als ECU (wie in § 10 definiert) lauten, einen Tag, an dem Geschäftsbanken und Devisenmärkte Zahlungen in dem Hauptfinanzzentrum des Landes der Währung, auf die die Teilschuldverschreibungen lauten, abwickeln (im Falle, daß die Teilschuldverschreibungen auf Australische Dollar lauten, ist das Melbourne oder Sydney nach Maßgabe des Pricing Supplements), und in Bezug auf Teilschuldverschreibungen, die auf ECU lauten, ein Tag, der ein "ECU Settlement Day" ist (gemäß der ISDA-Definitionen von 1991 (die "ISDA Definitions") in der jeweils überarbeiteten oder letzten Fassung zum Zeitpunkt der Emission dieser Teilschuldverschreibungen, die von der "International Swaps and Derivatives Association, Inc." herausgegeben worden ist (Teil (b) der betreffenden Definition findet keine Anwendung)).

§ 3

(Rückzahlung bei Endfälligkeit und Rückkauf durch die Emittentin)

(A) Rückzahlung bei Endfälligkeit

Soweit nicht vorzeitig zurückgezahlt oder zurückgekauft und annulliert gemäß nachfolgenden Ausführungen, wird jede Teilschuldverschreibung zu ihrem Nennbetrag (oder einem anderen im Pricing Supplement festgelegten Betrag) in der Emissionswährung am Endfälligkeitstag (wenn es sich nicht um eine variabel verzinsliche Teilschuldverschreibung handelt) oder zum Zinszahlungstag im Rückzahlungsmonat (wenn es sich um eine variabel verzinsliche Teilschuldverschreibung handelt) zurückgezahlt.

(B) Rückkauf

Der Emittentin, jeder ihrer Tochtergesellschaften und der Garantin, ist es erlaubt, Teilschuldverschreibungen im Markt oder auf andere Weise zurückzukaufen. Zurückgekaufte oder auf andere Weise von der Emittentin erworbene Teilschuldverschreibungen können gehalten, wiederverkauft oder nach Wahl der Emittentin der jeweiligen Zahlstelle zur Entwertung überlassen werden (im Falle von effektiven Teilschuldverschreibungen zusammen mit noch nicht fälligen beigefügten oder erworbenen Zinsscheinen oder Abschnitten).

§ 4

(Rückzahlung nach Wahl der Emittentin)

Wenn in dem Pricing Supplement festgelegt ist, daß die Rückzahlung nach Wahl der Emittentin erfolgt, kann diese:

- a) nach Erklärung einer Kündigung unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen (oder eine andere Kündigungsfrist wie im Pricing Supplement festgelegt) gegenüber den Inhabern der Teilschuldverschreibungen gemäß § 19; und
- b) nach einer Ankündigung durch Erklärung gegenüber der Zahlstelle spätestens 15 Tage vor der in Punkt a) genannten Kündigung;

(wobei die Erklärung in beiden Fällen unwiderruflich ist) alle zu dem betreffenden Zeitpunkt nicht zurückgezahlten Teilschuldverschreibungen an dem/den vorgesehenen Rückzahlungster-

(E) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue on the paid-up nominal amount of such Notes in accordance with Condition 2 (A) or Condition 2 (B), as appropriate, or otherwise as specified in the Pricing Supplement.

(F) Business Day

In this Condition 2 "Business Day" means, in relation to Notes denominated in an Issue Currency other than ECU (as defined in Condition 10) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Issue Currency (which, if the Issue Currency of this Note is Australian dollars, shall be Melbourne or Sydney as specified in the Pricing Supplement) and in relation to Notes denominated in ECU, a day which is an ECU Settlement Day (as defined in the 1991 ISDA Definitions (as updated or replaced as of the Issue Date of the Notes), as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")) but not including part (b) of such definition).

Condition 3

(Final Redemption and Purchase by the issuer)

(A) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed at its nominal amount (or such other amount as may be specified in the Pricing Supplement) in the Issue Currency on the Maturity Date (if this Note is not a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month (if this Note is a Floating Rate Note).

(B) Purchase

The Issuer, any of its subsidiaries and the Guarantor are entitled to purchase Notes in the market or otherwise. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the relevant Paying Agent for cancellation (in the case of Definitive Notes, together with any unmatured Coupons or Receipts attached thereto or purchased therewith).

Condition 4

(Redemption at Issuer's Option)

If the Issuer is specified in the applicable Pricing Supplement as having an option to redeem, the Issuer may, having given:

- a) not less than 30 and not more than 60 days' notice (or such other period of notice as specified in the Pricing Supplement) in accordance with Condition 19 to the Noteholders; and
- b) not less than 15 days before the giving of the notice referred to in a), notice to the Agent;

(both of which notices shall be irrevocable), redeem all of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or

min(en) und zu dem/den vorgesehenen Rückzahlungsbetrag bzw. -beträgen, die in dem Pricing Supplement angegeben sind oder in der dort angegebenen Form festgesetzt werden, falls erforderlich, zusammen mit den bis zu dem/den vorgesehenen Rückzahlungstermin(en) (jedoch ausschließlich dieses Termins bzw. dieser Termine) aufgelaufenen Zinsen zurückzahlen. Eine solche Rückzahlung muß in Höhe eines Nennbetrages erfolgen, der dem Mindestrückzahlungsbetrag oder einem höheren Rückzahlungsbetrag gemäß den Angaben in dem Pricing Supplement entspricht.

§ 5

(Rückzahlung aus Steuergründen oder Meldepflichten)

1. Falls (a) aufgrund der Einführung von Meldepflichten wie im Absatz 2 dieses § 5 beschrieben und definiert oder (b) aufgrund des Erlasses einer Rechtsvorschrift gleich welcher Art durch oder in dem Land, in dem die Emittentin oder Garantin ihren Sitz hat, oder aufgrund einer Änderung der Anwendung oder Auslegung von Rechtsvorschriften in dem Land, in dem die Emittentin oder die Garantin ihren Sitz hat, die Emittentin oder die Garantin gemäß § 11 Absatz 1 zusätzliche Beträge zu zahlen oder im Abzugswege einzu-behalten hat oder hätte, ist die Emittentin berechtigt, (a) diejenigen Teilschuldverschreibungen wie in Absatz 2 be-schrieben oder (b) sämtliche Teilschuldverschreibungen, und nicht nur einen Teil davon, mit einer Frist von wenig-stens 30 Tagen zu dem bei vorzeitiger Rückzahlung vorge-sehenen Preis oder zu dem im Pricing Supplement festge-legten Preis zu kündigen.

Die folgenden Absätze 2 bis 6 finden nur dann Verwendung, wenn die Emittentin die BMW US Capital Corp. (die "BMW US") ist.

2. Wenn die BMW US feststellt, daß bei außerhalb der USA durch sie selbst oder eine Zahlstelle erfolgenden Zahlungen von Kapital (wobei dieser Begriff ein eventuelles Aufgeld beinhaltet: "Kapital") oder Zinsen aufgrund von Teilschuldverschreibungen oder Zinsscheinen die Leistung des vollen Betrages zum nächsten anstehenden Zahlungstermin auf-grund gegenwärtiger oder künftiger Gesetze oder Verord-nungen der USA die Erfüllung einer Bescheinigungs-, Informations- oder sonstigen Berichtspflicht ("Melde-pflicht") voraussetzt und diese Meldepflicht dazu führt, daß der BMW US, einer Zahlstelle oder einer Behörde die Natio-nalität, der Wohnsitz oder die Identität eines wirtschaftlichen Eigentümers dieser Teilschuldverschreibungen oder Zins-scheine, der US-Steuerausländer (wie nachstehend defi-niert) ist, offenzulegen ist, verpflichtet sich die BMW US, diejenigen Teilschuldverschreibungen vorzeitig zu tilgen, die von Personen gehalten werden, welche von der Meldepflicht betroffen sind, es sei denn, die BMW US wählt das Verfah-ren nach Absatz 5 dieses § 5. Als Meldepflicht in diesem Sinn gilt nicht ein Erfordernis, das (i) auf Zahlungen an einen Verwahrer, Treuhänder oder sonstigen Beauftragten ("Beauftragter") des wirtschaftlichen Eigentümers keine Anwendung findet oder das dadurch erfüllt werden kann, daß der Beauftragte bestätigt, daß der wirtschaftliche Ei-gentümer nicht seinerseits einer Nachweispflicht unterliegt, (ii) nur für Zahlungen eines Beauftragten des wirtschaftli-chen Eigentümers an diesen letzteren gilt, (iii) bei Zahlun-gen durch eine andere Zahlstelle nicht Anwendung finden würde oder (iv) auf Zahlungen an einen Beauftragten des wirtschaftlichen Eigentümers deshalb Anwendung findet, weil der Beauftragte seinerseits US-Person ist oder sonstige Verbindungen zu den USA hat. Die Tilgung der Teilschuldverschreibungen muß innerhalb eines Jahres nach Mittei-lung der Feststellung der BMW US gemäß Absatz 3 Satz 1 zum Nennbetrag zuzüglich aufgelaufener Zinsen erfolgen.

determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the applicable Pricing Supplement.

Condition 5

(Redemption for Taxation Reasons or Reporting Requirements)

1. If as a result of (a) the introduction of Reporting Requirements as defined and specified in paragraph 2 of this Condition 5, or (b) the enactment of any legal provision of whatsoever nature by or in the country of incorporation of the Issuer or the Guarantor or (c) a change of application or interpretation of legal provisions in the country of incorporation of the Issuer or the Guarantor, the Issuer or the Guarantor has been or will be required to pay additional amounts pursuant to Condition 11 paragraph 1, then the Issuer is entitled upon not less than 30 days' notice to redeem (a) those Notes as described in paragraph 2 or (b) all, but not part only, of the Notes at their Early Redemption Amount or at the price specified in the Pricing Supplement.

The following paragraphs 2 to 6 shall only apply if the Issuer is BMW US Capital Corp. ("BMW US").

2. If BMW US shall determine that any payment made outside the USA by BMW US or any of the Paying Agents of the full amount of the next scheduled payment of principal (which expression shall include agio, if any, "Principal") or interest in respect of any Note or Coupon would, under any present or future laws or regulations of the USA be subject to any certification, information or other reporting requirement of any kind ("Reporting Requirement"), the effect of which Reporting Requirement is the disclosure to BMW US, a Paying Agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Note or Coupon who is a US Alien (as defined below), BMW US shall be obliged to prematurely redeem only those Notes held by persons affected by the Reporting Requirements, unless the Issuer otherwise chooses to follow the procedure in paragraph 5 of this Condition 5. A Reporting Requirement within the meaning of these Terms and Conditions of the Issue is not such a requirement which (i) would not be applicable to a payment made to a custodian, nominee or other agent ("Agent") of the beneficial owner or which can be satisfied by such Agent certifying to the effect that such beneficial owner is a US Alien (provided, however, that in each case the payment by an Agent of the beneficial owner is not otherwise subject to a Reporting Requirement), (ii) is applicable only to a payment by an Agent of such beneficial owner to the beneficial owner, (iii) would not be applicable to a payment made by any other Paying Agent, or (iv) is applicable to a payment to an Agent of such beneficial owner because such Agent is a US Person or otherwise related to the USA. The redemption of the Notes shall take place within one year after the publication of notice of the determination by BMW US pursuant to paragraph 3, sentence 1 at par plus accrued interest.

3. Wenn die BMW US eine schriftliche Mitteilung einer Zahlstelle oder irgendeiner anderen Stelle erhält, daß eine Meldepflicht besteht, hat die BMW US dies umgehend entsprechend § 19 bekanntzumachen, und zwar ohne eine selbständige Nachprüfung der Richtigkeit der Feststellung der Meldepflicht durch die Zahlstelle oder der anderen Stelle. Eine Tilgung gemäß Absatz 2 erfolgt nach Kündigung unter Einhaltung einer Frist von wenigstens 60 Tagen zum ersten Tag eines Kalendermonats. Die Kündigung erfolgt durch Bekanntmachung gemäß § 19. Sie muß den Tilgungstermin angeben und ist, vorbehaltlich Absatz 4, unwiderruflich.
 4. Falls die BMW US spätestens 30 Tage vor dem vorgesehenen Tilgungstermin feststellt, daß für die in Absatz 2 genannten Zahlungen eine Meldepflicht nicht gilt, wird die BMW US eine solche Feststellung unverzüglich gemäß § 19 öffentlich mitteilen. Die zuvor erfolgte Kündigung gilt mit der Bekanntmachung dieser Feststellung als widerrufen und wirkungslos.
 5. Soweit und solange einer Meldepflicht in vollem Umfang durch Zahlung einer Quellensteuer oder ähnlichen Abgabe, ohne Offenlegung von Staatsangehörigkeit, Wohnsitz oder Identität des wirtschaftlichen Eigentümers von Teilschuldverschreibungen oder Zinsscheinen, Genüge getan werden kann, ist die BMW US nach ihrer Wahl berechtigt, sofern die Mitteilung der Feststellung gemäß Absatz 3 Satz 1 noch nicht erfolgt ist, von einer vorzeitigen Tilgung der Teilschuldverschreibungen abzusehen und stattdessen, vorbehaltlich nachstehendem Satz 2 dieses Absatzes 5, die zusätzlichen Beträge zu zahlen, die dazu erforderlich sind, daß Zahlungen außerhalb der USA durch die BMW US oder eine Zahlstelle an die Inhaber von Teilschuldverschreibungen, die US-Steuerländer sind, in der Höhe erfolgen, daß der nach Abzug einer solchen Quellensteuer oder ähnlichen Abgabe verbleibende Nettobetrag denjenigen Beträgen von Zinsen und Kapital, die auf den Zinsscheinen bzw. den Teilschuldverschreibungen angegeben sind, entspricht. In einem solchen Fall ist die BMW US nicht verpflichtet, Zahlungen auf oder wegen Quellensteuer oder ähnlicher Abgaben zu zahlen, die (i) analog der Regelung in Absatz 2 Satz 2 in einem der dort genannten Fälle nicht oder nur mit den dort bezeichneten Einschränkungen anfallen würden oder (ii) dann nicht angefallen wären, wenn der Inhaber von Teilschuldverschreibungen binnen 15 Tagen (a) nach Fälligkeit bzw., wenn dies später sein sollte, (b) nach dem Tag, an dem der Hauptzahlstelle alle dann fälligen Beträge zur Verfügung gestellt wurden und dies gemäß § 19 bekanntgemacht wurde, die Teilschuldverschreibungen bzw. Zinsscheine zur Zahlung vorgelegt hätte oder (iii) die nur deshalb anfallen, weil BMW US oder eine der Zahlstellen davon Kenntnis haben, daß der wirtschaftliche Eigentümer der Teilschuldverschreibung oder des Zinsscheins eine Person wie in § 11 Absatz 2 a) oder h) ist.
- Falls die BMW US gemäß diesem Absatz 5 irgendwelche zusätzlichen Beträge aufgrund von Quellensteuer oder ähnlichen Abgaben bezahlt, kann sie die Teilschuldverschreibungen dennoch gemäß Absatz 3 Satz 2 und 3 kündigen, wenn aufgrund einer Änderung von Gesetzen oder Verordnungen der USA diese Quellensteuer oder ähnliche Abgabe erhöht wird.
3. Upon receipt by the Issuer of an actual written notice from a Paying Agent or any other entity that a Reporting Requirement is applicable, then, and without any further verification of the correctness of the determination made by the Paying Agent or such entity, BMW US shall give prompt notice thereof in accordance with Condition 19. A redemption pursuant to paragraph 2. shall be effective on the first day of a calendar month upon at least 60 days' notice. The notice of redemption shall be given by publication in accordance with Condition 19. It shall specify the date fixed for redemption and shall, subject to paragraph 4, be irrevocable.
 4. If BMW US shall not less than 30 days prior to the date fixed for redemption determine that no payment pursuant to paragraph 2 would be subject to a Reporting Requirement, BMW US shall give prompt notice of such determination pursuant to Condition 19. The notice of redemption given previously shall with the publication of such determination be revoked and of no further effect.
 5. If and so long as a Reporting Requirement would be fully satisfied by payment of a withholding tax or similar charge, without disclosure of the nationality, residence or identity of any beneficial owner of Notes or Coupons, BMW US may elect, prior to publication of the notice of determination referred to in the first sentence of paragraph 3, not to redeem the Notes and, in lieu of such redemption of the Notes, to pay (subject to the provisions of the following sentence 2 of this paragraph 5) such additional amounts as may be necessary in order that payments outside the USA by BMW US or any Paying Agent to Noteholders who are US Aliens shall be in such amount that the net amounts after such deduction of a withholding tax or similar charge shall equal the respective amounts of interest and principal stated on the Coupons or Notes. In such event, BMW US shall not be obliged to effect any payment for or on account of any withholding tax or similar charge which (i) by analogous application of the provisions of the second sentence of paragraph 2 above and under circumstances referred to in such sentence, would not be applicable or only be applicable with the restrictions referred to in such sentence, or (ii) would not be applicable if the Noteholder had made presentation of the Notes or Coupons, as the case may be, for payment within 15 days after (a) the date on which payment became due or (b) the date on which the relevant Paying Agent has been provided with all monies due on such date and a notice to that effect has been published in accordance with Condition 19, whichever occurs later, or (iii) is applicable because of the fact that BMW US or any Paying Agent has actual knowledge that the beneficial owner of the Notes or Coupons is a person described in subparagraphs (a) or (h) of paragraph 2 of Condition 11.
- If BMW US is paying any additional amounts because of withholding tax or a similar charge pursuant to this paragraph 5, it may nevertheless redeem the Notes in accordance with paragraph 3 sentences 2 and 3 if, following a change of laws or regulations of the USA, the amount of such withholding tax or similar charge is increased.
6. Im Sinne dieser Bedingungen sind unter den "USA" die Vereinigten Staaten von Amerika (einschließlich der Staaten und des Districts von Columbia), ihre Territorien und Besitzungen und sonstigen ihrer Jurisdiktion unterliegenden Gebiete zu verstehen, unter "US-Personen" alle Staatsangehörigen oder Gebietsansässigen der Vereinigten Staaten von Amerika, einschließlich Kapital- und Personengesellschaften oder anderen Rechtsgebilden, die in den USA oder
 6. For the purposes of these Terms and Conditions of the Issue, "USA" means the United States of America (including the States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction; "US Person" means any citizen or resident of the USA, including any corporation, partnership or other entity created or organized in or under the laws of the USA or any political subdivision thereof, and any estate or trust

einer ihrer Gebietskörperschaften oder nach deren Recht gegründet oder organisiert sind, sowie Erbmassen oder Treuhandvermögen (Trust), die, unabhängig von der Quelle ihrer Einkünfte, der Bundes-Einkommensteuer der USA unterliegen, wobei der Begriff "US-Personen" nicht eine Filiale oder Niederlassung einer US-amerikanischen Bank oder Versicherungsgesellschaft umfaßt, die aus vernünftigen Erwägungen außerhalb der USA als der örtlichen Gesetzgebung unterliegende Filiale oder Niederlassung operiert, und im Bank- oder Versicherungsgeschäft, und nicht nur zum Zwecke des Investments in Wertpapiere, die nicht nach dem United States Securities Act von 1933 registriert sind, tätig ist und unter "US-Steuerländern" alle Personen oder Rechtsgebilde, die im Sinne der Bundes-Einkommensteuer der USA ausländische Kapitalgesellschaften, gebietsfremde ausländische natürliche Personen, gebietsfremde ausländische Verwalter bzw. Treuhänder von ausländischen Erbmassen oder Treuhandvermögen oder ausländische Personengesellschaften sind, letztere unter der Voraussetzung, daß einer oder mehrere Gesellschafter im Sinne der Bundes-Einkommensteuer der USA ausländische Kapitalgesellschaften, gebietsfremde ausländische natürliche Personen oder gebietsfremde ausländische Verwalter bzw. Treuhänder von ausländischen Erbmassen oder Treuhandvermögen sind.

§ 6

(Rückzahlung der Teilschuldverschreibungen nach Wahl der Inhaber)

Die Emittentin verpflichtet sich (sofern im Pricing Supplement vorgesehen), die Teilschuldverschreibungen ganz, aber nicht teilweise, jederzeit (wenn es sich nicht um eine variabel verzinsliche Teilschuldverschreibung handelt) oder zu jedem Zinszahltag (wenn es sich um eine variabel verzinsliche Teilschuldverschreibung handelt) an einem oder an mehreren (vor dem im Pricing Supplement festgelegten Endfälligkeitstag der Teilschuldverschreibung liegenden) Termin/Terminen (mit den vorstehenden Einschränkungen), und zu einem für vorzeitige Rückzahlung vorgesehenen Preis oder dem im Pricing Supplement festgelegten Preis zurückzahlen, und zwar durch Erklärung einer Kündigung (die unwiderruflich sein muß) des Inhabers der Teilschuldverschreibung gegenüber der Emittentin gemäß § 19 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen oder jeder anderen Frist, die im Pricing Supplement festgelegt wurde, nach erfolgter Ankündigung. Um das Recht auf Rückzahlung von Teilschuldverschreibungen in effektiver Form auszuüben, muß der Inhaber von Teilschuldverschreibungen diese Teilschuldverschreibungen einschließlich aller noch nicht fälligen Zinsscheine und Abschnitte bei einer Zahlstelle einreichen, unter Beifügung einer rechtswirksam unterzeichneten und ausgefüllten Erklärung über die Ausübung des Rechts auf vorzeitige Rückzahlung ("Ausübungserklärung"), die in der jeweils gültigen Form bei jeder Zahlstelle erhältlich ist und in der der Inhaber ein Bankkonto (oder eine Adresse, falls Scheckzahlung gewünscht wird) nennen muß, auf das (bzw. an die) die Zahlung gemäß diesem § 6 geleistet werden soll. Die Einreichung muß jeweils an einem Geschäftstag am Ort der Einreichung innerhalb der vorstehenden Kündigungsfrist durchgeführt werden.

§ 7

(Rückzahlungsbeträge bei vorzeitiger Rückzahlung)

(A) Rückzahlungsbeträge bei vorzeitiger Rückzahlung

Für Zwecke der §§ 4, 5, 6 und 15 bedeutet Rückzahlungspreis bei vorzeitiger Rückzahlung von Teilschuldverschreibungen:

1. im Fall von Teilschuldverschreibungen (außer Nullkupon-, Index-, Doppelwährungs- und Teileingezahlte Teilschuldverschreibungen und bei Rückzahlung in Raten) Rückzahlung zum Nennbetrag in der Emissionswährung einschließlich bis zum Zahltag aufgelaufener Zinsen; oder

which is subject to USA Federal income taxation regardless of the source of its income provided, however, that the term "US Person" shall not include a branch or agency of a US bank or insurance company that is operating outside the USA for valid business reasons as a locally regulated branch or agency engaged in the banking or insurance business and not solely for the purpose of investing in securities not registered under the Securities Act of 1933; and the term "US Alien" means any person who, or any entity which, for USA Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for USA Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

Condition 6

(Redemption at Noteholder's Option)

If specified in the Pricing Supplement, upon the Noteholder giving to the Issuer in accordance with Condition 19 not less than 30 and not more than 60 days' notice or such other period of notice as is specified in the Pricing Supplement (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem in whole (but not in part) this Note at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) on a date or dates (subject as provided above) prior to the stated maturity of this Note as specified in the Pricing Supplement, and at the Early Redemption Amount or at the price specified in the Pricing Supplement. To exercise the right to require redemption of Notes in definitive form the Noteholder must deliver such Notes including all unmatured Coupons and Receipts to the office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6. Delivery must in each case be effected on any business day in the place of delivery falling within the notice period.

Condition 7

(Early Redemption Amount)

(A) Early Redemption Amount

For the purposes of Conditions 4, 5, 6 and 15, the Early Redemption Amount of Notes means:

1. in the case of Notes other than Zero Coupon Notes, Indexed Notes, Dual Currency Notes, Partly Paid Notes and Instalments, the nominal amount of such Notes in the Issue Currency together with interest accrued to the date of payment; or

2. im Fall von Nullkupon-Teilschuldverschreibungen Rückzahlung zum gemäß § 7 (B) abgezinsten Nennbetrag dieser Teilschuldverschreibungen; oder
3. im Fall von Index- und Doppelwährungs-Teilschuldverschreibungen Rückzahlung zum gemäß § 7 (C) ermittelten Wert.

(B) Nullkupon-Teilschuldverschreibungen

1. Der Rückzahlungsbetrag für jede Nullkupon-Teilschuldverschreibung, die gemäß den §§ 4, 5 oder 6 fällig wird, oder gemäß § 15 fällig gestellt und zahlbar wird, ist der abgezinsten Nennbetrag (errechnet wie im nachfolgenden Absatz 2) dieser Teilschuldverschreibung.
2. Unter Berücksichtigung der Regelungen im nachstehenden Absatz 3 setzt sich der abgezinsten Nennbetrag jeder Nullkupon-Teilschuldverschreibung zusammen aus:
 - a) dem Referenzpreis; und
 - b) der Differenz zwischen dem Referenzpreis und dem Nennbetrag dieser Teilschuldverschreibung, die vom Begebungstag (einschließlich) bis zu dem Tag, an dem die Teilschuldverschreibung fällig und zahlbar gestellt wird (ausschließlich) mit einer Jahresrate (ausgedrückt in Prozent) entsprechend dem im Pricing Supplement festgelegten jährlichen Abzinsungssatz abgezinst wurde.

Wenn diese Berechnung für einen anderen Zeitraum als ein volles Kalenderjahr durchgeführt wird, geschieht dies auf der Grundlage eines Jahres mit 360 Tagen, eingeteilt in 12 Monate zu je 30 Tagen, und im Falle eines nicht vollständigen Monats anhand der Anzahl der verstrichenen Tage.

3. Wenn der zu zahlende Betrag für jede Nullkupon-Teilschuldverschreibung, der gemäß den §§ 4, 5 oder 6 fällig oder gemäß § 15 fällig gestellt und zahlbar wird, bei Fälligkeit nicht gezahlt wird, dann wird der Betrag für diese Teilschuldverschreibung fällig und zahlbar, der dem abgezinsten Nennbetrag dieser Teilschuldverschreibung, berechnet wie im vorstehenden Absatz 2, entspricht, außer daß dieser vorstehende Absatz so anzuwenden ist, als ob der darin enthaltene Bezug auf das Datum der Fälligkeit und Zahlbarkeit der Teilschuldverschreibung durch einen Bezug auf das Datum der Laufzeit (das "Referenzdatum") ersetzt wird, das das frühere der beiden folgenden Daten ist:
 - a) der Tag, an dem alle bis zu diesem Tag ausstehenden Beträge im Zusammenhang mit den Teilschuldverschreibungen dem Inhaber der Teilschuldverschreibungen zugeteilt oder zu seinen Gunsten eingegangen sind; oder
 - b) der Tag, an dem die jeweilige Zahlstelle den Inhaber der Teilschuldverschreibung darüber unterrichtet hat (entsprechend § 19 oder individuell), daß alle bis zu diesem Tag fälligen Beträge bei ihr eingegangen sind.

Die Berechnung des abgezinsten Nennbetrages in Übereinstimmung mit diesem Absatz erfolgt sowohl nach als auch vor einem Gerichtsurteil bis zum Referenzdatum, soweit nicht das Referenzdatum mit dem Endfälligkeitstag zusammenfällt oder später liegt. Letzterenfalls ist der fällige und zahlbare Betrag der Nennbetrag der Teilschuldverschreibung zusammen mit eventuellen Zinsbeträgen, die gemäß § 2 (C) auflaufen.

(C) Index- und Doppelwährungs-Teilschuldverschreibungen

Für eine Index-Teilschuldverschreibung, bei der der zu zahlende Betrag im Fall einer vorzeitigen Rückzahlung des Kapitalbetrags, des Kapitalbetrags plus Zinsen oder nur der Zinsen (der "vorzeitige Rückzahlungsbetrag") ganz oder teilweise gemäß dem/der Index/Formel ermittelt werden soll,

2. in the case of Zero Coupon Notes, the Amortised Face Amount of such Notes determined in accordance with Condition 7 (B); or
3. in the case of Indexed Notes and Dual Currency Notes, the amounts determined in accordance with Condition 7 (C).

(B) Zero Coupon Notes

1. The amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 4, 5 or 6 or upon its becoming due and repayable as provided in Condition 15, shall be the Amortised Face Amount (calculated as provided in paragraph 2 below) of such Note.
2. Subject to the provisions of paragraph 3 below, the Amortised Face Amount of any Zero Coupon Note shall be the sum of:
 - a) the Reference Price; and
 - b) the aggregate amortisation of the difference between the Reference Price and the nominal amount of such Note from (and including) the Issue Date to (but excluding) the date on which such Note becomes due and repayable at a rate per annum (expressed as a percentage) equal to the Amortisation Yield compounded annually as shown in the relevant Pricing Supplement.

Where such calculation is to be made for a period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

3. If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4, 5 or 6 or upon its becoming due and repayable as provided in Condition 15 is not paid when due, the amount due and repayable in respect of such Note shall be the Amortised Face Amount of such Note calculated pursuant to paragraph 2 above, except that that paragraph shall have effect as though the reference therein to the date on which such Note becomes due and repayable were replaced by a reference to the date (the "Reference Date") which is the earlier of:
 - a) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the holder thereof; and
 - b) the date on which the relevant Paying Agent has notified the holder thereof (either in accordance with Condition 19 or individually) of receipt of all sums due in respect thereof up to that date.

The calculation of the Amortised Face Amount in accordance with this paragraph will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with any interest which may accrue in accordance with Condition 2 (C).

(C) Indexed Notes and Dual Currency Notes

In respect of an Indexed Note where the amount payable on an early redemption in respect of principal only, principal and interest or interest only (the "Early Redemption Amount") falls to be determined in whole or in part by reference to the Index and/or Formula, the Pricing Supplement will specify details of

enthält das Pricing Supplement Angaben für eine Berechnung des vorzeitigen Rückzahlungsbetrages. Doppelwährungs-Teilschuldverschreibungen, bei denen der Rückzahlungsbetrag unter Bezug auf den Devisenkurs ermittelt werden soll, werden mit dem Betrag zurückgezahlt, der unter Bezug auf diesen Devisenkurs errechnet wurde, gegebenenfalls zusammen mit den bis zum Fälligkeitstermin aufgelaufenen Zinsen.

(D) Rückzahlung in Raten

Jede Teilschuldverschreibung, die in effektiven Stücken verbrieft und in Teilbeträgen zurückzuzahlen ist, wird mit den vorgesehenen Beträgen und zu den vorgesehenen Terminen, die im Pricing Supplement festgelegt sind, und jeweils (mit Ausnahme des letzten Teilzahlungsbetrags) gegen Einreichung der jeweiligen Abschnitte (die mit der zugehörigen Teilschuldverschreibung vorgelegt werden müssen) zurückgezahlt.

(E) Teileingezahlte Teilschuldverschreibungen

Teileingezahlte Teilschuldverschreibungen werden sowohl bei Endfälligkeit als auch bei vorzeitiger Rückzahlung oder Rückzahlung aus anderem Grund gemäß diesem § 7, mit ergänzenden oder verändernden Regelungen aus dem Pricing Supplement, zurückgezahlt.

§ 8 (Zahlungen)

1. Die Emittentin verpflichtet sich, Kapital und etwaige Zinsen sowie etwa gemäß § 11 Absatz 1 zu zahlende zusätzliche Beträge bei Fälligkeit in der Emissionswährung oder in einer anderen Währung, die im Pricing Supplement festgelegt ist (im Fall von Doppelwährungs-Teilschuldverschreibungen), zu zahlen. Falls es sich bei der Emissionswährung um ECU (wie in § 10 definiert) handelt und die ECU weder als Recheneinheit der Europäischen Gemeinschaft ("EG") noch als Währung der Europäischen Union ("EU") Verwendung findet, verpflichtet sich die Emittentin zur Zahlung in einer Ersatzwährung (wie in § 10 definiert). Die Kapitalbeträge und die etwaigen Zinsen werden dem Inhaber der Teilschuldverschreibungen, unter Beachtung etwaiger Steuer-, Devisen- und sonstiger Vorschriften des Landes der betreffenden Zahlstelle, gezahlt, ohne daß die Ausfertigung eines Affidavits oder die Erfüllung irgendeiner sonstigen Förmlichkeit verlangt werden darf, es sei denn, das Recht des Landes der betreffenden Zahlstelle schreibt dies zwingend vor. Die Zahlungen erfolgen:

in der Bundesrepublik Deutschland bei der
Dresdner Bank Aktiengesellschaft, Frankfurt am Main
— Programm-Agent, Zahlstelle und deutsche Registerstelle —

und außerhalb der Bundesrepublik Deutschland bei der
Morgan Guaranty Trust Company of New York, London,
— Zahlstelle und Euro-Registerstelle

sowie bei gegebenenfalls gemäß Absatz 2 zusätzlich ernannten Zahlstellen oder Registerstellen außerhalb der Vereinigten Staaten von Amerika ("USA") (jede eine "Zahlstelle" und zusammen die "Zahlstellen"). Zahlung von Kapital und Zinsen erfolgt durch Scheck oder Überweisung auf ein Konto in der entsprechenden Währung durch eine Bank mit Sitz in dem Land dieser Währung oder, im Falle von USD, durch einen auf eine US-amerikanische Bank gezogenen USD Scheck oder durch Gutschrift auf ein außerhalb der USA bestehendes USD Konto. Die Emittentin wird, wenn und solange die Teilschuldverschreibungen an der Frankfurter Wertpapierbörse notiert werden, als Zahlstelle eine Bank mit einer deutschen Geschäftsstelle beauftragen, und sie wird als Zahlstelle eine Bank mit einer Geschäftsstelle außerhalb Deutschlands beauftragen, wobei diese Geschäftsstelle, wenn und solange die Teilschuldverschreibungen an der "The London Stock Exchange Limited" notiert

the calculation of the Early Redemption Amount. Dual Currency Notes, where the amount payable upon redemption falls to be determined by reference to the Rate of Exchange, will be redeemed at the amount calculated by reference to such Rate of Exchange, together (if appropriate) with interest accrued to the date fixed for redemption.

(D) Instalments

Each Note in definitive form which is redeemable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates as specified in the Pricing Supplement, and in the case of all instalments (other than the final instalment) by surrender of the relevant Receipt (which must be presented with the Note to which it appertains).

(E) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition 7 as amended or varied by the information specified in the Pricing Supplement.

Condition 8 (Payments)

1. The Issuer undertakes to pay, as and when due, principal, interest, if any, and additional amounts which may have to be paid according to Condition 11 paragraph 1 in the Issue Currency or in another currency as may be specified in the Pricing Supplement (in the case of Dual Currency Notes). In the event the Issue Currency is ECU (as defined in Condition 10) and the ECU is used neither as the unit of account of the European Community ("EC") nor as the currency of the European Union ("EU"), the Issuer undertakes to pay all amounts due in the Replacement Currency (as defined in Condition 10). The principal amount and interest, if any, shall be paid to the Noteholder subject to compliance with any applicable tax, foreign exchange or other laws and regulations of the country where the relevant paying agent is located, without the execution of an affidavit or compliance with any other formality whatsoever, unless such affidavit or formality is prescribed by the laws of the country in which the paying agent is located. Such payments shall be made:

in the Federal Republic of Germany at
Dresdner Bank Aktiengesellschaft, Frankfurt am Main
— Programme Agent, Paying Agent and German Registrar —

and outside the Federal Republic of Germany at
Morgan Guaranty Trust Company of New York, London Office,
— Paying Agent and Euro Registrar

and at such further paying agents or registrars outside the United States of America ("USA") as may be appointed pursuant to paragraph 2 (each a "Paying Agent" and together the "Paying Agents"). Payment of principal and interest will be made by cheque or by transfer to an account in the relevant currency with a bank domiciled in the country of the relevant currency or, in case of USD, by a USD cheque drawn on a US bank or by credit to a USD account outside the USA. The Issuer will, if and so long as the Notes are listed on the Frankfurt Stock Exchange, maintain a Paying Agent having a specified office in Germany and will maintain a Paying Agent having a specified office outside Germany which, so long as the Notes are listed on the London Stock Exchange Limited, will be in London. The Issuer will, if and so long as the Notes are listed on any other stock exchange, maintain a Paying Agent with a specified office in such place as may be required by the rules and regulations of

werden, in London geführt werden muß. Die Emittentin wird, wenn und solange die Teilschuldverschreibungen an irgendeiner anderen Börse notiert werden, eine Zahlstelle mit Geschäftsstelle an dem Ort, der nach den Vorschriften und Anordnungen dieser Börse erforderlich ist, unterhalten.

2. Die Emittentin kann mit Zustimmung der Dresdner Bank Aktiengesellschaft ("Dresdner Bank"), die nicht unbillig verweigert werden darf, durch Veröffentlichung gemäß § 19 zusätzliche Zahlstellen bestellen oder eine der Zahlstellen zum Programm-Agenten bestellen oder die Bestellung von Zahlstellen widerrufen. Die Zahlstellen handeln in ihrer Eigenschaft als solche ausschließlich als Beauftragte der Emittentin und stehen nicht in einem Auftrags- oder Treuhandverhältnis zu den Inhabern von Teilschuldverschreibungen.

3. Die Zahlstellen sind bei der Zahlung des Kapitalbetrages und der etwaigen Zinsen auf die Teilschuldverschreibungen berechtigt, aber nicht verpflichtet, die Berechtigung des Einreichers zu prüfen.

4. Falls ein Zahltag für irgendeinen Betrag im Zusammenhang mit der Teilschuldverschreibung, einem Abschnitt oder einem Zinsschein kein Banktag ist, können die Inhaber von Teilschuldverschreibungen, Abschnitten oder Zinsscheinen am Ort der Einreichung bis zum nächsten Banktag keinen Auszahlungsanspruch geltend machen und haben keinen Anspruch auf Verzugszinsen oder eine andere Entschädigung wegen dieser Verzögerung. In diesen Bedingungen bedeutet "Banktag" einen Tag, an dem Geschäftsbanken und Devisenmärkte in dem Hauptfinanzzentrum des Landes der Emissionswährung Zahlungen abwickeln (im Fall, daß die Emissionswährung auf Australische Dollar lautet, ist das Melbourne oder Sydney; soweit die Bestimmungen aus § 10 zutreffen, das der gewählten Währung). Im Fall von ECU ist ein "Banktag" ein Tag, an dem am Platz der Einreichung Abwicklungen in ECU vorgenommen werden (wie in den ISDA-Definitionen festgelegt).

5. Soweit effektive Teilschuldverschreibungen gedruckt und ausgeliefert worden sind, sind die zur Rückzahlung fälligen Teilschuldverschreibungen zusammen mit, soweit vorhanden, sämtlichen noch nicht fälligen Zinsscheinen, Abschnitten und/oder Talons einzureichen. Sofern noch nicht fällige Zinsscheine und Abschnitte zum Zeitpunkt der Vorlage von Teilschuldverschreibungen zur Rückzahlung nicht vorgelegt werden, wird der Kapitalbetrag der Teilschuldverschreibungen um den Betrag solcher fehlender Zinsscheine und Abschnitte gekürzt.

Bei Eintritt der Fälligkeit zur Rückzahlung jeder variabel verzinslichen Doppelwährungs- oder Index-Teilschuldverschreibung in effektiver Form werden alle zu dieser Teilschuldverschreibung gehörenden noch nicht fälligen Abschnitte, Zinsscheine und Talons (ob beigelegt oder nicht) ungültig und keine Zahlung oder gegebenenfalls Einlösung sollte hierauf erfolgen.

6. Ungeachtet des Vorstehenden werden Zahlungen auf Teilschuldverschreibungen, die auf US-Dollar lauten, bei einer Zahlstelle in den USA vorgenommen, wenn:

- a) die Emittentin Zahlstellen mit Geschäftsstellen außerhalb der USA ernannt hat in der begründeten Erwartung, daß diese Zahlstellen in der Lage sein würden, Zahlungen in Höhe des vollen Betrages auf die Teilschuldverschreibungen in diesen Geschäftsstellen außerhalb der USA zu leisten;
- b) Zahlungen in Höhe dieses vollen Betrags in diesen Geschäftsstellen außerhalb der USA nicht rechtmäßig oder durch Devisenbeschränkungen oder ähnliche Beschränkungen tatsächlich nicht möglich sind; und

such stock exchange.

2. With the consent of Dresdner Bank Aktiengesellschaft ("Dresdner Bank"), which may not be unreasonably withheld, the Issuer may appoint additional Paying Agents or may appoint any Paying Agent as Programme Agent or terminate the appointment of individual Paying Agents and shall give notice thereof in accordance with Condition 19. The Paying Agents, in their capacity as such, are acting exclusively as agents for the Issuer and do not have any relationship of agency or trust with the Noteholders.

3. When redeeming the Notes and paying the interest, if any, or making any other payments, the Paying Agents are authorised but not obliged to verify the right thereto of the Noteholder.

4. If any date for payment of any amount in respect of any Note, Receipt or Coupon is not a Banking Day, then the holder thereof shall not be entitled to payment at the place of presentation of the amount due until the next following Banking Day and shall not be entitled to any interest or other sum in respect of any such delay. In these Terms and Conditions "Banking Day" means a day on which commercial banks and foreign exchange markets settle payment in the principal financial centre of the country of the Issue Currency (which, if the Issue Currency of this Note is Australian dollars, shall be Melbourne or Sydney) (or, if the provisions of Condition 10 apply, the chosen currency) (being in the case of ECU, a day which is an ECU Settlement Day (as defined in the ISDA Definitions)) and in the relevant place of presentation.

5. Insofar as Definitive Notes have been printed and delivered, the Notes due for repayment must be surrendered together with all unmatured Coupons, Receipts and/or Talons, if any. If such unmatured Coupons and Receipts are not surrendered at the time when the Notes are presented for payment, the redemption amount of the redeemed Notes will be reduced by the amount of the Coupons and Receipts not presented.

Upon the due date for redemption of any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form, any unmatured Receipts, Coupons or Talons relating to such Note (whether or not attached) shall become void and no payment or exchange, as the case may be, shall be made in respect of them.

6. Notwithstanding the foregoing, payments in respect of Notes denominated in USD will be made at the office of a Paying Agent in the USA if:

- a) the Issuer has appointed Paying Agents with offices outside the USA with the reasonable expectation that such Paying Agents would be able to make payment at such offices outside the United States at the full amount on the Notes in the manner provided above when due;
- b) payment of the full amount at such offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and

- c) eine solche Zahlung unter diesen Umständen gemäß dem Recht der USA erlaubt ist.
7. a) Zur Rückzahlung fällige Beträge auf Namensschuldverschreibungen werden (einschließlich aufgelaufener Zinsen) gegen Vorlage und Einreichung der jeweiligen Namensschuldverschreibung bei der benannten Geschäftsstelle der Registerstelle zurückgezahlt. Ist der Fälligkeitstag für die Zahlung des Rückzahlungsbetrages einer Namensschuldverschreibung kein Banktag, hat der Inhaber der Namensschuldverschreibung einen Anspruch auf Auszahlung erst am nachstfolgenden Banktag. Der Anspruch auf Zahlung zusätzlicher Zins- oder anderer Beträge aufgrund einer solchen späteren Zahlung ist ausgeschlossen, es sei denn, die Zahlung wird am nächstfolgenden Banktag nicht geleistet. In einem solchen Fall läuft die Verzinsung gemäß § 2(A)3, 2(B)3 oder 2(C) weiter.
- b) Die Zahlung von fälligen Beträgen (Kapital, Zinsen oder sonstige Beträge) auf Namensschuldverschreibungen erfolgt an die Inhaber von Namensschuldverschreibungen (oder im Fall von gemeinschaftlichem Eigentum an den an erster Stelle genannten Inhaber von Namensschuldverschreibungen) soweit sie zu Geschäftsbeginn am fünfzehnten Banktag (Ortszeit der benannten Geschäftsstelle der Registerstelle) vor dem Fälligkeitstag der jeweiligen Zahlung in dem bei der Registerstelle geführten Register verzeichnet sind.
- c) Ungeachtet der Bestimmungen des Absatz 1 erfolgt die Zahlung von Beträgen (Kapital, Zinsen oder sonstige Beträge) auf Namensschuldverschreibungen in der Währung, in der der entsprechende Betrag fällig ist, durch Scheck in Übereinstimmung mit den für die betreffende Währung oder den betreffenden Erfüllungsort geltenden gesetzlichen Bestimmungen und Vorschriften an die Adresse (wie im von der Registerstelle geführten Register verzeichnet) des Inhabers von Namensschuldverschreibungen (oder im Fall von gemeinschaftlichem Eigentum an den an erster Stelle genannten Inhaber von Namensschuldverschreibungen) an dem betreffenden Banktag, der nicht nach dem maßgeblichen Fälligkeitstag liegen darf. Sofern der Inhaber einer Namensschuldverschreibung (oder im Fall von gemeinschaftlichem Eigentum der an erster Stelle genannte Inhaber von Namensschuldverschreibungen) vor dem entsprechenden Fälligkeitstag bei der Registerstelle die Zahlung per Überweisung auf ein angegebenes Konto, das auf die entsprechende Währung lautet (im vorerwähnten Fall auf ein Konto für Nicht-Gebietsansässige bei einer für Fremdwährungstransaktionen zugelassenen Bank) beantragt und die Registerstelle diesem Antrag entsprochen hat, erfolgt die Zahlung am entsprechenden Fälligkeitstag durch Überweisung auf ein Konto. Im Fall einer Zahlung durch Überweisung hat der Inhaber von Namensschuldverschreibung, sofern der Fälligkeitstag für eine solche Zahlung kein Banktag ist, einen Anspruch auf Auszahlung erst am nächstfolgenden Banktag an dem Ort, wo das angegebene Konto geführt wird und der Anspruch auf Zahlung zusätzlicher Zinsen oder sonstiger Beträge aufgrund einer solchen späteren Zahlung ausgeschlossen ist, es sei denn, die Zahlung wird am nächstfolgenden Banktag nicht geleistet in einem solchen Fall läuft die Verzinsung gemäß § 2(A)3, 2(B)3 oder 2(C) weiter.
- c) such payment is then permitted under US law.
7. a) Payment of amounts (together with accrued interest) due on the final redemption of Registered Notes will be made against presentation and surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Banking Day, then the Holder thereof will not be entitled to payment thereof until the next following Banking Day and no further interest or other payment shall be due in respect of such postponed payment unless there is a subsequent failure to pay, in which event interest shall continue to accrue in accordance with the provisions of Condition 2(A)3, 2(B)3 or 2(C), respectively.
- b) Payment of amounts (whether principal, interest or otherwise) due in respect of Registered Notes will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) who on the fifteenth Banking Day before the due date for such payment appear in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar).
- c) Notwithstanding the provisions of paragraph 1, payment of amounts (whether principal, interest or otherwise) due in respect of Registered Notes will be made in the currency in which such amount is due by cheque in accordance with the legal provisions and regulations which may apply to the relevant currency or place of performance and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the relevant Banking Day not later than the relevant due date for payment unless prior to such date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (in the case aforesaid, a non-resident account with an authorised foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Banking Day, then the Holder thereof will not be entitled to payment thereof until the next following day which is a Banking Day in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay, in which event interest shall continue to accrue in accordance with the provisions of Condition 2(A)3, 2(B)3 or 2(C).

**§ 9
(Transfer)**

Die Emittentin verpflichtet sich, der jeweiligen Zahlstelle alle Beträge in der Emissionswährung zur Verfügung zu stellen, die für die Bedienung der aus diesen Bedingungen resultierenden finanziellen Verpflichtungen erforderlich sind. Im Fall, daß die Emissionswährung auf ECU lautet und ECU weder als Recheneinheit der EG noch als Währung der EU verwandt werden, gilt diese Verpflichtung für die anstelle der ECU bestimmte Ersatzwährung, die für diesen Zweck von der jeweiligen Zahlstelle aus den die ECU ausmachenden Währungen ausgewählt wird. Diese Überweisung an die jeweilige Zahlstelle hat rechtzeitig, unter allen Umständen und unbeschadet jeder bestehenden oder zukünftigen Zahlungs- und Abwicklungsvereinbarung (Clearing Agreement) zu erfolgen, und ungeachtet der Nationalität, dem Wohnsitz oder dem Aufenthaltsort des Berechtigten, und ohne daß die Ausfertigung eines Affidavits oder die Einhaltung einer sonstigen Förmlichkeit verlangt werden darf.

**§ 10
(Auf ECU lautende Teilschuldverschreibungen)**

1. Wenn die Emissionswährung der Teilschuldverschreibungen auf ECU lautet, gelten die in diesem § 10 nachfolgend aufgeführten Regelungen.
2. Sofern die Teilschuldverschreibungen auf ECU lauten, ist der Nennbetrag der Teilschuldverschreibungen oder im Fall von Doppelwährungs-Teilschuldverschreibungen deren Rückzahlungsbetrag ("ECU") nach Wert und Zusammensetzung auf dieselbe Weise bestimmt, wie die Zusammensetzung der ECU als Recheneinheit der EG bestimmt wird. Die EG kann in Übereinstimmung mit den Bestimmungen des Vertrages zur EU bestimmte Änderungen bezüglich der Art und Zusammensetzung des ECU durchführen. Jeder hier verwendete Bezug auf die ECU gilt dann als Bezug auf die so geänderte ECU.
3. Zahlungen in Bezug auf Teilschuldverschreibungen, die in ECU zahlbar sind, werden in Übereinstimmung mit § 8 vorgenommen, soweit dort oder im folgenden nichts anderes bestimmt ist. Zahlungen in ECU werden durch Gutschrift oder Überweisung auf ein ECU-Konto, das vom Zahlungsempfänger anzugeben ist, geleistet, und Zahlungen in einer ECU-Währung, soweit dies in Übereinstimmung mit den Bestimmungen des nachfolgenden Absatzes 4 geschieht, werden in der Ersatzwährung gemäß nachfolgendem Absatz 4 nach Wahl des Inhabers der Teilschuldverschreibung durch Scheckzahlung oder Überweisung auf ein vom Zahlungsempfänger anzugebendes Konto bei einer Bank in dem Hauptfinanzzentrum des Landes der Ersatzwährung geleistet.
4. Hinsichtlich jedes Fälligkeitstages für die Zahlung von Kapital oder Zinsen in ECU, an dem die ECU weder als Recheneinheit der EG noch als Währung der EU Verwendung findet, wird die jeweilige Zahlstelle, ohne daß dadurch eine Verbindlichkeit ihrerseits begründet wird, eine der in die ECU einbezogenen Währungen auswählen, in der alle zu diesem Termin fälligen Zahlungen erfolgen (die "Ersatzwährung"). Der in der Ersatzwährung jeweils zahlbare Betrag wird auf der Grundlage des Gegenwertes der ECU in dieser Währung bestimmt, der gemäß den nachfolgenden Regelungen in den Absätzen 5 bis 7 zum vierten Geschäftstag in London vor dem jeweiligen Fälligkeitstag festgesetzt wird.

Am ersten Geschäftstag in London, an dem die ECU weder als Recheneinheit der EG noch als Währung der EU Verwendung findet, wird die jeweilige Zahlstelle, ohne daß dadurch eine Verbindlichkeit ihrerseits entsteht, eine Ersatzwährung der ECU auswählen, in der alle Zahlungen auf bereits vor

**Condition 9
(Transfer)**

The Issuer undertakes to transfer to the relevant Paying Agent in the Issue Currency all sums required for the performance of the financial obligations arising from these Terms and Conditions of Notes. In the event the Issue Currency is ECU and the ECU is being used neither as the unit of the EC nor as the currency of the EU, this undertaking shall refer to the Replacement Currency of the ECU chosen for that purpose by the relevant Paying Agent. Such transfer to the relevant Paying Agent is to be made in a timely manner, under any and all circumstances and irrespective of any present or future payment and clearing agreement and regardless of the nationality, domicile or residence of the claimant and without it being permissible to require the execution of an affidavit or compliance with any other formality.

**Condition 10
(Notes denominated in ECU)**

1. Should the Issue Currency of the Notes be ECU the provisions of this Condition 10 shall apply.
2. If the Notes are denominated in ECU, the value and composition of the ECU in which the Notes are denominated, or, if the Notes are Dual Currency Notes payable in ECU, the value and composition of the ECU in which the Notes are payable ("ECU"), will be the same as the composition of the European Currency Unit that is from time to time used as the unit of account of the EC. Certain changes as to the nature of composition of the ECU may be made by the EC in conformity with the provisions of the Treaty on EU. References herein to the ECU shall be deemed to be references to the ECU as so changed.
3. Payments in respect of the Notes payable in ECU will be made in accordance with Condition 8 except as otherwise expressly provided herein and therein. Payments in ECU will be made by credit or transfer to an ECU account specified by the payee and payments in a component currency if so determined in accordance with the provisions of paragraph 4 below will be made in the Replacement Currency (as defined in paragraph 4 below) at the option of the holder by cheque drawn on, or by transfer to an account specified by the payee with, a bank in the principal financial centre of the country of the Replacement Currency.
4. With respect to each due date for payment of principal or interest on which the ECU is used neither as the unit of account of the EC nor as the currency of the EU, the relevant Paying Agent shall, without liability on its part, choose a component currency of the ECU in which all payments due on that date are to be made (the "Replacement Currency"). The amount of each payment in the Replacement Currency shall be computed on the basis of the equivalent of the ECU in that currency determined as set forth in the provisions of paragraphs 5 to 7 below, as of the fourth London Business Day prior to the relevant due date.

On the first London Business Day on which the ECU is used neither as the unit of account of the EC nor as the currency of the EU any longer, the relevant Paying Agent shall, without liability on its part, choose a Replacement Currency of the ECU, in which all payments with respect to Notes or

diesem Zeitpunkt fällige, aber noch nicht zur Zahlung vorgelegte Teilschuldverschreibungen und zur Zahlung fällige Zinsen zu erbringen sind. Jeder in der Ersatzwährung zahlbare Betrag wird auf der Grundlage des Gegenwertes der ECU zu dieser Währung errechnet, wie er gemäß den nachfolgenden Regelungen in den Absätzen 5 bis 7 für diesen ersten Geschäftstag bestimmt wird.

5. Für den Fall, daß die ECU weder als Recheneinheit der EG noch als Währung der EU verwendet wird, wird der Gegenwert der ECU in jeder der einbezogenen Währungen für jeden beliebigen Tag (der "Bewertungstag") durch die jeweilige Zahlstelle wie folgt bestimmt.

Die Bestandteile der ECU (die "Komponenten") sollen für Zwecke dieser Berechnung die Währungsbeträge sein, die in die Definition der ECU einbezogen waren, als die ECU als Recheneinheit der EG oder als Währung der EU verwendet wurde. Falls jedoch die ECU zur Erfüllung von Geschäften öffentlicher Institutionen der oder innerhalb der EG Verwendung findet, oder falls diese nach ihrer jüngsten Verwendung als Recheneinheit der EG oder als Währung der EU so verwendet wird, sollen Komponenten sein:

- a) die Währungsbeträge, die bei entsprechender Verwendung der ECU zum Bewertungstag in deren Definition einbezogen sind; oder gegebenenfalls
- b) die Währungsbeträge, die, als diese zuletzt so Verwendung fand, in die Definition der ECU einbezogen waren.

Falls die offizielle Einheit einer in die ECU einbezogenen Währung im Wege der Zusammenlegung oder Unterteilung geändert wird, soll die Anzahl der Einheiten dieser Währung, die als Komponente dient, im selben Verhältnis dividiert oder multipliziert werden. Falls zwei oder mehrere in die ECU einbezogene Währungen in eine Währung zusammengelegt werden, sollen die Beträge in diesen Währungen, die als Komponenten dienen, durch einen Betrag in der einen Währung ersetzt werden, der gleich groß ist wie die in der einen Währung ausgedrückte Summe der Beträge in den zusammengelegten Währungen. Falls eine einbezogene Währung in zwei oder mehr Währungen geteilt wird, soll der Betrag in solcher Währung, der als Komponente dient, durch Beträge in diesen zwei oder mehreren Währungen ersetzt werden, die jeweils gleich groß sind wie der Betrag in der vorher einbezogenen Währung, der durch die Zahl der Währungen, in die diese Währung aufgespalten worden ist, geteilt ist.

6. Der Gegenwert der ECU in jeder der einbezogenen Währungen wird auf Grundlage des addierten US-Dollar-Gegenwertes der einbezogenen Währungen bestimmt, und dann unter Anwendung des Kurses, der für die Ermittlung des Gegenwertes der ausgewählten einbezogenen Währung, wie unten ausgeführt, benutzt wurde, der Gegenwert der ausgewählten Währung in US-Dollar berechnet. Dieser Gegenwert in US-Dollar errechnet sich aus der Summe der US-Dollar-Gegenwerte der Komponenten, wobei für jede der vorgenannten Berechnungen jeweils derselbe Kurs heranzuziehen ist.

Der US-Dollar-Gegenwert zu jeder der Komponenten soll durch die jeweilige Zahlstelle auf Basis des um 11.00 Uhr Londoner Ortszeit zum Bewertungstag maßgeblichen mittleren Kassa-Brief-Kurses (middle spot delivery quotation) bestimmt werden, wie er der jeweiligen Zahlstelle von einer oder mehreren größeren, von der jeweiligen Zahlstelle im Heimatstaat der entsprechenden einbezogenen Währung ausgewählten Banken, genannt wird.

Falls am Bewertungstag keine derartigen direkten Kursangaben für eine einbezogene Währung von einer der

interest due for payment having become due prior thereto but not yet presented for payment are to be made. The amount of each payment in the Replacement Currency shall be computed on the basis of the equivalent of the ECU in that currency, determined as set forth in the provisions of paragraphs 5 to 7 below, as of such first Business Day.

5. In the event that the ECU is used neither as the unit of account of the EC nor as the currency of the EU, the equivalent of the ECU in each of the component currencies as of any day (the "Day of Valuation") shall be determined by the relevant Paying Agent as follows.

The components of the ECU for the purpose of this determination (the "Components") shall be the currency amounts that were components of the ECU when the ECU was most recently used as the currency of the EU; provided, however, that if the ECU is being used for the settlement of transactions by public institutions of or within the EC, or if it was so used after its most recent use as the unit of account of the EC or the currency of the EU, the Components shall be:

- b) the currency amounts that are components of the ECU as so used as of the Day of Valuation; or
- b) the currency amounts that were components of the ECU when it was most recently so used, as the case may be.

In the event that the official unit of any component currency of the ECU is altered by way of combination or subdivision, the number of units of that currency as a Component shall be divided or multiplied in the same proportion. In the event that two or more component currencies are consolidated into a single currency, the amounts of those currencies as Components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in such single currency. In the event that any component currency should be divided into two or more currencies, the amount of that currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall be equal to the amount of the former component currency divided by the number of currencies into which that currency was divided.

6. The equivalent of the ECU in each of the component currencies shall be calculated on the basis of the aggregate of the US dollar equivalents of the Components, and then using the rate used for determining the US dollar equivalent of the Component in the chosen currency, as set forth below, calculating the equivalent of the chosen currency in US dollars. Such US dollar equivalent shall be calculated as the sum of the US dollar equivalents of the Components, using the same rate for each of the aforesaid calculations.

The US dollar equivalent of each of the components shall be determined by the relevant Paying Agent on the basis of the middle spot delivery quotation prevailing at 11:00 a.m. London time on the Day of Valuation, as obtained by the relevant Paying Agent from one or more major banks, as selected by the relevant Paying Agent in the country of issue of the component currency in question.

In the event that no such direct quotations are available for a component currency on a Day of Valuation from any of the

von der jeweiligen Zahlstelle zu diesem Zweck ausgewählten Banken erhältlich sind, sei es, weil die Devisenmärkte im Heimatstaat dieser Währung geschlossen sind oder sei es aus anderen Gründen, wird die zuletzt für diese Währung von der jeweiligen Zahlstelle erhaltene Kursangabe zur Berechnung des Gegenwertes der ECU am Bewertungstag verwendet. Jedoch dürfen solche jüngsten Kursangaben nur dann herangezogen werden, wenn sie vor nicht länger als zwei Geschäftstagen im Heimatstaat der betreffenden einbezogenen Währung vor dem Bewertungstag maßgeblich waren. Liegen die jüngsten Kursangaben außerhalb des Zeitraums von zwei Londoner Geschäftstagen, wird die jeweilige Zahlstelle den US-Dollar-Gegenwert der entsprechenden Komponente auf Grundlage von Überkreuzkursen (Cross Rates) bestimmen, die aus den maßgeblichen Mittelkursen unter Banken für die entsprechende einbezogene Währung und für den US-Dollar um 11.00 Uhr Londoner Ortszeit an dem entsprechenden Bewertungstag abgeleitet sind, wie sie der jeweiligen Zahlstelle von einer oder mehreren größeren, von der jeweiligen Zahlstelle ausgewählten Banken in einem anderen Staat als dem Heimatstaat der betreffenden einbezogenen Währung benannt werden. Liegen die jüngsten Kursangaben innerhalb des Zeitraums von zwei Londoner Geschäftstagen, soll die jeweilige Zahlstelle den Gegenwert der betreffenden Komponente in US-Dollar auf der Grundlage der Überkreuzkurse bestimmen, wenn die jeweilige Zahlstelle zu dem Urteil gelangt, daß der so errechnete Gegenwert den Verhältnissen eher entspricht, als der auf Basis der jüngsten direkten Kursangaben errechnete US-Dollar-Gegenwert.

Sofern die jeweilige Zahlstelle nichts anderes bestimmt, soll, falls wegen Devisenkontrollbestimmungen oder aus anderen Gründen mehr als ein Markt für den Handel in einer der einbezogenen Währungen besteht, der für diese Währung maßgebliche Markt derjenige sein, auf dem ein nicht gebietsansässiger Emittent von auf diese Währung lautende Wertpapiere diese Währung ankaufen würde, um Zahlungen auf die Wertpapiere zu leisten.

7. Alle von der jeweiligen Zahlstelle getroffenen Entscheidungen werden allein nach deren Ermessen getroffen und sind (vorausgesetzt, es liegt kein offensichtlicher Fehler vor) in jeder Hinsicht endgültig und bindend für die Emittentin und die Inhaber der Teilschuldverschreibungen.

§ 11 (Steuern)

1. Alle in bezug auf die Schuldverschreibungen zu zahlenden Beträge (Kapital, Zinsen und zusätzliche Beträge) sind ohne Einbehalt an der Quelle oder Abzug an der Quelle von irgendwelchen gegenwärtigen oder zukünftigen Steuern, Gebühren oder Abgaben gleich welcher Art, die von oder in dem Land, in dem die Anleiheschuldnerin ihren Sitz hat (oder als Steuerinländerin gilt), oder von oder in der Bundesrepublik Deutschland oder irgendeiner ihrer Gebietskörperschaften oder Behörden mit Steuerhoheit erhoben werden ("Quellensteuer"), zu zahlen, es sei denn, die Quellensteuer ist gesetzlich vorgeschrieben. In diesem Fall trägt die Anleiheschuldnerin oder gegebenenfalls die Garantin vorbehaltlich des Absatzes 2 diejenigen zusätzlichen Beträge, die erforderlich sind, daß die von jedem Anleihegläubiger zu empfangenden Nettobeträge nach einem solchen Abzug oder Einbehalt von Quellensteuer den Beträgen entsprechen, die der Anleihegläubiger ohne einen solchen Abzug oder Einbehalt von Quellensteuer erhalten hätte. Die seit dem 1. Januar 1993 in der Bundesrepublik Deutschland geltende Zinsabschlagsteuer und der seit dem 1. Januar 1995 darauf erhobene Solidaritätszuschlag sind keine Quellensteuer im oben genannten Sinn.

banks selected by the relevant Paying Agent because foreign exchange markets are closed in the country of issue of that currency or for any other reason, the most recent direct quotations for that currency obtained by the relevant Paying Agent shall be used in computing the equivalent of the ECU on such Day of Valuation; provided, however, that such most recent quotations may be used only if they were prevailing not more than two London Business Days in the country of issue before such Day of Valuation. If the most recent quotations are beyond such period of two London Business Days, the relevant Paying Agent shall determine the US dollar equivalent of such Component on the basis of cross rates derived from middle spot delivery quotations for such component currency and for the US dollar prevailing at 11:00 a.m. London time on such Day of Valuation, as obtained by the relevant Paying Agent from one or more major banks, as selected by the relevant Paying Agent in a country other than the country of issue of such component currency. If the most recent quotations are within such period of two London Business Days, the relevant Paying Agent shall determine the US dollar equivalent of such Component on the basis of such cross rates if the relevant Paying Agent judges that the equivalent calculated is more representative than the US-dollar equivalent calculated on the basis of such most recent quotations.

Unless otherwise specified by the relevant Paying Agent in the event that there is more than one market for dealing in any component currency by reason of foreign exchange regulations or any other reason, the market to be referred to in respect of such currency shall be that upon which non-resident issuer of securities denominated in such currency would purchase such currency in order to make payments in respect of such securities.

7. All determinations made by the relevant Paying Agent shall be at its sole discretion and shall (in the absence of manifest error) be conclusive for all purposes and binding upon the Issuer and all Noteholders.

Condition 11 (Taxation)

1. All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Notes will be made free and clear of and without withholding at source or deduction at source for or on account of any present or future taxes, fees, duties, assessments or governmental charges of whatever nature which are imposed or levied by or on behalf of the country of domicile (or residence for tax purposes) of the Issuer or the Federal Republic of Germany or any political subdivision thereof or any authority or agency therein or thereof having power to tax ("Withholding Tax") (Quellensteuer), unless Withholding Tax is required by law. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as may be necessary, subject to paragraph 2 below, in order that the net amounts receivable by the Noteholder after the withholding or deduction of such Withholding Tax shall equal the respective amounts which would have been receivable by such Noteholder had no such Withholding Tax been required. The tax on interest payments (Zinsabschlagsteuer) which has been in effect in the Federal Republic of Germany since 1 January, 1993 and the solidarity surcharge (Solidaritätszuschlag) imposed thereon

2. Die Emittentin oder gegebenenfalls die Garantin ist jedoch zur Zahlung zusätzlicher Beträge wegen solcher Steuern, Gebühren oder Abgaben nicht verpflichtet:

- a) denen der Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen aus irgendeinem anderen Grund als der bloßen Tatsache unterliegt, daß er Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder Zinsscheinen ist und zwar insbesondere, wenn der Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen aufgrund einer persönlichen unbeschränkten oder beschränkten Steuerpflicht derartigen Steuern, Gebühren oder Abgaben unterliegt; oder
- b) denen der Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen nicht unterläge, wenn er seine Teilschuldverschreibungen, etwaige Abschnitte oder Zinsansprüche innerhalb von 30 Tagen nach dem jeweiligen Fälligkeitstag oder nach dem maßgeblichen Tag, wie unten definiert, zur Zahlung vorgelegt bzw. geltend gemacht hätte.
- c) die von einer Zahlstelle in einem Land abgezogen oder einbehalten werden, wenn eine andere Zahlstelle in einem anderen Land die Zahlung ohne einen solchen Einbehalt oder Abzug hätte leisten können; oder
- d) die auf andere Weise als durch Einbehalt an der Quelle oder Abzug an der Quelle aus Zahlungen von Kapital oder etwaigen Zinsen zu entrichten sind; oder
- e) die nur abgezogen und einbehalten werden, weil die Zinsscheine effektiv zur Einlösung am Schalter vorgelegt werden; oder
- f) denen der Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen deshalb unterliegt, weil er Einwohner des Landes ist, in dem die Emittentin ihren Sitz hat oder der Bundesrepublik Deutschland oder weil er eine andere persönliche oder geschäftliche Verbindung zu diesen Ländern hat und nicht aufgrund der Tatsache, daß Zahlungen gemäß diesen Bedingungen aus dem Land, in dem die Emittentin ihren Sitz hat oder der Bundesrepublik Deutschland stammen oder steuerlich so behandelt werden; oder
- g) wenn irgendwelche Steuern, Gebühren oder Abgaben nur deshalb erhoben oder an der Quelle abgezogen werden, weil der Inhaber der Teilschuldverschreibungen, etwaiger Abschnitte oder etwaiger Zinsscheine oder der aus einer Teilschuldverschreibung, einem Abschnitt oder einem Zinsschein wirtschaftlich Berechtigte es versäumt hat, irgendwelche Anforderungen aus einem Gesetz, einem Vertrag, einer Bestimmung oder einer administrativen Regelung der Steuergesetzgebung, aufgrund dessen er einen Anspruch auf Erlaß der gesamten Steuer, Gebühr oder Abgabe oder eines Teils davon gehabt hätte, zu erfüllen; oder
- h) wenn irgendwelche Steuern, Gebühren oder Abgaben der USA deshalb erhoben werden, weil der frühere oder gegenwärtige Status des Inhabers der Teilschuldverschreibungen, etwaiger Abschnitte oder etwaiger Zinsscheine oder des aus einer Teilschuldverschreibung, einem Abschnitt oder einem Zinsschein wirtschaftlich Berechtigten der (i) einer Holding in Form einer Personengesellschaft oder aus Sicht der USA einer ausländischen Holding in Form einer Personengesellschaft;

as from 1 January, 1995 do not constitute such a Withholding Tax on interest payments as described above.

2. However, the Issuer or the Guarantor, as the case may be, shall not be obliged to pay any additional amounts on account of any such taxes, fees, duties, assessments or governmental charges:

- a) which the Noteholder, Receiptholder or Couponholder, if any, is subject to for any reason other than the mere fact of being a Noteholder, Receiptholder or Couponholder, including if the Noteholder, Receiptholder or Couponholder, if any, is subject to such taxes, fees, duties, assessments or governmental charges based on a personal unlimited or limited tax liability; or
- b) the Noteholder, Receiptholder or Couponholder, if any, would not be subject to, if he had presented his Notes, Receipts or interest claims for payment within 30 days from the Relevant Date, (as defined below); or
- c) which are deducted or withheld by a Paying Agent in one country from a payment if the payment could have been made by another Paying Agent in another country without such withholding or deduction; or
- d) which are to be paid on payments of principal and interest, if any, by any means other than withholding at source or deduction at source; or
- e) which are only deducted or withheld because the relevant Note or Coupon is being presented for payment at the counter; or
- f) to which a Noteholder, Receiptholder or Couponholder, if any, is liable by reason of being a resident of or having some other personal or business connection with the country of incorporation of the Issuer or with the Federal Republic of Germany and not merely by reason of the fact that payments according to these Terms and Conditions are derived, or for the purpose of taxation are deemed to be derived, from sources in the country of incorporation of the Issuer or the Federal Republic of Germany; or
- g) any tax, fee, duty, assessment, or other governmental charge that is imposed or withheld by reason of the failure by the Noteholder, Receiptholder or Couponholder, if any, or the beneficial owner of a Note, a Receipt or a Coupon to comply with any requirement under a statute, treaty, regulation, or administrative practice of the tax jurisdiction to establish entitlement to exemption from all or part of such tax, fee, duty, assessment, or other governmental charge; or
- h) any tax, fee, duty, assessment, or other governmental charge imposed by the United States as a result of a Noteholder's, Receiptholder's or Couponholder's, if any, or beneficial owner's past or present status as (i) a personal holding company or a foreign personal holding company with respect to the United States; (ii) a corporation which accumulates earnings to avoid United States Federal income tax; (iii) a controlled foreign corporation with respect to the United States

(ii) einer Gesellschaft, die zum Zwecke der Vermeidung von Bundessteuern der USA auf das Einkommen Gewinne einbehält; (iii) einer aus Sicht der USA ausländisch beherrschten Gesellschaft, die mit der Emittentin aufgrund einer Aktienbeteiligung verbunden ist; (iv) einer privaten Stiftung oder einer anderen in den USA steuerbefreiten Organisation; (v) einer Beteiligung von 10 Prozent bezogen auf die Emittentin im Sinne von Paragraph 871(h)(3) oder 881(c)(3)(B) des Internal Revenue Code der USA von 1986 in der jeweils gültigen Fassung (der "Code") oder (vi) einer Zinsen erhaltenden Bank wie in Paragraph 881(c)(3)(A) des Code beschrieben ist; oder

- i) wenn irgendwelche Steuern, Gebühren oder Abgaben auf Zahlungen aus den Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen von einem Inhaber von Teilschuldverschreibungen, etwaigen Abschnitten oder etwaigen Zinsscheinen erhoben werden, der ein Treuhänder oder eine Personengesellschaft ist, oder jemand anders als der wirtschaftlich Berechtigte aus einer solchen Zahlung ist, sofern der Begünstigte oder der die Zahlung erhaltende in Bezug auf eine solche Treuhandgesellschaft oder einen Gesellschafter einer Personengesellschaft oder einen wirtschaftlich Berechtigten keinen Anspruch auf eine Zahlung zusätzlicher Beträge gehabt hätte, wenn der Begünstigte, der die Zahlung erhaltende, der Gesellschafter oder der wirtschaftlich Berechtigte seinen ihm zustehenden oder ausgeschütteten Anteil direkt erhalten hätte; oder
- j) Jede Kombination der Absätze a), b), c), d), e), f), g), h), und i).

3. Der "maßgeblicher Tag" im Sinne dieser Bedingungen ist der Tag, an dem eine solche Zahlung zuerst fällig wird. Wenn jedoch die betreffende Zahlstelle die volle Summe der zu zahlenden Beträge nicht am oder vor dem jeweiligen Zahltag ordnungsgemäß erhalten hat, dann ist der maßgebliche Tag der Tag, an dem die betreffende Zahlstelle die volle Summe der zu zahlenden Beträge erhalten hat und eine Mitteilung hierüber gemäß § 19 an die Inhaber der Teilschuldverschreibungen ordnungsgemäß übermittelt wurde.

§ 12

(Hinterlegung, Vorlegungsfrist, Verjährungsfrist)

1. Die Emittentin kann die von Inhabern von Teilschuldverschreibungen, Abschnitten oder Zinsscheinen innerhalb von zwölf Monaten nach Fälligkeit nicht erhobenen Beträge an Kapital und etwaigen Zinsen auf Gefahr und Kosten dieser Inhaber von Teilschuldverschreibungen, Abschnitten oder Zinsscheinen beim Amtsgericht Frankfurt am Main unter Verzicht auf das Recht der Rücknahme hinterlegen. Mit der Hinterlegung unter Verzicht auf das Recht der Rücknahme erlischt jeglicher Anspruch dieser Inhaber von Teilschuldverschreibungen, Abschnitten oder Zinsscheinen gegen die Emittentin und für die Erfüllung von deren Verbindlichkeiten haftende Dritte.
2. Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB für fällige Teilschuldverschreibungen wird auf zehn Jahre verkürzt.
3. Die Vorlegungsfrist für Zinsscheine beträgt vier Jahre von dem Ende des Kalenderjahres an, in dem die betreffenden Zinsscheine fällig werden.
4. Soweit effektive Teilschuldverschreibungen gedruckt und ausgeliefert worden sind, beträgt die Verjährungsfrist für innerhalb der Vorlegungsfrist zur Zahlung vorgelegte Teil-

that is related to the Issuer through stock ownership; (iv) a private foundation or other tax exempt organization with respect to the United States; (v) a "10 percent shareholder" with respect to the Issuer within the meaning of Section 871(h)(3) or 881(c)(3)(B) of the United States Internal Revenue Code of 1986, as amended (the "Code") or (vi) a bank receiving interest described in Section 881(c)(3)(A) of the Code; or

- i) any tax, fee, duty, assessment, or other governmental charge imposed on any payment on a Note, Receipt or Coupon, if any, to a Noteholder, Receiptholder or Couponholder, if any, that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the payment of additional amounts had such beneficiary settlor, member or beneficial owner directly received its beneficial or distributive share of such payment; or
- j) any combination of items a), b), c), d), e), f), g), h) and i).

3. As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the relevant Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received by the relevant Agent, notice to that effect is duly given to the Noteholders in accordance with Condition 19.

Condition 12

(Deposit in Court, Period for Presentation, Prescription)

1. The Issuer may deposit with the lower court (Amtsgericht) of Frankfurt am Main principal and interest, if any, not claimed by Noteholders, Receiptholders or Couponholders within twelve months after having become due, together with a waiver of the right to withdraw such deposit; such deposit will be at the risk and cost of such Noteholders, Receiptholders or Couponholders. Upon such deposit, with such waiver of the right to withdraw, all claims of such Noteholders, Receiptholders or Couponholders against the Issuer and against third parties that are liable for its obligations shall cease.
2. The period for presentation of Notes and Receipts due, as established in Section 801 paragraph 1 sentence 1 of the German Civil Code, is reduced to ten years.
3. The period for presentation of Coupons shall be four years beginning at the end of the calendar year in which the respective Coupons fall due.
4. If Definitive Notes have been printed and delivered the period for prescription for Notes, Receipts and Coupons, if any, presented for payment during the presentation period

schuldverschreibungen und etwaige Zinsscheine zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

5. Unabhängig von den in den Absätzen 2 und 3 getroffenen Regelungen werden 2 Jahre nach Fälligkeit die fälligen Beträge nicht mehr den Zahlstellen zur Verfügung stehen. Die Zahlstellen werden jedoch die entsprechenden Teilschuldverschreibungen, Abschnitte und/oder Zinsscheine der Emittentin zusenden und die entsprechenden Beträge nach Erhalt durch die Emittentin dem Inhaber von Teilschuldverschreibungen, Abschnitten und/oder Zinsscheinen zahlen.
6. Der Anspruch nach § 804 Abs. 1 Satz 1 BGB wegen abhanden gekommener oder vernichteter Zinsscheine ist ausgeschlossen (§ 804 Abs. 2 BGB).

§ 13

(Gleichrang, Negativklärung)

1. Die Teilschuldverschreibungen, Abschnitte und Zinsscheine stellen direkte, unbedingte, nicht nachrangige und nicht besicherte Verbindlichkeiten der Emittentin dar, die gleichen Rang (ausgenommen Verbindlichkeiten aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften) mit allen anderen unbesicherten und nicht nachrangigen Verbindlichkeiten haben.
2. Die Emittentin verpflichtet sich gegenüber der Dresdner Bank als Treuhänderin für die Inhaber von Teilschuldverschreibungen (im folgenden "Treuhänderin" genannt), solange bis Kapital, etwaige Zinsen und etwaige zusätzliche Beträge gemäß § 11 Absatz 1 im vollen Umfang bei der jeweiligen Zahlstelle oder einer anderen gemäß § 8 ernannten Zahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten (einschließlich Verbindlichkeiten aus Garantien oder Sicherheiten) aus anderen internationalen Kapitalmarktverbindlichkeiten durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten sicherzustellen oder sicherstellen zu lassen, es sei denn, daß diese Teilschuldverschreibungen zu gleicher Zeit und im gleichen Rang anteilig an dieser Sicherstellung teilnehmen. Ausgenommen hiervon sind Grund- oder Mobiliarpfandrechte und andere Besicherungen von Verbindlichkeiten aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.
3. Für die Zwecke dieser Bedingungen bedeutet "internationale Kapitalmarktverbindlichkeit" jede Emission von Teilschuldverschreibungen mit einer ursprünglichen Laufzeit von mehr als einem Jahr, die außerhalb der Bundesrepublik Deutschland ausgegeben werden.

§ 14

(nur anwendbar, wenn die Emittentin nicht die Bayerische Motoren Werke Aktiengesellschaft selbst ist) (Garantie, Negativklärung der Garantin)

1. Die Garantin hat gegenüber der Treuhänderin die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung des Kapitals und etwaiger Zinsen einschließlich gegebenenfalls gemäß § 11 Absatz 1 zusätzlich erforderlicher Beträge in Übereinstimmung mit diesen Bedingungen garantiert (die "Garantie").
2. Die Rechte aus der Garantie können ausschließlich von der Treuhänderin gehalten und geltend gemacht werden.

shall be two years beginning at the end of the relevant presentation period.

5. Notwithstanding anything contained in paragraphs 2 and 3, after a period of two years after an amount becomes due, such amount will no longer be at the disposal of the Paying Agents. The Paying Agents will, however, submit the respective Notes, Receipts and/or Coupons to the Issuer and pay the respective amounts received by the Issuer to the Noteholder, Receiptholder or Couponholder, respectively.
6. The right under Section 804 paragraph 1 sentence 1 of the German Civil Code in respect of lost or destroyed Coupons is excluded (Section 804 paragraph 2 of the German Civil Code).

Condition 13

(Pari passu, Negative Pledge)

1. The Notes, the Receipts and the Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and, save for obligations in respect of national and local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements rank equally with all its other unsecured and unsubordinated obligations.
2. The Issuer undertakes vis-a-vis Dresdner Bank as trustee for the Noteholders (the "Trustee") until such time as principal and interest, if any, as well as additional amounts pursuant to Condition 11 paragraph 1, if any, have been placed at the disposal of the relevant Paying Agent or any other paying agent appointed in accordance with Condition 8, not to secure or have secured by any mortgage or pledge on its present or future property or assets, any present or future obligations (including obligations under guarantees or securities) arising from other International Capital Market indebtedness, unless these Notes at the same time share pari passu and pro rata in such security. Any mortgage, pledge or other charge on obligations in respect of national and local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.
3. For the purpose of these Terms and Conditions "International Capital Market Indebtedness" means any issue of notes which are issued outside the Federal Republic of Germany with an original maturity of more than one year.

Condition 14

(only applicable if the issuer is not Bayerische Motoren Werke Aktiengesellschaft itself) (Guarantee, Negative Pledge of the Guarantor)

1. The Guarantor has assumed vis-à-vis the Trustee the unconditional and irrevocable Guarantee for the due and punctual payment of principal and interest, if any, including additional amounts, if any, pursuant to Condition 11 paragraph 1 (the "Guarantee") in accordance with these Terms and Conditions.
2. The rights arising from the Guarantee are held and will be exercised exclusively by the Trustee.

3. Die Garantin hat sich in einer separaten Erklärung (im folgenden die "Verpflichtungserklärung" genannt) gegenüber der Treuhänderin verpflichtet, solange bis Kapital und etwaige Zinsen sowie etwaige zusätzliche Beträge gemäß § 11 Absatz 1 bei der jeweiligen Zahlstelle oder irgend einer anderen gemäß § 8 ernannten Zahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten (einschließlich Verbindlichkeiten aus Garantien oder Sicherheiten) aus anderen internationalen Kapitalmarktverbindlichkeiten durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten sicherzustellen oder sicherstellen zu lassen, es sei denn, daß diese Teilschuldverschreibungen zu gleicher Zeit und im gleichen Rang anteilig an dieser Sicherstellung teilnehmen. Ausgenommen hiervon sind Grund- oder Mobiliarpfandrechte und andere Besicherungen aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.

3. In a separate declaration (the "Declaration of Undertaking") the Guarantor has undertaken with the Trustee, until such time as principal and interest, if any, as well as additional amounts pursuant to Condition 11 paragraph 1, if any, have been completely placed at the disposal of the relevant Paying Agent or any other paying agent appointed in accordance with Condition 8, not to secure or have secured by any mortgage or pledge on its present or future property or assets, any present or future obligations (including obligations under guarantees or securities) arising from other International Capital Market Indebtedness, unless these Notes at the same time share pari passu and pro rata in such security. Any mortgage, pledge or other charge or pledge on obligations in respect of national and local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.

§ 15 (Kündigungsgründe)

Condition 15 (Events of Default)

1. Jeder Inhaber von Teilschuldverschreibungen ist berechtigt, seine sämtlichen Forderungen aus den Teilschuldverschreibungen durch Kündigung gegenüber der Treuhänderin fällig zu stellen und Rückzahlung eines gemäß § 7 errechneten Rückzahlungsbetrages (oder eines etwaigen anderen im Pricing Supplement festgelegten Betrages zu verlangen, wenn

1. Each Noteholder is entitled to declare due and payable by notice to the Trustee his entire claims arising from the Notes and demand payment of the Early Redemption Amount calculated in accordance with Condition 7 (or such other price as may be specified in the Pricing Supplement), if

- a) die Emittentin oder Garantin, gleichgültig aus welchen Gründen, Kapital oder etwaige Aufgelder oder etwaige Zinsen aus den Teilschuldverschreibungen einschließlich etwaiger gemäß § 11 Absatz 1 zu zahlender zusätzlicher Beträge, innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag nicht zahlt; oder
- b) die Emittentin, gleichgültig aus welchen Gründen, mit der Erfüllung einer anderen Verpflichtung aus diesen Teilschuldverschreibungen, insbesondere aus § 13 Absatz 2, oder die Garantin mit der Erfüllung von irgendwelchen Verpflichtungen aus der Garantie länger als 90 Tage nach Erhalt einer schriftlichen Mitteilung von der Treuhänderin in Rückstand kommt; oder
- c) gegen die Emittentin oder Garantin ein Konkurs- oder Vergleichsverfahren eröffnet worden ist, und diese Entscheidung nicht innerhalb von 60 Tagen aufgehoben oder ausgesetzt worden ist, oder die Emittentin oder die Garantin von sich aus ein solches Verfahren beantragt oder einen Vergleich mit Gläubigern anbietet oder durchführt; oder
- d) die Emittentin oder die Garantin aufgelöst oder liquidiert wird oder irgendeine Maßnahme zum Zwecke der Liquidation trifft, es sei denn, daß eine solche Liquidation im Zusammenhang mit einer Verschmelzung, Konsolidierung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft erfolgt und diese Gesellschaft — im Falle der Emittentin — alle Verpflichtungen aus diesen Bedingungen und — im Falle der Garantin — alle Verpflichtungen aus der Garantie und der Verpflichtungserklärung übernimmt; oder
- e) die Emittentin oder die Garantin die Zahlungen einstellt oder damit droht, die Geschäftstätigkeit ganz oder zu einem wesentlichen Teil einzustellen oder einstellt (ohne daß dies im vorstehenden Absatz d) im einzelnen genannten Tatbestände gegeben sind).

- a) the Issuer or the Guarantor, for any reason whatsoever, fails to pay within 30 days after the relevant due date principal, premium, if any, or interest, if any, on the Notes, including additional amounts which may have to be paid according to Condition 11 paragraph 1; or
- b) the Issuer, for any reason whatsoever, fails to duly perform any other obligation under these Notes, in particular pursuant to Condition 13 paragraph 2, or the Guarantor fails to duly perform any obligation pursuant to the Guarantee and such failure continues for more than 90 days after receipt of a written notice from the Trustee; or
- c) bankruptcy or insolvency proceedings are commenced by a court in the relevant place of jurisdiction against the Issuer or the Guarantor which shall not have been reversed or stayed within 60 days or the Issuer or the Guarantor itself institutes such proceedings, or offers or makes an arrangement for the benefit of creditors generally; or
- d) the Issuer or the Guarantor is wound up or dissolved or shall take any action for the purpose of liquidation unless such liquidation is to take place in connection with a merger, consolidation or any other form of combination with another company and such company — in the case of the Issuer — assumes all obligations arising from these Terms and Conditions and — in the case of the Guarantor — assumes all obligations arising from the Guarantee and the Declaration of Undertaking; or
- e) the Issuer or the Guarantor stops payment or threatens to cease or ceases (other than as specifically provided in paragraph d) above) to carry on all or a material part of its businesses.

2. Eine derartige Kündigung zur Rückzahlung ist durch eingeschriebenen Brief an die Treuhänderin zu richten und wird mit Zugang bei dieser wirksam. Die Fälligkeit tritt ein am 30. Tag nach Zugang der Kündigung, es sei denn, daß im Falle des Absatzes 1 a) oder 1 b) die Verpflichtung vorher erfüllt worden ist.

§ 16 (Treuhandschaft)

1. Im Falle einer Besicherung dieser Teilschuldverschreibungen durch die Emittentin gemäß § 13 Absatz 2 oder durch die Garantin gemäß der Verpflichtungserklärung sind die Sicherheiten der Treuhänderin mit den üblichen Rechten und Pflichten zu bestellen. Nur die Treuhänderin ist berechtigt, einen etwaigen Anspruch auf Sicherstellung gemäß § 13 Absatz 2 oder der Verpflichtungserklärung (sofern zutreffend) sowie die Rechte aus dementsprechend bestellten Sicherheiten oder der Garantie geltend zu machen.
2. Die Dresdner Bank ist berechtigt, die ihr als Treuhänderin bei der Wahrnehmung der Rechte der Inhaber von Teilschuldverschreibungen etwa entstehenden Kosten auf die Inhaber von Teilschuldverschreibungen im Verhältnis ihrer Forderungen umzulegen und gegebenenfalls einen entsprechenden Kostenvorschuß von ihnen anzufordern.
3. Die Dresdner Bank haftet dafür, daß sie für die Emittentin oder als Treuhänderin oder als Programm-Agent Erklärungen abgibt, nicht abgibt oder entgegennimmt, Maßnahmen trifft oder unterläßt, nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt hat. Von den Beschränkungen des § 181 BGB ist sie befreit.
4. Die Treuhänderin kann mit der vorherigen Zustimmung der Emittentin Dritte mit der Ausübung von bestimmten, ihr aufgrund dieser Bedingungen obliegenden Aufgaben beauftragen.
5. Wenn die Treuhänderin oder gegebenenfalls der von ihr beauftragte Dritte nach Eintritt eines der in § 15 aufgeführten Kündigungsgründe, die die Inhaber von Teilschuldverschreibungen zur Kündigung berechtigen, wegen des Kapitals von nicht schon aus anderen Gründen fälligen Teilschuldverschreibungen eine für die Teilschuldverschreibungen gegebene Sicherheit in Anspruch nimmt, gelten die betreffenden Teilschuldverschreibungen in jeder Beziehung als fällig.

§ 17 (Übertragung der Funktion als Treuhänder und Programm-Agent)

1. Sofern irgendwelche Ereignisse eintreten sollten, die nach Ansicht der Dresdner Bank dazu führen, daß sie nicht in der Lage ist, als Treuhänderin für die Inhaber von Teilschuldverschreibungen oder als Programm-Agent tätig zu werden, wird sie mit vorheriger Zustimmung der Emittentin oder der Garantin eine andere Bank von internationalem Rang als Treuhänderin bzw. als Programm-Agent bestellen.
2. Sollte die Dresdner Bank außerstande sein, die Übertragung der Stellung als Treuhänderin oder als Programm-Agent vorzunehmen, so ist die Emittentin oder die Garantin verpflichtet, ihrerseits eine andere Bank von internationalem Rang als Treuhänderin bzw. als Programm-Agent zu bestellen.
3. Eine Übertragung der Treuhänderschaft bzw. der Funktion des Programm-Agenten ist von der Dresdner Bank oder gegebenenfalls von der Emittentin unverzüglich gemäß § 19 oder, falls dies nicht möglich sein sollte, in sonstiger Weise öffentlich bekanntzumachen.

2. Such notice for repayment shall be sent to the Trustee by registered letter; such notice will become effective upon receipt by the Trustee. Claims fall due 30 days after receipt of such notice unless, in the case of paragraph 1a) or b), the obligation has been satisfied or performed prior thereto.

Condition 16 (Trusteeship)

1. Security to be furnished for this issue by the Issuer pursuant to Condition 13 paragraph 2 or the Guarantor pursuant to the Declaration of Undertaking, shall be furnished to the Trustee. Only the Trustee is entitled to assert any claim to obtain such security in accordance with Condition 13 paragraph 2 and the Declaration of Undertaking, if applicable, as well as to exercise the rights arising from such security and from the Guarantee.
2. Dresdner Bank, when exercising the rights of the Noteholders in its capacity as Trustee, is entitled to apportion the expenses thereby incurred, if any, among the Noteholders in proportion to their relative claims and, should it prove necessary, to demand from them a corresponding advance payment.
3. Dresdner Bank will be liable for making, not making or accepting statements and for taking or not taking steps on behalf of the Issuer or the Guarantor or in its capacity as Trustee for the Noteholders or as Programme Agent, only if, and insofar as, it fails to act with the due care of a proper merchant. Dresdner Bank is exempt from the restrictions of Section 181 of the German Civil Code.
4. The Trustee with the prior consultation of the Issuer may delegate to third parties the exercise of specific functions that are incumbent upon it pursuant to these Terms and Conditions.
5. If, after the occurrence of any of the events specified in Condition 15 which entitle the Noteholders to declare their Notes due, the Trustee or the person appointed by the Trustee, as the case may be, shall with respect to the principal of any Notes not otherwise due, enforce any security given for the Notes, then such Notes shall be deemed to be due for all purposes.

Condition 17 (Assignment of the Function as Trustee or as Programme Agent)

1. Should any event occur which in the opinion of Dresdner Bank would prevent it from acting as Trustee or as Programme Agent, Dresdner Bank will with the prior consent of the Issuer or the Guarantor appoint another bank of international standing as Trustee or as Programme Agent.
2. Should Dresdner Bank be unable to transfer its function as Trustee or as Programme Agent, the Issuer or the Guarantor will be obliged to appoint another bank of international standing as Trustee or as Programme Agent.
3. A transfer of trusteeship or programme agency must be announced without delay in accordance with Condition 19 or, should this prove to be impossible, in some other way by Dresdner Bank or by the Issuer.

4. Kommt die Emittentin oder die Garantin ihrer Verpflichtung zur Bestellung einer Treuhänderin aus Absatz 2 nicht nach, so gehen die der Treuhänderin nach § 16 vorbehaltenen Rechte auf die Inhaber von Teilschuldverschreibungen über.
5. Sofern die Dresdner Bank gemäß § 8 Absatz 1 nicht zum Programm-Agenten bestellt wird, finden die Absätze 1 bis 3 für den an ihrer Stelle bestimmten Programm-Agenten entsprechende Anwendung.
4. Should the Issuer or the Guarantor fail to comply with their obligation to appoint a Trustee according to paragraph 2, the rights reserved to the Trustee under Condition 16 will pass on to the Noteholders.
5. Provided that Dresdner Bank is not appointed as Programme Agent according to Condition 8 paragraph 1, paragraphs 1 to 3 of this Condition 17 shall apply mutatis mutandis to any programme agent appointed instead of Dresdner Bank.

§ 18 (Schuldnerersetzung)

1. Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Inhaber von Teilschuldverschreibungen die Garantin oder eine andere Gesellschaft, die als Emittentin unter diesem Programm ernannt wurde, als Emittentin (die "Neue Emittentin") hinsichtlich aller Verpflichtungen aus oder in Verbindung mit den Teilschuldverschreibungen an die Stelle der Emittentin zu setzen, sofern:
 - a) die Neue Emittentin alle Verpflichtungen der Emittentin aus oder in Verbindung mit den Teilschuldverschreibungen übernimmt;
 - b) die Neue Emittentin alle etwa notwendigen Genehmigungen von den zuständigen Behörden erhalten hat, wonach die Neue Emittentin alle Beträge, die zur Erfüllung der aus oder in Verbindung mit den Teilschuldverschreibungen entstehenden Zahlungsverpflichtungen erforderlich sind, in der Emissionswährung, einer anderen erforderlichen Währung oder, falls es sich bei der Emissionswährung um ECU handelt und der ECU weder als Recheneinheit der EG noch als Währung der EU verwendet wird, in einer einbezogenen Währung oder gegebenenfalls einer von der jeweiligen Zahlstelle ausgewählten Ersatzwährung und ohne Einbehalt an der Quelle oder Abzug an der Quelle von irgendwelchen Steuern, Gebühren oder Abgaben in dem Land, in dem die Neue Emittentin ansässig ist, an die jeweilige Zahlstelle transferieren darf;
 - c) die Garantin oder (falls die Emittentin die Bayerische Motoren Werke Aktiengesellschaft ist) die Emittentin in einer nach Form und Inhalt gleichen Art wie in der ursprünglichen Garantie durch die Garantin und mit der Zustimmung der Treuhänder, wobei diese Zustimmung nicht unbillig verweigert werden darf, unbedingt und unwiderruflich die Verpflichtungen der Neuen Emittentin garantiert.
2. Im Falle einer solchen Schuldnerersetzung gilt jede in diesen Bedingungen enthaltene Bezugnahme auf die Emittentin fortan als auf die Neue Emittentin bezogen, und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz hat, gilt fortan als auf das Land, in dem die Neue Emittentin ihren Sitz hat, bezogen, und, soweit hierbei ein Unterschied gemacht werden muß, auf das Land, in dem die Neue Emittentin für steuerliche Zwecke als gebietsansässig betrachtet wird.
3. Eine Schuldnerersetzung gemäß Absatz 1 ist für die Inhaber von Teilschuldverschreibungen bindend und ist ihnen mit einer Frist von mindestens 15 Tagen vor Inkrafttreten der Schuldnerersetzung gemäß § 19 öffentlich bekanntzumachen.

§ 19 (Bekanntmachungen)

1. Alle diese Teilschuldverschreibungen betreffenden Bekanntmachungen werden (i) bei Teilschuldverschreibungen, die an der Frankfurter Wertpapierbörse notiert werden, im Bun-

Condition 18 (Substitution of the Issuer)

1. The Issuer shall be entitled at any time without the consent of the Noteholders to be substituted as Issuer by the Guarantor or any other company appointed as Issuer under this programme (the "New Issuer") in respect of all obligations arising from or in connection with the Notes, if:
 - a) the New Issuer assumes all obligations of the Issuer arising from or in connection with the Notes;
 - b) the New Issuer has obtained any necessary authorisation from the competent authorities to the effect that the New Issuer may transfer to the relevant Paying Agent in the Issue Currency or other relevant currency or in the event the Issue Currency is ECU and the ECU is used neither as the unit of the EC nor as the currency of the EU, in a Replacement Currency, chosen by the relevant Paying Agent and without the withholding at source or deduction at source of any taxes, fees, duties, assessments or other governmental charges in the country of its incorporation and, if different where it is treated as resident for tax purposes, all amounts required for the performance of the payment obligations arising from or in connection with the Notes;
 - c) the Guarantor or (if the Issuer is Bayerische Motoren Werke Aktiengesellschaft) the Issuer irrevocably and unconditionally guarantees such obligations of the New Issuer in the same form and with the same content as the Notes have originally been guaranteed by the Guarantor and as approved by the Trustee, which approval may not be unreasonably withheld.
2. In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the New Issuer and any reference to the country of incorporation of the Issuer shall from then on be deemed to refer to the country of incorporation of the New Issuer and, if different, to the country where it is treated as resident for tax purposes.
3. Any substitution effected in accordance with paragraph 1 shall be binding on the Noteholders and shall be notified to them in accordance with Condition 19 not less than 15 days before such substitution comes into effect.

Condition 19 (Notices)

1. All notices regarding the Notes shall be published (i) in respect of any Notes quoted on the Frankfurt Stock Exchange, in the Bundesanzeiger (German Federal

desanzeiger und in einem überregionalen Börsenpflichtblatt der Frankfurter Wertpapierbörse, (ii) bei Teilschuldverschreibungen, die an der Londoner Börse notiert werden, in einer führenden, englisch-sprachigen Tageszeitung mit allgemeiner Verbreitung in London und (iii) bei Teilschuldverschreibungen, die an der Pariser Börse notiert werden (solange es diese Börse erfordert) in einer Tageszeitung mit allgemeiner Verbreitung in Paris, veröffentlicht. Voraussichtlich werden diese Bekanntmachungen in London in der Financial Times und in Paris in der Les Echos gemacht.

2. Außer bei Teilschuldverschreibungen, die an der Börse in Paris notiert werden, kann bis zu dem Zeitpunkt, an dem effektive Teilschuldverschreibungen ausgeliefert werden, und solange alle Globalurkunden dieser Tranche in ihrer Gesamtheit bei der Deutscher Kassenverein AG oder zugunsten Euroclear und Cedel Bank oder einer anderen Abwicklungsstelle hinterlegt sind, kann die oben erwähnte Veröffentlichung durch eine Meldung an die Deutscher Kassenverein AG oder an Euroclear und Cedel Bank oder eine andere Abwicklungsstelle mit der Bitte um Weiterleitung an die Inhaber der Teilschuldverschreibungen dieser Tranche ersetzt werden, außer daß, wenn die Teilschuldverschreibungen an der Frankfurter Wertpapierbörse und der Londoner Börse notiert sind und die Vorschriften der betreffenden Börse es erfordern, die Mitteilung in jedem Fall im Bundesanzeiger und in einer deutschen Tageszeitung, die von der Frankfurter Wertpapierbörse als Börsenpflichtblatt anerkannt ist, und/oder gegebenenfalls einer nationalen Tageszeitung im Vereinigten Königreich von Großbritannien und Nordirland (voraussichtlich der Financial Times) zu veröffentlichen ist. Am 7. Kalendertag nachdem eine solche Bekanntmachung der Deutscher Kassenverein AG oder Euroclear und Cedel Bank oder einer anderen Abwicklungsstelle übermittelt worden ist, gilt diese als gegenüber den Inhabern der Teilschuldverschreibungen als ausgeführt.
3. Kündigungen oder Anforderungen, die von Inhabern von Teilschuldverschreibungen gegeben oder gemacht werden, müssen schriftlich erfolgen und zusammen mit der oder den betroffenen Teilschuldverschreibung(en) an die jeweilige Zahlstelle geleitet werden. Solange Teilschuldverschreibungen durch eine Globalurkunde verbrieft sind, kann außer bei Teilschuldverschreibungen, die an der Börse in Paris notiert werden, eine solche Kündigung oder Anforderung von einem Inhaber einer der Teilschuldverschreibungen, die so verbrieft sind, an die jeweilige Zahlstelle durch die Deutscher Kassenverein AG oder gegebenenfalls durch Euroclear und/oder Cedel Bank oder einer anderen Abwicklungsstelle erfolgen, und zwar in der von der jeweiligen Zahlstelle und der Deutscher Kassenverein AG oder Euroclear und/oder Cedel Bank oder einer anderen Abwicklungsstelle dafür vorgesehenen Weise.
4. Bekanntmachungen für Inhaber von Namensschuldverschreibungen gelten als ordnungsgemäß erfolgt, sofern sie per eingeschriebenen Brief, Kurier oder in gleichwertiger Weise oder (bei Versand ins Ausland) per Luftpost an die jeweilige im Register eingetragene Adresse der Inhaber (oder im Fall von Miteigentümern an die Adresse des im Register zuerst Genannten) versandt werden. Sie gelten am siebten Kalendertag nach Postversand oder, sofern aus dem Ausland verschickt, am achten Tag nach dem Postversand als wirksam erfolgt.
2. Except in the case of Notes listed in Paris, until such time as any Definitive Notes are issued and so long as all the Global Notes are held in their entirety on behalf of the Deutscher Kassenverein or Euroclear and Cedel Bank or any other Clearing System, the aforesaid publication may be substituted by the delivery of the relevant notice to the Deutscher Kassenverein or to Euroclear and/or Cedel Bank or any other Clearing System for communication by them to the holders of the Notes except that if the Notes are listed on the Frankfurt Stock Exchange or the London Stock Exchange and the rules of the relevant stock exchange so require, notice will in any event be published in the Bundesanzeiger and a German newspaper recognised by the Frankfurt Stock Exchange and/or a national newspaper in the United Kingdom (which is expected to be the Financial Times), as the case may be. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh calendar day after the day on which the said Notice was given to the Deutscher Kassenverein or to Euroclear and Cedel Bank or any other Clearing System.
3. Notices or demands to be given or made by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the relevant Paying Agent. Whilst any Notes are represented by a Global Note, except in the case of Notes listed in Paris, such notice or demand may be given or made by a holder of any of the Notes so represented to the relevant Paying Agent via the Deutscher Kassenverein or Euroclear and/or Cedel Bank or any other Clearing System, as the case may be, in such manner as the relevant Paying Agent and Deutscher Kassenverein or Euroclear and/or Cedel or any other Clearing System may approve for this purpose.
4. Notices to holders of Registered Notes will be deemed to be validly given if sent by registered mail, courier or equivalent or (if posted to a foreign address) by air mail to them (or, in the case of joint holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to be validly given on the seventh calendar day after the date of such mailing or, if posted from another country, on the eighth such day.

§ 20

(Anwendbares Recht, Erfüllungsort, Gerichtsstand)

1. Form und Inhalt der Teilschuldverschreibungen sowie alle sich daraus ergebenden Rechte und Pflichten bestimmen

Condition 20

(Applicable Law, Place of Performance and Jurisdiction)

1. The form and content of the Notes and all the rights and duties arising therefrom shall be governed exclusively by the

sich ausschließlich nach dem Recht der Bundesrepublik Deutschland.

2. Erfüllungsort und ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten mit der Garantin, die sich aus in der Garantie oder der Verpflichtungserklärung geregelten Rechtsverhältnissen ergeben, ist München, Bundesrepublik Deutschland.
3. Für alle Rechtsstreitigkeiten, die sich aus den in diesen Bedingungen geregelten Rechtsverhältnissen ergeben, sind die Inhaber von Teilschuldverschreibungen berechtigt, ihre Ansprüche nach ihrer Entscheidung entweder vor den zuständigen Gerichten in dem Land des Sitzes der Emittentin oder vor dem zuständigen Gericht in München, Bundesrepublik Deutschland, geltend zu machen. Alle anderen Gerichtsstände sind ausgeschlossen. Es gilt als vereinbart, daß diese Gerichte ausschließlich das Recht der Bundesrepublik Deutschland anwenden sollen.
4. Für Rechtsstreitigkeiten, die gegebenenfalls zwischen den Inhabern von Teilschuldverschreibungen und der Emittentin vor Gerichte in der Bundesrepublik Deutschland gebracht werden, ernennen die BMW Finance N.V., die BMW US Capital Corp., das BMW Coordination Center N.V. und die BMW (UK) Capital plc die Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, Bundesrepublik Deutschland, D-80788 München, als Zustellungsbevollmächtigte.
5. Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhanden gekommener oder vernichteter Teilschuldverschreibungen oder Serienurkunden.

§ 21 (Teilunwirksamkeit)

Sollte eine der vorstehenden Bestimmungen dieser Bedingungen unwirksam sein oder werden, so bleibt die Wirksamkeit der übrigen Bestimmungen hiervon unberührt. Anstelle der unwirksamen Bestimmung soll eine dem Sinn und Zweck dieser Bedingungen der Teilschuldverschreibungen entsprechende Regelung gelten.

laws of the Federal Republic of Germany.

2. Place of performance and exclusive venue for all litigation with the Guarantor arising from legal relations established in the Guarantee or the Declaration of Undertaking is Munich, Federal Republic of Germany.
3. For all litigation with the Issuers arising from legal relations established in these Terms and Conditions, the Noteholders are entitled to assert their claims, to the exclusion of all other venues, at their discretion either before the competent courts in the relevant country of incorporation of the Issuer or before the competent courts in Munich, Federal Republic of Germany. It is agreed that such courts shall apply exclusively the laws of the Federal Republic of Germany.
4. For litigation, if any, between the Noteholders and the Issuer which is brought before courts in the Federal Republic of Germany, BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc appoint Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, D-80788 Munich, Federal Republic of Germany, as agent for service of process.
5. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes or Global Notes.

Condition 21 (Partial Invalidity)

Should any of the provisions contained in these Terms and Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby. Instead of the invalid provision, an interpretation in keeping with the meaning and the purpose of these Terms and Conditions shall prevail.

5. Description of the Pricing Supplement

The Pricing Supplement for each issue of Notes will contain, *inter alia*, such of the following information as is applicable in respect of the Notes of such issue (all references to numbered Sections in the Terms and Conditions being to the relevant Section in "Terms and Conditions of the Notes" as set out in Chapter 4 of this Information Memorandum) and such information (if any) as is necessary to comply with the Banking Act 1987 (Exempt Transactions) Regulations 1997:

[Date]

[Title of relevant Tranche of Notes (specifying type of Notes)] issued pursuant to the USD 3,000,000,000 Euro Medium Term Note Programme]

[Include whichever of the following apply or specify items as "not applicable"]

TYPE OF NOTE

1. Fixed Rate/Floating Rate/Zero Coupon/Dual Currency/Index * /Partly-Paid/Instalment/Combination/Other: []
2. Convertible automatically or at the option of the Issuer and/or Noteholders into Note(s) of another Interest Basis: - [Yes — insert details in 17 (n)/No]
3. If Instalment Note, insert Instalment Amount(s) per cent. per annum/ Instalment Date(s): []
4. If Partly Paid Notes, insert amount of each instalment/due dates for any subsequent instalments/consequences of failure to pay/rate of interest: [insert details]

* Indexed Notes denominated in DEM may only be issued by BMW AG, with prior approval of the Deutsche Bundesbank.

DESCRIPTION OF THE NOTE

5. Name of Issuer: []
6. Form of Note(s) Clearing, US Sales Restriction: [Bearer Notes in Form of Temporary or Permanent Global Note or Definitive Notes:]
[Clearing DEM via Kassenverein (with the exception of BMW US Capital Corp.): TEFRA C]
[Clearing via Cedel/Euroclear/other: TEFRA D]
[Registered Note(s):]

7. Provisions for exchange of Bearer Notes in global form:
- [Temporary Global Note(s) exchangeable into Permanent Global Note and further exchangeable into Definitive Notes if requested by the holder upon [] days' notice]
- [Temporary Global Note(s) exchangeable into Permanent Global Note and not further exchangeable into Definitive Notes]
- [Temporary Global Note(s) exchangeable into Definitive Notes]
- [Permanent Global Note exchangeable into Definitive Notes]
- [Permanent Global Note not exchangeable into Definitive Notes]
8. (a) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
- (b) Date(s) on which the Talons mature: [give details]
9. (a) Tranche No: []
- (b) Specified Issue Currency (or Currencies in the case of Dual Currency Notes): []
- (c) Nominal amount of Global Note (if only one to be issued for the Tranche): []
- (d) Nominal amount of each Global Note (if more than one to be issued for the Tranche): [specify the initial amount of each Global Note (distinguishing between Temporary and Permanent Global Notes) the aggregate nominal amount of which should equal the amount specified in 9 (e)]
- (e) Aggregate nominal amount of Tranche: []
- (f) Specified denomination(s): []
10. Issue Price: [] per cent.
11. Issue Date: []
12. Interest Commencement Date (insert if different from Issue Date): []
13. (a) Tranche to become part of an existing Series:
If yes, insert details of existing Series: [yes/no]
[Series Number (first Tranche of existing Series), details of previous Tranche(s) of existing Series (Tranche number(s). Note(s) details (especially Issue Date(s). Interest Commencement Date(s). Issue Price(s), aggregate nominal amounts of Tranches), fungibility date, other details/not applicable]
- (b) Aggregate nominal amount of Series: []

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FIXED RATE NOTE

14. (a) Fixed Rate(s) of Interest: [] per cent. per annum
- (b) Fixed Interest Date(s): []
- (c) Initial Broken Amount per denomination [specify amounts (currency and denomination)]

- (d) Final Broken Amount per denomination: [specify amounts (currency and denomination)]
- (e) Any other terms relating to the calculation of interest: []

ZERO COUPON NOTES

- 15.(a) Amortisation Yield: [insert details] per cent. per annum
- (b) Reference Price: [insert details]
- (c) Other formula or basis for determining Amortised Face Amount: [insert details]

PROVISIONS REGARDING THE CALCULATION OF INTEREST

- 16.(a) Interest Period(s) or specified Interest Payment Date(s): [NB: specify either a period or periods or a specific date or dates]
- (b) Margin(s) [plus/minus] [] per cent. per annum
- (c) Interest Rate (if any): []
- (d) Minimum/Maximum Interest Rate (if any): [] per cent. per annum
- 17.(a) Manner in which Rate of Interest is to be determined: [ISDA Determination/Screen Rate Determination/Reference Banks/Index/Formula/Other — insert details*]
- (b) Floating Rate Option (ISDA Determination): []
- (c) Designated Maturity (ISDA Determination): []
- (d) Reset Date (ISDA Determination): []
- (e) Reference Rate (Screen Rate Determination): []
- (f) Relevant Screen Page: []
- (g) Reference Banks: []
- (h) Interest Determination Date (Screen Rate Determination): []
- (i) Business Day Convention: [Modified Following Business Day Convention according to Condition 2(B)2 of the Terms and Conditions]
[other: Floating Rate/Following Business Day/Preceding Business Day/Other convention — insert details]
- (j) Principal Financial Centres:
Applicable Business Day definition (if different from that in Condition 2, para (F) of the Terms and Conditions: []
[other principal financial centre/insert additional details/not applicable]
- (k) Other terms relating to the method of calculating interest (eg day count fraction, rounding up provision and if different from Condition 2, denominator for calculation of Interest Amount): [insert details/not applicable]
[Condition [] applies/other — insert details]
- (l) Index: [insert details here/or detail in a schedule]

- (m) Formula: [insert details here/or detail in a schedule]
- (n) Automatic/optional conversion from one Interest Basis to another: [insert details, including at whose option]
- (o) Party responsible for calculation of interest: [Agent/swap counterparty — insert name]

* Please check with relevant Conditions to ensure that sufficient levels of fall-back provisions are inserted here, including worst case scenario.

PROVISIONS REGARDING PAYMENTS

18. Applicable "Banking Day" Definition if different to that set out in Condition 8, para 4 of the Terms and Conditions of the Notes [insert details/not applicable]
19. For Dual Currency Notes, details, including by whom the option can be exercised/notice period: []

PROVISIONS REGARDING REDEMPTION/MATURITY

20. Redemption/Maturity Date: []
21. (a) Redemption at Issuer's option: [No/Yes]
If Yes, insert date(s)/price(s)/notice period: []
- (b) Redemption at Noteholder's option: [No/Yes]
If Yes, insert date(s)/price(s)/notice period: []
22. Final Redemption Amount for each Note, including the method, if any, of calculating the same:
(NB — fall back provisions must be inserted) [insert amount or details (including party responsible for calculation if different from that specified in 17 (o) above)]
23. Early Redemption Amount for each Note payable on an event of tax call of default or (in case of BMW US Capital Corp. only) reporting requirements and/or the method, if any, of calculating the same if required to be specified by, or if different from, the Condition(s): [insert amount or details check relevant part of Condition 7 of the Terms and Conditions, refer to Condition 7 or specify, if different
[Party responsible for calculation insert details if party different from that specified in 17 (o) above]

GENERAL PROVISIONS APPLICABLE TO THIS ISSUE OF NOTE(S)

24. Details of additional /alternative clearance system approved by the Issuer and the Agent: [insert details]
25. Additional sales restrictions: [insert details]
26. Method of distribution: [Non-syndicated]
[Syndicated — please insert Management group details here or at end of the pricing supplement]
27. Stabilising Dealer/Manager: [insert details/None]
28. Common Code: []

- ISIN Code: []
- German Securities Code: []
29. Trade Date: [Date on which Issuer and Dealer have reached basic agreement to issue and purchase a Tranche of Notes]
30. (a) Issue Currency/USD (cross currency) conversion rate at Trade Date as provided by the relevant Issuer according to official Frankfurt fixing(s): [] []
- (b) Conversion Amount from No. 9 (e) converted into USD [Amount in USD]
31. Stock Exchange Listing:
- Listing on the Frankfurt Stock Exchange (Regulated Market): [Yes/No]
 - Listing on the Frankfurt Stock Exchange (Official List): [Yes/No]
 - Listing on the London Stock Exchange (Official List): [Yes/No]
 - Listing on the Paris Bourse: [Yes/No]
 - Other: [give details]
32. In the case of any Notes listed on the Paris Bourse:
- (a) each Specified Denomination of Notes to be issued;
 - (b) the Sicovam number (or, in the case of Partly Paid Notes, Sicovam numbers);
 - (c) the name and specified office of any paying agent in France;
 - (d) the address in Paris where any relevant documents will be available for inspection and a list of such documents;
 - (e) the specialist broker;
 - (f) a statement in French signed manually by a person duly authorised on behalf of the relevant Issuer and the relevant Dealer or, in the case of a syndicated issue of Notes, the relevant lead manager accepting responsibility for the information contained in the Pricing Supplement, in the following form:

"PERSONNES QUI ASSUMENT
LA RESPONSABILITE DE LA NOTE D'INFORMATION
COMPOSEE DE LA PRESENTE NOTE D'OPERATION (PRICING SUPPLEMENT)
(DE LA NOTE D'INFORMATION AYANT RECU DE LA COB LE VISA
NO [] DU [DATE])
ET DU DOCUMENT DE BASE (INFORMATION MEMORANDUM)

1. Au nom de l'émetteur

A la connaissance de l'émetteur, les données de la présente Note d'Information sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Aucun élément nouveau (autres que ceux mentionnés dans la présente Note d'Opération) intervenu depuis:

- le 18 mai, 1998, date du no P98-199 apposé par la Commission des Opérations de Bourse sur le Document de Base,
- [le []], date du visa no° [] apposé par la Commission des Opérations de Bourse sur la Note d'Information],

n'est susceptible d'affecter de manière significative la situation financière de l'émetteur dans le contexte de la présente émission.

[Name of BMW Issuer]

[Name & title of signatory]

2. Au nom du garant:

A la connaissance du garant, les données de la présente Note d'Information sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Aucun élément nouveau (autres que ceux mentionnés dans la présente Note d'Opération) intervenu depuis:

- le 18 mai, 1998, date du no P98-199 apposé par la Commission des Opérations de Bourse sur le Document de Base,
- [le [_____], date du visa no° [_____]
apposé par la Commission des Opérations de Bourse sur la Note d'Information],

n'est susceptible d'affecter de manière significative la situation financière du garant dans le contexte de la présente émission.

Bayerische Motoren Werke Aktiengesellschaft

[Name & title of signatory]

3. Au nom de la banque présentatrice

A la connaissance de la banque présentatrice, les données de la présente Note d'Information sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

(Name of relevant Dealer/lead manager)

[Name & title of signatory]

(g) a statement in French in respect of the Pricing Supplement in the following form:

"La notice légale sera publiée au Bulletin des Annonces Légales Obligatoires (BALO) du [date]. La présente Note d'Information ne peut pas être distribuée en France avant la date effective de cotation de l'emprunt à la Bourse de Paris et la publicité légale au BALO"; and

(h) the registration number allocated by the COB in respect of the Information Memorandum and the visa number allocated by the COB in respect of the Pricing Supplement in the following form:

VISA DE LA COMMISSION DES OPERATIONS DE BOURSE

En vue de la cotation à Paris des obligations, et par application des articles 6 et 7 de l'ordonnance no. 67-833 du 28 septembre 1967, la Commission des Opérations de Bourse a enregistré le Document de Base sous le no. P98-199 du 18 mai, 1998, et a apposé sur la présente Note d'Information le visa no. [] du [date]."

33. [Listing Application:

Application is hereby made to list this issue of Notes pursuant to the listing of the Euro Medium Term Note Programme of [insert name of issuer] (as from [insert issue date for the Notes]).

6. Description of Bayerische Motoren Werke Aktiengesellschaft

Incorporation, Domicile and Purpose

The origins of BMW AG date back to 1916, when the "Bayerische Flugzeugwerke Aktiengesellschaft" was founded in Munich as a manufacturer of aircraft engines. In 1922, Bayerische Flugzeugwerke Aktiengesellschaft acquired all plants and installations, patents and designs and all rights and obligations arising from the engine manufacturing operations of the former "Bayerische Motoren Werke Aktiengesellschaft" under which name it has since been operating.

BMW AG has its registered office at Petuelring 130, D-80788 Munich and is registered under the Reg. No. HRB 42243 of the Commercial Register in Munich. Registered branch offices are located in Berlin, Bonn, Bremen, Chemnitz, Darmstadt, Dresden, Düsseldorf, Essen, Frankfurt am Main, Hamburg, Hannover, Kassel, Leipzig, Mannheim, München, Nürnberg, Saarbrücken and Stuttgart.

The object of BMW AG is the manufacturing and the sale of motor engines and all vehicles equipped therewith, their accessories as well as products of the engineering, metals and wood industries.

BMW AG is entitled within these limitations to all business and undertakings which appear necessary or useful, for the achievement of the company's aims, in particular to acquire or sell property, to establish subsidiaries in Germany and abroad, to establish or acquire other businesses of the same or similar nature, to participate in such businesses and to conclude contracts of mutual interest or similar contracts.

BMW AG is the parent Company of the Group.

Share Capital

The share capital of DEM 989,890,000 is divided into 10,599,110 ordinary bearer shares with a nominal value of DEM 50 each, 225,000 ordinary bearer shares with a nominal value of DEM 100 each, 368,000 ordinary bearer shares with a nominal value of DEM 1,000 each, and 1,388,690 non-voting preference bearer shares with a nominal value of DEM 50 each, all of which are all fully paid in. The authorized share capital allows the further issuance of non-voting preference shares in the amount of DEM 8,613,000.

The common shares and part of the preferred shares of BMW AG are listed in the Federal Republic of Germany at the stock exchange of Munich, Berlin, Düsseldorf, Frankfurt am Main and Hamburg. The common shares are also listed abroad in Basle, Geneva, Zurich and Vienna.

Consolidated Capitalization of BMW Group

The following table shows the consolidated capitalization of BMW Group as of December 31, 1997:

	December 31, 1997 (in DEM million)
Subscribed capital.....	990
Capital reserve	1,635
Revenue reserves.....	7,097
Unappropriated profit available for distribution	397
Minority interest.....	129
Shareholders' equity.....	10,248
Registered profit-sharing certificates.....	76
Long-term debt (with a term of more than one year)	
Bonds	6,170
Due to banks	4,346
Short-term debt	
Bonds	785
Due to banks	4,444
Commercial paper	2,825
Total Debt	18,646
Total capitalization.....	28,894
Contingent liabilities	135

With the exception of the activities described below there has been no material change in the consolidated total capitalization of BMW Group since December 31, 1997.

Since January 1, 1998 BMW Group has issued USD 150,000,000 bearer bonds at 5% due 2002 and Euro Medium Term Notes with amounts totalling ECU 8,000,000, GBP 85,000,000, ITL 30,000,000,000, JPY 4,000,000,000, PTE 6,000,000,000 and USD 130,000,000 with maturities ranging from 6 months to 5 years. In addition, BMW Group has repaid DEM 18,850,000 annuities, a bank loan of DEM 26,950,000 and Euro Medium Term Notes with amounts totalling JPY 2,000,000,000 and PTE 6,000,000,000.

The proposal to increase the nominal share capital of BMW AG via a two-step process from DEM 990 million to DEM 1,287 million was approved at the Shareholders' Meeting on May 12, 1998.

Board of Management

In accordance with the Articles of Association the Board of Management consists of two or more members. Currently the members are:

Bernd Pischetsrieder, Chairman
Volker Doppelfeld
Dr. Walter Hasselkus
Prof. Dr.-Ing. Dr. h.c. Dr.-Ing. E.h. Joachim Milberg
Dr. Helmut Panke
Dr.-Ing. Wolfgang Reitzle
Dr. h.c. Horst Teltschik

Supervisory Board

In accordance with the Articles of Association the Supervisory Board consists of twenty members, ten of which are elected by the General Meeting of Shareholders and ten of which are elected in accordance with the German workers participation law. Currently the members are:

Dr.-Ing. E.h. Dr.-Ing. E.h. Eberhard v. Kuenheim	Munich, Chairman, Former Chairman of the Board of Management of BMW AG
Manfred Schoch*	Munich, Deputy Chairman, Chairman of the Works Council
Prof. Dr.-Ing. E.h. Berthold Leibinger	Ditzingen, Deputy Chairman, Managing Partner of TRUMPF GmbH + Co., Maschinenfabrik Stuttgart
Johann Vilsmeier*	Dingolfing, Deputy Chairman, Chairman of the Works Council, Dingolfing plant
Dr. h.c. André Leysen	Mortsel, Belgium, Deputy Chairman, Chairman of the Supervisory Board of Gevaert N.V.
Reinhold Bauer*	Landshut, Deputy Chairman of the Works Council, Landshut plant
Dr. Karin Benz-Overhage*	Frankfurt am Main, Executive Member of the Board of Management of IG Metall
Ulrich Eckelmann*	Frankfurt am Main, Head of Department for the Board of Management of IG Metall
Hans Glas*	Munich, Director 7 and 5 Series
Gerhard Gutsmedl*	Munich, Deputy Chairman of the Works Council, Munich plant
Arthur L. Kelly	Chicago, Illinois, Managing Partner of KEL Enterprises Ltd.
Susanne Klatten	Bad Homburg v.d.H., Economist, MBA
Rudolf Lukes*	Munich, Trade union secretary
Prof. Dr. Hubert Markl	Munich, President of Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
Hans-Günther Niklas*	Regensburg, Chairman of the Works Council, Regensburg plant
Stefan Quandt	Bad Homburg v.d.H., Graduate Industrial Engineer
Ernst Rehmeier*	Dingolfing, Deputy Chairman of the Works Council, Dingolfing plant
Dr. Wolfgang Röller	Frankfurt am Main, Former Chairman of the Supervisory Board of Dresdner Bank AG
Dr.-Ing. Dieter Soltmann	Munich, Member of the Managing Board of Gabriel Sedlmayr, Spaten-Franziskaner-Bräu KGaA
Lodewijk C. van Wachem	The Hague, The Netherlands, Chairman of the Supervisory Board of Royal Dutch Petroleum Company/Shell

* Employees' representative.

BMW AG may legally be represented by two members of the Board of Management or one member of the Board of Management together with one holder of a commercial procuration ("Prokurist"), registered in the Commercial Register.

The business address of the members of the Board of Management and Supervisory Board is Petuelring 130, BMW Haus, D-80788, Munich.

General Meeting of Shareholders and Voting Rights

The General Meeting of Shareholders, which is called by the Board of Management or, as provided by law, by the Supervisory Board, is held at the domicile of BMW AG or at a branch office or at a subsidiary of BMW AG or at the domicile of a German stock exchange in the Federal Republic of Germany within eight months after the end of the respective fiscal year.

The voting right of each ordinary bearer share corresponds to its nominal amount. Each nominal amount of DEM 50 of the respective ordinary bearer share capital represented at the voting gives entitlement to one vote.

Auditors

Independent auditors ("Wirtschaftsprüfer") of BMW AG are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft — Wirtschaftsprüfungsgesellschaft, Elektrastraße 6, D-81925 Munich, Federal Republic of Germany. They have audited the financial statements of BMW AG as well as the consolidated financial statements of the BMW Group for the fiscal years ended 1995, 1996 and 1997 in accordance with generally accepted accounting principles and practices in the Federal Republic of Germany and have for each year issued their unqualified opinion.

Fiscal Year

The fiscal year of BMW AG is the calendar year.

Business of the BMW Group

General

The BMW Group is a leading manufacturer of high quality, high performance automobiles in the lower, middle and upper price ranges. At the beginning of 1994 BMW concluded an agreement with British Aerospace plc on the acquisition of the Rover Group. BMW Group produced approximately 1.2 million cars in 1997. BMW also manufactures motorcycles in the 650 to 1,200 cc range. In a joint venture with Rolls-Royce plc, BMW Group resumed its tradition of developing and producing aircraft engines.

BMW Production and Sales

BMW has a system of linked plants, all of which operate to a high technical standard. In Germany, BMW automobiles of the 3 Series are produced in Munich and Regensburg. Automobiles of the 5, 7 and 8 Series, as well as axles, are produced in Dingolfing. Engines are manufactured in Munich and Steyr. Components and plastic parts for BMW automobiles and motorcycles are manufactured in Landshut. Motorcycles and automobile parts are produced in Berlin.

BMW continues to strengthen the international development of its systems of linked plants. BMW has plants in Steyr, Austria (production of automobile engines); Pretoria, South Africa (3 Series and parts); and near Spartanburg, South Carolina (Z3 roadster). The Spartanburg plant gives BMW a manufacturing presence not only in the United States, the largest car market in the world, but also within the market of the North American Free Trade Agreement.

BMW's current automobile range is divided into four series, comprising the 3 Series, the Z3 roadster, the mid-range 5 Series, the luxury 7 Series and the high-performance 8 Series. BMW is a world leader in car engine technology and the use of electronics in cars. The motorcycle product range encompasses the F 650, R 850, R 1100, R 1200, K 1100 and K 1200.

BMW products are sold in Germany through independent BMW dealers and sales offices of BMW AG. Outside Germany, BMW products are distributed by BMW-owned sales companies and independent importers, and sold through independent and BMW-owned dealers in metropolitan areas.

Rover Group Production and Sales

Rover Group has a leading position within the British automobile industry. Rover Group develops, manufactures and distributes a wide range of car models, ranging from automobiles in the compact, economy and luxury class to specialised off-road models.

In England, Rover Group has production sites in Oxford, Solihull, Birmingham and Swindon.

Four brands of the Rover Group complement the BMW model range. Rover, the automobile brand, is comprised of the Rover 200 Series, the Rover 400 Series, the Rover 600 Series and the Rover 800 Series. Land Rover, the off-road brand, consists of the Freelander, the Defender, the Discovery and the Range Rover. The Mini and the MG brands round out the model range of the Rover Group.

Rover Group products are distributed in more than 120 countries through a sales network of distributors and sales outlets all over the world. Rover Group's most important markets are Western Europe, North America, Japan and Australia. The competitive position of Rover and Land Rover as separate and distinctive brands is being strengthened in both European and overseas markets with substantial investment in the efficiency and image of the dealer organisation.

BMW Group Five Year Survey

		1993	1994 ⁽¹⁾	1995	1996	1997
Production						
Automobiles	units	532,960	948,683	1,098,582	1,143,558	1,194,704
Motorcycles.....	units	36,990	44,435	52,653	48,950	54,933
Unit Sales						
Automobiles	units	535,492	960,433	1,092,497	1,172,374	1,196,510
Motorcycles.....	units	35,031	44,203	50,842	49,238	55,401
Sales.....	DEM million	29,016	42,125	46,144	52,265	60,137
Change	%	-7.1	+45.2	+9.5	+13.3	+15.1
Workforce at end of year...		71,034	109,362	115,763	116,112	117,624
Investment.....	DEM million	2,214	3,543	3,477	3,830	4,520
as % of sales	%	7.6	8.4	7.5	7.3	7.5
Depreciation	DEM million	1,836	2,567	2,877	3,002	3,543
Cash flow	DEM million	2,567	3,569	3,755	4,092	4,925
as % of investment.....	%	115.9	100.7	108.0	106.8	109.0
Fixed assets	DEM million	7,151	11,748	11,905	13,429	15,234
Assets from sales						
financing	DEM million	11,766	13,300	15,008	16,798	21,245
as % of balance sheet						
total.....	%	38.8	34.4	36.7	37.0	39.8
Other current assets and						
prepaid expenses	DEM million	11,378	13,645	13,934	15,115	16,801
Subscribed capital.....	DEM million	902	985	987	989	990
Reserves.....	DEM million	5,787	6,538	6,820	7,657	8,732
Capital reserve.....	DEM million	834	1,574	1,593	1,614	1,635
Profit reserve.....	DEM million	4,953	4,964	5,227	6,043	7,097
Shareholders' equity.....	DEM million	7,025	7,922	8,200	9,067	10,248
as % of balance sheet						
total.....	%	23.2	20.5	20.1	20.0	19.2
as % of fixed assets	%	98.2	67.4	68.9	67.5	67.3
Debt/equity ratio						
Industrial business	%	30.3	24.8	25.1	25.0	25.3
Sales financing.....	%	12.0	12.2	11.4	11.5	10.0
Long-term borrowings	DEM million	7,956	9,012	10,780	11,764	15,201
Long-term capital	DEM million	14,981	16,934	18,980	20,831	25,449
as % of fixed assets	%	209.5	144.1	159.4	155.1	167.1
Liabilities from sales						
financing	DEM million	10,353	11,672	13,299	14,871	19,116
Balance sheet total.....	DEM million	30,295	38,693	40,847	45,342	53,280
Total value of production...	DEM million	30,932	43,287	47,333	52,961	62,042
per employee.....	DEM	467,244	428,924	442,596	485,311	565,999
Material costs	DEM million	17,368	24,696	27,397	31,057	35,595
Personnel costs	DEM million	6,245	8,425	8,846	9,844	10,825
per employee	DEM	94,334	83,482	82,716	90,206	98,755
Results from ordinary						
business activities.....	DEM million	832	1,357	1,367	1,660	2,528
as % of total value of						
production	%	2.7	3.1	2.9	3.1	4.1
Taxes.....	DEM million	316	660	675	840	1,282
Net income	DEM million	516	697	692	820	1,246
Net income of BMW AG						
available for distribution	DEM million	226	277	267	297	397

⁽¹⁾ Incl. Rover Group with effect from March 18, 1994

Source: BMW Annual Reports

Recent Developments and Outlook for 1998

BMW Group in figures		1997	1996	Change in %
Sales.....	DEM million	60,137	52,265	+15.1
Car production				
Group.....	units	1,194,704	1,143,558	+4.5
BMW.....	units	672,238	639,433	+5.1
Rover Group.....	units	522,466	504,125	+3.6
Car deliveries to customers				
Group.....	units	1,196,096	1,151,361	+3.9
BMW.....	units	675,076	644,107	+4.8
Rover Group.....	units	521,020	507,254	+2.7
Motorcycle production ⁽⁴⁾	units	54,933	48,950	12.2
Motorcycle deliveries to customers.....	units	54,014	50,465	+7.0
Workforce at end of year.....		117,624	116,112	+1.3

⁽¹⁾ Incl. Rover Group from March 18, 1994

⁽²⁾ Whole of 1994: 487,298

⁽³⁾ Whole of 1994: 475,513

⁽⁴⁾ Incl. F 650 assembly at Aprilia S.p.A.

BMW Automobiles

Demand for BMW cars continued to increase. The 3 Series BMW was as successful as in previous years and deliveries of 5 Series cars rose to the highest level ever achieved by the medium-sized BMW. Customer demand continued to be high for the 7 Series BMW, the leading car in Europe's top market segment. In North America, BMW delivered a record number of cars to customers. As a result, business there continued to develop positively.

BMW Motorcycles

In 1997, the BMW motorcycle business continued to develop extremely satisfactorily. Once again, the key data on business development surpassed the previous year's comparable figures. The Tourer R 1100 RT was the most successful BMW motorcycle. With the new Cruiser R 1200 C, BMW entered the largest segment of the international motorcycle market.

Rover Group Automobiles

In 1997, Rover Group delivered approximately 521,000 vehicles to customers worldwide. Sales markets outside Great Britain continued to increase in importance. The share of more expensive vehicles in production and unit sales increased, corresponding to the company's long-term objectives. In 1997, the Rover 200 and MGF contributed to growth. Land Rover sold a record number of vehicles for the fifth successive year. The Land Rover Freelander and a first glimpse of the new Mini aroused public interest.

BMW Rolls-Royce Aero Engines

1997 was the first full year of production for the assembly plant at Dahlewitz. The first aircraft equipped with BMW Rolls-Royce aero engines, a Gulfstream V, went into service. Boeing decided to produce a new 100-seat passenger aircraft and commission BMW Rolls-Royce as the supplier of aero engines. As a result, the company has become the market leader for aero engines with a thrust of 14,000 to 23,000 pounds.

Financial Services

With attractive products and a flexible international organization, car-related financial services consolidated their market position. At the end of 1997, BMW Financial Services were represented by subsidiaries or cooperated with local financial institutions in 18 countries. This field of business contributed substantially to the Group's success.

Development in the first quarter of 1998

At the beginning of 1998, sales of BMW cars continued to develop satisfactorily, as in previous years. However, in the first quarter deliveries of new cars to customers will be below the high level of the comparable period of 1997, as planned, because of the model change-over in the 3 Series BMW.

In the first quarter of 1998, deliveries of Rover Group vehicles to customers will achieve the same level as in the comparable period of the previous year. With the successive international introduction of the Land Rover Freelander and the end of production of the Rover 100, more expensive vehicles will account for a higher share of Rover Group's unit sales.

Outlook

On the international car market, demand is expected to slacken temporarily in 1998. This reflects, in particular, the uncertainty of the markets in East Asia and the slight downward trend in the North American car market. In Western Europe, however, demand for cars should generally remain stable.

In 1998, sales of BMW cars will be influenced primarily by the model change-over in the 3 Series. The first version, the four-door saloon, will be available from the second quarter of the year.

BMW is expecting weak demand in Southeast Asia, triggered by the financial markets, to be offset by additional sales in Europe and North America. The Company will continue to pursue its model policy, as planned, with additional product innovations.

At Rover Group, the demand which is already being recorded for the new Freelander will increase the volume of business in 1998. In addition to restructuring the model range, investments will focus predominantly on the Birmingham and Oxford plants and on the international sales organisation.

In 1998, the further integration of BMW Group and orientation of all structures to the Company's essential linked processes will be continued with determination. The necessary decisions have been made. They create the conditions required for enhancing the Company's innovative strength and increasing productivity.

7. Description of BMW Finance N.V.

Incorporation, Duration, Domicile

BMW Finance N.V. was incorporated on June 14, 1983 as a corporation (naamloze vennootschap) under the law of the Netherlands for an indefinite term. The registered office of Finance is in The Hague, The Netherlands; it is registered under the number 106 340 in the Commercial Register of The Hague.

Sole shareholder of Finance is BMW AG, Munich. Finance has no subsidiaries.

Purpose

According to its Articles of Incorporation, the purpose of Finance is the administration and the financing of BMW group companies and participations and the offering of services relating thereto, including the holding of share capital of other companies, and all other activities which may possibly be useful for such purposes.

Capitalization

The authorized capital of Finance is NLG 5 million and is divided into 5,000 ordinary shares of NLG 1,000 each. The paid-in capital is NLG 3,500,000.

The following table shows the capitalization of BMW Finance N.V. as of December 31, 1997:

	December 31, 1997 (in DEM)
Authorized share capital: NLG 5 million; of which have been issued and are fully paid in	3,126,725
Share premium	15,633,625
Other reserves	3,573,400
Retained earnings	203,938,393
Shareholder's equity	226,272,143
Bonds	1,410,889,876
Loans due to banks	122,958,558
Loans due to Group Companies	100,000,000
Total long-term liabilities	1,633,848,434
Total capitalization	1,860,120,577
Short-term liabilities	1,499,487,569

With the exception of the activities described below there has been no material change in the total capitalization of Finance since December 31, 1997.

Since January 1, 1998 BMW Finance N.V. has repaid DEM 18,850,000 annuities, and a bank loan of DEM 26,950,000.

Management

Finance is managed by the Board of Directors, which consists of one or more members. The General Meeting of Shareholders appoints, dismisses or suspends the members of the Board of Directors. Finance must be represented by at least one Director. If the Board of Directors comprises more than one member, Finance must be represented by two Directors or one Director together with a holder of a commercial procuration ("Prokurist") registered in the Commercial Register.

The present members of the Board of Directors of BMW Finance N.V. are:

Dr. Wolfgang Stofer, Director of Treasury, Accounting and Taxes of BMW AG

Klaus Wiese, Managing Director of BMW Nederland B.V.

Finance has no Supervisory Board.

The business address of each of the members of the Board of Directors is:

Einsteinlaan 5, 2289 CC Rijswijk, The Netherlands.

General Meeting of Shareholders

The General Meeting of Shareholders is to be held each year within six months after the end of the previous business year.

Auditors and Financial Statements

Independent auditors ("register accountants") of BMW Finance N.V. are at present KPMG Accountants N.V., Churchillplein 6, 2517 JW The Hague, The Netherlands.

The financial statements of Finance for the years ended 1995, 1996 and 1997 have been audited by the aforementioned auditors in accordance with generally accepted accounting principles and practices in The Netherlands and in each case the accounts were certified without qualification.

Fiscal Year

The fiscal year of BMW Finance N.V. is the calendar year.

Distribution of Profits

The General Meeting of Shareholders decides on the distribution of profits. Dividends shall be paid after approval of the financial statements. The General Meeting of Shareholders may decide on the distribution of an interim dividend.

No dividends have been paid thus far.

Litigation

There are no judicial or arbitration proceedings which could have, or have had in the last fiscal year, a material effect on the financial situation of BMW Finance N.V., nor has BMW Finance N.V. knowledge of any such proceedings pending or threatened.

8. Description of BMW US Capital Corp.

Incorporation, Domicile

BMW US Capital Corp. was incorporated as a corporation under the law of the State of Delaware, United States of America, for an unlimited term on January 14, 1993. The registered office of BMW US is 1209 Orange Street, Wilmington, Delaware; it is identified under the number 2322 568 in the records of the Secretary of State of the State of Delaware.

BMW US is an indirectly 100% owned subsidiary of BMW AG, Munich. BMW US has no subsidiaries.

Purpose

According to its Articles of Incorporation, the purpose of BMW US is to assist the financing of the activities of BMW Group and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

Capitalization

The authorized capital of BMW US amounts to USD 20 million and is divided into 2,000 ordinary shares of USD 10,000 each, of which 1,100 shares have been issued and are fully paid in.

The following table shows the capitalization of BMW US as of December 31, 1997.

	<u>December 31, 1997</u> (in USD thousands)
Authorized share capital: USD20,000,000 of which have been issued and are fully paid in	11,000
Share premium	144,000
Retained earnings	43,550
Shareholders' equity	<u>198,550</u>
Bonds	1,706,774
Long-term loans due to banks	450,000
Total long-term liabilities	<u>2,156,774</u>
Total capitalization	<u>2,355,324</u>
Short-term liabilities	2,888,784

With the exception of the issues described below, there has been no material change in the total capitalization of BMW US since December 31, 1997.

Since January 1, 1998 BMW US has issued Euro Medium Term Notes with amounts totalling ITL 30,000,000,000, PTE 6,000,000,000 and USD 130,000,000 with maturities ranging from 6 months to 5 years. In addition, BMW US has repaid Euro Medium Term Notes totalling JPY 2,000,000,000.

Management

BMW US is managed by a Board of Directors consisting of one or more Directors. The General Meeting of Shareholders appoints, dismisses or suspends the Directors.

The present members of the Board of Directors of BMW US are:

Dr. Werner Adelberger, Executive Vice President and Chief Financial Officer of BMW (US) Holding Corp.
Dr. Wolfgang Stofer, Director of Treasury, Accounting and Taxes of BMW AG.

BMW US has no Supervisory Board.

The business address of each member of the Board of Directors is 300 Chestnut Ridge Road, Woodcliff Lake, New Jersey 07675, United States of America.

Shareholders Meeting

The Annual Shareholders Meeting of BMW US has to take place within 13 months after the organization of the corporation, and each successive annual meeting shall be held on a date within 13 months after the preceding annual meeting.

Auditors and Financial Statements

Independent auditors ("certified public accountants") of BMW US are at present KPMG Peat Marwick LLP, New Jersey Headquarters, 150 John F. Kennedy Parkway, Short Hills, New Jersey 07078, United States of America.

The financial statements of BMW US for the years ended 1995, 1996 and 1997 have been audited by the aforementioned auditors in accordance with generally accepted accounting principles and practices in the United States of America and were certified without qualification.

Fiscal Year

The fiscal year of BMW US is the calendar year.

Distribution of Profits

The profits are at the disposal of the Directors. The dividends shall be paid after approval of the financial statements. The Directors may declare the payment of an interim dividend.

No dividends have been paid thus far.

Litigation

There are no judicial or arbitration proceedings which could have, or have had in the last fiscal year, a material effect on the financial situation of BMW US, nor has BMW US knowledge of any such proceedings pending or threatened.

9. Description of BMW Coordination Center N.V.

Incorporation, Duration, Domicile

BMW Coordination Center N.V. was incorporated on July 31, 1987 as a corporation (naamloze vennootschap) under the law of Belgium for an unlimited period of time. Since November 9, 1987 Coordination Center is recognized under the royal decree no. 187 as of December 30, 1982. The registered office of Coordination Center is in Bornem, Belgium; it is registered in the Commercial Register of Mechelen under the number 63 225.

Coordination Center is an indirectly 100% owned subsidiary of BMW AG, Munich. Coordination Center has no subsidiaries.

Purpose

The purpose of Coordination Center is to provide assistance, administration and services to companies of BMW Group.

Capitalization

The authorized share capital of Coordination Center is BEF 10 billion. The paid-in capital is BEF 6.5 billion and is divided into 650,000 ordinary shares of BEF 10,000 each.

The following table shows the capitalization of Coordination Center as of December 31, 1997:

	December 31, 1997 (in BEF thousands)
Authorized share capital: BEF 10,000,000,000 of which have been issued and are fully paid in.....	6,500,000
Legal reserves.....	466,400
Retained earnings	1,628,752
Shareholder's equity	8,595,152
Long-term liabilities	7,886,270
Total capitalization	16,481,422
Short-term liabilities.....	23,214,767

With the exception of the activities described below there has been no material change in the total capitalization of BMW Coordination Center N.V. since December 31, 1997.

Since January 1, 1998 Coordination Center has issued a Euro Medium Term Note totalling ECU 8,000,000 with a maturity of 5 years and repaid a Euro Medium Term Note totalling PTE 6,000,000,000.

Management

Coordination Center is managed by the Board of Directors, which consists of three or more members. The General Meeting of Shareholders appoints, dismisses or suspends the members of the Board of Directors. Coordination Center must be represented by two Directors or one Director and a duly authorized officer.

The present members of the Board of Directors of BMW Coordination Center N.V. are:

Dr. Horst Bodenbinder, Managing Director of BMW Belgium S.A./N.V.
Dr. Wolfgang Stofer, Treasury, Accounting and Taxes of BMW AG
Dr. Hugo Mann, Treasurer of BMW Coordination Center N.V.

Coordination Center has no Supervisory Board.

The business address of each of the members of the Board of Directors is:
Lodderstraat 16, 2880 Bornem, Belgium.

Auditors and Financial Statements

Independent auditors ("reviseurs d'entreprises") of BMW Coordination Center N.V. are at present Klynveld Peat Marwick Goerdeler, Bedrijfsrevisoren, Spoorweglaan 3, 2610 Antwerpen.

The financial statements of Coordination Center for the years ended 1995, 1996 and 1997 have been audited by the aforementioned auditors in accordance with generally accepted accounting principles and practices in Belgium and in each case the accounts were certified without qualification.

Fiscal Year

The fiscal year of BMW Coordination Center N.V. is the calendar year.

Distribution of Profits

The General Meeting of Shareholders decides on the distribution of profits. Dividends shall be paid after approval of the financial statements. The General Meeting of Shareholders may decide on the distribution of an interim dividend.

Litigation

There are no judicial or arbitration proceedings which could have, or have had in the last fiscal year, a material effect on the financial situation of BMW Coordination Center N.V., nor has BMW Coordination Center N.V. knowledge of any such proceedings pending or threatened.

10. Description of BMW (UK) Capital plc

Incorporation, Domicile

BMW (UK) Capital plc was originally incorporated with an unlimited term on October 16, 1995 under the Companies Act 1985 with the name Stohold Limited and changed its name to BMW (UK) Capital Limited on December 6, 1995. On May 1, 1996 BMW (UK) Capital Limited was re-registered as a Public Company under the name BMW (UK) Capital plc. The registered office of BMW UK is International Headquarters, Warwick Technology Park, Warwick CV34 6RG; it is registered in England and Wales under the number 3114356.

BMW UK is an indirectly 100% wholly owned subsidiary of BMW AG. BMW UK has no subsidiaries.

Purpose

The principal purpose of BMW UK is to provide financing for use by BMW Group companies.

Capitalization

The authorized share capital of BMW UK amounts to GBP 10 million and is divided into 10,000,000 ordinary shares of GBP 1, of which 150,000 shares have been issued and are fully paid in.

The following table shows the capitalization of BMW UK as of December 31, 1997:

	<u>December 31, 1997</u> (in GBP thousands)
Subscribed capital.....	150
Share premium account	24,900
Retained earnings	1,840
Shareholder's equity.....	26,890
Long term loans due to banks	393,700
Bonds.....	440,111
Deferred income due within five years.....	2,883
Long term liabilities	836,694
Total capitalization.....	863,584
Short term liabilities.....	225,445

With the exception of the issue described below, there has been no material change in the total capitalization of BMW UK since December 31, 1997.

Since January 1, 1998 BMW UK has issued Euro Medium Term Notes totalling GBP 85,000,000 and JPY 4,000,000,000 with a maturity of 1 year.

Management

BMW UK is managed by a Board of Directors consisting of one or more Directors. At present it is represented by two members of the Board of Directors.

The members of the Board of Directors of BMW UK are:

Dr. Wolfgang Stofer, Director of Treasury, Accounting and Taxes of BMW AG.

André L. Burns, Director of Accounting, Treasury and Taxation of Rover Group Ltd.

The business address of each member of the Board of Directors is International Headquarters, Warwick Technology Park, Warwick CV34 6RG.

Shareholders' Meeting

General Meetings of Shareholders will be held annually.

Auditors

Independent auditors ("chartered accountants") of BMW UK at present are KPMG, Arlington Business Park, Theale, Reading RG7 4SD.

The financial statements of BMW UK for the period from incorporation to December 31, 1996 and for the year ended 1997 were prepared by the directors in accordance with generally accepted accounting principles and practice in the UK and have been audited by the aforementioned auditors in accordance with generally accepted auditing standards, and certified without qualification.

Financial Year

The financial year of BMW UK is the calendar year.

Distribution of Profits

The General Meeting of Shareholders will ratify all dividend payments. No dividends have been paid thus far.

Litigation

There are no judicial or arbitration proceedings which could have, or have had in the last financial period, a material effect on the financial situation of BMW UK, nor has BMW UK knowledge of any such proceedings pending or threatened.

11. Selling Restrictions

1. General

Each Dealer acknowledges and each further Dealer will be required to acknowledge that no action has been or will be taken in any jurisdiction by any Issuer that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Dealer will comply, to the best of its knowledge and belief, with all applicable laws and regulations (including any amendments, changes or modifications thereto from time to time) in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes such offering material, in all cases at its own expense.

2. Federal Republic of Germany

Selling Restrictions do not apply, as long as a Securities Prospectus within the meaning of § 1 of the German Securities Prospectus Act is filed with the Federal Supervisory Authority for Trading in Securities (Bundesaufsichtsamt für den Wertpapierhandel).

3. United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to or for the account or benefit of US persons except pursuant to an exemption from the registration requirements of the Securities Act or in accordance with Regulation S under the Securities Act. Each of the Dealers represents that it, its affiliates and any person acting on its or their behalf (i) has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States of America except in accordance with Rule 903 of Regulation S under the Securities Act and (ii) have offered or sold and will offer or sell any Notes only in an overseas directed offering as defined in Regulation S. Accordingly, each of the Dealers represents and agrees that neither it, its affiliates nor any other persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States of America with respect to the Notes, and it and they have complied and will comply with the offering restrictions of Regulation S.

Each of the Dealers has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:—

"The Notes covered hereby have not been registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

Terms used in this paragraph have the meanings given to them by Regulation S.

- I. For Notes denominated in DEM and/or with maturities of less than 365 days and to be cleared through Deutscher Kassenverein AG the following shall apply unless the Issuer is BMW US Capital Corp.:—

In addition, under US Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "C Rules"), the Notes with a maturity (at issue) of more than one year in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. The Dealer represents that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of the Notes, the Dealer represents that it has not communicated, and agrees that it will not communicate, directly or indirectly, with a prospective purchaser who is within the United States or its possessions, nor has it, directly or indirectly, through any of its US offices communicated nor will it communicate with any prospective purchaser or otherwise involve a United States office in the offer or sale of the Notes.

- II. For Notes to be cleared through Cede! Bank/Euroclear and with maturities of more than 365 days and for all Notes issued by BMW US Capital Corp. the following shall apply:—

In addition,

- (1) except to the extent permitted under US Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "D Rules"), each of the Dealers (a) has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States of America or its possessions or to a United States person and (b) has not delivered and will not deliver within the United States of America or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (2) each of the Dealers represents and agrees that it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States of America or its possessions or to a United States person, except as permitted by the D Rules;
- (3) if one of the Dealers is a United States person, it represents that it is acquiring the Notes in bearer form for purposes of resale in connections with their original issuance and if one of the Dealers retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of US Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and
- (4) with respect to each affiliate that acquires from a Dealer Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, such Dealer either (a) repeats and confirms the representations and agreements contained in clauses (1), (2) and (3) on its behalf or (b) agrees that it will obtain from such affiliate for the Issuer's benefit the representations and agreements contained in clauses (1), (2) and (3).

Terms used in these paragraphs I. and II. have the meanings given to them by the US Internal Revenue Code and regulations thereunder, including the C Rules and D Rules.

4. United Kingdom

Each Dealer has represented and agreed that:—

- (a) in respect of any Notes which are to be admitted to the Official List of the London Stock Exchange (the "Listed Notes"):—
 - (i) it has not offered or sold and will not offer or sell any Listed Notes having a maturity of one year or more to persons in the United Kingdom prior to admission of the Listed Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "Act"), except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations") or the Act;
 - (ii) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Listed Notes in, from or otherwise involving the United Kingdom; and
 - (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Listed Notes other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended or is a person to whom such document may otherwise lawfully be issued or passed on.
- (b) in respect of any Notes other than Listed Notes (the "Unlisted Notes"):
 - (i) it has not offered or sold and, during the period of six months from the date of issue of any Unlisted Notes having a maturity of one year or more, will not offer or sell any Unlisted Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations:

- (ii) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Unlisted Notes in, from or otherwise involving the United Kingdom; and
- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Unlisted Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

5. Japan

Each Dealer understands that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, each Dealer has represented and agreed that it will not offer, sell or deliver any Notes directly or indirectly, in Japan or to any Japanese Person or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorities in effect at the relevant time. For the purposes of this paragraph "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity located in Japan.

6. The Netherlands

Each of the Dealers represents and agrees with the Issuers and each further Dealer appointed under the Programme will be required to represent and agree with the Issuer that any Notes issued under the Programme (including rights representing an interest in a Note in global form) that are not listed on the Amsterdam Stock Exchange and (i) that are offered anywhere in the world as far as the Notes issued by BMW Finance N.V. are concerned or (ii) offered, as part of their initial distribution or by way of re-offering, in The Netherlands as far as Notes issued by Bayerische Motoren Werke Aktiengesellschaft, BMW US Capital Corp., BMW Coordination Center N.V. and BMW UK Capital plc are concerned shall, in order to comply with The Netherlands Supervision of the Securities Trade Act (*Wet toezicht effectenverkeer 1995*, hereinafter the "Netherlands Securities Act"):

- (a) only be issued and offered in the event that such Notes have been or will most likely shortly be admitted to the official listing on a stock exchange in another state which is a party to the Treaty on a European Economic Area and, in the latter case, the Information Memorandum has been submitted to or approved by, and the relevant Pricing Supplement in respect of such Notes has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC and the Securities Board of The Netherlands (*Stichting Toezicht Effectenverkeer*, hereinafter the "STE") has confirmed the availability of mutual recognition in respect of such documents (this condition (a) shall apply only if no more than six months have passed since the approval of the Information Memorandum by the competent authority of the other state); or
- (b) only be issued and offered in the event that the Information Memorandum has been approved by, and the relevant Pricing Supplement in respect of such Notes has been submitted to or approved by, the competent authority of another state which is a party to the Treaty on a European Economic Area as referred to in Article 20 or Article 21 of the EC Directive 89/298/EEC in connection with a public offering of such Notes and the STE has confirmed the availability of mutual recognition in respect of these documents (this condition (b) shall apply only if no more than six months have passed since the approval of the Information Memorandum by the competent authority of the other state); or
- (c) only be issued and offered anywhere in the world (as far as Notes issued by BMW Finance N.V. are concerned) if forming part of a Series comprising only Notes with a denomination of at least NLG 100,000 (or the equivalent in any other currency) or only be offered in the Netherlands (as far as Notes issued by Bayerische Motoren Werke Aktiengesellschaft, BMW US Capital Corp.,

BMW Coordination Center N.V. and BMW (UK) Capital plc are concerned) if such Notes have a denomination of at least NLG 100,000 (or the equivalent in any other currency); or

- (d) not be offered, sold, transferred or delivered, whether directly or indirectly, to any individual or legal entity anywhere in the world (as far as Notes issued by BMW Finance N.V. are concerned) or in The Netherlands (as far as Notes issued by Bayerische Motoren Werke Aktiengesellschaft, BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc are concerned) other than to individuals or legal entities who are or which trade or invest in securities in the conduct of a business or profession (which includes but is not limited to, banks, investment banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations and treasuries and finance companies of large enterprises), in which case:—
 - (i) it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of Notes is publicly announced that the offer is exclusively made to the said individuals or legal entities; and
 - (ii) a copy of any offering circular or prospectus (including the relevant Pricing Supplement) must be submitted by the Lead Manager on behalf of the relevant Issuer to the STE before the issue date of the Notes; or
- (e) (for syndicated Tranches of Notes) if they qualify as Euro-securities only be issued and offered if the following criteria are met:—
 - (i) the Notes are subscribed for and placed by a syndicate of which at least two members are domiciled in different states who are a party to the Treaty on a European Economic Area:—
 - (ii) 60 per cent. or more of the issue is placed by syndicate members which are situated in one or more of the aforementioned states other than the state in which the Issuer is established; and
 - (iii) investors may only acquire the Notes being offered through the intermediary of a bank or other financial institutions;provided that the relevant Issuer and each relevant Dealer has further represented and agreed that it has not publicly promoted and shall not publicly promote the offer, or sale of such Notes by conducting a generalised advertising or coldcalling campaign anywhere in the world; or
- (f) only be issued and offered if any other exemption from the prohibition contained in article 3, paragraph 1 of The Netherlands Securities Act applies and the requirements of such exemption are fully complied with; or
- (g) only be issued and offered if the STE has, upon request, granted an (individual) dispensation from the above prohibition and the conditions attached to such dispensation are fully complied with.

Provided that in the case of (a) and (b) above:—

- (1) the Issuer and the relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Notes is publicly announced will be submitted to the STE prior to publication thereof and will mention the fact that the Information Memorandum will be published and will be made available for inspection at the registered office of the Issuer and at the office of the Fiscal Agent; and
- (2) each Dealer severally represents and agrees that prior to the submission of the Information Memorandum (with the approval of the competent authorities) and the relevant Pricing Supplement to the STE:—
 - (A) unless any Tranche of Notes comprises only Notes with a denomination of no less than NLG 100,000 (or the equivalent in another currency), it has not offered, transferred or sold any instruments and will not, directly or indirectly, offer, transfer or sell any Notes with a denomination of less than NLG 100,000 (or the equivalent in another currency), except to individuals or legal entities as referred to in (d) above; and
 - (B) either it has not distributed and will not distribute any offering or promotional materials in respect of the Notes or it has complied and will comply with the conditions under (d) (i) and (ii) above;

and each invitation, telex and Pricing Supplement in respect of such Notes will set forth the restrictions under (A) and (B) above.

In addition and without prejudice to the restrictions set out above, Zero Coupon Notes in definitive form issued by the relevant Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of such Issuer or a permit holder (*Toegelaten Instelling*) of the Amsterdam Stock Exchange (*Amsterdam Exchanges N.V.*), in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 and the Agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987, State Gazette 129 and must be either (i) between professional market parties, or (ii) in all other cases, recorded in a transaction note including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes involved. Such restrictions do not apply (a) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (b) to the transfer and acceptance of Zero Coupon Notes in definitive form within The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Notes in global form) are issued outside The Netherlands and are not distributed within The Netherlands in the course of initial distribution or immediately thereafter or (c) to the initial issue and transfer of Zero Coupon Notes to the first holders thereof. The Issuer of the Zero Coupon Notes, or the Dealer(s), or the Paying Agents, as the case may be, which make payments or act as Intermediaries in respect of such Notes must meet certain identification requirements regarding the relevant counterparty(ies). For purposes of this paragraph "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due prior to maturity or on which no interest is due whatsoever.

7. Belgium

The Notes may be offered or sold only in compliance with applicable laws and regulations of the jurisdictions in which they are offered or sold.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not taken, and will not take, any steps which would constitute or result in a public offering or distribution of the Notes in Belgium, as such terms are defined under Belgian law and, in particular, that it has not contacted and will not contact, and has not concluded and will not conclude any business with any person in connection with the issue of the Notes other than as permitted under and in compliance with Belgian Law.

The proposed offering and this document have not been notified, or submitted for approval to the Belgian Commission bancaire et financière.

In addition, without limiting the generality of the foregoing, in respect of Notes issued by BMW Coordination Center N.V. the following is applicable:—

- (i) The Notes may not be acquired directly or indirectly by any person who is subject to personal income tax in Belgium or any legal entity who is subject to the income tax on legal entities ("Impôt des personnes morales — Rechtspersonenbelasting") in Belgium.
- (ii) Each Dealer represents and agrees, and each Purchaser will be required to represent and agree, that it has not offered, and will not offer the Notes directly or indirectly to any person who is subject to personal income tax in Belgium or to any legal entity who is subject to the income tax on legal entities ("Impôt des personnes morales — Rechtspersonenbelasting") in Belgium and that it will obtain an undertaking as set forth in this item from any intermediary to whom it offers or sells the Notes.
- (iii) The Notes shall not be listed on a Belgian Stock Exchange.

8. France

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that French Franc Notes will be issued outside France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France, and that it has not distributed and will not distribute or cause to be distributed to the public in France this Information Memorandum or any other offering material relating to the Notes.

Each Issuer has undertaken that it will not offer any Notes, directly or indirectly, to the public in France.

12. Text der Garantie

Der deutsche Text der Garantie ist ausschließlich rechtlich maßgebend. Die englische Übersetzung ist unverbindlich.

Bayerische Motoren Werke Aktiengesellschaft München, Bundesrepublik Deutschland

Garantie

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland, die BMW Finance N.V., Den Haag, Niederlande, die BMW US Capital Corp., Wilmington, Delaware, Vereinigte Staaten von Amerika, das BMW Coordination Center N.V., Mechelen, Belgien, und die BMW (UK) Capital plc, Bracknell, England (nachstehend gemeinsam auch die "Emittentinnen" und jede einzelne eine "Emittentin" genannt), legen ein zeitlich nicht begrenztes Euro Medium Term Note Programm (nachstehend auch das "Programm" genannt) im Gesamtnennbetrag von USD 3.000.000.000,- (in Worten: US-Dollar drei Milliarden) auf.

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland (nachstehend auch die "Garantin" genannt) übernimmt gegenüber der Dresdner Bank Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland, als Treuhänderin der Inhaber von Teilschuldverschreibungen (nachstehend auch "Dresdner Bank" oder in ihrer Funktion als Treuhänderin der Inhaber von Teilschuldverschreibungen "Treuhänderin" genannt) die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung des Kapitals, etwaiger Zinsen sowie etwaiger zusätzlicher Beträge gemäß § 11 Absatz 1 der Bedingungen der Teilschuldverschreibungen auf die von der BMW Finance N.V., Den Haag, Niederlande, der BMW US Capital Corp., Wilmington, Delaware, Vereinigte Staaten von Amerika, dem BMW Coordination Center N.V., Mechelen, Belgien, und der BMW (UK) Capital plc, Bracknell, England, aufgrund des Programms ausgegebenen und jeweils ausstehenden Teilschuldverschreibungen nach Maßgabe der für diese Teilschuldverschreibungen geltenden Bedingungen der Teilschuldverschreibungen.

Sinn und Zweck dieser Garantie ist es sicherzustellen, daß die Inhaber von Teilschuldverschreibungen unter allen Umständen und ungeachtet der tatsächlichen oder rechtlichen Umstände, Beweggründe oder Erwägungen, aus denen eine Zahlung durch eine Emittentin unterbleiben mag, die als Kapital, als etwaige Zinsen und als etwaige zusätzliche Beträge gemäß § 11 Absatz 1 der Bedingungen der Teilschuldverschreibungen zahlbaren Beträge zu den Fälligkeitsterminen erhalten, die für die jeweils ausgegebenen und ausstehenden Teilschuldverschreibungen festgesetzt sind. Die Garantin wird demgemäß auf erstes Anfordern der Treuhänderin alle erforderlichen Zahlungen ohne jede Einschränkung leisten, falls eine Emittentin aus irgendeinem Grunde die Beträge zu den festgesetzten Fälligkeitstermin nicht zahlt.

Die Verpflichtungen aus dieser Garantie werden durch eine Änderung der Rechtsform einer oder mehrerer Emittentin/en oder einen Wechsel ihrer Aktionäre nicht berührt.

Die Rechte aus dieser Garantie werden ausschließlich von der Dresdner Bank als Treuhänderin für die Inhaber von Teilschuldverschreibungen gehalten und wahrgenommen. Die Garantin ist verpflichtet, auf erstes schriftliches Anfordern der Treuhänderin alle erforderlichen Zahlungen zu leisten.

Die Rechte und Pflichten aus dieser Garantie bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland. Erfüllungsort und ausschließlicher Gerichtsstand ist München.

München, im Mai 1996

Bayerische Motoren Werke Aktiengesellschaft

12. Text of the Guarantee

The German text of this Guarantee is the exclusively legally binding one. The English translation is for convenience only.

The Issuer, the Guarantor and Merrill Lynch Finance SA have satisfied themselves that the English translation of the Guarantee as shown below accurately reflects the corresponding German original version thereof in all material respects.

Bayerische Motoren Werke Aktiengesellschaft Munich, Federal Republic of Germany

Guarantee

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany, BMW Finance N.V., The Hague, The Netherlands, BMW US Capital Corp., Wilmington, Delaware, United States of America, BMW Coordination Center N.V., Mechelen, Belgium, and BMW (UK) Capital plc, Bracknell, England (hereinafter also together referred to as the "Issuers" and each as an "Issuer"), issue Notes through a Euro Medium Term Note Programme with indefinite term (hereinafter also referred to as the "Programme") in the aggregate principal amount of USD 3,000,000,000 (in words: US dollars three billion).

Bayerischen Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany (hereinafter also referred to as the "Guarantor"), assumes vis-à-vis Dresdner Bank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany, as trustee for holders of Notes (hereinafter also referred to as the "Dresdner Bank" or in its function as trustee for the holders of Notes as the "Trustee") the unconditional and irrevocable Guarantee for the payment of principal, interest, if any, and additional amounts pursuant to Condition 11 paragraph 1 of the Terms and Conditions of the Notes, if any, payable under any Notes issued and outstanding from time to time by BMW Finance N.V., The Hague, The Netherlands, by BMW US Capital Corp., Wilmington, Delaware, United States of America, by BMW Coordination Center N.V., Mechelen, Belgium, and by BMW (UK) Capital plc, Bracknell, England, under the Programme in accordance with the Terms and Conditions of the Notes.

The intent and purpose of this Guarantee is to ensure that the holders of Notes under all circumstances, whether factual or legal, and regardless of the motives or considerations by reason of which any of the Issuers may fail to effect payment, shall receive the amounts payable as principal, interest, if any, and additional amounts pursuant to Condition 11 paragraph 1 of the Terms and Conditions of the Notes, if any, on the due dates provided for in the respective Terms and Conditions of the Notes applicable to the respective Notes. Accordingly, upon first request of the Trustee, the Guarantor undertakes to effect all necessary payments without any limitation if any of the Issuers for whatsoever reason fails to effect payment on the fixed due dates.

The obligations arising from this Guarantee will not be affected in any respect by a change of the legal form of one or more Issuer(s) or by a change of its shareholders.

The rights arising from this Guarantee shall be held and exercised exclusively by Dresdner Bank as Trustee for the holders of Notes. The Guarantor is obliged to effect all necessary payments upon first written demand of the Trustee.

The rights and duties arising from this Guarantee shall be governed exclusively by the laws of the Federal Republic of Germany. Place of performance and exclusive court of venue shall be Munich.

Munich, in May 1996

Bayerische Motoren Werke Aktiengesellschaft

13. Text der Verpflichtungserklärung

Der deutsche Text der Verpflichtungserklärung ist ausschließlich rechtlich maßgebend. Die englische Übersetzung ist unverbindlich.

Bayerische Motoren Werke Aktiengesellschaft
München, Bundesrepublik Deutschland

Verpflichtungserklärung

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland, die BMW Finance N.V., Den Haag, Niederlande, die BMW US Capital Corp., Wilmington, Delaware, Vereinigte Staaten von Amerika, das BMW Coordination Center N.V., Mechelen, Belgien, und die BMW (UK) Capital plc, Bracknell, England (nachstehend gemeinsam auch die "Emittentinnen" und jede einzelne eine "Emittentin" genannt), legen ein zeitlich nicht begrenztes Euro Medium Term Note Programm (nachstehend auch das "Programm" genannt) im Gesamtnennbetrag von USD 3.000.000.000,- (in Worten: US-Dollar drei Milliarden) auf.

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland verpflichtet sich hiermit gegenüber der Dresdner Bank Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland, als Treuhänderin der Inhaber von Teilschuldverschreibungen solange, bis Kapital, etwaige Zinsen und etwaige zusätzliche Beträge gemäß § 11 Absatz 1 der Bedingungen der Teilschuldverschreibungen auf die im Rahmen des oben genannten Programms ausgegebenen und jeweils ausstehenden Teilschuldverschreibungen und nach Maßgabe der jeweiligen Bedingungen der Teilschuldverschreibungen in vollem Umfang bei der jeweiligen Zahlstelle oder einer anderen gemäß § 8 der Bedingungen der Teilschuldverschreibungen ernannten Zahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten (einschließlich Verbindlichkeiten aus Garantien oder Sicherheiten) aus anderen internationalen Kapitalmarktverbindlichkeiten durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder ihren Vermögenswerten sicherzustellen oder sicherstellen zu lassen, es sei denn, daß diese Teilschuldverschreibungen zur gleichen Zeit und im gleichen Rang an der Sicherstellung teilnehmen. Ausgenommen hiervon sind Grund- und Mobiliarpfandrechte aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.

Als "internationale Kapitalmarktverbindlichkeiten" gilt jede Emission von Teilschuldverschreibungen mit einer ursprünglichen Laufzeit von mehr als einem Jahr, die außerhalb der Bundesrepublik Deutschland ausgestellt werden.

Die Rechte und Pflichten aus dieser Verpflichtungserklärung bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland. Erfüllungsort und ausschließlicher Gerichtsstand ist München.

München, im Mai 1996

Bayerische Motoren Werke Aktiengesellschaft

13. Text of the Declaration of Undertaking

The German text of this Declaration of Undertaking is the exclusively legally binding one. The English translation is for convenience only.

The issuer, the Guarantor and Merrill Lynch Finance SA have satisfied themselves that the English translation of the Declaration of Undertaking as shown below accurately reflects the corresponding German original version thereof in all material respects.

Bayerische Motoren Werke Aktiengesellschaft
Munich, Federal Republic of Germany

Declaration of Undertaking

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany, BMW Finance N.V., The Hague, The Netherlands, BMW US Capital Corp., Wilmington, Delaware, United States of America, BMW Coordination Center N.V., Mechelen, Belgium, and BMW (UK) Capital plc, Bracknell, England (hereinafter also together referred to as the "Issuers" and each as an "Issuer"), issue Notes through a Euro Medium Term Note Programme with indefinite term (hereinafter also referred to as the "Programme") in the aggregate principal amount of USD 3,000,000,000 (in words: US dollars three billion).

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany herewith undertakes vis-à-vis Dresdner Bank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany, as Trustee for the holders of Notes, until such time as principal and interest, if any, as well as additional amounts pursuant to Condition 11 paragraph 1, of the Terms and Conditions of the Notes if any, on any Notes issued and outstanding under above mentioned Programme and in accordance with the relevant Terms and Conditions of the Notes have been completely placed at the disposal of the relevant Paying Agent or any other paying agent appointed in accordance with Section 8 of the Terms and Conditions of the Notes, not to secure or have secured by any mortgage or pledge on its present or future property or assets, any present or future obligations (including obligations under guarantees or securities) arising from other International Capital Market Indebtedness, unless these Notes at the same time share *pari passu* and *pro rata* in such security. Any mortgage or pledge on obligations in respect of national and local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.

"International Capital Market Indebtedness" means any issue of notes which are issued outside the Federal Republic of Germany with an original maturity of more than one year.

The rights and duties arising from this Declaration of Undertaking shall be governed exclusively by the laws of the Federal Republic of Germany. Place of performance and exclusive court of venue shall be Munich.

Munich, in May 1996

Bayerische Motoren Werke Aktiengesellschaft

14. Taxation

The following is a summary of the withholding taxation treatment of the Federal Republic of Germany, The Netherlands, Belgium and the United States of America, respectively, at the date hereof in relation to the payments on the Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes and certain other Notes which may be issued under the Programme (the "Notes"). It is not exhaustive, and in particular, does not deal with the position of Noteholders other than in relation to withholding tax in the jurisdictions referred to above, nor with the withholding tax treatment of payments on all forms of Notes which may be issued under the Programme. **Noteholders who are in any doubt as to their tax position should consult their professional advisers.**

Federal Republic of Germany

Since January 1, 1993 a capital yield tax on interest payments ("Zinsabschlagsteuer") has been imposed in the Federal Republic of Germany. As long as any Note is deposited with a German credit institution or with the German branch of a foreign credit institution, a 30% capital yield tax on interest payments on such Note (from January 1, 1998, an additional solidarity-surcharge tax (Solidarit  tszuschlag) of 5.5% will be levied on the income tax; thus the total rate will be 31.65%), will be imposed on the holder thereof, provided (i) such holder is a resident in Germany for tax purposes or (ii) such Note is part of the German operating assets of a person who is not a resident in Germany for tax purposes. As of January 1, 1994 accrued interest payments ("St  ckzinsen") which are paid in the same calendar year until the inflow of revenue occurs are creditable for Notes deposited with a German credit institution or with the German branch of a foreign credit institution. Interest is generally exempt from German income or corporation tax for persons who are not residents for tax purposes. If interest Coupons appertaining to any Note are presented for payment in cash within Germany, a 35% capital yield tax (from January 1, 1998, an additional solidarity-surcharge tax (Solidarit  tszuschlag) of 5.5% will be levied on the income tax; thus the total rate will be 36.925%), will be imposed on the holder thereof, regardless of whether such holder is resident in Germany for tax purposes or not. Notwithstanding this capital yield tax, interest on the Notes is subject to German income or corporation tax at regular rates for persons resident in Germany for tax purposes. For natural persons, a tax-allowance for income derived from capital investments (Freibetrag) in the amount of DEM 6,100 (DEM 12,200 in the case of married couples who file a joint tax return) has been granted. Furthermore, a tax credit with respect to any income and corporation tax payable will be granted for any such capital yield tax paid. Up to the amounts mentioned above interest payments can be paid without the imposition of a capital yield tax if the bank that holds the Notes or the account in safe custody where the Notes are held has received an exemption instruction to that respect.

According to Condition 11 paragraph 1 of the Terms and Conditions of the Notes, the relevant Issuer or the Guarantor, as the case may be, undertakes in case of withholding of taxes at source or deduction of taxes at source in or by the country of incorporation of the Issuer or the Guarantor to pay additional amounts, in such way that the payments of Interest Coupons can be made at their full face value. Condition 11 paragraph 2 of the Terms and Conditions of the Notes provides for certain exceptions therefrom. In accordance with these exceptions the present capital yield tax on interest payments ("Zinsabschlagsteuer") in the Federal Republic of Germany does not entitle to payment of the above mentioned additional amounts.

The Netherlands

Under present Netherlands law:

1. No stamp, issue, registration or similar tax or duty is or will be payable in the Netherlands in connection with the creation, issue, offering or redemption of the Notes, the Coupons or the Receipts, or in respect of the execution, delivery or enforcement (save for minimal court fees) of the Dealers Agreement, the Agency Agreement or the Notes, the Coupons or the Receipts.
2. Payments of principal or interest by the Issuers or by the Guarantor under the Guarantee (the "Guarantee") in connection with the Notes will not be subject to Netherlands withholding tax or any other similar tax.
3. A holder of a Note or Coupon appertaining thereto (a "Holder") who is neither resident, nor deemed to be a resident in the Netherlands, will not be subject to Netherlands taxes or duties on

payments of principal and interest in respect of the Notes or Coupons appertaining thereto, provided that:

- (a) such Holder does not have an enterprise carrying on business in the Netherlands through a permanent establishment or a permanent representative to which, or to whom the Note or a Coupon appertaining thereto can be attributed, and
 - (b) such Holder does not have a direct or indirect substantial or deemed substantial interest in the sharecapital of the Company, or, in the event he does, such interest belongs to an enterprise.
4. A Holder will not be subject to Netherlands net wealth tax in respect of the Notes or Coupons, provided that such Holder is not an individual, or, if he is an individual, provided that:
- (a) such Holder is not a resident or deemed resident of The Netherlands; and
 - (b) such Holder does not have an enterprise or a part of an enterprise that carries on business in The Netherlands through a permanent establishment or a permanent representative to which or to whom the Notes or Coupons are attributable, or an interest in such enterprise, other than as a shareholder.
5. No gift, estate or inheritance tax will arise in The Netherlands in respect of the Notes or Coupons on a gift of the Notes or Coupons by, or on the death of, a Holder thereof who is neither resident nor deemed to be resident in The Netherlands, provided that:
- (a) such donor/former-Holder does not die within 180 days after having made a gift, while being on the moment of his death a resident or deemed resident of the Netherlands; and
 - (b) the Notes or Coupons are not attributable to an enterprise or a part of an enterprise that carries on business in The Netherlands through a permanent establishment or a permanent representative to which or to whom the Notes or Coupons belong and which enterprise the donor or the deceased owned, or in which enterprise the donor or the deceased held an interest, other than as a shareholder.
6. A holder of a Note or Coupon appertaining thereto will not be subject to Netherlands' capital gains tax in respect thereof, provided that:
- (a) such Holder is not a resident or a deemed resident of the Netherlands; and
 - (b) such Holder does not have an enterprise which carries on business in the Netherlands through a permanent establishment or permanent representative to which or to whom the Notes or Coupons are attributable; and
 - (c) such Holder does not have, directly or indirectly, a substantial or deemed substantial interest in the share capital of the Company or, in the event that such Holder does have such substantial interest, such interest belongs to an enterprise.

Belgium

All payments by BMW Coordination Center N.V. on the Notes can be made free of Belgian withholding tax to beneficiaries who are identified as persons other than individuals subject to personal income tax in Belgium and other than legal entities subject to the income tax on non-commercial entities ("impot des personnes morales" Rechtspersonenbelasting) in Belgium, if and so long as BMW Coordination Center N.V. qualifies as a "coordination center" ("Centre de coordination") within the meaning of Royal Decree no. 187 of December 30, 1982, "relatif à la création de centres de coordination" (as amended).

In Belgium, certain tax benefits are accorded to such coordination centers, and these benefits include, under Article 29,2° (a) of the Law of April 11, 1983, "portant des dispositions fiscales et budgétaires" (as amended), an exemption from Belgian withholding tax in respect of interest paid by coordination centers on debts owed by them to persons who are identified as persons not subject to personal income tax or income tax on non-commercial entities in Belgium. These tax benefits (including the one just mentioned) are in principle granted for a period of 10 years, i.e., from the beginning of the fiscal year in which the application for coordination center status was submitted until the end of the fiscal year that is closed during the tenth calendar year following that of the submission of the application. A company may, however, apply for, and obtain, an extension of its coordination center status for another 10-year term. A coordination center could forfeit its tax privileges before expiration of the 10-year term if it ceased to fulfil

certain conditions of eligibility for coordination center status or engaged in activities not specifically authorised by the royal decree certifying it as a coordination center (or by a subsequent ruling from the Minister of Finance and the Minister of Economic Affairs).

BMW Coordination Center N.V. has been certified as a coordination center by a Royal Decree of November 9, 1987, on the basis of an application submitted in August, 1987. As BMW CC has applied in 1996 for an extension of its coordination center status for another 10-year term and has obtained this extension in 1997, the privileged tax status as a coordination center should remain in effect until the end of its fiscal year closing in 2007.

If and when BMW Coordination Center N.V. should cease to qualify as a coordination center, the interest component of payments on Notes issued by BMW Coordination Center N.V. would, as a rule, attract Belgian withholding tax at the rate of 15%, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In broad outline, capital gains realised with respect to the Notes or the Coupons are subject to Belgian tax only if the Notes or Coupons are held as part of a taxable business activity in Belgium.

A stamp tax may be levied at the rate of 0.07% on the sale and on the purchase of Notes in Belgium, and at the rate of 0.14% on the issuance of Notes to investors in Belgium, provided in each case that such transactions are carried out through intermediation of a professional intermediary in Belgium. Such tax will, however, be limited to a maximum amount of BEF10,000 per taxable transaction. Moreover, an exemption is available under Article 126¹, 2° of the Code on Taxes assimilated with Stamp Tax as regards parties to securities trades acting on their own account who are intermediaries within the meaning of Article 3 of the law of December 4, 1990 on financial operations and financial markets, or insurance undertakings within the meaning of Article 2 § 1 of the law of July 9, 1975 on supervision of insurance companies or pensions funds within the meaning of Article 2 § 3, 6 of the law of July 9, 1975 and of the royal decree of May 15, 1985 on the activities of private pension institutions, or collective investment schemes, or non-residents.

A stamp duty may be levied at the rate of 0.20% on the delivery of the Notes in bearer form in the following circumstances (subject to any further legislative modification):

- on the issuance of the Notes;
- on the acquisition of the Notes in exchange for a consideration, provided the transaction is carried out through a professional intermediary.
- on the withdrawal of the Notes given in open consignment with a financial intermediary.
- on the conversion of registered Notes to Notes in bearer form.

United States of America

Provided that the Notes issued by BMW US Capital Corp., and interest coupons appertaining thereto are offered, sold and delivered, and principal, premium, if any, and interest thereon are paid in accordance with the terms of the Dealer Agreement dated 6 May, 1994 the Agency Agreement dated 6 May, 1994 and the Terms and Conditions of the Notes pertaining to the Notes, under present United States federal income tax law and excluding instruments described in Section 871 (h) (4) (A) of the Internal Revenue Code (relating to a limited class of obligations providing for certain kinds of contingent payments):

1. Subject to the discussion of backup withholding below, payments of principal, premium, if any, and interest (including original issue discount) on the Notes having a maturity of 184 days or more from its Issue Date or any coupon appertaining thereto made outside the United States by BMW US Capital Corp. or any of its paying agents to any holder that is a United States Alien (as defined below) will not be subject to United States federal withholding tax, provided that, in the case of interest (including original issue discount), (a) the holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of BMW US Capital Corp. entitled to vote, and (b) the holder is not a controlled foreign corporation as to the United States that is related to BMW US Capital Corp. through stock ownership.
2. Subject to the discussion of backup withholding below, payment of principal, premium, if any, and original issue discount on the Notes having a maturity of 183 days or less to any holder that is a United States Alien will not be subject to United States federal withholding tax.

3. Subject to the discussions of backup withholding below, no United States Federal income tax will be imposed with respect to any gain or income realized by a United States Alien Holder on the sale, exchange or redemption of the Notes if the holder does not have a connection or former connection with the United States other than holding the Notes.
4. Except with respect to obligations payable 183 days or less from the date of original issue that have a face amount of less than \$500,000 (determined if the Note is in a currency other than the U.S. dollar by translating the foreign currency face amount to the spot rate at the date of issuance), information reporting and backup withholding will not apply to payments of principal, premium, if any, or interest (including original issue discount) made outside the United States by BMW US Capital Corp. or any of its paying agents on the Note or coupon unless BMW US Capital Corp. or its paying agent has actual knowledge that the payee is a United States person. In addition, if payments are collected outside the United States by a foreign office of a custodian, nominee or other agent acting on behalf of an owner of the Note or coupon, such custodian, nominee or other agent will not be required to apply backup withholding to payments made to the owner. If, however, such custodian, nominee or other agent is a United States person, a controlled foreign corporation for United States federal income tax purposes, or a foreign person 50% or more of whose income is effectively connected with the conduct of a trade or business within the United States for a specified three-year period, information reporting will be required with respect to payments made to the owner unless such custodian, nominee or other agent has documentary evidence in its files of the owner's non-United States status and has no actual knowledge to the contrary, or the owner otherwise establishes an exemption.

Payments of the proceeds of the sale of a Note to or through a foreign office of a "broker" (as defined in such regulations) will not be subject to backup withholding (absent actual knowledge that the payee is a U.S. person) but will be subject to information reporting if a broker is a U.S. person, a controlled foreign corporation for United States Federal income tax purposes, or a foreign person 50 per cent. or more of whose gross income is from a United States trade or business for a specified three-year period, unless the broker has in its records documentary evidence that the holder of a Note is not a U.S. person and has no actual knowledge to the contrary or the holder of a Note otherwise establishes an exemption. Payment of the proceeds of a sale of a Note to or through the United States office of a broker is subject to backup withholding and information reporting unless the holder certifies its non-United States status under penalties or perjury or otherwise establishes an exemption.

As used herein, the term "United States Alien" means any corporation, partnership, individual or fiduciary that for United States federal income tax purposes is, as to the United States, a foreign corporation, a non resident alien individual, a non resident alien fiduciary of a foreign estate or trust or a foreign partnership at least one of the members of which is itself a United States Alien.

The foregoing is a general discussion of the anticipated United States Federal income tax consequences of holding Notes and does not consider any possible United States federal estate tax consequences. Noteholders are urged to consult their own tax advisors with respect to the particular consequences of holding Notes in light of their own particular circumstances.

United Kingdom

1. Any return on a Note in the form of a discount or premium which does not constitute interest should not be subject to withholding for or on account of United Kingdom tax.
2. Interest bearing Notes will constitute "quoted Eurobonds" provided they are and continue to be quoted on a recognised stock exchange within the meaning of section 841 of the Taxes Act and remain in bearer form. Accordingly, while Notes remain in global bearer form, are quoted on a recognised stock exchange and are held in a recognised clearing system designated as such for the purposes of section 124 of the Taxes Act, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. If Notes are issued in definitive form in the circumstances set out in "Form of the Notes" and are and continue to be quoted on a recognised stock exchange and are and continue to be held in bearer form, then payments of interest on such Notes may be made without such withholding or deduction where:
 - (i) the payment is made by or through a paying agent who is not in the United Kingdom; or
 - (ii) the payment is made by or through a paying agent who is in the United Kingdom and:

- (a) the interest is paid on a Note held in a recognised clearing system; or
- (b) a person who is not resident in the UK is beneficially entitled to the interest and beneficial owner of the Note on which the interest is paid.

Note: The above could be subject to additional requirements as a result of regulations to be introduced by the Inland Revenue.

In all other cases, subject to relief under an applicable double taxation treaty, interest will be paid under deduction of lower rate United Kingdom tax.

3. A person in the UK who in the course of their trade or profession:

- (i) arranges to collect or secure payment of interest on the Notes for the Noteholder; or
- (ii) acts as a custodian of the Notes and receives interest on the Notes or directs that interest on the Notes be paid to another person or consents to such payment;

will be required to withhold UK income tax at the lower rate subject to certain exceptions, including the following:

- (a) the Notes are held in a recognised clearing system and:
 - (i) the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system; or
 - (ii) the collecting agent is acting as a depository for the recognised clearing system.
- (b) the person beneficially entitled to the interest beneficially owns the Notes and is not resident in the UK.
- (c) interest arising to trustees of certain trusts.
- (d) the person owning the Notes and beneficially entitled to the interest is eligible for certain reliefs.

Note: The above could be subject to additional requirements as a result of regulations to be introduced by the Inland Revenue.

- 4. Payments of interest in respect of Notes issued by BMW (UK) Capital plc will have a United Kingdom source and accordingly will be chargeable to United Kingdom income tax by direct assessment even if paid without withholding or deduction. However, where interest is paid without withholding or deduction on account of United Kingdom tax a Noteholder who is the beneficial owner of Notes, who is not resident in the United Kingdom for United Kingdom tax purposes and who does not have a "branch or agency" (defined to mean "any factorship, agency, receivership, branch or management") in the United Kingdom through which the Noteholder carries on any trade, profession or vocation, will not be subject to United Kingdom tax on any income or gain derived from the holding or disposition of the Notes.

Prospective Noteholders who are in any doubt as to their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

15. General Information

Undertaking referring to the Listing

With reference to the application made on its behalf for the quotation and permission to deal on the Frankfurt Stock Exchange and the London Stock Exchange, the relevant Issuer and the Guarantor undertakes as long as the Programme continues:—

1. to advise the stock exchanges of any significant change in their business, financial condition or otherwise, and that of their subsidiaries, considered as a whole, which is not reflected in the Information Memorandum as amended or supplemented;
2. in the event of any such significant change, to prepare an amendment or supplement to the Information Memorandum or publish a new Information Memorandum for use in connection with any subsequent offering by itself of Notes to be listed on the Frankfurt Stock Exchange and/or on the London Stock Exchange;
3. to apply annually for renewal of the listing of the Programme on the London Stock Exchange.

It is expected that each Tranche of Notes which is to be admitted to the Official List of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of the Global Note representing the Notes of such Tranche. The listing of the Programme in respect of such Notes is expected to be granted on 22 May, 1998.

Listing of Notes on the Paris Bourse

The Issuers will not list any Notes denominated in Deutsche Mark on the Paris Bourse. Under regulations made by the French Trésor, French Franc Notes are recommended to be listed on the Paris Bourse where either (a) such French Franc Notes are, or are intended to be, listed on any other stock exchange or (b) such French Franc Notes are, or are intended to be, distributed as a public offer (within the meaning of the Euro French Franc Regulations).

The following procedures will apply, *inter alia*, to Notes which are to be so listed:—

(i) *Commission des Opérations de Bourse (COB)*

Prior to listing of any Notes on the Paris Bourse, the Pricing Supplement applicable to each such issue of Notes is currently required to be approved at the time of the relevant issue. The relevant approval in relation to the Programme and each such issue will be evidenced by the issue of a registration and visa number respectively by the COB. The visa number will be disclosed in the Pricing Supplement applicable to the relevant Notes.

(ii) *Bulletin des Annonces Légales Obligatoires (BALO)*

Notes to be listed on the Paris Bourse may not be offered in France before such listing becomes effective and details of the relevant Notes (in the form of a *notice légale*) have been published in the BALO.

(iii) *SBF — Bourse de Paris (SBF)*

The listing of Notes on the Paris Bourse is subject to approval by the SBF. Such approval will be evidenced by publication in the *Bulletin Officiel de la SBF-Bourse de Paris*.

(iv) *Documents available for inspection*

In the case of Notes listed on the Paris Bourse, the applicable Pricing Supplement will specify any additional places in Paris at which documents incorporated herein by reference (or otherwise required to be made available for inspection) may be inspected during normal business hours. The relevant Issuer has undertaken to make such documents available as so required.

(v) *Filing of constitutive documents*

Prior to the listing on the Paris Bourse of any Notes issued by the relevant Issuer, a French translation of its constitutive documents will be filed with the *Grefe du Tribunal de Commerce of Paris*.

(vi) *Responsibility Statement*

**PERSONNES QUI ASSUMENT
LA RESPONSABILITÉ DU "DOCUMENT DE BASE" EN CE QUI CONCERNE
LES TITRES QUI SERONT ADMIS A LA NEGOCIATION AU PREMIER MARCHE
DE LA BOURSE DE PARIS, COMPARTIMENT INTERNATIONAL**

1. Au nom de l'émetteur

A la connaissance de l'émetteur, les données du présent "Document de Base" sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Bayerische Motoren Werke Aktiengesellschaft

BMW Finance N.V.

By: Manfred Finzi
Title: Head of Corporate Finance BMW AG

By: Peter Seufert
Title: Representative

By: Peter Seufert
Title: Corporate Finance BMW AG

By: David Schmidt
Title: Representative

BMW US Capital Corp.

BMW Coordination Center N.V.

By: Peter Seufert
Title: Representative

By: Peter Seufert
Title: Representative

By: David Schmidt
Title: Representative

By: David Schmidt
Title: Representative

BMW (UK) Capital plc

By: Peter Seufert
Title: Representative

By: David Schmidt
Title: Representative

2. Au nom du garant

A la connaissance du garant les données du présent "Document de Base" sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Bayerische Motoren Werke Aktiengesellschaft

By: Manfred Finzi
Title: Head of Corporate Finance BMW AG

By: Peter Seufert
Title: Corporate Finance BMW AG

3. Au nom de la banque présentatrice

A la connaissance de la banque présentatrice, les données du présent "Document de Base" sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Merrill Lynch Finance SA

By: Bruno de Pampelonne

Title: Directeur Général

LA COMMISSION DES OPERATIONS DE BOURSE

En vue de la cotation à Paris des obligations éventuellement émises dans le cadre de ce Programme, et par application des articles 6 et 7 de l'ordonnance no. 67-833 du 28 septembre, 1967, la Commission des Opérations de Bourse a enregistré le présent Document de Base sous le no. P98-199 du 18 mai, 1998.

Authorisations

The establishment of the USD1,000,000,000 Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the relevant Boards of Managements—Bayerische Motoren Werke Aktiengesellschaft: passed on 2 November, 1993, BMW Finance N.V., passed on 22 March 1994, BMW US Capital Corp.: passed on 21 March, 1994, BMW Coordination Center N.V.: passed on 23 March 1994. The increase of the original Programme from USD1,000,000,000 to USD3,000,000,000, the establishment of an amended and restated Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the relevant Boards of Managements—Bayerische Motoren Werke Aktiengesellschaft on 30 April, 1996. BMW Finance N.V.: passed on 10 May, 1996; BMW US Capital Corp.: passed on 13 May, 1996; BMW Coordination Center N.V.: passed on 14 May, 1996; and BMW (UK) Capital plc: passed on 8 May, 1996. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuers under the laws of the Federal Republic of Germany, the Netherlands, the United States of America, Belgium and the United Kingdom, respectively, have been given for the issue of Notes and for the Issuers to undertake and perform their obligations under the Dealers Agreement, the Agency Agreement, the Trust Agreement appointing Dresdner Bank Aktiengesellschaft as Trustee for the Noteholders (the "Trust Agreement") and the Notes and, in the case of the Guarantor, under the Guarantee and the Declaration of Undertaking.

Deutscher Kassenverein, Cedel Bank and Euroclear

The Notes have been accepted for clearance through the Deutscher Kassenverein AG or, as the case may be, through the Cedel Bank and Euroclear systems. The appropriate Wertpapier-Kenn-Nummer (German Securities Number), the common code and ISIN for each Tranche will be contained in the relevant Pricing Supplement. Transactions will normally be effected for settlement not earlier than three business days and, in case of clearing effected through Deutscher Kassenverein, two days after the date of the transaction.

Interim Reports

None of BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. or BMW (UK) Capital plc prepares and publishes Interim Reports.

Documents Available for Inspection

For the period of fourteen days after the date of this Information Memorandum and throughout the life of the Programme, copies of the following documents concerning the relevant Issuer will be available for inspection during normal business hours at the offices of the Issuers and the offices of Dresdner Bank Aktiengesellschaft at Jürgen-Ponto-Platz 1, D-60301 Frankfurt am Main, and at the office of the Listing Agent, Merrill Lynch International, 25 Ropemaker Street, London EC2Y 9LY and at the office of each Paying Agent:—

- (i) the Articles of Association or By-Laws, respectively, of the Issuers and the Guarantor in the English language or together with an English translation;

- (ii) the excerpts from the Register of Commerce concerning the Issuers (which might be in the case of the Coordination Center in the form of official publications) either in the English language or together with an English translation or, in the case of BMW AG, together with a "Certificate of Registration in the Commercial Register" in the English language;
- (iii) the audited consolidated Annual Accounts (in English and German) of BMW AG in respect of the financial years ended 31 December, 1994, 31 December, 1995 and 31 December, 1996; and audited Annual Accounts (in English) of Finance in respect of the financial years ended 31 December, 1994, 31 December, 1995 and 31 December, 1996; the audited Annual Accounts (in English) of Coordination Center in respect of the financial years ended 20 December, 1994, 20 December, 1995 and 31 December 1996, the audited Annual Accounts (in English) of BMW US in respect of the financial years ended 31 December, 1994, 31 December, 1995 and 31 December, 1996, and the audited Annual Accounts (in English) of BMW UK in respect of the period from incorporation to 31 December, 1996;
- (iv) the most recently publicly available audited Annual Accounts (in English) of each of the Issuers and the most recently available published interim reports (in English), if any, of each of the Issuers. In the case of BMW AG a German version will be available as well;
- (v) the Dealers Agreement, the Trust Agreement, the Agency Agreement and the Declaration of Undertaking and the Guarantee in executed form;
- (vi) this Information Memorandum; and
- (vii) any future prospectuses, offering circulars, information memoranda and supplementary listing particulars (save that a Pricing Supplement relating to any unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to his ownership), any other document referred to therein and in the case of a syndicated issue of Notes admitted to the Official List, the syndication agreement (or equivalent document).

Significant Change

Save as disclosed in this Information Memorandum, there has been no significant change in the financial or trading position of the Guarantor and its subsidiaries taken as a whole or in relation to each relevant Issuer (which in relation to BMW AG includes its subsidiaries taken as a whole) since the respective date of the last fiscal year end of the relevant Issuer and the Guarantor and there has been no material adverse change in the financial position or prospects of any of the Issuers (which in relation to BMW AG includes its subsidiaries taken as a whole) or the Guarantor and its subsidiaries taken as a whole since the respective date of the last fiscal year end of the relevant Issuer and the Guarantor.

Litigation

None of the Issuers and/or the Guarantor and its subsidiaries taken as a whole (whether as defendant or otherwise) is engaged in any legal, arbitration, administrative or other proceedings, the result of which might have or have had during the twelve months prior to the date hereof a significant effect on the financial position or the operations of any of the Issuers and/or the Guarantor and its subsidiaries taken as a whole, nor are any of the Issuers and/or the Guarantor aware of any such proceedings pending or being threatened.

ECU

Under Article 109G of the Treaty establishing the European Communities, as amended by the Treaty on European Union (the "Treaty"), the currency composition of the ECU may not be changed. The Treaty contemplates that European monetary union will occur in three stages, the second of which began on 1st January, 1994 with the entry into force of the Treaty on European Union. The Treaty provides that at the start of the third stage of European monetary union, the value of the ECU as against the currencies of the member states participating in the third stage will be irrevocably fixed, and the ECU will become a currency in its own right. In contemplation of that third stage, the European Council meeting in Madrid on 16th December, 1995 decided that the name of that currency will be the Euro and that in accordance with the Treaty, substitution of the Euro for the ECU will be at the rate of one Euro for one ECU. From the

start of the third stage of European monetary union, all payments in respect of Notes denominated or payable in ECU will be payable in Euro at the rate then established in accordance with the Treaty.

Banking Act 1987 (Exempt Transactions) Regulations 1997

Notes which are to be exempt transactions under regulation 13(1) or (3) of the Banking Act 1987 (Exempt Transactions) Regulations 1997 (the "Regulations") will constitute commercial paper, shorter term debt securities or longer term debt securities (in each case, as defined in the Regulations), as specified in the applicable Pricing Supplement, in each case issued in accordance with regulations made under Section 4 of the Banking Act 1987. The repayment of the principal and payment of any interest or premium in connection with Notes issued by BMW Finance N.V., BMW US Capital Corp., BMW Coordination Center N.V. and BMW (UK) Capital plc will be guaranteed by Bayerische Motoren Werke Aktiengesellschaft. Neither any of the Issuers nor the Guarantor is an authorised institution or a European authorised institution (as such terms are defined in the Regulations).

In relation to any Notes which are to be exempt transactions under regulation 13(3) of the Regulations where such Notes would fall within regulation 13(4) (a) or (b) of the Regulations:

- (a) the relevant Issuer confirms that as at the date hereof, it has complied with its obligations under the relevant rules (as defined in the Regulations) in relation to the admission to and continuing listing of the Programme and of any previous issues made under it and listed on the same exchange as the Programme;
- (b) the relevant Issuer will confirm in the applicable Pricing Supplement relating to such Notes that it has complied with its obligations under the relevant rules in relation to the admission to listing of such Notes or where such Notes have not yet been admitted to listing, will have complied with such obligations by the time when such Notes are so admitted; and
- (c) the relevant Issuer confirms that as at the date hereof, it has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed on the same exchange as the Programme, or any Notes falling within regulation 13(4) (a) or (b) of the Regulations, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as issuer in respect of such Notes as they fall due.

In relation to Notes which are to be exempt transactions under regulation 13(3) of the Regulations and fall within Regulation 13(4) (b), the Issuer has complied and will continue to comply with its obligations under the Regulations to lodge all relevant information (as defined in the Regulations) in relation to any such Notes with the London Stock Exchange.

16. Address List

Issuers (business (and where marked "*" registered)* addresses):**

Bayerische Motoren Werke Aktiengesellschaft
*Petuelring 130
BMW Haus
D-80788 München

BMW Finance N.V.
*Einsteinlaan 5
NL-2289 CC Rijswijk

BMW US Capital Corp.
300 Chestnut Ridge Road
Woodcliff Lake,
New Jersey 07675, USA

BMW Coordination Center N.V.
*Lodderstraat 16
B-2880 Bornem

BMW (UK) Capital plc
International Headquarters
Warwick Technology Park
GB-Warwick CV34 6RG

Guarantor:

Bayerische Motoren Werke Aktiengesellschaft
Petuelring 130
BMW Haus
D-80788 München

Arranger:

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz
D-60301 Frankfurt am Main

Co-Arranger:

Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
UK-London EC2Y 9LY

FRF Arranger:

Merrill Lynch Finance SA:
112 avenue Kléber
F-75761 Paris Cedex 16

Dealers:

Barclays de Zoete Wedd Limited
5 The North Colonnade
Canary Wharf
London E14 4BB

Bayerische Vereinsbank Aktiengesellschaft
Am Eisbach 3
D-80311 München

Citibank International plc
336 Strand
UK-London WC2R 1HB

Commerzbank AG
Attn: 2GB/Origination
Kaiserplatz
D-60261 Frankfurt am Main

Credit Suisse First Boston (Europe) Limited
One Cabot Square
UK-London E14 4QJ

Deutsche Bank AG London
6 Bishopsgate
UK-London EC2P 2AT

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
D-60301 Frankfurt am Main

Goldman Sachs International
Peterborough Court
133 Fleet Street
UK-London EC4A 2BB

Lehman Brothers International (Europe)
One Broadgate
UK-London EC2M 7HA

Merrill Lynch Finance SA
112 avenue Kléber
F-75761 Paris Cedex 16

Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
UK-London EC2Y 9LY

J.P. Morgan Securities Ltd.
60 Victoria Embankment
UK-London EC4Y 0JP

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
UK-London E14 4QA

Swiss Bank Corporation
1 High Timber Street
UK-London EC4V 3SB

UBS Limited
100 Liverpool Street
UK-London EC2M 2RH

**Programme Agent,
German-Agent, Paying Agent
and German Registrar:**

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
D-60301 Frankfurt am Main

**Euro-Agent, Paying Agent
and Euro Registrar:**

Morgan Guaranty Trust Company of New York
60, Victoria Embankment
UK-London EC4Y 0JP

Listing Agent:

for the admission to the Regulated Market or Official List of the
Frankfurt Stock Exchange:

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
D-60301 Frankfurt am Main

Listing Agent:

for the admission to the
Official List of the London Stock Exchange:

Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
UK-London EC2Y 9LY

Listing Agent:

for the admission to the **Paris Bourse:**

Merrill Lynch Finance SA
112 avenue Kléber
F-75761 Paris Cedex 16

Legal Adviser to the Dealers:

Freshfields
Messeturm
D-60327 Frankfurt am Main

Trustee:

Dresdner Bank Aktiengesellschaft
Jürgen-Ponto-Platz 1
D-60301 Frankfurt am Main