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Information Memorandum
February 19, 1999**BMW (UK) Capital plc**
Warwick, United Kingdom**U.S. \$ 200,000,000
4.25% Guaranteed Bonds due 2002**

unconditionally and irrevocably guaranteed by

Bayerische Motoren Werke Aktiengesellschaft
Munich, Federal Republic of Germany

Issue Price: 98.28 per cent.

The U.S.\$ 200,000,000 4.25 per cent. Guaranteed Bonds due 2002 (the "Bonds") issued by BMW (UK) Capital plc (the "Issuer" or "BMW UK") are unconditionally and irrevocably guaranteed by Bayerische Motoren Werke Aktiengesellschaft (the "Guarantor" or "BMW AG", together with its consolidated subsidiaries, the "BMW Group").

The Bonds will initially be represented by a temporary global bond (the "Temporary Global Bond"), without interest coupons, which will be deposited with a common depository on behalf of Cedelbank, société anonyme ("Cedelbank") and the Euroclear System ("Euroclear") on or about February 19, 1999. The Temporary Global Bond will be exchangeable for definitive Bonds in bearer form with coupons attached not earlier than March 31, 1999 upon certification as to non-U.S. beneficial ownership.

Application has been made to the London Stock Exchange Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List. Copies of this document, which comprises listing particulars prepared in compliance with the listing rules made under section 142 of the Financial Services Act 1986 by the London Stock Exchange, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 149 of the Act.

COMMERZBANK
AKTIENGESELLSCHAFT

ABN AMRO

BANCA DEL GOTTARDO

BAYERISCHE HYPO- UND
VEREINSBANK AG

DEUTSCHE BANK

DG BANK
DEUTSCHE GENOSSENSCHAFTSBANK

DRESDNER KLEINWORT BENSON

KBC INTERNATIONAL GROUP

NOMURA INTERNATIONAL

PAINWEBBER INTERNATIONAL
(U.K.) LTD.

PRUDENTIAL-BACHE SECURITIES

SOCIETE GENERALE

UNION BANCAIRE PRIVEE

WARBURG DILLON READ

The Issuer is responsible for the information contained in this Information Memorandum relating to it and the Bonds. The Guarantor is responsible for the information contained in this Information Memorandum relating to it and its other subsidiaries and the guarantee of the Bonds. To the best of the knowledge and belief of the Issuer and the Guarantor (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum, for which each is responsible, is true and accurate in all material respects and is not misleading and there are no other facts the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any opinions or intentions misleading. The Issuer and the Guarantor accept responsibility accordingly.

This Information Memorandum does not constitute an offer or an invitation by or on behalf of the Issuer or the Guarantor or by or on behalf of the Managers, as defined in "Subscription and Sale" below, to subscribe or purchase any of the Bonds. The distribution of this Information Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the distribution of this Information Memorandum see "Subscription and Sale" below.

Neither the Issuer nor the Guarantor has authorised any offer of Bonds to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations"). The Bonds may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

No person is authorised to give any information or to make any representation not contained in this Information Memorandum and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Managers. The delivery of this Information Memorandum at any time does not imply that the information in it is correct as at any time subsequent to its date.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

References herein to "U.S.\$" and "Dollars" are to the lawful currency of the United States of America and to "DM" and "Deutsche Mark" are to the national currency unit of the Euro which is the lawful currency of the Federal Republic of Germany and the other states participating in the European Monetary Union.

In connection with this issue, Commerzbank Aktiengesellschaft may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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Documents Incorporated by Reference

The Annual Financial Statements of the Issuer for the financial year ended December 31, 1997, the Annual Report of the Guarantor for the financial year ended December 31, 1997 and the Interim Report of the Guarantor for the six months period ended June 30, 1998 are incorporated by reference in this Information Memorandum. Copies thereof are available without charge at the specified office of the Listing Agent in London. The Issuer does not publish Interim Reports.

Anleihebedingungen

§ 1

- (1) Die Anleihe im Gesamtnennbetrag von USD 200.000.000,- (in Worten: Zweihundert Millionen US Dollar) ist in auf den Inhaber lautende, untereinander gleichberechtigte Teilschuldverschreibungen (die "Teilschuldverschreibungen") wie folgt eingeteilt:

10.000 Teilschuldverschreibungen
zu je USD 1.000
Nr. 00001 bis 10000 und

5.000 Teilschuldverschreibungen
zu je USD 10.000
Nr. 10001 bis 15000 und

1.400 Teilschuldverschreibungen
zu je USD 100.000
Nr. 15001 bis 16400.

- (2) Mit jeder Teilschuldverschreibung werden drei Inhaber-Zinsscheine (die "Zinsscheine") ausgegeben.
- (3) Die Teilschuldverschreibungen und die Zinsscheine tragen einen Prägestempel der Emittentin sowie die faksimilierten Unterschriften von zwei Mitgliedern des Board of Directors der BMW (UK) Capital plc, Warwick, Great Britain ("Emittentin"). Die Teilschuldverschreibungen tragen ferner die eigenhändige Unterschrift eines Kontrollbeauftragten der Citibank N.A. ("Citibank").

§ 2

- (1) Die Teilschuldverschreibungen werden vom 19. Februar 1999 an mit 4,25 % jährlich verzinst. Die Zinsen sind jährlich nachträglich am 19. Februar eines jeden Jahres ("Zinstermin") gegen Einreichung der Zinsscheine zahlbar. Der erste Zinsschein ist am 19. Februar 2000 fällig.

Der Zinslauf der Teilschuldverschreibungen endet am Ende des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Dies gilt auch, wenn die Zahlung gemäß § 193 BGB später als am kalendermäßig bestimmten Fälligkeitstag erfolgt.

Terms and Conditions of the Issue (Non-binding translation)

§ 1

- (1) The Issue in the aggregate principal amount of USD 200,000,000 (in words: Two hundred Million US Dollar) is represented by bonds (the "Bonds") payable to bearer and ranking pari passu among themselves as follows:

10,000 Bonds
of USD 1,000 each
Nos. 00001 to 10000 and

5,000 Bonds
of USD 10,000 each
Nos. 10001 to 15000 and

1,400 Bonds
of USD 100,000 each
Nos. 15001 to 16400.

- (2) Three interest coupons payable to bearer (the "Interest Coupons") are issued with each Bond.
- (3) The Bonds and the Interest Coupons bear an embossed emblem and the facsimile signature of two members of the Board of Directors of BMW (UK) Capital plc, Warwick, Great Britain (the "Issuer"). The Bonds also bear the handwritten control signature of a person instructed by Citibank N.A. ("Citibank").

§ 2

- (1) The Bonds bear interest at the rate of 4.25 % per annum from February 19, 1999. Interest is payable annually in arrears on February 19 of each year ("Interest Payment Date") against surrender of the relevant Interest Coupons. The first Interest Coupon will become due on February 19, 2000.

The Bonds will cease to bear interest at the end of the day preceding the date when they become due for redemption even if pursuant to § 193 of the German Civil Code (Bürgerliches Gesetzbuch) payment is made later than on the due date determined by the calendar.

(2) Sofern es die Emittentin aus irgendeinem Grund unterläßt, die zur Tilgung fälliger Teilschuldverschreibungen erforderlichen Beträge rechtzeitig und in voller Höhe bereitzustellen, läuft die Zinsverpflichtung auf den offenen Kapitalbetrag dieser Teilschuldverschreibungen so lange weiter, bis dieser Kapitalbetrag gezahlt ist, keinesfalls jedoch über den 14. Tag nach dem Zeitpunkt hinaus, an dem die erforderlichen Beträge bei der in § 10 definierten Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 14 bekanntgemacht worden ist.

(3) Sind Zinsen auf einen Zeitraum von weniger als einem Jahr zu berechnen, so werden sie auf der Grundlage eines Jahres von 360 Tagen, bestehend aus 12 Monaten von je 30 Tagen und im Falle eines Zeitraums von weniger als einem Monat auf der Basis der verstrichenen Tage berechnet.

§ 3

- (1) Die Teilschuldverschreibungen werden insgesamt am 19. Februar 2002 zum Nennbetrag zurückgezahlt.
- (2) Die Emittentin ist berechtigt, Teilschuldverschreibungen am Markt oder auf sonstige Weise zurückzukaufen.

§ 4

- (1) Die Emittentin kann die Teilschuldverschreibungen nur gemäß § 6 (3) zur vorzeitigen Rückzahlung kündigen.
- (2) Die Inhaber von Teilschuldverschreibungen können diese nur gemäß § 12 zur vorzeitigen Rückzahlung kündigen.

§ 5

- (1) Die Emittentin verpflichtet sich unwiderruflich, Zinsen und Kapital bei Fälligkeit in derjenigen frei verfügbaren und konvertierbaren Währung zu zahlen, die zur Zeit der Zahlung gesetzliches Zahlungsmittel in den Vereinigten Staaten von Amerika ist. Diese Verpflichtung umfaßt den rechtzeitigen Transfer unter allen Umständen und ohne Rücksicht auf die Staatsangehörigkeit, den Wohnsitz oder den gewöhnlichen Aufenthaltsort der Inhaber von Teilschuldverschreibungen und/oder Zinsscheinen ("Anleihegläubiger").

(2) Should the Issuer for any reason whatsoever fail to provide, when due, the full aggregate amount for the redemption of Bonds, then interest on the outstanding principal amount of such Bonds will continue to accrue until the payment of such principal has been effected, but in no case beyond the fourteenth day after the date on which the necessary funds have been provided to the Principal Paying Agent (as defined in § 10 below) and notice thereof has been given by publication in accordance with § 14.

(3) If interest is to be calculated for a period of less than one year, it shall 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.

§ 3

- (1) All of the Bonds shall be redeemed on February 19, 2002 at par.
- (2) The Issuer is entitled to purchase Bonds in the market or otherwise.

§ 4

- (1) Except as provided in § 6 Paragraph (3), the Issuer is not entitled to call the Bonds for redemption prior to their stated maturity.
- (2) Except as provided in § 12, the holders of Bonds are not entitled to call for early redemption of the Bonds.

§ 5

- (1) The Issuer irrevocably undertakes to pay, as and when due, interest and principal in such freely negotiable and convertible currency as at the time of payment is legal tender in the United States of America. This undertaking includes the obligation to transfer the amounts due under any and all circumstances regardless of the nationality, domicile or residence of the holders of Bonds and/or Interest Coupons ("Bondholders").

- (2) Die Teilschuldverschreibungen und Zinsscheine werden den Inhabern eingelöst bei den Hauptgeschäftsstellen der nachfolgend aufgeführten Banken als Zahlstellen mittels eines auf eine autorisierte Bank in New York City gezogenen Schecks in Dollar der Vereinigten Staaten von Amerika oder durch Überweisung auf ein US Dollar Konto des Zahlungsempfängers bei einer autorisierten Bank in New York City.

Citibank, N.A., 5 Carmelite Street, London EC4Y 0PA, Vereinigtes Königreich ist die Hauptzahlstelle der Emittentin (die „Hauptzahlstelle“ oder „Citibank“). Banque Paribas Luxembourg, 10A Boulevard Royal, 2093 Luxembourg und Citibank N.A., Building 726, 1931 Brucargo, Belgien sind die Zahlstellen der Emittentin (jede die „Zahlstelle“).

Die Hauptzahlstelle ist berechtigt, namens der Emittentin durch Bekanntmachung gemäß § 14 weitere Banken als Zahlstellen zu bestellen und die Bestellung einzelner Zahlstellen zu widerrufen. Die in oder gemäß diesem Absatz (2) bestellten Zahlstellen werden vor- und nachstehend "Zahlstellen" genannt.

- (3) Die Hauptzahlstelle und die Zahlstellen als solche sind ausschließlich Beauftragte der Emittentin. Zwischen der Hauptzahlstelle oder den Zahlstellen und den Anleihegläubigern besteht kein Auftrags- oder Treuhandverhältnis.
- (4) Fällige Teilschuldverschreibungen sind mit allen dazugehörigen, noch nicht fälligen Zinsscheinen einzureichen. Der Gegenwert fehlender oder nicht fälliger Zinsscheine wird vom Einlösungsbetrag abgezogen.
- (5) Weder die Emittentin noch die Zahlstellen sind verpflichtet, die Berechtigung der Einreicher von Teilschuldverschreibungen und Zinsscheinen zu prüfen.
- (6) Die Emittentin kann die von den Anleihegläubigern innerhalb von 12 Monaten nach Fälligkeit nicht erhobenen Beträge an Zinsen und Kapital bei dem Amtsgericht Frankfurt am Main unter oder ohne Verzicht auf das Recht zur Rücknahme hinterlegen, auch wenn sich die betreffenden Anleihegläubiger nicht im Annahmeverzug befinden. Soweit unter Verzicht auf das Recht zur Rücknahme hinterlegt wird, erlischt jeglicher Anspruch der betreffenden Anleihegläubiger gegen die Emittentin.

- (2) Redemption of Bonds and payments on Interest Coupons shall be made against presentation and surrender of Bonds and Coupons, as the case may be, at the principal offices of the banks as paying agents, as listed below, by a United States Dollar cheque drawn on, or by transfer to a United States Dollars account maintained by the payee with, an authorised bank in New York City.

Citibank, N.A., 5 Carmelite Street, London EC4Y 0PA, United Kingdom shall act as principal paying agent of the Issuer (the „Principal Paying Agent“ or „Citibank“). Banque Paribas Luxembourg, 10A Boulevard Royal, 2093 Luxembourg and Citibank N.A., Building 726, 1931 Brucargo, Belgium shall act as paying agents of the Issuer (each the „Paying Agent“).

On behalf of the Issuer, the Principal Paying Agent may, by publication in accordance with § 14, appoint additional banks as paying agents and terminate the appointment of individual paying agents. The paying agents appointed in or pursuant to this Paragraph (2) are referred to here as "Paying Agents".

- (3) The Principal Paying Agent and the Paying Agents acting in this capacity act only as agents of the Issuer; there is no agency or fiduciary relationship between the Principal Paying Agent or the Paying Agents and the Bondholders.
- (4) Bonds due for redemption shall be surrendered together with all unmatured Interest Coupons appertaining thereto. The amount of missing unmatured Interest Coupons will be deducted from the redemption amount.
- (5) Neither the Issuer nor the Paying Agents are obliged to examine the title of any person presenting Bonds or Interest Coupons.
- (6) The Issuer may deposit with the Amtsgericht, Frankfurt am Main, interest and principal not claimed by Bondholders within 12 months after the due date thereof, even though the respective Bondholders may not be in default of acceptance. If and to the extent that the deposit is effected and the right of withdrawal is waived, all claims of the respective Bonds against the Issuer shall cease.

- (1) Alle Zahlungen auf Zinsen und Kapital erfolgen ohne Einbehalt oder Abzug von oder wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder behördlicher Gebühren irgendwelcher Art, die im Vereinigten Königreich von Grossbritannien und Nordirland (das „Vereinigte Königreich“) oder der Bundesrepublik Deutschland oder für diese oder von irgendeiner dort zur Steuererhebung ermächtigten Stelle auferlegt oder erhoben werden, sofern nicht die Emittentin bzw., falls die Garantin die Zahlung bewirkt, diese kraft Gesetzes verpflichtet ist, solche Steuern oder Abgaben abzuziehen oder einzubehalten. In diesem Fall wird die Emittentin bzw., falls die Garantin auf Grund der Garantie die Zahlung zu bewirken hat, wird die Garantin diejenigen zusätzlichen Beträge zahlen, die dazu erforderlich sind, daß der nach einem solchen Einbehalt oder Abzug verbleibende Nettobetrag denjenigen Beträgen entspricht, die ohne solchen Abzug oder Einbehalt zu zahlen gewesen wären.

Jede Bezugnahme in diesen Anleihebedingungen auf Zinsen und Kapital gilt auch als Bezugnahme auf etwa gemäß diesem Absatz zusätzlich zahlbaren Beträge.

- (2) Zusätzliche Beträge gemäß Absatz (1) sind nicht zahlbar wegen solcher Steuern, Abgaben oder behördlicher Gebühren
- (a) denen ein Anleihegläubiger aus irgendeinem anderen Grund als der bloßen Tatsache unterliegt, daß er Anleihegläubiger ist und zwar insbesondere, wenn der Anleihegläubiger aufgrund einer persönlichen unbeschränkten oder beschränkten Steuerpflicht derartigen Steuern, Gebühren oder Abgaben unterliegt, oder
 - (b) denen der Anleihegläubiger nicht unterläge, wenn er seine Teilschuldverschreibungen bzw. Zinsscheine binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 14 bekanntgemacht wurde, zur Zahlung vorgelegt hätte, oder

- (1) All payments of interest and principal will be made without withholding or deduction for or on account of any present or future taxes, duties, or governmental charges whatsoever imposed or levied by or on behalf of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom") or the Federal Republic of Germany or any taxing authority therein, unless the Issuer, or, if payment should be effected by the Guarantor, the Guarantor is compelled by law to deduct or withhold such taxes, duties or charges. In that event, the Issuer shall pay, (or if payment has to be effected by the Guarantor, the Guarantor has undertaken to pay) such additional amounts as may be necessary in order that the net amounts after such withholding or deduction shall equal the amounts that would have been payable if no such deduction or withholding had been made.

Any reference in these Terms and Conditions of the Issue to interest and principal shall be deemed also to refer to any additional amounts which may be payable under this Paragraph.

- (2) No additional amounts shall be payable pursuant to Paragraph (1) with respect to taxes, duties or governmental charges
- (a) which the Bondholder is subject to for any reason other than the mere fact of being a Bondholder including if the Bondholder is subject to such taxes, fees or duties based on a personal unlimited or limited tax liability, or
 - (b) to which the Bondholder would not be subject if he had presented his Bonds or Interest Coupons, respectively, for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Principal Paying Agent when due, from the date on which such funds have been provided to the Principal Paying Agent, and a notice to that effect has been published in accordance with § 14, or

- (c) wenn diese Beträge von einer Zahlstelle in einem Land einbehalten oder abgezogen werden, eine Zahlstelle in einem anderen Land die Zahlung jedoch ohne einen solchen Einbehalt oder Abzug hätte leisten können, oder
- (d) die auf andere Weise als durch Abzug an der Quelle oder Einbehalt an der Quelle aus Zahlungen von Kapital oder Zinsen zu entrichten sind, oder
- (e) wenn diese Beträge nur abgezogen oder einbehalten werden, weil die Zinsscheine effektiv zur Einlösung am Schalter vorgelegt werden, oder
- (f) denen ein Anleihegläubiger deshalb unterliegt, weil er Einwohner des Vereinigten Königreiches oder der Bundesrepublik Deutschland ist 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 Vereinigten Königreich oder der Bundesrepublik Deutschland stammen oder steuerlich so behandelt werden, oder
- (g) wenn irgendwelche Steuern, Veranlagungen oder andere behördliche Gebühren nur deshalb erhoben oder an der Quelle abgezogen werden, weil der Anleihegläubiger oder der aus einer Teilschuldverschreibung 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, Veranlagung oder anderen behördlichen Gebühr oder eines Teils davon gehabt hätte, zu erfüllen, oder
- (c) which are deducted or withheld by a Paying Agent in a country from a payment if the payment could have been made by another Paying Agent in another country without such deduction or withholding, or
- (d) which are payable otherwise than by deduction at source or withholding at source from payments of principal or interest, or
- (e) which are only deducted or withheld because they are being presented for payment effectively at the counter, or
- (f) to which a Bondholder is liable by reason of being a resident of or having some other personal or business connection with the United Kingdom 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 United Kingdom or the Federal Republic of Germany, or
- (g) any tax, assessment, or other governmental charge that is imposed or withheld by reason of the failure by the Bondholder or the beneficial owner of a Bond or an Interest 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, assessment, or other governmental charge, or

- (h) wenn irgendwelche Steuern, Veranlagungen oder andere behördliche Gebühren der USA deshalb erhoben werden, weil der frühere oder gegenwärtige Status des Anleihegläubigers oder des aus einer Teilschuldverschreibung oder einem Zinsschein wirtschaftlich Berechtigten der (i) einer Holding in Form einer Personengesellschaft; (ii) einer Gesellschaft, die zum Zwecke der Vermeidung von Bundessteuern der USA auf das Einkommen Gewinne einbehält; (iii) einer aus Sicht der USA ausländisch beherrschte Gesellschaft, die mit der Emittentin aufgrund einer Aktienbeteiligung verbunden ist; (iv) eine private Stiftung oder einer andere in den USA steuerbefreite 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, Veranlagungen oder andere behördliche Gebühren auf Zahlungen aus den Teilschuldverschreibungen von einem Anleihegläubiger 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).
- (h) any tax, assessment, or other governmental charge imposed by the United States as a result of a Bondholder's 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 of America; (ii) a corporation which accumulates earnings to avoid United States Federal income tax; (iii) a controlled foreign corporation with respect to the United States of America that is related to the Issuer through stock ownership; (iv) a private foundation or other tax exempt organisation with respect to the United States of America; (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, assessment, or other governmental charge imposed on any payment on a Bond to a Bondholder 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) Sollte irgendwann in der Zukunft aufgrund einer Änderung des in dem Vereinigten Königreich oder in der Bundesrepublik Deutschland geltenden Rechts oder seiner behördlichen Anwendung die Emittentin oder (falls die Garantin aufgrund der Garantie die Zahlung bewirkt), die Garantin zu dem bezüglich der Teilschuldverschreibungen oder Zinsscheine nächstfolgenden Zahlungstermin verpflichtet sein, die in § 6 Absatz (1) genannten zusätzlichen Beträge zu zahlen, so ist die Emittentin berechtigt, mit einer Frist von wenigstens 30 und höchstens 60 Tagen durch Bekanntmachung gemäß § 14 die ausstehenden Teilschuldverschreibungen insgesamt zur vorzeitigen Rückzahlung zum Nennbetrag zu kündigen.

Eine Kündigung gemäß diesem § 6 Absatz (3) darf jedoch nicht auf einen Termin erfolgen, der dem Tag, an welchem die Änderung des Rechts oder seiner amtlichen Anwendung erstmals für diese Anleihe gilt, mehr als einen Monat vorangeht.

§ 7

- (1) Die in § 801 Abs. 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Teilschuldverschreibungen auf zehn Jahre abgekürzt.
- (2) Die Vorlegungsfrist für Zinsscheine beträgt vier Jahre von dem Ende des Kalenderjahres an, in dem der betreffende Zinsschein fällig ist.
- (3) Die Verjährungsfrist für innerhalb der Vorlegungsfrist zur Zahlung vorgelegten Teilschuldverschreibungen und Zinsscheine beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.
- (4) Im Falle des Abhandenkommens oder der Vernichtung von Zinsscheinen ist jeder Anspruch gemäß § 804 Abs. 1 Satz 1 BGB ausgeschlossen.

- (3) If at any future time as a result of a change of the laws applicable in the United Kingdom or in the Federal Republic of Germany or a change in their official application, the Issuer at the time of the next succeeding payment due in respect of the Bonds or Interest Coupons will be, or (in the event that the Guarantor became obligated under the Guarantee to make payment of any amount next becoming due in respect of Bonds and Interest Coupons), the Guarantor would be required to pay additional amounts as provided in Paragraph (1) of this § 6, the Issuer will be entitled, upon not less than 30 days and not more than 60 days' notice to be given by publication in accordance with § 14, prematurely to redeem all outstanding Bonds at par.

No redemption pursuant to this § 6 Paragraph (3) shall occur more than one month prior to the date on which such change of the laws or their official application becomes applicable to this Issue for the first time.

§ 7

- (1) The period for presentation of the Bonds (§ 801, Paragraph 1, Sentence 1 of the German Civil Code) shall be 10 years.
- (2) The period for presentation of Interest Coupons shall be four years calculated from the end of the calendar year, during which the respective Interest Coupon was due.
- (3) The period of limitation for claims under Bonds and Interest Coupons presented during the period for presentation shall be two years calculated from the expiration of the relevant presentation period.
- (4) In the case of loss or destruction of Interest Coupons, any right under § 804, Paragraph 1, Sentence 1 of the German Civil Code is excluded.

§ 8

- (1) Die Teilschuldverschreibungen und die Zinsscheine stellen unmittelbare, unbedingte, nicht nachrangige und nicht dinglich besicherte Verpflichtungen der Emittentin dar, die, vorbehaltlich Verpflichtungen hinsichtlich nationaler und örtlicher Steuern und bestimmter anderer gesetzlicher Ausnahmen, in gleichem Rang mit allen anderen nicht dinglich besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin stehen.
- (2) Die Emittentin verpflichtet sich gegenüber der Sicherheitenverwahrerin (wie in § 10 definiert), solange bis Kapital und Zinsen und etwaige zusätzliche Beträge aus dieser Anleihe in vollem Umfang bei der Hauptzahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten aus anderen internationalen Kreditverbindlichkeiten (einschließlich Verbindlichkeiten aufgrund von Garantien oder vergleichbaren Verpflichtungen zur Erfüllung von Ansprüchen aus anderen internationalen Anleihen) durch irgendwelche Grund- oder Mobiliarpfandrechte oder sonstige Sicherungsrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten zu besichern oder besichern zu lassen, es sei denn, daß diese Anleihe zu gleicher Zeit in gleichem Rang anteilig an der Besicherung teilnimmt. Ausgenommen hiervon sind Grund- und Mobiliarpfandrechte und andere Besicherungen von Verbindlichkeiten aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.
- (3) Als "internationale Kapitalmarktverbindlichkeiten" im Sinne dieser Anleihebedingungen gilt jede Emission von Teilschuldverschreibungen mit einer ursprünglichen Laufzeit von mehr als einem Jahr, die ausserhalb der Bundesrepublik Deutschland ausgegeben werden.

§ 8

- (1) The Bonds and the Interest Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and, save for obligations in respect of national and local taxes and for certain other statutory exceptions, rank equally with all its other unsecured and unsubordinated obligations.
- (2) The Issuer undertakes vis-à-vis the Fiduciary (as defined in § 10) until such time as principal and interest and additional amounts, if any, of this Issue have been completely placed at the disposal of the Principal Paying Agent, not to secure or to have secured by any mortgage, pledge or other charge on its present or future property or assets any present or future obligations arising from other International Capital Markets Indebtedness (including obligations under guarantees or comparable undertakings to fulfil claims under other International Bond Issues), unless such security at the same time shares pari passu and pro rata in such security. Any mortgage, pledge or other charge on obligations in respect of national or local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.
- (3) "International Capital Markets Indebtedness" within the meaning of these Terms and Conditions of the Issue shall mean any issue of notes which are issued outside the Federal Republic of Germany with an original maturity of more than one year.

§ 9

- (1) Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland (vor- und nachstehend "Garantin" genannt) hat gegenüber der Commerzbank in deren Eigenschaft als Sicherheitenverwahrerin für die Anleihegläubiger die unwiderrufliche und unbedingte Garantie (die "Garantie") für die volle Zahlung von Zinsen und Kapital übernommen. Alle Rechte aus der Garantie werden ausschließlich von der in § 10 definierten Sicherheitenverwahrerin gehalten und wahrgenommen; die handschriftlich unterzeichnete Ausfertigung der Garantie wird von der Sicherheitenverwahrerin verwahrt.

- (2) Darüber hinaus hat sich die Garantin in einer Verpflichtungserklärung (die "Verpflichtungserklärung") gegenüber der Sicherheitenverwahrerin verpflichtet, so lange, bis Kapital, Zinsen sowie etwaige zusätzliche Beträge aus dieser Anleihe in vollem Umfang bei der Hauptzahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten aus anderen internationalen Kapitalmarktverbindlichkeiten (einschließlich Verbindlichkeiten aufgrund von Garantien oder vergleichbaren Verpflichtungen zur Erfüllung von Ansprüchen aus anderen internationalen Kapitalmarktverbindlichkeiten) durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten zu besichern oder besichern zu lassen, es sei denn, daß diese Anleihe zur gleichen Zeit und in gleichem Rang anteilig an der Besicherung teilnimmt. Ausgenommen hiervon sind Grund- und Mobiliarpfandrechte und andere Besicherungen von Verbindlichkeiten aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.

§ 10

- (1) Die Citibank ist Hauptzahlstelle und die Commerzbank Sicherheitenverwahrerin.

§ 9

- (1) Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany (heretofore and hereinafter referred to as the "Guarantor") has delivered to Commerzbank in its capacity as Fiduciary for the Bondholders, its irrevocable and unconditional guarantee (the "Guarantee") for the full payment of interest and principal. All rights under the Guarantee shall be held and exercised exclusively by the Fiduciary defined in § 10; the manually signed copy of the Guarantee is kept by the Fiduciary.

- (2) In addition the Guarantor has undertaken vis-à-vis the Fiduciary in a declaration of undertaking (the "Declaration of Undertaking"), until such time as principal, interest and additional amounts, if any, of this Issue have been completely placed at the disposal of the Principal Paying Agent, not the secure or to have secured by any mortgage or pledge on the present or future property or assets any present or future obligations arising from other International Capital Markets Indebtedness" (including obligations under guarantees or comparable undertakings to fulfil claims under other International Capital Markets Indebtedness), unless this Issue at the same time shares pari passu and pro rata in such security. Any mortgage, pledge or other charge on obligations in respect of national or local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.

§ 10

- (1) Citibank shall be Principal Paying Agent and Commerzbank shall be Fiduciary.

- (2) Sollten irgendwelche Ereignisse eintreten, die dazu führen, daß die Citibank bzw. die Commerzbank nicht in der Lage ist, als Hauptzahlstelle oder Sicherheitenverwahrerin tätig zu werden, so sind sie berechtigt, eine andere Bank von internationalem Standing als Hauptzahlstelle oder Sicherheitenverwahrerin zu bestellen. Sollte die Citibank bzw. die Commerzbank in einem derartigen Fall außerstande sein oder es unterlassen, die Übertragung der Stellung als Hauptzahlstelle oder Sicherheitenverwahrerin vorzunehmen, so ist die Emittentin berechtigt und verpflichtet, dies zu tun. Falls die Emittentin verpflichtet ist, eine andere Sicherheitenverwahrerin zu bestellen, ist sie ermächtigt und verpflichtet, alle von der vorherigen Sicherheitenverwahrerin gehaltenen Sicherheiten (einschließlich der Rechte aus der Garantie sowie der Verpflichtungserklärung) auf die neue Sicherheitenverwahrerin zu übertragen. Die Bestellung einer anderen Hauptzahlstelle oder Sicherheitenverwahrerin ist von der Citibank bzw. der Commerzbank und jeweils von der Emittentin unverzüglich gemäß § 14 oder, falls dies nicht möglich sein sollte, in sonstiger Weise öffentlich bekanntzumachen.
- (3) Die Citibank in ihrer Eigenschaft als Hauptzahlstelle und jede an ihre Stelle tretende Hauptzahlstelle wird vor- und nachstehend "Hauptzahlstelle" genannt. Die Commerzbank in ihrer Eigenschaft als Sicherheitenverwahrerin und jede an ihre Stelle tretende Sicherheitenverwahrerin wird vor- und nachstehend "Sicherheitenverwahrerin" genannt.
- (4) Die Hauptzahlstelle und die Sicherheitenverwahrerin haften daraus, daß sie Erklärungen abgeben, nicht abgeben oder entgegennehmen, Handlungen vornehmen oder unterlassen, nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt haben.
- (5) Die Hauptzahlstelle und die Sicherheitenverwahrerin sind von den Beschränkungen des § 181 BGB und etwaigen gleichartigen Beschränkungen des anwendbaren Rechts anderer Länder befreit.
- (2) Should any contingencies arise which in the opinion of Commerzbank or Citibank, respectively, would result in its being unable for reasons beyond its control to act as Principal Paying Agent or Fiduciary, respectively, it shall then be entitled to appoint as Principal Paying Agent or Fiduciary, respectively, another bank of international standing. If, in such case, Citibank or Commerzbank should be unable, or should fail, to select a bank and/or to transfer its responsibilities as Principal Paying Agent or Fiduciary, the Issuer shall be entitled and obliged to do so. In the event that the Issuer is obliged to appoint another Fiduciary hereunder, the Issuer is authorized by the Fiduciary and obliged to transfer any security (including the rights under the Guarantee and the Declaration of Undertaking) held by the Fiduciary to the new Fiduciary. The appointment of another Principal Paying Agent or Fiduciary shall be published without delay by Citibank or Commerzbank and in each case the Issuer in accordance with § 14 or, should this not be possible, published in some other way.
- (3) Citibank in its capacity as Principal Paying Agent and any successor Principal Paying Agent are heretofore and hereinafter referred to as "Principal Paying Agent". Commerzbank in its capacity as Fiduciary and any successor Fiduciary are heretofore and hereinafter referred to as "Fiduciary".
- (4) The Principal Paying Agent and the Fiduciary shall be held responsible for giving, failing to give, or accepting a declaration, or for acting or failing to act, only if, and insofar as, they fail to act with the diligence of a conscientious businessman.
- (5) The Principal Paying Agent and the Fiduciary are hereby granted exemption from the restrictions of § 181 of the German Civil Code and any similar restrictions of the applicable laws of any other country.

§ 11

- (1) Etwa von der Emittentin gemäß § 8 oder von der Garantin gemäß der Verpflichtungserklärung zu bestellende Sicherheiten sind der Sicherheitenverwahrerin oder einer von ihr beauftragten Person zu bestellen. Alle Rechte an und aus den bestellten Sicherheiten werden ausschließlich von der Sicherheitenverwahrerin oder der von ihr beauftragten Person im eigenen Namen zugunsten der Anleihegläubiger wahrgenommen und im Verzugsfalle durchgesetzt.
- (2) Die Sicherheitenverwahrerin ist berechtigt, die ihr bei der Wahrnehmung der Rechte der Anleihegläubiger etwa entstehenden Kosten den Anleihegläubigern im Verhältnis ihrer Anleiheforderungen in Rechnung zu stellen und von ihnen einen Kostenvorschuß anzufordern. Der aus der Durchsetzung und Verwertung der Garantie oder einer gemäß § 8 oder unter der Verpflichtungserklärung bestellten dinglichen Sicherheit erzielte Erlös wird zuerst auf die der Sicherheitenverwahrerin dadurch entstandenen Kosten und Auslagen verrechnet, soweit sie billigerweise erforderlich waren. Der verbleibende Betrag wird im Verhältnis der jeweils fälligen Ansprüche der Anleihegläubiger an diese verteilt, und zwar zuerst auf rückständige Zinsen und dann auf rückständiges Kapital. Die Emittentin wird von ihrer Verpflichtung nur insoweit befreit, als der Erlös nach Abzug der vorgenannten Kosten und Auslagen zur Auszahlung durch die Sicherheitenverwahrerin an die Anleihegläubiger kommt oder zur Verfügung steht.

§ 12

- (1) Jeder Anleihegläubiger ist berechtigt, seine sämtlichen Forderungen aus den Teilschuldverschreibungen durch Kündigung fällig zu stellen und vorzeitige Rückzahlung zum Nennbetrag einschließlich aufgelaufener Zinsen zu verlangen, wenn
 - (a) die Emittentin, gleichgültig aus welchen Gründen, mit der Zahlung von Kapital oder Zinsen aus dieser Anleihe, einschließlich der Zahlung zusätzlicher Beträge gemäß § 6, länger als 30 Tage in Rückstand kommt, oder

§ 11

- (1) Any security to be granted by the Issuer pursuant to § 8 or by the Guarantor pursuant to the Declaration of Undertaking shall be granted to the Fiduciary, or to any person nominated by the Fiduciary, and only the Fiduciary or its nominee shall be entitled in its own name for the benefit of the Bondholders to administer and, in case of default, to enforce the rights in and arising from such security.
- (2) The Fiduciary is entitled to charge the Bondholders in proportion to their holdings any expenses it may incur in looking after their rights and to request an advance payment from them. The proceeds from the enforcement of the Guarantee and the foreclosure on any security granted under § 8 or under the Declaration of Undertaking shall be applied first to the costs and expenses of the Fiduciary reasonably incurred in connection therewith. The remaining amount shall be distributed to the Bondholders in proportion to their respective mature claims, and they shall be applied first to unpaid interest and then to unpaid principal. The Issuer is deemed to have satisfied its debt only to the extent to which the proceeds after deduction of the costs and expenses mentioned above are distributed or are available for distribution by the Fiduciary to the Bondholders.

§ 12

- (1) Each Bondholder is entitled to declare due his entire claims arising from the Bonds and to demand early repayment at par plus accrued interest, if
 - (a) the Issuer defaults, for any reason whatsoever for more than 30 days on the payment of principal or interest of this Issue including the payment of additional amounts pursuant to § 6, or

- (b) die Emittentin mit der Erfüllung einer anderen Verpflichtung aus dieser Anleihe oder die Garantin mit der Erfüllung von irgendwelchen Verpflichtungen aus der Garantie oder der Verpflichtungserklärung länger als 90 Tage in Rückstand kommt, oder
 - (c) gegen die Emittentin oder die 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 allgemein 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 andere Gesellschaft - im Falle der Emittentin - alle Verpflichtungen aus diesen Anleihebedingungen und - im Falle der Garantin - alle Verpflichtungen aus der Garantie übernimmt, oder
 - (e) die Emittentin oder die Garantin die Zahlungen ganz oder zu einem wesentlichen Teil ihre Geschäftstätigkeit einstellt oder damit droht, die Geschäftstätigkeit ganz oder zu einem wesentlichen Teil einzustellen, ohne daß die im vorstehenden Absatz (d) im einzelnen genannten Tatbestände gegeben sind.
- (b) the Issuer defaults for more than 90 days in the performance of any other obligation under this Issue, or the Guarantor in the performance of any of the obligations under the Guarantee or the Declaration of Undertaking, or
 - (c) bankruptcy or insolvency proceedings are commenced by court 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 of the Issue and - in the case of the Guarantor - assumes all obligations arising from the Guarantee, 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 business.
- (2) Jeder Anleihegläubiger kann sein Recht, seine Teilschuldverschreibungen fällig zu stellen und zur Rückzahlung zu kündigen, durch einen an die Hauptzahlstelle zu richtenden eingeschriebenen Brief ausüben. Eine solche Kündigung wird mit Zugang bei dieser wirksam.
 - (2) Any Bondholder shall exercise his right to declare his Bonds due and to demand payment by notice by registered letter directed to the Principal Paying Agent. Such notice will become effective upon receipt.

Die Fälligkeit der Ansprüche tritt am 30. Tag nach Zugang der Kündigung ein, es sei denn, daß im Falle des Absatzes (1) (a) oder (b) die Verpflichtung vorher erfüllt worden ist.

Such claims fall due 30 days after receipt of notice unless in the case of paragraph (1) (a) or (b) the obligation has been fulfilled prior thereto.

§ 13

- (1) Die Emittentin ist jederzeit berechtigt, die Garantin oder eine andere Gesellschaft, an der die Garantin direkt oder indirekt beteiligt ist, als Emittentin (nachstehend 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 in einer die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Weise die Verpflichtungen der Emittentin aus oder in Verbindung mit den Teilschuldverschreibungen übernimmt;
 - (b) die Garantin, ausgenommen der Fall, daß sie selbst die Neue Emittentin ist, in einer die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Weise unbedingt und unwiderruflich gemäß § 8 die Verpflichtungen der Neuen Emittentin garantiert; und
 - (c) die Neue Emittentin alle etwa notwendigen Genehmigungen der Behörden des Landes, in dem sie ihren Sitz hat, erhalten hat und einen die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Nachweis erbringt, daß die Neue Emittentin alle Beträge, die zur Erfüllung der aus oder in Verbindung mit den Teilschuldverschreibungen entstehenden Zahlungsverpflichtungen erforderlich sind, in frei verfügbarer, transferierbarer und konvertierbarer gesetzlicher Währung der Vereinigten Staaten von Amerika an die Hauptzahlstelle zu transferieren berechtigt ist.
- (2) Im Falle einer solchen Schuldübernahme gilt jede in diesen Anleihebedingungen enthaltene Bezugnahme auf die Emittentin fortan als auf die Neue Emittentin bezogen und jede Bezugnahme auf das Vereinigte Königreich als Bezugnahme auf das Land, in dem die Neue Emittentin ihren Sitz hat.
- (3) Eine derartige Schuldübernahme ist gemäß § 14 zu veröffentlichen.

§ 13

- (1) The Issuer shall be entitled at any time to substitute as issuer in respect of all obligations arising from or in connection with the Bonds, the Guarantor or any other company in which the Guarantor holds a direct or indirect interest (hereinafter called the "New Issuer"), if
 - (a) the New Issuer, in a manner satisfactory in form and substance to the Fiduciary, assumes all obligations of the Issuer arising from or in connection with the Bonds;
 - (b) other than in the case of the Guarantor being the New Issuer, the Guarantor irrevocably and unconditionally guarantees according to § 8, the obligations of the New Issuer in a manner satisfactory in form and substance to the Fiduciary; and
 - (c) the New Issuer has obtained all necessary authorizations, if any, from the authorities of the country, in which it has its corporate seat, and gives evidence in form and substance satisfactory to the Fiduciary that the New Issuer may transfer to the Principal Paying Agent, in freely disposable, transferable and convertible legal currency of the United States of America all amounts required for the performance of the payment obligations arising from or in connection with the Bonds.
- (2) In the event of such substitution, any reference in these Terms and Conditions of the Issue to the Issuer shall from then on be deemed to refer to the New Issuer, any reference to the United Kingdom shall from then on be deemed to refer to the country of the corporate seat of the New Issuer.
- (3) Any such substitution shall be published in accordance with § 14.

§ 14

Bekanntmachungen, welche die Teilschuldverschreibungen betreffen, werden in einer führenden, englisch-sprachigen Tageszeitung mit allgemeiner Verbreitung in London, veröffentlicht. Voraussichtlich werden diese Bekanntmachungen in der Financial Times gemacht.

§ 15

- (1) Form und Inhalt der Teilschuldverschreibungen und der Zinsscheine sowie die Rechte und Pflichten der Anleihegläubiger, der Emittentin, der Sicherheitenverwahrerin, der Hauptzahlstelle und der Zahlstellen sowie die Garantie und die Verpflichtungserklärung bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland, die Art und Weise der Bestellung und Verwertung von etwa zu bestellenden Sicherheiten nach dem Recht des Belegenheitsortes.
- (2) Sollte eine Bestimmung dieser Anleihebedingungen ganz oder teilweise rechtsunwirksam sein oder werden, so sollen die übrigen Bestimmungen wirksam bleiben. Unwirksame Bestimmungen sollen dann dem Sinn und Zweck dieser Anleihebedingungen entsprechend ersetzt werden.
- (3) Ausschließlicher Erfüllungsort ist Frankfurt am Main.
- (4) Gerichtsstand für alle sich aus den in diesen Anleihebedingungen geregelten Rechtsverhältnissen ergebenden Rechtsstreitigkeiten ist Frankfurt am Main. Dieser Gerichtsstand ist der ausschließliche Gerichtsstand für derartige Rechtsstreitigkeiten gegen die Garantin. Die Anleihegläubiger und die Sicherheitenverwahrerin sind berechtigt, ihre Ansprüche gegen die Emittentin auch vor Gerichten im Vereinigten Königreich geltend zu machen. Hierdurch ist ein gegebener gesetzlicher Gerichtsstand des Vermögens der Emittentin in anderen Ländern nicht ausgeschlossen. Auch in diesen Fällen ist ausschließlich das Recht der Bundesrepublik Deutschland anzuwenden.
- (5) Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhanden gekommener und vernichteter Teilschuldverschreibungen.

§ 14

The notices relating to the Bonds shall be published in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times).

§ 15

- (1) The Bonds and Interest Coupons, both as to form and content, and the rights and duties of the Bondholders, the Issuer, the Fiduciary, the Principal Paying Agent and the Paying Agents as well as the Guarantee and the Declaration of Undertaking shall exclusively be governed by the laws of the Federal Republic of Germany; the manner of granting and foreclosure of any security to be granted shall be subject to the laws of the country where such security is situate.
- (2) Should any provisions hereof be or become void in whole or in part, the other provisions shall remain in force. Void provisions shall be replaced in accordance with the meaning and purpose of these Terms and Conditions of the Issue.
- (3) Exclusive place of performance is Frankfurt am Main.
- (4) Place of jurisdiction for all litigations arising from legal relations established in these Terms and Conditions of the Issue is Frankfurt am Main. This place of jurisdiction shall be exclusive for any such litigations against the Guarantor. The Bondholders and the Fiduciary are entitled to assert their claims against the Issuer also before courts in the United Kingdom. Any court having jurisdiction for any venue established by location of assets of the Issuer in other countries shall not be excluded thereby. In such cases the laws of the Federal Republic of Germany shall exclusively be applied as well.
- (5) The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Bonds.

- (6) Für etwaige Rechtsstreitigkeiten, die vor Gerichten in der Bundesrepublik Deutschland zwischen den Anleihegläubigern oder der Sicherheitenverwahrerin und der Emittentin geführt werden, bestellt die Emittentin die Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, D-80788 München, zur Zustellungsbevollmächtigten.

Garantie

Die BMW (UK) Capital plc, Warwick, Vereinigtes Königreich von Grossbritannien und Nordirland, (nachstehend "Emittentin" genannt) begibt eine 4,25 % USD-Anleihe von 1999/2002 in Höhe von USD 200.000.000 (in Worten: US Dollar zweihundert Millionen).

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland (nachstehend "Garantin" genannt) übernimmt gegenüber der Commerzbank Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland (nachstehend "Commerzbank" genannt) als Sicherheitenverwahrerin für die Inhaber von Teilschuldverschreibungen und zugehörigen Zinsscheinen (nachstehend "Sicherheitenverwahrerin" genannt) die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung in US Dollar des Kapitals, der Zinsen sowie etwaiger zusätzlicher Beträge nach Maßgabe der Anleihebedingungen.

Sinn und Zweck dieser Garantie ist es sicherzustellen, daß die Inhaber von Teilschuldverschreibungen und zugehörigen Zinsscheinen unter allen Umständen und ungeachtet der tatsächlichen oder rechtlichen Umstände, Beweggründe oder Erwägungen, aus denen eine Zahlung durch die Emittentin – oder die gemäß § 13 der Anleihebedingungen an ihre Stelle getretene Gesellschaft – unterbleiben mag, die als Kapital, Zinsen und etwaige zusätzliche Beträge gemäß § 6 der Anleihebedingungen zahlbaren Beträge zu den in den Anleihebedingungen festgesetzten Fälligkeitsterminen erhalten. Die Garantin wird demgemäß auf erstes schriftliches Anfordern der Sicherheitenverwahrerin alle erforderlichen Zahlungen ohne jede Einschränkung leisten, falls die Emittentin – oder die gemäß § 13 der Anleihebedingungen an ihre Stelle getretene Gesellschaft – aus irgendeinem Grunde Beträge zu den festgesetzten Fälligkeitsterminen nicht zahlt.

- (6) For any litigation between the Bondholders or the Fiduciary and the Issuer, which is brought before courts in the Federal Republic of Germany, the Issuer appoints Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, D-80788 München, as agent for the service of process.

Guarantee

(Non-binding translation)

BMW (UK) Capital plc, Warwick, United Kingdom (hereinafter referred to as the "Issuer") issues 4.25 % USD Bearer Bonds of 1999/2002 (the "Bonds") in the amount of USD 200,000,000 (in words: US Dollar two hundred million).

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany (hereinafter referred to as the "Guarantor") assumes vis-à-vis Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (hereinafter referred to as "Commerzbank") as Fiduciary for the holders of Bonds and the interest coupons appertaining thereto (hereinafter referred to as the "Fiduciary") the unconditional and irrevocable guarantee for the due payment in US Dollar of principal, interest and additional amounts in accordance with the Terms and Conditions of the Issue.

The intent and purpose of the Guarantee is to ensure that the holders of Bonds and interest coupons under all circumstances and regardless of the actual or legal circumstances, motives or considerations for which the Issuer – or the company substituting the Issuer according to § 13 of the Terms and Conditions of the Issue – may fail to effect a payment shall receive the amounts payable as principal, interest and any additional amounts pursuant to § 6 of the Terms and Conditions of the Issue on the due dates provided for in the Terms and Conditions of the Issue. Accordingly, upon first written demand of the Fiduciary the Guarantor will effect all necessary payments without any limitation, if the Issuer – or the company substituting the Issuer according to § 13 of the Terms and Conditions of the Issue – fails to pay, for whatever reason, any amounts on the determined due dates.

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

Die Rechte aus dieser Garantie werden ausschließlich von der Commerzbank als Sicherheitenverwahrerin oder jeder Nachfolgerin in dieser Funktion gehalten und wahrgenommen. Die Garantin ist verpflichtet, auf erstes schriftliches Anfordern der Sicherheitenverwahrerin alle erforderlichen Zahlungen zu leisten.

Die Rechte und Pflichten aus dieser Garantie bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland. Ausschließlicher Erfüllungsort und Gerichtsstand ist Frankfurt am Main.

München, im Februar 1999

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

Angenommen:

COMMERZBANK
AKTIENGESELLSCHAFT

The obligations under this Guarantee shall not be affected by any change of legal form or change in shareholders of the Issuer.

The rights arising from this Guarantee shall be held and exercised exclusively by Commerbank as Fiduciary or any successor in that function. The Guarantor is obliged to effect all necessary payments upon first written demand of the Fiduciary.

The rights and obligations arising from this Guarantee shall be governed exclusively by the laws of the Federal Republic of Germany. Exclusive place of performance and jurisdiction shall be Frankfurt am Main.

Munich, in February 1999

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

Accepted:

COMMERZBANK AKTIENGESELLSCHAFT

Verpflichtungserklärung

Die BMW (UK) Capital plc, Warwick, Vereinigtes Königreich von Grossbritannien und Nordirland, begibt eine 4,25 % USD-Anleihe von 1999/2002 in Höhe von USD 200.000.000 (in Worten: US Dollar zweihundert Millionen).

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland verpflichtet sich hiermit gegenüber der Commerzbank Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland (nachstehend "Commerzbank" genannt) als Sicherheitenverwahrerin für die Inhaber von Teilschuldverschreibungen und zugehörigen Zinsscheinen in Übereinstimmung mit den Anleihebedingungen, so lange bis Kapital, Zinsen und etwaige zusätzliche Beträge aus dieser Anleihe in vollem Umfang bei der Hauptzahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten aus anderen internationalen Kapitalmarktverbindlichkeiten (einschließlich Verbindlichkeiten aus Garantien oder Sicherheiten) durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten zu besichern oder besichern zu lassen, es sei denn, daß diese Anleihe zur gleichen Zeit und in gleichem Rang anteilig an der Besicherung teilnimmt. Für die Zwecke dieser Verpflichtungserklärung bedeutet "internationale Kapitalmarktverbindlichkeit" jede Emission von Teilschuldverschreibungen mit einer ursprünglichen Laufzeit von mehr als einem Jahr, die außerhalb der Bundesrepublik Deutschland ausgegeben werden.

Die Rechte aus dieser Verpflichtungserklärung werden ausschließlich von der Commerzbank als Sicherheitenverwahrerin für die Inhaber von Teilschuldverschreibungen und zugehörigen Zinsscheinen oder jeder Nachfolgerin in dieser Funktion gehalten und wahrgenommen.

Die Rechte und Pflichten aus dieser Verpflichtungserklärung bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland. Ausschließlicher Erfüllungsort und Gerichtsstand ist Frankfurt am Main.

Declaration of Undertaking (Non-binding translation)

BMW (UK) Capital plc, Warwick, United Kingdom, issues 4.25 % USD Bearer Bonds of 1999/2002 (the "Bonds") in the amount of USD 200,000,000 (in words: US Dollar two hundred million).

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany, herewith undertakes vis-à-vis Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (hereinafter referred to as "Commerzbank") as Fiduciary for the holders of Bonds and the interest coupons appertaining thereto in accordance with the Terms and Conditions of the Issue, until such time as principal, interest and additional amounts, if any, of this Issue have been completely placed at the disposal of the Principal Paying Agent, not to secure or have secured by any mortgage or pledge on its present or future property or assets, any present or future obligations arising from other International Capital Markets Indebtedness (including obligations under guarantees or securities), unless this Issue at the same time shares pari passu and pro rata in such security. "International Capital Markets Indebtedness" shall for the purposes of this declaration mean any issue of notes which are issued outside the Federal Republic of Germany with an original maturity of more than one year.

The rights arising from this Declaration of Undertaking shall be held and exercised exclusively by Commerzbank as Fiduciary for the holders of Bonds and interest coupons or any successor in that function.

The rights and obligations arising from this Declaration of Undertaking shall be governed exclusively by the laws of the Federal Republic of Germany. Exclusive place of performance and jurisdiction shall be Frankfurt am Main.

München, im Februar 1999

Munich, in February 1999

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

Angenommen:

Accepted:

COMMERZBANK AKTIENGESELLSCHAFT

COMMERZBANK AKTIENGESELLSCHAFT

Use of Proceeds

The net proceeds of the Issue amounting to approximately U.S.\$ 193,810,000 will be used for general financing purposes of the BMW Group.

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:

	December 31, 1997 (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 material change in the total capitalization of BMW UK since December 31, 1997.

Since January 1, 1998 in addition to this issue BMW UK has issued Euro Medium Term Notes totalling GBP 250,000,000, JPY 4,000,000,000, CHF 32,000,000, PTE 7,150,000,000, USD 30,000,000 and long term loans totalling GBP 350,000,000 with a maturity between 6 months and 10 years and has repaid Euro Medium Term Notes totalling JPY 2,000,000,000 and GBP 85,000,000.

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 during the 12 months preceding the date of this document, a material effect on the financial situation of BMW AG or BMW UK, nor has BMW AG or BMW UK knowledge of any such proceedings pending or threatened.

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, 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 1,287,354,000 is divided into 16,121,843 ordinary bearer shares with a nominal value of DM 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 1,815,237 non-voting preference bearer shares with a nominal value of DEM 50 each, all of which are all full paid in. The authorized share capital allows the further issuance of non-voting preference shares in the amount of DEM 8,116,000.

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 for 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	<u>10,248</u>
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	<u>2,825</u>
Total Debt	<u>18,646</u>
Total capitalization	<u>28,894</u>
Contingent liabilities	<u>135</u>

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 250,000,000 bearer bonds at 5% due 2002 and Euro Medium Term Notes with amounts totalling ECU 8,000,000, GBP 250,000,000, ITL 30,000,000,000, JPY 10,000,000,000, PTE 13,150,000,000, USD 565,000,000, CHF 32,000,000 and long term loans totalling GBP 350,000,000 in the automobile business with maturities ranging from 6 months to 10 years. In addition, BMW Group has repaid DEM 18,850,000 annuities, a bank loan of DEM 26,950,000, SEK 400,000,000 bearer bonds and Euro Medium Term Notes with amounts totalling JPY 30,000,000,000, PTE 12,000,000,000, GBP 85,000,000, DEM 33,000,000, USD 15,000,000, CHF 15,000,000 and ITL 18,000,000,000.

The nominal share capital of BMW AG has been increased via a two-step process from DEM 990 million to DEM 1,287 million.

Board of Management

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

Prof. Dr.-Ing. Dr. h.c. Dr.-Ing. E.h. Joachim Milberg, Chairman
 Carl-Peter Forster
 Dr. Henrich Heitmann
 Günter Lorenz
 Dr. Helmut Panke
 Prof. Dr.-Ing. Werner Sámann
 Dr. h.c. Horst Teltschik
 Dr.-Ing. Wolfgang Ziebart

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 ²⁾	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 ²⁾	Dingolfing, Deputy Chairman, Chairman of the Works Council, Dingolfing plant
Volker Doppelfeld	Munich, Deputy Chairman, Former Member of the Board of Management of BMW AG
Reinhold Bauer ²⁾	Landshut, Deputy Chairman of the Works Council, Landshut plant
Dr. Karin Benz-Overhage ²⁾	Frankfurt am Main, Executive Member of the Board of Management of IG Metall
Ulrich Eckelmann ²⁾	Frankfurt am Main, Head of Department for the Board of Management of IG Metall
Hans Glas ²⁾	Dingolfing, Head of Dingolfing plant
Gerhard Gutsmedl ²⁾	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 ²⁾	Munich, Trade union secretary
Prof. Dr. Hubert Markl	Munich, President of Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
Hans-Günther Niklas ²⁾	Regensburg, Chairman of the Works Council, Regensburg plant
Stefan Quandt	Bad Homburg v.d.H., Graduate Industrial Engineer
Ernst Rehmeier ²⁾	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
Lodewijk C. van Wachem

Munich, Member of the Managing Board of Gabriel Sedlmayr,
Spaten-Franziskaner-Bräu KGaA
The Hague, The Netherlands, Chairman of the Supervisory Board
of Royal Dutch Petroleum Company/Shell

⁷ 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 acquired Rover Group. BMW Group produced approximately 1.2 million cars in 1998. 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 Sale

BMW has a system of linked plants, all of which operate to a high technical standard. In Germany, BMW automobiles of the Series 3 are produced in Munich, Regensburg and Dingolfing. 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); Rosslyn, South Africa (Series 3 and parts); and near Spartanburg, South Carolina (Z3 roadster and X5 at the end of 1999). 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 Series 3, 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 world wide.

Rover Group Production and Sales

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, and the Rover 75 (launch in the first half-year 1999). 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	1,143,568	1,194,704
Motorcycles	units	36,990	44,435	52,663	48,950	54,933
Unit Sales						
Automobiles	units	534,397	931,883	1,073,116	1,151,361	1,196,096
Motorcycles	units	35,150	46,667	50,246	50,465	54,014
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 1999

BMW Group in figures

		1998	1997	Change in %
Sales	DM million	63,130	60,137	+5.0
Automobile production				
Group	Units	1,204,000	1,194,704	+0.8
BMW	Units	706,426	672,238	+5.1
Rover Group	Units	497,574	522,466	-4.8
Automobile deliveries				
Group	Units	1,187,115	1,196,096	-0.8
BMW	Units	699,378	675,076	+3.6
Rover Group	Units	487,737	521,020	-6.4
Motorcycle production	Units	60,152	54,933	+9.5
Motorcycle deliveries	Units	60,308	54,014	+11.7
Capital investments	DM million	4,247	4,520	-6.0
Employees at year-end		119,913	117,624	+1.9

BMW Automobiles

Deliveries of new BMW automobiles increased by about 4% during the fiscal year 1998 with almost 700,000 vehicles sold. The sales volumes lost in Asia as a result of the crisis were more than outweighed by pronounced gains in Europe and North America due to the big success of the Series 3 sedan, while the Z3 coupé, the M coupé and the M5 gave further momentum to BMW's automobile business.

In the year of the model change of the Series 3 sedan, almost 9 % more cars were sold in this series, for a record total of 429,900 units. Series 5 sales amounted to 221,600 units, the second highest volume ever achieved in the medium range. Series 7 - with 47,200 models shipped - fully maintained its popularity in the world market during the past year. The proportion of diesel vehicles rose by 13 % in the course of 1998 - the highest percentage yet recorded at BMW.

In Western Europe, BMW registrations advanced by 4.5 % to 451,000 units. In Germany, 232,500 BMW vehicles were registered, or 2 % more than in 1997. Deliveries of cars to customers in the USA rose by 7 % to 131,600 units. Due to the turbulence in the economies and currencies of many markets in East Asia deliveries of new BMW cars dropped to 49,500 units, for a decrease of about 21 %.

BMW Motorcycles

1998 was the most successful year of BMW motorcycle to date; 60,300 motorcycles with the BMW brand were delivered to customers worldwide. The share of the international market has risen to 6.1%. This represents a growth rate of 11.7%, significantly higher than the 6.6% recorded for the market itself.

In Germany, too, BMW scored further successes, with about 22,100 units sold, or almost 5% more than in the previous year. The share of BMW motorcycles in this market, far and away its most important, rose from 11.4% to 12.6%. Outside Germany, the biggest markets continued to be the USA, Italy and France.

For the first time, the best-selling motorcycle model of BMW worldwide was the Cruiser R 1200 C; it performed exceptionally well, with a total volume of 9,100 units. The Tourer R 1100 RT came in second, with 8,900 units. In Germany, in its first full year of market availability, the Cruiser immediately became the leading motorcycle in the big cruiser segment of the German market.

The BMW motorcycle business should receive a strong impetus from the new luxury tourer K 1200 LT, which offers maximum comfort and luxurious appointments, as well as greater dynamism and a so-

phisticated design that is unique in the luxury touring segment. It will be available worldwide by the end of February.

Another key move in the model strategy was the market introduction of the new BMW sport tourer R 1100 S in September 1998. This innovative, up-to-date interpretation of the touring motorcycle for sports enthusiasts marks a further advance for BMW in this specialized market segment.

Rover Group Automobiles

Spurred by the strong pound sterling, prices fell sharply in the British market, causing a substantial deterioration in the Rover Group's competitive position, with local sales volumes dropping by 11% to about 205,000 units. However, at the same time, the Group's units sales in the other European countries increased by 7%.

Worldwide, Rover's vehicle deliveries declined by over 6% to 487,700 units. The main reasons for this decrease were the scheduled phasing out of the Rover 100s and the old Discovery model, the replacement of the Rover 600 and 800 with the new Rover 75 and the market developments in Great Britain. Deliveries of Rover Cars were down 17%, for a total of 303,800 units. By contrast, demand for the Mini rose by 8% to over 16,000 units, mainly as a result of new series with special features. After the strong gain in 1997, deliveries of MG sports cars stabilized at 14,400.

The renowned characteristics of the Land Rover, together with the introduction of new models, caused 1998 to become the sixth record year in a row for this brand. Deliveries rose by 20% to a gratifying 153,500. An outstanding success was scored by the new Freelander: 46,500 units were sold around the world in its first full year of market availability, representing almost one third of total Land Rover deliveries in 1998. The introduction of the Freelander in the United States, the world's most important allterrain vehicle market, will take place in the year 2000. Range Rovers also made a substantial contribution to sales for the Land Rover brand during the fiscal year.

The elegant and luxuriously outfitted Rover 75 embodies the traditional hallmarks of Rover Cars – Style and Substance – in a timely modern version. This sedan will be on the market in the first half of 1999; when presented at the British International Motor Show, it drew a splendid response from the media and from prospective customers, which should open up fresh opportunities for this brand.

The new Land Rover Discovery, considered the most advanced four-wheel-drive vehicle in its class, will also enhance the growth prospects for the Rover Group. The first new Discovery models were delivered to customers in November 1998.

The introduction of new, flexible worktime models is the core of a comprehensive agreement concluded by the Rover Group with the British unions. This agreement, negotiated in a remarkably short time during December 1998, will produce annual cost savings of approximately DM 400 million. By December 31, 1998, the work force had been reduced by 2,350 or 6.4% from the total a year earlier.

Rolls-Royce is added to BMW's brand portfolio

An event that attracted great attention during the past fiscal year was the acquisition of the British Rolls-Royce brand with its rich tradition. This represents a world-class addition to the BMW portfolio in the top-of-the-line luxury segment. BMW purchased the rights to the Rolls-Royce name for 40 million pounds sterling, or about DM 115 million. BMW has granted the firm of Rolls-Royce Motor Cars, bought by VW from the British Vickers Group for DM 1.44 billion, a free license for the manufacture and distribution of Rolls-Royce vehicles, which will expire on December 31, 2002. From 2003 on, BMW will use the rights itself.

BMW Rolls-Royce GmbH

BMW Rolls-Royce GmbH made significant progress in its engine business during 1998. In 1998, the extensive development program for the new BR 715 engine was successfully completed. The approval by the European and U.S. aviation authorities was granted in the second half of 1998. The BR 715 engine will be the exclusive source of power for the Boeing 717 – 200 airplanes, which are designed for short and medium term hauls.

This new plane performed perfectly on its maiden flight last September. Its first scheduled flight for its first customer, AirTran Airways, is planned for the second half of 1999. AirTran has placed firm orders for 50 planes and Bavaria International Aircraft Leasing has ordered an additional five. Of special importance for the future success of BMW Rolls-Royce GmbH is a major order from Trans World Airlines (TWA) in the United States. In December, this company signed a contract for 50 Boeing 717 – 200s and took an option for 50 more. In the same month, Pembroke Capital announced its intention to buy 10 of these planes. Boeing expects to sell a total of 2,600 of them over the next 20 years.

The second version of the BR 710, designed for the Global Express, an airplane for long-distance business trips built by the Canadian manufacturer Bombardier, was also approved by the international aviation authorities during 1998. In all, BMW Rolls-Royce has so far received orders for about 600 BR 710 engines. To keep up with the further increase in demand, the company plans to introduce a third shift at the Dahlewitz plant in Brandenburg.

BMW Financial Services

BMW Financial Services, which handles the leasing and financing of BMW and Rover Group automobiles, again made a substantial contribution to the economic success of the BMW Group. Despite difficult market conditions, the financing volume rose 20% to DM 31.5 billion in 1998.

During the fiscal year, a total of 1,015,000 new leasing and credit agreements – 27% more than in 1997 – were executed for BMW cars and motorcycles and for the Rover Group. They were used to finance both new and used vehicles for dealers and customers. Two thirds of the Group's financing activities are conducted in the German and American markets.

In October 1998, the BMW Group, through Alphabet Fuhrparkmanagement GmbH, extended its activities in specialized vehicle pool management and professional service leasing to companies in Germany as well, which should provide an added stimulus for the financing business. The position of Rover Financial Services was strengthened through its integration into the BMW Group, which was completed in 1998.

Outlook

The world economy will show only slight growth in 1999. Although business conditions in Germany and the rest of Western Europe will continue to be favourable, owing to the improvement in domestic demand, economic growth will nevertheless slow down. In the USA, monetary measures are expected during the course of the year, to stimulate the flagging economy. The situation in Asia will continue to be difficult: The economic turnaround Japan may reach its bottom in the second half; on the other hand, there are indications that in the Southeast Asian countries affected by crisis, the recession will gradually come to an end, after the severe decline in production that occurred in the previous year. In Asia and Latin America, economic difficulties will place a damper on demand for automobiles in 1999, but it can be assumed that sales of vehicles in North America will remain at the same high level. Demand is also likely to hold steady in the Western European automotive markets.

In contrast, the business of BMW Automobiles should expand, based on the impetus from three major introductions: The Series 3 coupé arrives in April and the Series 3 touring car in the fall, while the new X5 sports activity vehicle will debut in North America at year-end. The X5, which will be available in the other world markets starting in 2000, offers a new dimension in "joy in driving", on both asphalt and unpaved roads, with its sporting dynamism, performance and safety. Further market opportunities in the diesel segment will stem from the full availability of the new 4- and 6-cylinder direct injection engines and the 8-cylinder engine for top-of-the-line models, which will be introduced in the 740d during 1999 and is distinguished by its unique power development, silent operation and low fuel consumption.

We intend to prove the Rover Group's competitive position in 1999 through carefully planned restructuring measures and new products. Purposeful internationalization of sales activities, the addition of the Freelander and the new Discovery to the great Land Rover tradition and the introduction of the Rover 75 will also help to strengthen the Group's stance in the automobile markets.

The BMW Group will continue to operate successfully in every important segment and in all the world's markets, with an attractive, full line of models. This is the basis, now and in the future, for the financial strength and independence of the BMW Group.

Taxation

Taxation in the United Kingdom

1. The Bonds will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Taxes Act and remain in bearer form. If Bonds are issued in definitive form in the circumstances set out in "Form of the Bonds" 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 Bonds 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 person who is in the United Kingdom and:
 - (a) the interest is paid on a Bond held in a recognised clearing system; or
 - (b) a person who is not resident in the United Kingdom is beneficially entitled to the interest and beneficial owner of the Bond on which the interest is paid; and
 - (c) a declaration to that effect in the form required by law has been given to that person (or the Inland Revenue has issued a notice to that effect to that person) unless the Inland Revenue has issued a direction that it considers that neither of the conditions (i) and (ii) is satisfied.

In all other cases, subject to relief under an applicable double taxation treaty, interest will be paid under deduction of lower rate (currently 20%) United Kingdom tax.

2. Where a person in the United Kingdom acts as collecting agent i.e.:
 - (i) collects or secures payment of or receives interest on the Bonds for the Bondholder, or (except by means of clearing a cheque or arranging for the clearing of a cheque)
 - (ii) acts as a custodian of the Bonds and receives interest on the Bonds or directs that interest on the Bonds be paid to another person or consents to such payment;

the collecting agent will be required to withhold United Kingdom income tax at the lower rate subject to certain exceptions, including the following:

- (a) the Bonds 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 Bonds and is not resident in the United Kingdom.
- (c) interest arising to non-UK-resident trustees of certain trusts.
- (d) the person owning the Bonds and beneficially entitled to the interest is eligible for certain reliefs.

For exceptions (a) (i) and (b) to (d) to be available, a declaration in a specified form has to be provided (or a notice issued by the Inland Revenue) to the collecting agent and even then those exceptions will not be available if the Inland Revenue issue is appropriate direction.

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

- 3.1 Payments of interest in respect of the Bonds issued will have a United Kingdom source and accordingly may 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 Bondholder who is the beneficial owner of Bonds, 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 Bondholder carries on any trade, profession or vocation and in connection with which the interest is received, will not be assessed to United Kingdom tax on any income or gain derived from the holding or disposition of the Bonds.

- 3.2 Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

4. Proposed EU Directive on the Taxation of Savings Income

There is currently a proposed directive before the European Commission (which may or may not be adopted) to oblige Member States to adopt either a "withholding tax system" or an "information system" in relation to savings income.

The "withholding tax system" would require an "paying agent" established in an EU Member State to withhold tax at a minimum rate of 20 per cent. from interest paid to an individual resident in another EU Member State unless certain exemptions apply. The "information system" would require an EU Member State to supply other Member States with details of payment of interest made by "paying agents" within its jurisdiction to individuals resident in other Member States.

Taxation in the Federal Republic of Germany

If interest is paid through a paying agent resident in Germany to a German resident, such paying agent is generally obliged to withhold German tax from the interest payment at a rate of 30% plus a surcharge of presently 5.5% on the above mentioned withholding tax (31.65% overall) unless there are reasons for an exemption from this tax. A paying agent resident in Germany is not obliged to withhold tax from interest payments made to a non-resident of Germany provided the payments are made through a custodian account. If, however, an interest coupon is presented at the counter of a bank in Germany in cash transaction outside a custodian account (whether presented by a resident or a non-resident), a paying agent resident in Germany has to withhold tax at a rate of 35% plus a surcharge of presently 5.5% on this withholding tax (36.925% overall).

For German residents the interest on the Bonds is subject to German income or corporation and trade tax on income, if applicable. They may, however, offset the German capital yields tax withheld as a credit to their final German income or corporation tax and the surcharge withheld to their final surcharge payable.

Non-residents of Germany are principally not subject to German taxes with their income from the above mentioned Bonds, unless the income is part of a permanent establishment in Germany or the interest is paid out in an "over the counter transaction" with a German bank.

Prospective purchasers of the Bonds are advised to consult their own tax advisers as to the consequences of a purchase of Bonds under the tax laws of the country of which they are residents, including the consequences of receipt of interest and the sale or redemption of the Bonds.

Subscription and Sale

Commerzbank Aktiengesellschaft, London Branch, ABN AMRO Bank N.V., Banca del Gottardo, Bayerische Hypo- und Vereinsbank AG, Deutsche Bank AG London, DG BANK Deutsche Genossenschaftsbank AG, Dresdner Bank AG London Branch, KBC Bank N.V., Nomura International plc, PaineWebber International (UK) Ltd, Prudential-Bache Securities (UK) Inc., Société Générale, Union Bancaire Privée and UBS AG, acting through its division Warburg Dillon Read (the "Managers") have, jointly and severally, pursuant to a subscription agreement (the "Subscription Agreement") dated February 17, 1999 agreed with the Issuer and the Guarantor, subject to satisfaction to certain conditions, to subscribe and pay for the Bonds at the issue price of 98.28 per cent. of the principal amount thereof less a selling commission of 1.15 per cent. In addition, the Issuer has agreed to pay to the Managers a combined management and underwriting commission of 0.225 per cent. of the principal amount of the Bonds for their services and has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds.

The Subscription Agreement entitles the Managers and the Issuer to terminate it in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

(1) Each of the Banks

- (a) represents and agrees that it will not offer or sell any Bonds or distribute any offering material in any other country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations;
- (b) acknowledges that the Bonds are subject to and undertakes to comply with the restrictions provided in the German Offering Prospectus Law (Verkaufsprospektgesetz) with respect to Euro-Securities (Euro-Wertpapiere) for which no Offering Prospectus (Verkaufsprospekt) has been published; in particular they may not be offered by way of public advertising.

- (2) (a) The Bonds 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. Each of the Banks represents that it has offered and sold the Bonds, and agrees that it will offer and sell the Bonds (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Banks, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Each of the Banks agrees that, at or prior to confirmation of sales of Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. 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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, 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 the above Paragraph have the meanings given to them by Regulation S.

- (b) Each Bank agrees that, except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c) (2) (i) (D) (the "D-Rules"),
 - (i) it has not offered or sold, and during the restricted period will not offer or sell, Bonds in bearer form to a person who is within the United States or its possessions or to a United States person, and
 - (ii) it has not delivered and will not deliver within the United States or its possessions definitive Bonds in bearer form that are sold during the restricted period.
- (c) Each Bank 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 Bonds in bearer form are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules.
- (d) Each Bank which is a United States person represents that it is acquiring the Bonds in bearer form for purposes of resale in connection with their original issuance and that if it retains Bonds in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c) (2) (i) (D) (6).
- (e) Each Bank agrees that, with respect to each affiliate that acquires from it Bonds in bearer form for the purpose of offering or selling such Bonds during the restricted period, it either
 - (i) repeats and confirms the representations and agreements contained in Sub-paragraphs (b), (c), and (d) above on its behalf, or
 - (ii) will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in Sub-paragraphs (b), (c) and (d) above.

Terms used in Sub-paragraphs (b) to (d) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D-Rules.

- (3) Each of the Banks represents and agrees that:
 - (a) it has not offered or sold and prior to the date six months after the date of the issue of the Bonds will not offer or sell any Bonds 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 Public Offers of Securities Regulations 1996;
 - (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and
 - (c) 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 Bonds to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemption) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

General Information

1. Application has been made to the London Stock Exchange for the Bonds to be admitted to the Official List. It is expected that listing of the Bonds will be granted on February 19, 1999, subject only to the issue of the Temporary Global Bond.
2. The Bonds have been accepted for clearance through Euroclear and Cedel Bank. The Common Code for the Bonds is 9455647 and the ISIN number for the Bonds is XS0094556478.
3. The Issuer will maintain a Paying Agent in the United Kingdom until the Bonds are repaid.
4. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds and the giving of the Guarantee. The issue of the Bonds was authorised by resolution of the Board of Directors of the Issuer passed on February 12, 1999.
5. Save as disclosed herein, there has been no material change in the financial or trading position of the Issuer or the Guarantor since December 31, 1997 nor has there been any material adverse change in the financial position or prospects of either the Issuer or the Guarantor since December 31, 1997.
6. The Bonds and any Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."
7. The financial statements of the Issuer for the period from incorporation to December 31, 1996 and for the fiscal year ended December 31, 1997 have been audited by KPMG in accordance with generally accepted auditing standards and certified without qualification. The financial statements of the Guarantor for the fiscal years ended December 31, 1995, 1996 and 1997 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft in accordance with generally accepted accounting principles and practices in the Federal Republic of Germany who have issued for each year their unqualified opinion.
8. Copies of the following documents may be inspected at the specified offices for the time being of the Paying Agent and the Listing Agent in London, during usual business hours on any day (Saturdays, Sundays and public holidays excepted):
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Articles of Association (Satzung) and the excerpt of the commercial register (Handelsregisterauszug) of the Guarantor;
 - (c) the Annual Financial Statements of the Issuer for the fiscal years ended December 31, 1996 and 1997;
 - (d) the Annual Report of the Guarantor for the fiscal years ended December 31, 1996 and 1997 together with the Interim Report of the Guarantor for the six months period ended June 30, 1998 and the Shareholder's Letter for the fiscal year ended December 31, 1998;
 - (e) the Subscription Agreement.

**REGISTERED OFFICE
OF THE ISSUER**

International Headquarters
Warwick Technology Park
GB-Warwick CV34 6RG

**REGISTERED OFFICE
OF THE GUARANTOR**

Petuelring 130
BMW Haus
D-80788 München

**PRINCIPAL PAYING
AGENT**

Citibank N.A.
P.O. Box 18055
5 Carmelite Street
GB-London EC4Y 0PA

PAYING AGENTS

Citibank N.A.
Building 726
B-1931 Brucargo

Banque Paribas Luxembourg
10A Boulevard Royal
L-2093 Luxembourg

**LEGAL ADVISERS
TO THE MANAGERS**

Norton Rose
Kempson House
Camomile Street
GB - London EC3A 7AN

AUDITORS TO THE ISSUER

KPMG
Arlington Business Park
Theale
GB-Reading RG7 45D

**AUDITORS TO THE
GUARANTOR**

KPMG Deutsche Treuhand-
Gesellschaft Aktiengesellschaft-
Wirtschaftsprüfungsgesellschaft
Elektrastraße 6
D-81925 München

LISTING AGENT

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