

## IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES.

**IMPORTANT: You must read the following before continuing.** The following applies to the Preliminary Offering Memorandum following this page, and you are therefore advised to read this carefully before accessing, reading or making any other use of the Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Preliminary Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. This Preliminary Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Preliminary Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons that are outside the United States, and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Preliminary Offering Memorandum by electronic transmission.

Any notes to which this Preliminary Offering Memorandum relates (the “Notes”) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or the United Kingdom (“UK”). For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in point (e) of Article 2 of Regulation (EU) No. 2017/1129, as amended (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No. 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

This Preliminary Offering Memorandum is being distributed to, and is directed only at, persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that this Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Preliminary Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of BMW US Capital, LLC, in such jurisdiction.

This Preliminary Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the sender or any person who controls it or any director, officer, employee or agent of it, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any such alteration or change.



## BMW US Capital, LLC

U.S.\$                    % Notes due 20  
Issue price:            %

U.S.\$                    % Notes due 20  
Issue price:            %

U.S.\$                    % Notes due 20  
Issue price:            %

U.S.\$                    Floating Rate Notes due 20  
Issue price:            %

unconditionally and irrevocably guaranteed by

## Bayerische Motoren Werke Aktiengesellschaft

BMW US Capital, LLC, a Delaware limited liability company (the "Issuer"), is offering U.S.\$                    aggregate principal amount of                    % Notes due 20                    (the "20                    Notes"), U.S.\$                    aggregate principal amount of                    % Notes due 20                    (the "20                    Notes") and U.S.\$                    aggregate principal amount of                    % Notes due 20                    (the "20                    Notes" and together with the 20                    Notes and the 20                    Notes, the "Fixed Rate Notes") and U.S.\$                    aggregate principal amount of Floating Rate Notes due 20                    (the "Floating Rate Notes," and together with the Fixed Rate Notes, collectively, the "Notes" and each tranche thereof, a "Tranche"). Bayerische Motoren Werke Aktiengesellschaft ("BMW AG" or the "Company") is unconditionally and irrevocably guaranteeing all payments by the Issuer in respect of the Notes.

The 20                    Notes will bear interest at a rate of                    % per annum, the 20                    Notes will bear interest at a rate of                    % per annum and the 20                    Notes will bear interest at a rate of                    % per annum. Interest on the 20                    Notes is payable semi-annually on                    and                    of each year, commencing on                    , 2020. Interest on the 20                    Notes and the 20                    Notes is payable semi-annually on                    and                    of each year, commencing on                    , 2020.

The Floating Rate Notes will bear interest at a rate equal to the Compounded Daily SOFR (as defined herein) for the relevant Floating Rate Notes Interest Period (as defined herein) plus a margin of                    % per annum. Interest on the Floating Rate Notes will be reset quarterly, and is payable quarterly on                    ,                    , and                    of each year, commencing on                    , 2020.

The 2022 Notes will mature on                    , 20                    , the 20                    Notes will mature on                    , 20                    , the 20                    Notes will mature on                    , 20                    , and the Floating Rate Notes will mature on                    , 20                    . The Issuer may redeem the Fixed Rate Notes in whole or in part, at the Issuer's option, at any time prior to the maturity date of the Notes, at the redemption prices as set forth under "Terms and Conditions of the Notes and Guarantee—Redemption, Purchase and Cancellation—Optional Redemption of Fixed Rate Notes only." The Issuer may also redeem the Notes prior to maturity upon the occurrence of certain tax events.

The Notes will be unsecured and unsubordinated obligations of the Issuer. The Notes will rank equally in right of payment with all of the Issuer's unsecured and unsubordinated indebtedness. The guarantee of the Notes (the "Guarantee" and, together with the Notes, the "Securities") will be an unsecured and unsubordinated obligation of BMW AG (in that capacity, the "Guarantor" and, together with the Issuer, the "Obligors") and will rank *pari passu* with its other unsecured and unsubordinated indebtedness. The Notes will be issued in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

See "Risk Factors" beginning on page 14 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Securities have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the Securities are being offered only (1) to qualified institutional buyers ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A") and (2) to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). The Notes will not be listed on any securities exchange. For certain restrictions on transfer, see "Transfer Restrictions."

Delivery of the Notes in book-entry form will be made on or about                    , 2020 through The Depository Trust Company ("DTC") for the accounts of its participants, including Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V.

Joint Book-Runners

**BofA Securities**

**Citigroup**

**Goldman Sachs &  
Co. LLC**

**J.P. Morgan**

**Wells Fargo  
Securities**

The date of this Offering Memorandum is                    , 2020.

The information in this Preliminary Offering Memorandum is not complete and may be changed. This Preliminary Offering Memorandum does not constitute or form part of any offer or invitation to sell the Notes or any solicitation of any offer to purchase the Notes in any jurisdiction where such offer or sale is not permitted.

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The Obligors have furnished the information contained in or incorporated by reference into this preliminary offering memorandum (the “Offering Memorandum”). Except as otherwise indicated by the context, any reference to the Offering Memorandum shall include the documents incorporated by reference herein. The Obligors have not authorized anyone to give you any other information, and BMW Group (as defined below) accepts no responsibility for any other information that others may give you. You should carefully evaluate the information provided by the Obligors concerning BMW AG and its consolidated subsidiaries (“BMW Group” or the “Group”) in light of the total mix of information available to you, recognizing that the Obligors can provide no assurance as to the reliability of any information not contained in or incorporated by reference into this Offering Memorandum. The information contained in or incorporated by reference into this Offering Memorandum is accurate only as of the date on the front cover hereof or the date of the document incorporated by reference, respectively, regardless of the time of delivery or of any sale of the Notes. It is important for you to read and consider all information contained in or incorporated by reference into this Offering Memorandum in making your investment decision. In particular, you should also read and consider the information to which the Obligors refer under the caption “*Additional Information—Incorporation of Certain Information by Reference.*”

This Offering Memorandum has been prepared by the Obligors solely for use in connection with the offering of the Notes. The Obligors and the initial purchasers reserve the right to reject any offer to purchase Notes for any reason.

**Neither the U.S. Securities and Exchange Commission (the “SEC”), nor any state securities commission nor any other regulatory authority, has approved or disapproved of the Securities; nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.**

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. The Obligors and the initial purchasers require persons in whose possession this Offering Memorandum comes to inform themselves about, and to observe, any such restrictions.

The Obligors are offering to sell, and are seeking offers to purchase, the Notes only in jurisdictions where such offers and sales are permitted. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, any Notes by any person in any jurisdiction in which it is unlawful for such person to make such

an offer or solicitation. Neither the delivery of this Offering Memorandum nor any sale made under it implies that there has been no change in the affairs of the Obligors or that the information contained in or incorporated by reference into this Offering Memorandum is accurate and complete as of any date after the date of this Offering Memorandum.

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Notes; and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you and in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; and neither BMW Group nor the initial purchasers shall have any responsibility therefor.

The Notes are subject to restrictions on transfer. See “*Transfer Restrictions*.” By purchasing the Notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “*Transfer Restrictions*” in this Offering Memorandum. You should understand that you may be required to bear the financial risks of your investment for an extended period of time.

You acknowledge that:

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of information contained in or incorporated by reference into this Offering Memorandum or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning the Obligors or the Notes, other than as contained in or incorporated by reference into this Offering Memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Obligors or the initial purchasers.

In making an investment decision, you must rely on your own examination of the Obligors, the Group and the terms of this offering, including the merits and risks involved.

The initial purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in or incorporated by reference into this Offering Memorandum. You should not rely upon the information contained in or incorporated by reference into this Offering Memorandum as a promise or representation, whether as to the past or the future. The initial purchasers assume no responsibility for the accuracy or completeness of such information.

Neither the initial purchasers, the Obligors nor any Group company, nor any of their respective representatives, are making any representation to you regarding the legality of an investment in the Notes. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes.

This Offering Memorandum is strictly confidential and has been prepared solely for use in connection with the proposed private offering of the Notes described in this Offering Memorandum. The Obligors and the initial purchasers reserve the right to withdraw this offering at any time before closing, to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of Notes offered by this Offering Memorandum.

This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise purchase Notes. Distribution of this Offering Memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the Obligors’ prior written consent, is prohibited. Each prospective purchaser, by accepting this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum. Each offeree will notify its advisors of the restrictions imposed by the U.S. federal securities laws on the purchase and sale of securities and on the communication of confidential information to any other person.

## **NOTICE TO PROSPECTIVE INVESTORS IN CANADA**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of National Instrument 33-105 regarding underwriter conflicts of interest in connection with this offering.

## **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

This Offering Memorandum is only for distribution to and directed at: (i) in the United Kingdom, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; (iii) persons who are outside the United Kingdom; and (iv) any other person to whom it can otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). Any investment or investment activity to which this Offering Memorandum relates is available only to and will be engaged in only with Relevant Persons, and any person who is not a Relevant Person should not rely on it.

## **NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM**

This Offering Memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Regulation, as effective in member states of the European Economic Area (the "EEA") and the United Kingdom ("UK"), from the requirement to publish a prospectus for offers of securities. The expression "Prospectus Regulation" means Regulation (EU) No. 2017/1129. Accordingly, any person making or intending to make any offer of Notes within the EEA or the UK should only do so in circumstances in which no obligation arises for the Obligors or any of the initial purchasers to publish a prospectus for such offer. Neither the Obligors nor any of the initial purchasers have authorized, nor do the Obligors or the initial purchasers authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final placement of Notes contemplated in this Offering Memorandum.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in point (e) of Article 2 of the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible

counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

### **NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND**

Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

### **NOTICE TO PROSPECTIVE PURCHASERS IN HONG KONG**

Each initial purchaser has represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”), other than: (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO (Cap. 571) and any rules made under the SFO.

### **NOTICE TO PROSPECTIVE PURCHASERS IN JAPAN**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”) and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Act on Special Taxation Measures”). The Notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the Notes are not, as part of the initial distribution by the initial purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient (as defined below) or to others for reoffering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient, except as specifically permitted under the Act on Special Taxation Measures. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Issuer as described in Article 6, paragraph (4) of the Act on Special Taxation Measures, (ii) a Japanese financial institution, designated in Article 3-2-2, paragraph (28) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) relating to the Act on Special Taxation

Measures that will hold the Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, paragraph (2) of the Cabinet Order. By subscribing for the Notes, an investor will be deemed to have represented that it is a Gross Recipient.

## **NOTICE TO PROSPECTIVE PURCHASERS IN SINGAPORE**

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, and if the Issuer has not notified the initial purchasers on the classification of the notes under and pursuant to Section 309(B)(1) of the Securities and Futures Act, Chapter 289 Singapore, this Offering Memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the Guarantee may not be circulated or distributed, nor may the Notes and the Guarantee be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”)) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Securities are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the Securities and Futures Act; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).



## **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED ARAB EMIRATES**

The Notes have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (including the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this Offering Memorandum does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This Offering Memorandum has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority of the United Arab Emirates or, in the Dubai International Financial Centre, or the Dubai Financial Services Authority.

## **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

BMW AG is a stock corporation (*Aktiengesellschaft*) established under German law with its registered office in Munich, Germany. The majority of the Company's executive officers and directors reside in Germany or other jurisdictions outside the United States, and all or a substantial portion of the assets of such persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Company, or upon the Company's executive officers and directors, or to enforce against the Company, or the Company's executive officers and directors, judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws or other laws of the United States. In general, the enforcement of a final judgment of a U.S. court requires a declaration of enforceability by a German court in a special proceeding.

## ADDITIONAL INFORMATION

### Industry and Market Data

Market data and certain industry data and forecasts used throughout this Offering Memorandum were obtained from internal Group surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information cannot be guaranteed. Neither the Obligors nor any Group company has independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein. Similarly, internal Group surveys, industry forecasts and market research, which the Obligors believe to be reliable, based upon the Group's management's knowledge of the industry, have not been independently verified. Over longer periods of time, forecasts are particularly subject to inaccuracies. In addition, the Group does not necessarily know what assumptions regarding general economic growth were used in preparing any external forecasts. The Group does not make any representation as to the accuracy of information described in this paragraph. Statements as to the Group's market position are based on the most currently available data. While the Obligors are not aware of any misstatements regarding the Group's industry data presented herein, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings "*Risk Factors*" and "*Forward-Looking Statements*" in this Offering Memorandum. Neither the Obligors nor any Group company can guarantee the accuracy or completeness of any such information contained in or incorporated by reference into this Offering Memorandum. Where the information in this Offering Memorandum has been sourced from a third party, such information has been accurately reproduced and so far as the Obligors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Further, where the information in this Offering Memorandum has been sourced from a third party, reference is made to that third-party source where such information appears.

### Presentation of Financial and Other Information

In this Offering Memorandum, references to "€" are to the euro, the currency of the countries participating in the third stage of the European Economic and Monetary Union, and references to "\$" or "U.S.\$" are to U.S. dollars, the currency of the United States of America. The Group prepares its consolidated financial statements in euro. See "*Exchange Rate and Currency Information.*"

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ("EU") ("IFRS") and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*). IFRS differ in various respects from generally accepted accounting principles in the United States ("U.S. GAAP").

The Group has not prepared a reconciliation of its financial information to U.S. GAAP or a summary of significant differences in the accounting and valuation methods of IFRS and U.S. GAAP and does not intend to do so in the future. Potential investors should therefore consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP.

Unless otherwise specified, the financial information included or incorporated by reference into this Offering Memorandum is based on the audited consolidated financial statements of the Group as of and for the financial years ended December 31, 2019 and 2018.

The volume of customer deposits as of December 31, 2018 presented in "*Business—Organization of the Group's Businesses—Financial Services—Other Financial Services Offerings*" and certain figures for the year ended December 31, 2018 presented in the sections "*Business—Organization of the Group's Businesses—Research and Development*" and "*Management—Compensation of Members of the Board of Management and Supervisory Board*" have been derived from the Group's 2019 Audited Financial Statements.

In this Offering Memorandum, various figures and percentages have been rounded and, accordingly, may not total.

### ***Retail Vehicle Delivery Data***

Retail vehicle delivery data included throughout this Offering Memorandum, as applicable, includes deliveries from the joint venture BMW Brilliance Automotive Ltd., Shenyang, unless otherwise noted.

In December 2019, BMW Group was informed by the SEC that the SEC had commenced an inquiry into BMW Group's vehicle sales and sales reporting practices. On January 22, 2020, the SEC formally opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. BMW Group is reviewing the matter and cooperating with the SEC's investigation. Information on contingent liabilities is provided in *Note 38—Contingent liabilities and other financial commitments* of the Group's 2019 Audited Financial Statements, incorporated by reference into this Offering Memorandum.

In connection with its review, BMW Group reviewed prior period retail vehicle delivery data for automobiles and determined that certain vehicle deliveries of automobiles were not reported in the correct periods. Specifically, BMW Group identified instances in which vehicle deliveries were either held for reporting in later periods or accelerated for reporting in earlier periods, in each case, than the periods in which the deliveries actually occurred. BMW Group has corrected its reported delivery data, as further described below, to report deliveries in the period in which they occurred and is making, and will continue to make in the future, certain adjustments to its policies and procedures (together, the "Revised Reporting Process") in order to improve the reliability and validity of its retail vehicle delivery data, in particular with respect to the timing of the recognition of retail vehicle deliveries.

Specifically, the retail vehicle delivery data for automobiles presented in this Offering Memorandum have been revised as follows:

- When presenting total retail vehicle delivery data other than model-by-model data, data for BMW Group's 16 most significant markets were adjusted to reflect the Revised Reporting Process. In the years 2015 through 2019, these 16 markets represented, on average, approximately 86% of BMW Group's total retail vehicle deliveries of automobiles. For each of the years 2015 through 2019, these revisions amounted to less than 1% of BMW Group's total retail vehicle deliveries of automobiles.
- When presenting model-by-model retail vehicle delivery data, data for five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan) were adjusted to reflect the Revised Reporting Process. In the years 2015 through 2019, these five markets represented, on average, approximately 65% of BMW Group's total retail vehicle deliveries of automobiles.

The retail vehicle delivery data for automobiles for BMW Group's other markets have not been adjusted, nor have retail vehicle delivery data for motorcycles been adjusted. BMW Group believes the impact on BMW Group's retail vehicle delivery data presented in this Offering Memorandum of such data not having been adjusted to reflect the Revised Reporting Process to be immaterial.

The preparation of BMW Group's retail vehicle delivery data involves a variety of estimates and judgments, some of which are complex and all of which are inherently subjective, and is subject to other uncertainties. By way of example only:

- The vast majority of deliveries of vehicles are carried out by independent dealerships, auction houses or other third parties, and BMW Group is reliant on such third parties to correctly report relevant data to BMW Group.
- In addition, the definition of deliveries includes vehicles delivered in the United States and Canada if:
  - the relevant dealers designate such vehicles as service loaner vehicles or demonstrator vehicles (BMW Group provides financial incentives in this regard to such dealers); or
  - such vehicles are company vehicles purchased by dealers or other third parties at auctions or by dealers directly from BMW Group,

neither of which may correlate to a sale to a retail consumer or other end user in the relevant reporting period. In the years 2015 through 2019, deliveries of service loaner vehicles and demonstrator vehicles in the United States represented, on average, approximately 18% and 10%, respectively, of BMW Group's

total retail vehicle deliveries of automobiles in the United States. Approximately 89% of the service loaner vehicles and approximately 98% of the demonstrator vehicles delivered in such years in the United States were thereafter sold by the relevant dealer as used or new automobiles to consumers within one year from the relevant date of delivery; such subsequent sales are not counted as deliveries.

BMW Group's definition of "deliveries" is as follows: "A new or used vehicle will be recorded as a delivery when it is handed over to the end user (which also include leaseholders under lease contracts with BMW Financial Services). In the United States and Canada, end users also include (1) dealers when they designate a vehicle as a service loaner or demonstrator vehicle and (2) dealers and other third parties when they purchase a company vehicle at auction and dealers when they purchase company vehicles directly from BMW Group. Deliveries may be made by BMW AG, one of its international subsidiaries, a BMW Group retail outlet, or independent third party dealers. The vast majority of deliveries – and hence the reporting to BMW Group of deliveries – is made by independent third party dealers."

BMW Group believes the retail vehicle delivery data presented in this Offering Memorandum are materially correct in accordance with BMW Group's definition of deliveries. However, there can be no assurance that such definition and data will not be challenged or further revised, including as a result of the above-referenced review and investigation.

Retail vehicle deliveries during a given reporting period do not correlate directly to the revenue that BMW Group recognizes in respect of such reporting period. Consequently, the introduction of the Revised Reporting Process did not result, and BMW Group believes will not result in the future, in any change in BMW Group's revenues for 2019 or any prior period.

### **Adoption of IFRS 15**

The new accounting standard IFRS 15 (*Revenue from Contracts with Customers*) ("IFRS 15"), which became effective for annual reporting periods beginning on or after January 1, 2018, integrates the various previously existing IFRS requirements and interpretations relating to revenue recognition into a single standard and stipulates uniform revenue recognition principles for all sectors and categories.

In accordance with the transitional provisions contained in IFRS 15, BMW Group has applied the new requirements for revenue from contracts with customers in the year ended December 31, 2018 using the "full retrospective" option. For this reason, the balance sheets at January 1, 2017 and December 31, 2017 and the income statement, statement of comprehensive income and cash flow statement for the year ended December 31, 2017 have been adjusted and made comparable. The exemption provision, allowing contracts fulfilled prior to January 1, 2017 not to be newly assessed in accordance with IFRS 15, has been applied. The impact of applying the exemption is classified as insignificant due to the fact that it only affects BMW Group in a few individual cases. To the extent that financial information as of and for the year ended December 31, 2017 in the sections "*Summary*," "*Summary Consolidated Financial Data*" and "*Business*" has been adjusted to give effect to IFRS 15, this is indicated in the relevant tables.

For further information on the adoption of IFRS 15, including tables showing the impact on the balance sheets at January 1, 2017 and December 31, 2017 and on the income statement, statement of comprehensive income and cash flow statement for the year ended December 31, 2017, please refer to *Note 6—First-time application of IFRS 15* in the Group's 2018 Audited Financial Statements (as defined below), incorporated by reference into this Offering Memorandum.

### **Changes in Accounting Policy for Leases**

With effect from January 1, 2019, BMW Group has adopted the new accounting standard IFRS 16 (*Leases*) ("IFRS 16"). The standard makes changes to the treatment of leases in BMW Group's financial statements, requiring the use of a single model to recognize a lease liability and a right of use asset for all leases, including those classified as operating leases under International Accounting Standard ("IAS") 17 (*Leases*) the previously applicable standard ("IAS 17"), unless the underlying asset has a low value or the lease term is 12 months or less. BMW Group has applied IFRS 16 using the modified retrospective method and certain practical expedients permitted for lessees. As a result of the adoption of IFRS 16, the balance sheet total increased by approximately €2.4 billion at the date of the initial application as a result of leases previously classified as operating leases.

In conjunction with the adoption of IFRS 16, BMW Group’s methods to account for leases as a lessor have also been reviewed, resulting in a change of the respective accounting policy with effect from January 1, 2019. This change has been applied retrospectively in accordance with IAS 8, and comparable figures have been adjusted. In connection with the adoption of IFRS 16, certain line items in the income statement, the statement of comprehensive income and the cashflow statement for certain balance sheet line items as of December 31, 2018 have been adjusted and made comparable.

To the extent that financial information in the sections “*Summary*,” “*Summary Consolidated Financial Data*” and “*Business*” has been adjusted to give effect to changes in the accounting policy in connection with the adoption of IFRS 16 and adjustments due to changes in presentation of selected items, this is indicated in the relevant tables. The financial information as of December 31, 2019 and such adjusted financial information as of December 31, 2018 may not be fully comparable with prior periods’ financial information that has not been adjusted.

For further information on the changes in the accounting policy for leases, including a table showing the impact on the balance sheets at January 1, 2018 and December 31, 2018, please refer to *Note 6—Changes in accounting policy for leases* in the Group’s 2019 Audited Financial Statements, incorporated by reference into this Offering Memorandum.

### Non-IFRS Financial Measures

This Offering Memorandum contains and incorporates by reference certain non-IFRS financial measures, *i.e.*, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Specifically, BMW Group uses the non-IFRS measures “Total Capital Expenditure,” “Capital Expenditure,” “EBIT” and “EBIT Margin,” among other measures.

“Total Capital Expenditure” corresponds to additions to development costs, other intangible assets and property, plant and equipment in the Group’s Audited Financial Statements (as defined below).

“Capital Expenditure” corresponds to Total Capital Expenditure less additions to development costs in the Group’s Audited Financial Statements.

“EBIT” is defined as revenues less cost of sales, selling and administrative expenses and the net amount of other operating income and expenses.

“EBIT Margin” is defined as the ratio of EBIT to revenue for the period indicated, expressed as a percentage.

BMW Group uses these non-IFRS financial measures to assess its consolidated financial and operating performance, and BMW Group believes they are helpful in identifying trends in its performance. These non-IFRS financial measures enhance management’s ability to make decisions with respect to resource allocation and to determine whether BMW Group is meeting established financial goals. Non-IFRS financial measures have certain limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of BMW Group’s results as reported in accordance with IFRS. Because of such limitations, they should not be considered substitutes for the relevant IFRS financial measures.

### Incorporation of Certain Information by Reference

This Offering Memorandum incorporates by reference, and should be read and construed in conjunction with, the following information:

<u>Document</u>	<u>Pages Incorporated</u>
A. The following sections of the BMW Group Annual Report 2019:	
Combined Management Report—Comparison of Forecasts for 2019 with Actual Results in 2019:	
—Results of operations of the BMW Group ( <i>except for the ninth paragraph on page 57</i> ) .....	55-57
—Financial position of the BMW Group.....	58
—Refinancing .....	59

<b>Document</b>	<b>Pages Incorporated</b>
—Net assets of the BMW Group .....	60-61
—Results of operations by segment.....	63
Combined Management Report—Review of Operations:	
—Automotive Segment—Segment revenues at record level, earnings negatively impacted by provision ( <i>except for the second, fourth and fifth paragraph on page 69</i> ) .....	68-70
—Motorcycles Segment—Strong segment performance ( <i>except for the second and fourth paragraph on page 72</i> ).....	72
—Financial Services Segment—Financial Services segment posts record earnings ( <i>except for the fourth paragraph on page 74</i> ) and —Risk profile .....	74-75
—Other Entities Segment / Eliminations .....	75
Group Financial Statements .....	108-198
Responsibility Statement by the Company’s Legal Representatives .....	246
Independent Auditor’s Report.....	247-254 <sup>1</sup>

(together, the “2019 Annual Report Excerpts”)

B. The following sections of the BMW Group Annual Report 2018:

Combined Management Report—Results of Operations, Financial Position and Net Assets—Results of operations ( <i>except for the first paragraph on page 65</i> ); —Financial position; and —Net assets.....	65-77
Group Financial Statements .....	110-198
Responsibility Statement by the Company’s Legal Representatives .....	239
Independent Auditor’s Report.....	240-246 <sup>2</sup>

<sup>1</sup> The independent auditor’s report of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (“PwC”), prepared in accordance with Section 322 of the German Commercial Code (*Handelsgesetzbuch*), refers to the consolidated financial statements, comprising the consolidated balance sheet as at December 31, 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the combined management report for the financial year from January 1, 2019 to December 31, 2019. Except as specified above, the group management report as a whole is not included or incorporated by reference in this Offering Memorandum. They were prepared by and are the sole responsibility of, the Company’s management in accordance with German generally accepted accounting principles. The examinations of and the auditor’s reports upon such group management reports and management report are required and were performed in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and German generally accepted standards for the audit of management reports promulgated by the German Institut der Wirtschaftsprüfer (IDW). Those examinations were not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, PwC does not express any opinion on this information or on the consolidated financial statements or the financial statements included or incorporated by reference in the Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards. Except for those parts incorporated by reference as described in this Offering Memorandum, the information contained in the combined management report and the auditor’s report upon such combined management report should not be relied upon by U.S. investors. The referenced auditor’s report and consolidated financial statements are both translations of the respective German-language documents.

<sup>2</sup> The auditor’s report, prepared in accordance with Sections 317 and 322 of the German Commercial Code (*Handelsgesetzbuch*) and EU Audit Regulation No. 537/2014, refers to the consolidated financial statements, comprising the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the combined management report for the financial year from January 1, 2018 to December 31, 2018. Except as specified above,

(together, the “2018 Annual Report Excerpts”)

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this Offering Memorandum modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Offering Memorandum.

You may obtain a copy of the 2019 Annual Report Excerpts and the 2018 Annual Report Excerpts by visiting the Group’s website at:

- [https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup\\_com/ir/downloads/en/2020/gb/BMW-GB19\\_en\\_Finanzbericht.pdf](https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/ir/downloads/en/2020/gb/BMW-GB19_en_Finanzbericht.pdf) for the 2019 Annual Report Excerpts, and
- [https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup\\_com/ir/downloads/en/2019/gb/BMW-GB18\\_en\\_Finanzbericht\\_190315\\_ONLINE.pdf](https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/ir/downloads/en/2019/gb/BMW-GB18_en_Finanzbericht_190315_ONLINE.pdf) for the 2018 Annual Report Excerpts,

or by contacting BMW Group at the address, e-mail address or telephone or fax numbers below:

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Other than the sections specified above and specifically incorporated by reference into this Offering Memorandum, such documents do not form part of this Offering Memorandum and the contents of the Company’s internet website do not form part of this Offering Memorandum and, in each case, should not be relied upon for the purposes of forming an investment decision with respect to the Notes.

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the complete group management report is not included in this Offering Memorandum. The referenced auditor’s report and consolidated financial statements are both translations of the respective German-language documents.



## FORWARD-LOOKING STATEMENTS

This Offering Memorandum, including the documents incorporated herein by reference, contains certain forward-looking statements. Such forward-looking statements are generally identified by the use of forward-looking words, such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “predict,” “target,” “will,” “should,” “may” or other variations of such terms, or by discussion of strategy or targets, including the targets under its corporate strategy. These statements relate to BMW Group’s future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Group’s actual future results, performance and achievements to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described under “*Risk Factors*” in this Offering Memorandum. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof.

A wide range of factors could materially affect future developments and performance, including the following:

- macroeconomic, geopolitical or other events;
- the COVID-19 pandemic;
- changes in consumer preferences, lifestyle and individual mobility;
- trends in the highly competitive automotive market subject to technological innovations and developments;
- increased safety, emissions, fuel efficiency or other regulations;
- export controls, tariffs and other trade barriers;
- increases in or volatility of fuel prices;
- production stoppages and downtimes;
- defects in vehicles leading to recalls, legal and regulatory inquiries, costs or penalties;
- dependence on suppliers;
- “take-or-pay” contracts;
- the Group’s ability to effectively market and distribute its products;
- competition in the automotive industry leading to pricing and sales pressures;
- dependence on market acceptance;
- the Group’s ability to maintain and develop its brand image;
- dependence on good relationships with employees and unions;
- pension obligations to current and past employees;
- dependence on information technology and the integrity of the Group’s information and data;
- cybersecurity risks relating to the Group’s operational systems, security systems or infrastructure;
- dependence on good relationships with joint venture partners;
- volatility and changes in foreign exchange rates;
- changes in prices of raw materials and commodities;

- dependence on securing financing on attractive terms to provide liquidity;
- exposure to interest rate risks through the Group's various financing programs;
- dependence on counterparties maintaining their operations and creditworthiness;
- dependence on vehicles' residual values developments;
- the risk of changes in deliveries having a substantial effect on the Group's cash flow and profitability;
- the requirement to comply with numerous laws and regulations in multiple jurisdictions;
- international trade restrictions, such as economic sanctions and export controls;
- dependence on compliance and risk management systems;
- litigation, governmental investigations or adverse publicity;
- the risk of a decrease in or cessation or claw-back of government incentives;
- complex tax and customs matters; and
- the risk of insurance coverage not being sufficient or its insurance premiums increasing.

Other than in connection with applicable securities laws, the Obligors undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date of this Offering Memorandum or to reflect the occurrence of unanticipated events. The Obligors urge you to carefully review and consider the various disclosures the Obligors make concerning the factors that may affect BMW Group's business, including the disclosures made in the "*Risk Factors*" section of this Offering Memorandum and the documents incorporated by reference herein.

## SUMMARY

The following summary highlights selected information contained elsewhere in, or incorporated by reference into, this Offering Memorandum. Accordingly, this summary may not contain all of the information that may be relevant to you in making a decision whether to invest in the Notes. You should carefully read and review this Offering Memorandum and the documents incorporated by reference in order to fully understand BMW Group's business. You should also read the "Risk Factors" section to determine whether an investment in the Notes is appropriate for you.

### Overview

BMW Group is one of the most successful makers of premium and luxury automobiles and motorcycles worldwide and among the largest industrial companies in Germany. With BMW, MINI and Rolls-Royce, BMW Group owns three of the strongest premium and luxury brands in the automotive industry. The vehicles it manufactures set high standards in terms of aesthetics, dynamics, technology and quality, as borne out by BMW Group's strong position in engineering and innovation both in the automotive and motorcycle sectors. In addition, BMW Group provides financial services supporting its automotive and motorcycle business. Moreover, in recent years BMW Group has evolved into one of the leading global providers of premium services for individual mobility. As of December 31, 2019, BMW Group had a worldwide workforce of 133,778 employees by headcount.

The Group is organized into four segments:

- *Automotive*: develops, manufactures, assembles and sells automobiles and off-road vehicles under the BMW, MINI and Rolls-Royce brands, and provides spare parts, accessories and mobility services;
- *Motorcycles*: develops, manufactures, assembles and sells motorcycles;
- *Financial Services*: provides credit financing and leases automobiles and motorcycles, among other activities; and
- *Other Entities*: includes the Group's holding and financing companies and certain other companies not allocated to one of the other segments. The Other Entities segment is not considered part of the Group's primary business.

The following tables present an overview of BMW Group's key non-financial and financial performance indicators for the periods indicated.

	For the year ended December 31,		
	2019	2018	2017
<b>Key non-financial performance indicators</b>			
<b>BMW Group</b>			
Workforce at end of period (# of employees) <sup>(1)</sup> .....	133,778	134,682	129,932
<b>Automotive segment</b>			
Deliveries (units) <sup>(2)(6)</sup> .....	2,537,504	2,486,149	2,465,021
Fleet emissions in g CO <sub>2</sub> /km <sup>(3)</sup> .....	127	128 <sup>(5)</sup>	128
<b>Motorcycles segment</b>			
Deliveries (units).....	175,162	165,566	164,153
<b>Further non-financial performance figures</b>			
<b>Automotive segment</b>			
Deliveries (units)			
BMW <sup>(2)(6)</sup> .....	2,184,939	2,117,854	2,089,854

	For the year ended December 31,		
	2019	2018	2017
MINI <sup>(6)</sup> .....	347,465	364,101	371,729
Rolls-Royce <sup>(6)</sup> .....	5,100	4,194	3,438
<b>Total<sup>(2)(6)</sup>.....</b>	<b>2,537,504</b>	<b>2,486,149</b>	<b>2,465,021</b>
<b>Production volume (units)</b>			
BMW <sup>(4)</sup> .....	2,205,841	2,168,496	2,123,947
MINI.....	352,729	368,685	378,486
Rolls-Royce.....	5,455	4,353	3,308
<b>Total<sup>(4)</sup>.....</b>	<b>2,564,025</b>	<b>2,541,534</b>	<b>2,505,741</b>
<b>Motorcycles segment</b>			
Production volume (units)			
BMW.....	187,116	162,687	185,682
<b>Financial Services segment</b>			
New contracts with retail customers.....	2,003,782	1,908,640	1,828,604

- (1) By headcount as of end of period, excluding suspended contracts of employment, employees in the non-work phases of pre-retirement part-time working arrangements and low income earners.
- (2) Including deliveries from the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612; 2018: 455,581 units; 2017: 385,705 units).
- (3) Group calculation of fleet consumption of newly registered cars in Europe (EU-28) on an annual basis.
- (4) Including production volume from the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 536,509; 2018: 491,872 units; 2017: 396,749 units).
- (5) From 2018, adjusted value based on conversion to Worldwide Harmonized Light Vehicles Test Procedure (WLTP).
- (6) For further information on vehicle delivery data, please see “Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data.”

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
(in € million unless otherwise indicated)				
<b>Key financial performance indicators</b>				
Profit/(loss) before tax.....	7,118	9,627	9,815	10,675
<b>Automotive segment</b>				
Revenues.....	91,682	85,846	85,846	85,742
EBIT margin <sup>(3)</sup> (%).....	4.9	7.2	7.2	9.2
<b>Further financial key performance figures</b>				
<b>Total Capital Expenditure<sup>(3)(4)</sup>.....</b>	<b>7,784</b>	<b>8,013</b>	<b>8,013</b>	<b>7,112</b>
<b>Depreciation and amortization<sup>(5)</sup>.....</b>	<b>6,017</b>	<b>5,113</b>	<b>5,113</b>	<b>4,822</b>
<b>Operating cash flow automotive segment.....</b>	<b>9,690</b>	<b>9,352</b>	<b>9,352</b>	<b>10,848</b>
<b>Revenues.....</b>	<b>104,210</b>	<b>96,855</b>	<b>97,480</b>	<b>98,282</b>
Automotive.....	91,682	85,846	85,846	85,742
Motorcycles.....	2,368	2,173	2,173	2,272
Financial Services.....	29,598	27,705	28,165	27,567
Other Entities.....	5	6	6	7
Eliminations.....	(19,443)	(18,875)	(18,710)	(17,306)

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
	(in € million unless otherwise indicated)			
<b>Profit/(loss) before financial result (EBIT)<sup>(3)</sup></b> .....	<b>7,411</b>	<b>8,933</b>	<b>9,121</b>	<b>9,899</b>
Automotive.....	4,499	6,182	6,182	7,888
Motorcycles.....	194	175	175	207
Financial Services.....	2,312	2,172	2,190	2,194
Other Entities.....	29	(27)	(27)	14
Eliminations.....	377	431	601	(404)
<b>Profit/(loss) before tax</b> .....	<b>7,118</b>	<b>9,627</b>	<b>9,815</b>	<b>10,675</b>
Automotive.....	4,467	6,977	6,977	8,717
Motorcycles.....	187	169	169	205
Financial Services.....	2,272	2,143	2,161	2,207
Other Entities.....	(96)	(45)	(45)	80
Eliminations.....	288	383	553	(534)
<b>Income taxes</b> .....	<b>(2,140)</b>	<b>(2,530)</b>	<b>(2,575)</b>	<b>(2,000)</b>
<b>Profit/(loss) from continuing operations</b> .....	<b>4,978</b>	<b>7,097</b>	<b>7,240</b>	<b>8,675</b>
<b>Profit/(loss) from discontinued operations</b> .....	<b>44</b>	<b>(33)</b>	<b>(33)</b>	<b>—</b>
<b>Net profit/(loss)</b> .....	<b>5,022</b>	<b>7,064</b>	<b>7,207</b>	<b>8,675</b>

- (1) Certain financial statement line items for the year ended December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “Additional Information—Changes in Accounting Policy for Leases” and Note 6—Changes in Accounting Policy for Leases of the Group’s 2019 Audited Financial Statements. In addition, certain figures for the year ended December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.
- (2) Certain financial information for the year ended December 31, 2017 was adjusted in accordance with IFRS 15. See “Additional Information—Adoption of IFRS 15” and Note 6—First-time application of IFRS 15 of the Group’s 2018 Audited Financial Statements.
- (3) Non-IFRS financial measure. For further information, see “Additional Information—Non-IFRS Financial Measures.”
- (4) Total Capital Expenditure corresponds to additions to development costs, other intangible assets and property, plant and equipment in the Group’s Audited Financial Statements.
- (5) Depreciation and amortization is defined as the sum of amortization of intangible assets and depreciation of property, plant and equipment. See Note 20—Analysis of changes in Group tangible, intangible and investment assets 2019 in the Group’s 2019 Audited Financial Statements and Note 20—Analysis of changes in Group tangible, intangible and investment assets 2018 in the Group’s 2018 Audited Financial Statements.

## Recent Developments

Between January 2020 and the date of this Offering Memorandum, the COVID-19 disease that was first reported in China in December 2019 has spread to virtually all other countries, with the number of reported cases and related deaths increasing daily and, in many countries, exponentially. The COVID-19 pandemic has caused consumer demand to decline, which had a materially adverse impact on BMW’s business during the first quarter of 2020 and to date. As a result, BMW Group had to extend the Lunar New Year stoppage at its manufacturing plants in China in February 2020. As of the date of this Offering Memorandum, primarily as a reaction to decreased consumer demand, BMW Group has also shut down its manufacturing plants in Europe and South Africa, followed by the manufacturing plants in Spartanburg County (South Carolina, United States), San Luis Potosí (Mexico) and Araquari and Manaus (Brazil). While the plant in China has in the meantime tentatively reopened, it is unclear for how long the other plants will be closed and it cannot be excluded that additional plants in other countries will have to be closed as well for extended periods of time. In addition, the COVID-19 outbreak has caused financial markets globally to experience significant decline and volatility, and could trigger a global recession. For the year ending

December 31, 2020, BMW Group expects deliveries, profit before tax, EBIT margin and free cash flow to decline substantially. As of the date of this Offering Memorandum, there is significant uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, financial markets and BMW Group's business. For more information, see "*Risk Factors—Risks Relating to BMW Group—The COVID-19 pandemic could adversely impact BMW Group's business and results of operations*" and "*Business—Outlook and Recent Developments*."

## SUMMARY OF THE OFFERING

The following is a summary of the terms of this offering. For a more complete description of the terms of the Notes, see “Terms and Conditions of the Notes and Guarantee” in this Offering Memorandum.

Issuer .....	BMW US Capital, LLC
Guarantor.....	Bayerische Motoren Werke Aktiengesellschaft
Notes Offered .....	U.S.\$            aggregate principal amount of            % Notes due 20   ; U.S.\$            aggregate principal amount of            % Notes due 20   ; U.S.\$            aggregate principal amount of            % Notes due 20   ; and U.S.\$            aggregate principal amount of Floating Rate Notes due 20   .
The Guarantee .....	The Guarantee will be an unsecured and unsubordinated obligation of the Guarantor (as defined herein) and will rank <i>pari passu</i> in right of payment with its other unsecured and unsubordinated indebtedness (save for certain obligations required to be preferred by law). See “Terms and Conditions of the Notes and Guarantee—Guarantee and Status.”
Issue Price .....	% of the principal amount for the 20   Notes; % of the principal amount for the 20   Notes; % of the principal amount for the 20   Notes; and % of the principal amount for the Floating Rate Notes.
Maturity Dates .....	The 20   Notes will mature on            , 20   , the 20   Notes will mature on            , 20   , the 20   Notes will mature on            , 20   , and the Floating Rate Notes will mature on            , 20   .
Denomination .....	The Notes will be issued in minimum denominations of U.S.\$2,000 and any integral multiple of U.S.\$1,000 in excess thereof.
Interest Rate.....	The 20   Notes will bear interest at the rate of % per annum, the 20   Notes will bear interest at the rate of            % per annum, and the 20   Notes will bear interest at the rate of            % per annum, in each case from            , 2020 based upon a 360-day year consisting of twelve 30-day months.  The Floating Rate Notes will bear interest at a rate, reset quarterly, equal to the Compounded Daily SOFR for the relevant Floating Rate Notes Interest Period plus a margin of            % per annum from            , 2020 based

upon a 360-day year consisting of twelve months of actual days.

Interest Payment Dates .....

Interest on the 20 Notes will be payable semi-annually on and of each year, commencing on , 2020.

Interest on the 20 Notes and the 20 Notes will be payable semi-annually on and of each year, commencing on , 2020.

Interest on the Floating Rate Notes will be payable quarterly on , and of each year, commencing on , 2020.

Ranking of the Notes and the Guarantee .....

*The Notes*

The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* in right of payment among themselves and with all other direct, unsecured and unsubordinated obligations of the Issuer (save for certain obligations required to be preferred by law).

*The Guarantee*

The Guarantee will be an unsecured and unsubordinated obligation of the Guarantor and will rank *pari passu* in right of payment with the other unsecured and unsubordinated indebtedness of the Guarantor (save for certain obligations required to be preferred by law).

Issue Date .....

, 2020.

Additional Amounts .....

Subject to certain exceptions and limitations described in “*Terms and Conditions of the Notes and Guarantee*,” the Issuer and the Guarantor will pay such Additional Amounts (as defined therein) on the Notes or under the Guarantee as will result in the receipt by the holders of Notes of such amounts as would have been received by them had no withholding or deduction (that is required by law) been required. However, no Additional Amounts will be paid with respect to withholding or deduction of U.S. taxes.

Optional Redemption.....

The Issuer may redeem any Tranche of Fixed Rate Notes, in whole or in part, at any time and from time to time. If the Issuer elects to redeem (i) the 20 Notes prior to , 20 , or (ii) the 20 Notes prior to , or (iii) the 20 Notes prior to , 20 , the Issuer will pay a redemption price for such Notes equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) as determined by the Independent Investment Banker (as defined in “*Terms*



and Conditions of the Notes and Guarantee”), the sum of the present values of the applicable Remaining Scheduled Payments (as defined in “Terms and Conditions of the Notes and Guarantee”) discounted to the Redemption Date (as defined in “Terms and Conditions of the Notes and Guarantee”) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the actual number of days elapsed) at the Treasury Rate (as defined in “Terms and Conditions of the Notes and Guarantee”) plus basis points in the case of the 20 Notes, basis points in the case of the 20 Notes and basis points in the case of the 20 Notes, in each case with accrued and unpaid interest on the principal amount of the Notes to be redeemed to the Redemption Date.

If the Issuer elects to redeem (i) the 20 Notes on or after the date that is one month prior to the 20 Notes Maturity Date, or (ii) the 20 Notes on or after the date that is three months prior to the 20 Notes Maturity Date, the Issuer will pay a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest thereon to, but not including, the Redemption Date.

Optional Tax Redemption .....	If the Issuer or the Guarantor is required to pay Additional Amounts with respect to Notes of any Tranche or the Guarantee due to certain changes in tax law, the Issuer may redeem the Notes of that Tranche, in whole but not in part, at 100% of the principal amount thereof, plus accrued and unpaid interest to the Redemption Date. See “Terms and Conditions of the Notes and Guarantee.”
Use of Proceeds .....	The net proceeds of the issue of the Notes will be used by the Group for general corporate purposes.
Transfer Restrictions .....	The Notes and the Guarantee have not been, and will not be, registered under the Securities Act or any other applicable securities laws, and are subject to restrictions on transfer as described under “Transfer Restrictions.”
No Prior Market.....	The Notes will be new securities for which there is currently no market. Although the initial purchasers have informed BMW Group that they intend to make a market in the Notes, they are not obligated to do so and may discontinue market-making at any time without prior notice. Accordingly, a liquid market for the Notes may not develop or be maintained.
Fiscal Agent.....	The Bank of New York Mellon, London Branch.

Rating .....

The Notes are expected to be assigned a rating of “A2” by Moody’s and “A” by Standard & Poor’s. Ratings are not a recommendation to purchase, hold or sell Notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by BMW Group and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and therefore a prospective purchaser should check the current ratings before purchasing the Notes. Each rating should be evaluated independently of any other rating.

Listing.....

The Notes will not be listed on any securities exchange.

Governing Law and Jurisdiction.....

English law and exclusive jurisdiction of the courts of England.

Risk Factors .....

See “*Risk Factors*” and the other information included in this Offering Memorandum for a discussion of the factors you should carefully consider before investing in the Notes.

Global Note Codes .....

*20 Notes:*  
Rule 144A Global Note:  
CUSIP:  
ISIN:  
Regulation S Global Note:  
CUSIP:  
ISIN:

*20 Notes:*  
Rule 144A Global Note:  
CUSIP:  
ISIN:  
Regulation S Global Note:  
CUSIP:  
ISIN:

*20 Notes:*  
Rule 144A Global Note:  
CUSIP:  
ISIN:  
Regulation S Global Note:  
CUSIP:  
ISIN:

*Floating Rate Notes:*  
Rule 144A Global Note:  
CUSIP:  
ISIN:

Regulation S Global Note:  
CUSIP:  
ISIN:

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth, for the periods indicated, summary consolidated financial data of the Group.

The summary consolidated financial data as of December 31, 2019, 2018 and 2017 and, for each of the years ended December 31, 2019, 2018 and 2017, have been derived from the audited consolidated financial statements of the Group as of and for the year ended December 31, 2019 (the “2019 Audited Financial Statements”) and from the audited consolidated financial statements of the Group as of and for the year ended December 31, 2018 (the “2018 Audited Financial Statements” and together with the 2019 Audited Financial Statements, the “Audited Financial Statements”).

This summary consolidated financial data should be read in conjunction with and are qualified in their entirety by reference to:

- the Audited Financial Statements incorporated by reference into this Offering Memorandum; and
- the sections “*Combined Management Report—Comparison of Forecasts for 2019 with Actual Results in 2019—Results of operations of the BMW Group (except for the ninth paragraph on page 57); —Financial position of the BMW Group; —Refinancing; —Net assets of the BMW Group; —Results of operations by segment*” and “*Combined Management Report—Review of Operations—Automotive Segment—Segment revenues at record level, earnings negatively impacted by provision (except for the second, fourth and fifth paragraph on page 69); —Motorcycles Segment—Strong segment performance (except for the second and fourth paragraph on page 72); —Financial Services Segment—Financial Services segment posts record earnings (except for the fourth paragraph on page 74); —Financial Services Segment—Risk profile; —Other Entities Segment / Eliminations*” on pages 57 through 61, 63, 68 through 70, 72, and 74 through 75 of the 2019 Annual Report Excerpts; and the sections “*Combined Management Report—Results of Operations, Financial Position and Net Assets—Results of operations (except for the first paragraph on page 65); —Financial position; —Net Assets*” on pages 65 through 77 of the 2018 Annual Report Excerpts, in each case incorporated by reference into this Offering Memorandum.

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
	(in € million)			
<b>Consolidated Income Statement Data</b>				
Revenues .....	104,210	96,855	97,480	98,282
Cost of sales .....	(86,147)	(78,477)	(78,924)	(78,329)
<b>Gross profit</b> .....	<b>18,063</b>	<b>18,378</b>	<b>18,556</b>	<b>19,953</b>
Selling and administrative expenses.....	(9,367)	(9,568)	(9,558)	(9,560)
Other operating income.....	1,031	774	774	720
Other operating expenses .....	(2,316)	(651)	(651)	(1,214)
<b>Profit/(loss) before financial result</b> .....	<b>7,411</b>	<b>8,933</b>	<b>9,121</b>	<b>9,899</b>
Financial result.....	(293)	694	694	776
<b>Profit/(loss) before tax</b> .....	<b>7,118</b>	<b>9,627</b>	<b>9,815</b>	<b>10,675</b>
Income taxes.....	(2,140)	(2,530)	(2,575)	(2,000)
<b>Profit/(loss) from continuing operations ...</b>	<b>4,978</b>	<b>7,097</b>	<b>7,240</b>	<b>8,675</b>
<b>Profit/(loss) from discontinued operations</b>	<b>44</b>	<b>(33)</b>	<b>(33)</b>	<b>—</b>
<b>Net profit/(loss)</b> .....	<b>5,022</b>	<b>7,064</b>	<b>7,207</b>	<b>8,675</b>

- (1) Certain financial statement line items for the year ended December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “*Additional Information—Changes in Accounting Policy for Leases*” and *Note 6—Changes in Accounting Policy for Leases* of the Group’s 2019 Audited Financial Statements. In addition, certain figures for the year ended December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.

- (2) Financial information for the year ended December 31, 2017 was adjusted in accordance with IFRS 15. See “*Additional Information—Adoption of IFRS 15*” and *Note 6—First-time application of IFRS 15* of the Group’s 2018 Audited Financial Statements.

	As of December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
	(in € million)			
<b>Consolidated Balance Sheet Data</b>				
Non-current assets .....	137,404	124,202	125,442	121,964
Current assets .....	90,630	84,736	83,538	73,542
<b>Total assets</b> .....	<b>228,034</b>	<b>208,938</b>	<b>208,980</b>	<b>195,506</b>
Equity .....	59,907	57,829	58,088	54,107
Non-current provisions and liabilities .....	85,502	79,698	79,983	69,634
Current provisions and liabilities .....	82,625	71,411	70,909	71,765
<b>Total equity and liabilities</b> .....	<b>228,034</b>	<b>208,938</b>	<b>208,980</b>	<b>195,506</b>

- (1) Certain balance sheet line items as of December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “*Additional Information—Changes in Accounting Policy for Leases*” and *Note 6—Changes in Accounting Policy for Leases* of the Group’s 2019 Audited Financial Statements. In addition, certain figures as of December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.
- (2) Financial information as of December 31, 2017 was adjusted in accordance with IFRS 15. See “*Additional Information—Adoption of IFRS 15*” and *Note 6—First-time application of IFRS 15* of the Group’s 2018 Audited Financial Statements.

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
	(in € million)			
<b>Consolidated Cash Flow Statement Data</b>				
Cash inflow/outflow from operating activities .....	3,662	5,051	5,051	5,909
Cash inflow/outflow from investing activities .....	(7,284)	(7,363)	(7,363)	(6,163)
Cash inflow/outflow from financing activities .....	4,790	4,296	4,296	1,572
<b>Cash and cash equivalents at the end of the period</b> .....	<b>12,036</b>	<b>10,979</b>	<b>10,979</b>	<b>9,039</b>

- (1) Certain financial statement line items for the year ended December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “*Additional Information—Changes in Accounting Policy for Leases*” and *Note 6—Changes in Accounting Policy for Leases* of the Group’s 2019 Audited Financial Statements. In addition, certain figures for the year ended December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.
- (2) Financial information for the year ended December 31, 2017 was adjusted in accordance with IFRS 15. See “*Additional Information—Adoption of IFRS 15*” and *Note 6—First-time application of IFRS 15* of the Group’s 2018 Audited Financial Statements.

#### **Additional Financial Metrics**

The following table presents certain historical financial metrics.

		As of and for the year ended December 31,			
		2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
Group gross profit margin <sup>(3)</sup> .....	%	17.3	19.0	19.0	20.3
Group pre-tax return on sales <sup>(4)</sup> .....	%	6.8	9.9	10.1	10.9
Group post-tax return on sales <sup>(4)</sup> .....	%	4.8	7.3	7.4	8.8
Group equity ratio <sup>(5)</sup> .....	%	26.3	27.7	27.8	27.7
Free cash flow Automotive segment <sup>(6)</sup> .....	€ m	2,567	2,713	2,713	4,459
EBIT margin Automotive segment <sup>(7)</sup> .....	%	4.9	7.2	7.2	9.2
Net financial assets Automotive segment <sup>(8)</sup> .....	€ m	17,577	19,488	19,488	19,787
Capital Expenditure <sup>(9)</sup> .....	€ m	5,650	5,029	5,029	4,688
Capital Expenditure ratio <sup>(10)</sup> .....	%	5.4	5.2	5.2	4.8
Research and Development expenditure ratio <sup>(10)</sup> .....	%	6.2	7.1	7.1	6.2
Total dividend <sup>(11)</sup> .....	€ m	1,646	2,303	2,303	2,630
Dividend per ordinary share <sup>(12)</sup> .....	€	2.50	3.50	3.50	4.00
Penetration rate <sup>(13)</sup> .....	%	52.2	50.1	50.1	46.7
Credit loss ratio <sup>(14)</sup> .....	%	0.26	0.25	0.25	0.34

- (1) Certain financial statement line items for the year ended December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “*Additional Information—Changes in Accounting Policy for Leases*” and *Note 6—Changes in Accounting Policy for Leases* of the Group’s 2019 Audited Financial Statements. In addition, certain figures as of and for the year ended December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.
- (2) Certain financial information for the year ended December 31, 2017 was adjusted in accordance with IFRS 15. See “*Additional Information—Adoption of IFRS 15*” and *Note 6—First-time application of IFRS 15* of the Group’s 2018 Audited Financial Statements.
- (3) Group gross profit margin represents the Group gross profit for the period divided by Group revenue for the period, expressed as a percentage.
- (4) Group pre-tax and post-tax return on sales represent Group profit before tax (pre-tax) or net profit (post-tax) for the period divided by Group revenue for the period, expressed as a percentage.
- (5) Equity comprises subscribed capital, reserves, accumulated other equity and minority interests. The Group equity ratio is equal to Group equity divided by the Group balance sheet total.
- (6) Free cash flow Automotive segment corresponds to the cash inflow from operating activities of the Automotive segment less the cash outflow for investing activities of the Automotive segment adjusted for net investments in marketable securities and investment funds.
- (7) EBIT margin Automotive segment is defined as the ratio of current period Automotive segment EBIT to current period Automotive segment revenue, expressed as a percentage. EBIT margin Automotive segment is a non-IFRS measure. For further information see “*Additional Information—Non-IFRS Financial Measures*.”
- (8) Net financial assets Automotive segment is the sum of cash and cash equivalents, marketable securities and investment funds, intragroup net financial receivables (together, financial assets) less external financial liabilities (excluding derivative financial instruments) for the Automotive segment.
- (9) Capital Expenditure is defined as Total Capital Expenditure less additions to development costs (see *Note 20—Analysis of changes in Group tangible, intangible and investment assets 2019* in the 2019 Audited Financial Statements and *Note 20—Analysis of changes in Group tangible, intangible and investment assets 2018* in the 2018 Audited Financial Statements).
- (10) Capital Expenditure ratio is defined as the ratio of Capital Expenditure to current period Group revenue, expressed as a percentage. Research and Development expenditure ratio is defined as the ratio of total research and development expenditure – comprising research costs, non-capitalized development costs, capitalized development costs (excluding systematic amortization thereon) – to current period Group revenue, expressed as a percentage.
- (11) Defined as unappropriated profit from a given year available for distribution. For the year ended December 31, 2019, this figure represents the amount proposed for distribution by the Board of Management of the Company. For further

information, see *Note 31—Equity* in the Group’s 2019 Audited Financial Statements and *Note 31—Equity* in the Group’s 2018 Audited Financial Statements.

- (12) Represents the unappropriated profit of BMW AG from a given year available for distribution per share of common stock. For the year ended December 31, 2019, this figure represents the amount proposed for distribution by the Board of Management of the Company. For further information, see *Note 31—Equity* in the Group’s 2019 Audited Financial Statements and *Note 31—Equity* in the Group’s 2018 Audited Financial Statements.
- (13) Penetration rate is calculated by dividing the number of retail vehicle deliveries that are financed or leased by the Financial Services segment by the total number of retail vehicle deliveries of the Group, expressed as a percentage. The calculation includes only those automobile markets in which the Financial Services segment is represented by a consolidated entity. Delivery figures used for the calculation of the penetration rates in this table have been adjusted retrospectively with respect to five of BMW Group’s most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see “*Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data.*”
- (14) Credit loss ratio is calculated by dividing credit losses of the Financial Services segment by the average total credit portfolio for a given period, expressed as a percentage.

## RISK FACTORS

*In addition to other information contained in or incorporated by reference into this Offering Memorandum, you should consider carefully the risks described below. These risks are not the only ones BMW Group faces. Additional risks not currently known to the Group or that it currently believes to be immaterial may also impair its business operations. The Group's business, financial condition or results of operation could be materially adversely affected by the occurrence of any of these risks.*

*This Offering Memorandum contains forward-looking statements based on assessments of risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks the Group faces as described below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements."*

### **Risks Relating to BMW Group**

#### ***Macroeconomic, geopolitical or other events could adversely affect the automotive industry and BMW Group***

BMW Group manufactures and sells its premium and luxury automobiles and motorcycles worldwide. As one of the largest industrial companies in Germany, BMW Group is deeply rooted in Germany and across Europe. In addition, BMW Group manufactures and sells a significant number of automobiles and motorcycles in the Americas and Asia, particularly in China. As a result, BMW Group's business and operating results are materially affected by global macroeconomic and financial market conditions, and could be adversely impacted by economic or financial crises, a global or regional economic slowdown or recession, or a decrease in consumer demand for BMW Group's products.

BMW Group is also vulnerable to the negative impact of other events outside BMW Group's control. Political instability, increased nationalist and protectionist behavior of governments, terrorist activities, military conflict, natural disasters, extreme weather events, power outages, telecommunications failures and pandemics, among other things, could have a material adverse impact on the global economy, international capital markets and the Group's business, net assets, financial condition and results of operations. For example, in recent years the uncertainty in connection with the United Kingdom's withdrawal from the EU ("Brexit"), the trade war between the United States and China, and the outbreak of the COVID-19 pandemic had, and continue to have, a direct and material impact on the global economy and thereby on BMW Group and its business and results of operations.

Due to increasing interconnectedness of global economic and financial systems, any significant event in one area of the world can have an immediate and devastating impact on markets around the world, thereby adversely affecting BMW Group globally.

Most recently, the economic outlook in important markets for the Group, such as the eurozone, the United States, China and certain emerging markets has significantly deteriorated, including as a result of volatile economic or political environments and the COVID-19 pandemic.

BMW Group maintains operations in various markets which could be affected by volatile economic or political environments and is pursuing growth opportunities in a number of newly developed and emerging markets. These investments may expose the Group to heightened risks of economic, geopolitical, or other events, including governmental takeover (nationalization) of its manufacturing facilities or intellectual property, restrictive currency exchange or import controls.

Europe and the eurozone are still in the process of addressing a range of structural problems, such as those historically apparent in Greece, the Italian banking system and Italy's public debt as well as the recent refugee crisis, which could pose a threat to European integration and hopes of further expanding, or at least maintaining, a single economic and monetary area. In addition, there are a number of areas of uncertainty with respect to the future of the United Kingdom and its relationship with the EU. The continued uncertainty and events related to Brexit could increase costs of business and cause heightened volatility in currency exchange rates and interest rates negatively affecting the Group. Brexit could have a negative impact on consumer confidence and wages, leading to a decrease in demand for BMW Group's products in the United Kingdom. Brexit could also adversely affect the political,



regulatory, economic or market conditions in the United Kingdom, EU and worldwide, and thereby contribute to instability in political institutions, regulatory agencies and financial markets.

In recent years, China has also been an increasingly important market for the Group and a significant amount of BMW Group's manufacturing is located in China. The transition of the Chinese economy from an investment-driven market to a consumer-driven market is expected to result in slower growth rates and greater instability in financial markets. In addition, the economic consequences of the COVID-19 pandemic and the trade war with the United States are likely to continue to have an adverse impact on the Chinese economy in 2020 and potentially beyond. If the Chinese economy were to grow at a significantly slower pace than expected, or even to contract, this could lead to a decline in automobile sales growth rates or unit sales.

***The COVID-19 pandemic could adversely impact BMW Group's business and results of operations***

In December 2019, the COVID-19 disease, commonly known as "coronavirus", was first reported in Wuhan, China. In January 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020 it was declared a pandemic. Between January 2020 and the date of this Offering Memorandum, the COVID-19 disease has spread from China to virtually all other countries, with the number of reported cases and related deaths increasing daily and, in many countries, exponentially.

Several countries' governments and numerous companies have imposed increasingly stringent restrictions to help avoid, or slow down, the spread of COVID-19, including restrictions on international and local travel, public gatherings and participation in business meetings, as well as closures of universities, schools, stores and restaurants. In addition, an increasing amount of countries and companies have also asked their citizens and employees to stay at and work from home, respectively. There can be no assurances how long these restrictions will remain in place, and in which regions and countries similar or even stricter measures will be put in place. As of the date of this Offering Memorandum, such restrictions have affected all of BMW Group's most significant markets and/or countries in which it has manufacturing plants. BMW Group had to extend the Lunar New Year stoppage at its manufacturing plants in China in February 2020. As of the date of this Offering Memorandum, primarily as a reaction to decreased consumer demand, BMW Group has also shut down its manufacturing plants in Europe and South Africa, followed by the manufacturing plants in Spartanburg County (South Carolina, United States), San Luis Potosí (Mexico) and Araquari and Manaus (Brazil). While the plant in China has in the meantime tentatively reopened, it is unclear for how long the other plants will be closed and it cannot be excluded that additional plants in other countries will have to be closed as well for extended periods of time. As a result, BMW Group has already been, and may continue to be, negatively impacted by the COVID-19 pandemic, which could have a material adverse impact on the Group's business, net assets, financial condition and results of operations. In particular, for the year ending December 31, 2020, BMW Group expects deliveries, profit before tax, EBIT margin and free cash flow to decline substantially (see also "*Business—Outlook and Recent Developments*"). A decrease in demand by consumers, driven by an economic slowdown or recession as a result of the COVID-19 pandemic, could lead to a substantial decrease in BMW Group's deliveries, revenue and results of operations.

The COVID-19 pandemic could negatively impact BMW Group's workforce. If significant numbers of employees, key personnel and/or senior management become unavailable due to the disease, BMW Group's operations could be further disrupted and materially adversely affected. In addition, in connection with the shut-down of manufacturing plants and the imposition by governments of restrictions on individual movement, BMW Group has taken and may continue to take steps to address employee payroll and retention. If the shut-down of manufacturing plants is maintained for an extended period of time, BMW Group may be required to take additional measures.

In addition, the COVID-19 pandemic has globally affected consumer behavior, supply chains and market sentiment, which could further affect BMW Group and its sales. Cross-border trade has rapidly declined, negatively affecting manufacturing and other industries. As a result, BMW Group's manufacturing processes could be materially adversely affected by disruptions of its supply chains. Since late February 2020, the COVID-19 outbreak has caused financial markets globally to experience significant decline and volatility, which could impact BMW Group's liquidity and trigger a global recession.

Any of these factors could have further negative impacts on the Group's business, net assets, financial condition and results of operations. As of the date of this Offering Memorandum, there is significant uncertainty relating to the

severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, financial markets and BMW Group's business.

To the extent that the COVID-19 pandemic adversely affects BMW Group's business, net assets, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

***Changes in consumer preferences, lifestyle and individual mobility could adversely affect the automotive industry and BMW Group***

Individual mobility remains a key issue in a number of countries, both as a matter of consumer preference and in terms of political regulation and national industrial policy-making. Changing lifestyle and social norms are constantly calling for new solutions in the field of mobility.

Consumers are increasingly emphasizing environmental concerns, such as lower fuel consumption and emissions levels, in their decision to purchase new vehicles. Moreover, some consumers are adjusting their approach to individual mobility altogether and in some cases, often driven by environmental concerns, consumer preference is shifting from individual car ownership to more flexible mobility solutions (such as ride- and car-sharing offerings), and from fuel-based technologies to electric vehicles or even alternative modes of transport not offered by BMW Group (such as public transport, bicycles and electric scooters). Any decrease in demand for BMW Group's current portfolio of products as a result of changes in consumer preference could have a material adverse effect on the Group's business, net assets, financial condition and results of operations.

As alternative drive technologies (for example, electric powertrains or plug-in hybrid engines) are increasingly important to customers, a significant factor in BMW Group's future success is its ability to recognize trends in customer requirements and technological developments in sufficient time to react to these changes and thus adapt or maintain its existing product range and its competitive position in existing or new market segments. Even when BMW Group recognizes new trends and enters into new market segments, such endeavors may be less profitable or more costly than anticipated. For example, in December 2019, BMW Group and Daimler AG announced that their mobility services joint venture had partly withdrawn from North America and the United Kingdom due to rising costs and insufficient customer interest.

The Group encounters research and development challenges as its products become more complex and as it introduces new, more environmentally friendly technologies. It may have difficulties in attaining stated efficiency targets without loss of product quality. Further, it has entered into cooperation arrangements to research and develop new technologies. These research and development activities may not achieve their planned objectives. Additionally, the Group's competitors or their joint ventures may develop better solutions and may be able to manufacture the resulting products more rapidly, in larger quantities, with higher quality or at lower cost. This could lead to increased demand for the Group's competitors' products and result in a loss of the Group's market share.

***The automotive market is highly competitive and subject to technological innovations and developments which could affect BMW Group's competitive position***

The worldwide automotive market is highly competitive. BMW Group faces intense competition from automotive manufacturers in the markets in which it operates and across vehicle segments. Competition in the automotive industry with established manufacturers has intensified in recent years and, in addition, new competitors are emerging, including competitors whose main business operations are outside the traditional automotive industry, such as in battery-electric vehicles. For example, in the United States a relatively new car manufacturer gained significant market share in certain segments. Competition is likely to intensify further in light of, among other factors, continuing globalization in the worldwide automotive industry and technological developments in drive technologies, drive systems and vehicle control, particularly autonomous driving, possibly resulting in industry consolidation or reorganization. Factors affecting competition include product quality and features, safety, reliability, fuel efficiency, disruptive technologies and the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition could also lead to lower Group deliveries, which could result in further downward price pressure and adversely affect the Group's sales strategies or could require the Group to increase research and development or capital expenditures to offer competitive products. The Group's ability to respond adequately to the recent changes in the automotive market and to maintain its competitiveness in light of ongoing competitive dynamics and technological developments is integral to its

performance in existing and new markets and to maintaining or expanding its market share. There can be no assurances that the Group will be able to compete successfully in the future.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Increased safety, emissions, fuel efficiency or other regulations could lead to substantial costs and disruptions in automotive markets***

The global automotive industry is subject to substantial government regulation, which differs by state, region and country. Government regulation has developed, and proposals for additional regulation have advanced, primarily out of concern for the environment (including concerns about global climate change and its impact), vehicle safety and energy independence. These regulations, particularly in the areas of fuel efficiency and safety, are continually evolving, requiring the Group to spend significant resources to plan for, and adapt its products to, these developments. In addition, many governments regulate local product content or impose import requirements as a means of creating jobs, protecting domestic producers and influencing the balance of payments. A number of governments, as well as non-governmental organizations, also publicly assess vehicles based on their own protocols. Such protocols could change significantly, and any negative perception regarding the performance of BMW Group's vehicles subjected to such tests could reduce future sales.

In recent years, the Group has achieved significant improvements regarding the overall fuel efficiency of the vehicles it produces, as well as the fuel efficiency and emissions performance of individual models, thereby reducing their greenhouse gas emissions and progressing towards compliance with future fuel consumption and carbon dioxide (CO<sub>2</sub>) emissions regulations in the EU, the United States, Japan and China, among other jurisdictions.

For example, for new car sales in Europe, all car manufacturers had to meet a fleet CO<sub>2</sub> average of 130 g CO<sub>2</sub>/km by 2015, following a transition period. By 2021, manufacturers will have to meet a fleet CO<sub>2</sub> average in Europe of 95 g CO<sub>2</sub>/km and, by 2030, the average will have to decrease by another 37.5% pursuant to a decision of the European Commission in December 2018, each subject to certain automotive portfolio considerations and transition periods.

In general, there is a clear move towards increasingly stringent vehicle emissions regulations, particularly for conventional drive systems, not only in the developed markets of Europe and North America, but also in emerging markets such as China. Moreover, further tightening and scrutiny could be forthcoming given the ongoing focus on emissions testing and on-road performance, particularly with respect to diesel engines, which could lead to significant additional investments to comply with new regulations as well as risks of limited market availability of products. In addition, several state and local governments, and in particular those of major cities, have increased their focus on diesel emissions and have introduced or proposed regulations seeking to shift consumers from use of diesel vehicles. Such diesel vehicle restrictions could require the Group to take additional measures to meet applicable CO<sub>2</sub> emissions targets, in particular if the proportion of number of diesel vehicles sold across the Group's fleet decreases considerably relative to the number of other vehicles sold which have relatively higher levels of CO<sub>2</sub> emissions. There are limits to the Group's ability to achieve fuel efficiency improvements over a given timeframe, primarily relating to the cost and effectiveness of available technologies, consumer acceptance of new technologies and changes in vehicle characteristics, willingness of consumers to absorb the additional costs of new technologies, the suitability of certain technologies for use in particular vehicles, the widespread availability of supporting infrastructure for new technologies, as well as the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products and powertrains in a short period of time.

Moreover, the potential threat of short-term tightening of laws and regulations, including local registration, usage restrictions, congestion charges and driving bans, as illustrated by the restrictions on issuing license plates in Chinese metropolitan areas and the banning of certain diesel-powered vehicles in certain restricted areas within some European cities, could further affect the automotive industry. In some cases, changes in customer behavior are not only brought on by new regulations but also through changes of opinion, values and environmental issues, which could be affected by perceptions of the industry as a whole. Among other factors, concerns about global climate change are affecting legislation, regulations and consumer behavior, which could affect demand for vehicles and the residual value of these vehicles, or requirements to develop new solutions for personal mobility. For example, the ongoing political and public discussion on diesel engines, particularly in Europe, could further adversely affect

demand for diesel vehicles. Additionally, a potential tightening of consumer protection laws could result in a greater number of recalls.

The cost to comply with existing government regulations is substantial, and the effects of such regulations, as well as any future additional regulations could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Export controls, tariffs and other trade barriers could affect BMW Group's ability to produce, market and sell its products across global markets and affect BMW Group's supply chains***

As a global manufacturer of premium and luxury automobiles and motorcycles, BMW sources its production materials from across the world, relies on complex global supply chains, and maintains production and sales operations in a large number of markets globally. This requires an established and efficiently connected infrastructure allowing for the cross-border transport of supplies, parts and automobiles.

In recent years, political distress, warfare, terrorist attacks, changing attitudes regarding globalization and other economic and geopolitical developments have led to the introduction of new export controls or stricter application of existing export controls in a number of jurisdictions around the world.

Following Brexit on January 31, 2020, the United Kingdom entered into a transition period set to terminate on December 31, 2020 during which it will continue to apply EU law. Thereafter, the effects of Brexit will depend, in part, on agreements the United Kingdom negotiates during the transitional period to retain access to markets in the EU, including current trade and finance agreements. Depending on the outcome, the Group could be required to make additional operational and strategic adjustments related to its facilities within the United Kingdom, which could adversely impact the Group's business and results of operations. Any such trade barriers could have a negative impact on volumes and costs both for vehicles and components produced in the EU for the United Kingdom, as well as those produced in the United Kingdom for the European market. In a worst-case scenario, this could lead to disruptions in production due to the processing of customs formalities and BMW Group may be required to adjust its supply chains. The Group's four plants in the United Kingdom use "just in time" manufacturing methods, where parts arrive at sites shortly before they are needed on assembly lines. BMW Group may review its production planning in connection with Brexit and may decide to shift production to facilities outside the United Kingdom.

In the United States, a recent reorientation of the country's economic policy and, as a consequence, any introduction of regional or international trade barriers, including anti-dumping customs duties such as those imposed by presidential order for imported steel and aluminum, changes in taxation which have similar effects, or withdrawal from or renegotiation of multilateral trade agreements by the current administration could adversely impact the Group's business operations and results of operations through less favorable conditions for the import of vehicles. For example, a further escalation of the recent trade war between the United States and China could lead to increased tariffs for various goods imported into the United States from China, including automobiles and auto-parts, which could negatively impact BMW Group's business in the United States. Moreover, any countermeasures by regional or global trading partners, including the EU and China, could slow down global economic growth and also have an adverse impact on the export of vehicles manufactured in the United States and elsewhere.

Laws and regulations regarding export controls may originate nationally, bilaterally or even multilaterally between or among participating jurisdictions with a differing reach as to national or even extraterritorial application and relevance. Typically, export controls will apply to the transfer of pre-identified, listed products or categories of sensitive goods through the requirements of permits, limitations or prohibitions of sale.

One of the main consequences of these developments for the Group and the automotive industry generally is the impact on supply chains as they relate to cross-border transfers. Specifically, increased export controls could negatively affect the Group's cross-border supply chain or delay the delivery of parts or automobiles from one market to another. This could lead to various disruptions to pre-established workflows and could result in an inability to meet production deadlines or adequately supply market demand for the Group's products.

In addition, the Group faces an increasing need for compliance measures, including the identification of critical goods, geographical sensitivities and contractual protections, as well as the adaptation of existing agreements and local sales practices and the ability to take short-term measures should events, trends or restrictions arise or increase in a way that affected the Group's business practices.

Consequently, BMW Group faces potential further increases in costs to be prepared for adverse developments of this type and for ongoing compliance with export controls relating to its commercial activities. Moreover, as export controls may change, be newly introduced on short notice, be difficult to interpret or be applied in an unexpected manner, there can be no assurances that the Group's internal controls and compliance systems are adequate to address all applicable risks.

***Increases in or volatility of fuel prices could affect demand for BMW Group's products***

As a premium vehicle manufacturer, BMW Group holds leading positions in markets for powerful premium and luxury vehicles. An increase in fuel prices from the current level, increased price volatility or reduced availability of fuel, particularly in the United States, could result in a weakening of demand for large and sporty vehicles, while increasing demand for small vehicles, which could lead to negative effects on vehicle mix and revenues as well as margins and further lead to consumer or market shifts away from segments or automotive models where the Group holds a leading position or has a competitive product offering. As a result, fuel price increases or volatility in price trends could lead to changes in demand across product segments or consumer preferences, which could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Production stoppages and downtimes could adversely impact BMW Group's ability to deliver products, meet customer expectations and maintain its market position***

BMW Group is dependent on its global production and sales and marketing networks to economically and efficiently produce its vehicles, supply dealers and customers and maintain its market position. A work stoppage or other limitations of production could occur at the Group's or its suppliers' facilities for any number of reasons, including as a result of labor or other legal disputes, pandemics, natural or man-made disasters, tight credit markets or other financial distress, production constraints or difficulties, or other factors such as manufacturing equipment breakdowns, damage to infrastructure, logistical disruptions of new vehicle production line start-ups, IT disruptions, or for other reasons (such as fires or power failures). For example, most recently the COVID-19 pandemic led to the Group's manufacturing plants in China, Europe, South Africa, Mexico, Brazil and Spartanburg County (South Carolina, United States) being shut down. Such work stoppages, downtimes or other limitations on production at BMW Group or supplier facilities could disrupt the Group's ability to supply products in the short or long term and thereby materially adversely affect the Group's reputation, its brand perception, customer preferences and the Group's market positions.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Defects in vehicles could lead to recalls, legal and regulatory inquiries, costs or penalties and could affect BMW Group's reputation and brand image***

BMW Group's performance depends on its ability to offer competitive prices while maintaining a high level of quality. The Group's vehicles are complex machines that depend on precise engineering and the integration of mechanical and electrical systems sourced from a number of production and assembly plants and suppliers. In addition, the trend towards introduction of new and innovative features and technology to the Group's vehicles further increases vehicle complexity and the risk of defects. To achieve efficient production and economies of scale, the Group, like other automotive manufacturers, often uses a core set of components or systems, and a select group of suppliers across vehicle and product segments. As a result, the increased complexity of modern vehicles coupled with modular-based production requires the Group to maintain exacting compliance and monitoring systems, as defects in vehicular systems or supplied products can affect a large number of vehicle models.

In addition, meeting or exceeding many government-mandated safety standards is costly and often technologically challenging, especially where standards may conflict with the need to reduce vehicle weight in order to meet government-mandated emissions and fuel efficiency standards. Regulations and standards have affected and, as new standards are continually introduced, are expected to continue to affect vehicle complexity and the adoption of common systems to achieve compliance. At the same time, applicable laws and governmental standards also require manufacturers to take actions to remedy defects related to vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a particular safety standard.

For example, BMW Group recalled approximately 2.36 million vehicles worldwide because of a potential cable failure of the blower regulator wiring harness and approximately 1.46 million vehicles in certain markets because of a potentially defective blow-by heater, both leading to a potential fire risk. Approximately 2.15 million vehicles

were part of a worldwide recall campaign on the basis of a potential defect in the exhaust gas circulation cooler leading to a potential fire risk. Defects in products can also lead to customer dissatisfaction and safety issues if such defects led to product failures or unsafe driving conditions, as well as reputational damage.

Should the Group or government safety regulators determine that a safety or other defect or non-compliance with applicable standards exists in the Group's vehicles prior to the start of production, the launch of such vehicles could be delayed until such defect is remedied. If defects are discovered following vehicle production and delivery, the Group may be required to undertake recalls or offer fixes or replacements for vehicle components, including those provided by the Group's suppliers.

For example, several BMW models are equipped with airbags which contain ammonium nitrate as a propellant. BMW Group is currently involved in litigation with regard to some of these airbags, including class actions and product liability lawsuits. Moreover, a part of the respective vehicle population has been recalled because of general safety concerns related to this propellant. Such recalls require the development and production of suitable replacement parts in sufficient quantities and the Group must rely on its specialized airbag suppliers in this regard. The remaining vehicle population is closely monitored by BMW Group and governmental authorities.

The costs associated with any protracted delay in new model launches necessary to remedy defects, follow-up costs arising from other changes in planning assumptions or the cost of recall campaigns or warranty costs to remedy defects in vehicles that have been sold, could be substantial and may be considerably higher than those budgeted by the Group. In such situations, the Group could also face regulatory investigations and fines for non-compliance with various governmental standards or rules or it could face customer claims and litigation arising from any defects and resulting consequences on product use or safety. Particularly in the United States, class action lawsuits and product liability risks could have substantial financial consequences and cause damage to the Group's public image. Furthermore, any such incidents could also adversely affect the Group's reputation or market acceptance of its products.

Product defects could lead to liability risks and the need for costly replacement measures. Therefore, the Group seeks to hold appropriate insurance policies and takes other precautionary measures. Due in particular to difficulties in predicting the outcome of litigation proceedings in the United States, there can be no assurances that individual product liability claims would not exceed the applicable provisions or any available insurance coverage. See "*—BMW Group's insurance coverage may not be sufficient or its insurance premiums may increase.*"

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

### ***BMW Group is dependent on its suppliers***

BMW Group is dependent on its suppliers in the manufacture of the Group's vehicles. The increasing trend towards modular-based production with a set of common architectures covering various models and product lines has also increased the Group's dependence on suppliers and their ability to deliver products on time and in the required quality.

Many components used in the Group's vehicles are available only from a single supplier and cannot be sourced quickly or inexpensively from another supplier, if at all (due to, for example, long lead times or new contractual commitments that may be required by another supplier before ramping up production to provide the components or materials). Further, the increasing trend towards modular-based production with a set of common architectures covering various models and product lines exacerbates the consequences of the loss of an individual supplier or failure to supply on time. As a result, market and other developments that affect suppliers and automotive production generally, such as supplier interruptions due to financial distress and natural disasters, pandemics, increased IT-related risk, as well as capacity constraints as suppliers restructure and retool to meet shifting consumer preferences across vehicle segments and features, can in turn affect the Group's vehicle production.

Particularly, automotive suppliers could face increased economic distress due to a sudden and substantial drop in industry deliveries and production stoppages. Lower industry deliveries could, in turn, make existing debt obligations and fixed cost levels difficult for suppliers to manage, increasing pressure on the Group's supplier base. The Group might be required to provide financial assistance to key suppliers to ensure an uninterrupted supply of materials and components. In addition, where suppliers have exited certain lines of business or closed facilities due to an economic downturn or other reasons, the Group has generally experienced additional costs associated with transitioning to new suppliers.

In addition to the general risks regarding interruption of supplies, which are particularly acute in the case of single-source suppliers, the exclusive supplier of a key component could potentially exert significant bargaining power over price, quality, warranty claims or other terms relating to a particular component or materials. In particular, suppliers could be unwilling to reduce prices and some might even request direct or indirect price increases as well as new and shorter payment terms.

While the Group has established a detailed supplier pre-selection process as part of its efforts to maintain relationships with high-quality, reliable suppliers, there can be no assurances that supplier issues would not have adverse consequences for the Group, ranging from increased expenditures to production interruptions and a corresponding reduction in sales volume. Particularly, supplier problems may require the Group to invest in new technological concepts and production methods, even unexpectedly, or discontinue planned innovations, increasing production costs above anticipated levels.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group is party to a number of "take-or-pay" contracts***

BMW Group has entered into a number of long-term supply contracts that require it to purchase a fixed quantity of parts to be used in the production of its vehicles. If the Group's need for any of these parts were to decrease, it could still be required to purchase a specified quantity of the part or pay a minimum amount to the seller pursuant to the take-or-pay contract, which could have a material adverse effect on the Group's business, net assets, financial condition or results of operations.

***BMW Group's ability to effectively market and distribute its products is an integral part of its sales model***

BMW Group's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers. Further, in many jurisdictions, the Group's products are sold by automotive dealers, with whom the Group must maintain relationships and which it must integrate into its marketing, sales and product strategies. There can be no assurances that the Group will be able to develop sales techniques and distribution networks that effectively adapt to changing customer preferences or changes in the regulatory environment or local business practice in the major markets in which it operates.

In addition, laws and regulations in many jurisdictions govern sales practices and provide for governmental and private rights of action to address non-compliant practices. Failure to maintain well-developed sales techniques and distribution networks may result in decreased sales and market share or regulatory and legal inquiries and claims, and could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Competition in the automotive industry could lead to pricing and sales pressures***

BMW Group faces competition from a number of international companies, as well as local and regional companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers in the automotive industry could lead to downward pressure on prices or a decline in the Group's market share, which would adversely affect its results and impair its growth potential.

Intense competition exists in particular with regard to prices and product quality, as well as the development and launch periods of newly developed products carrying a higher profit risk due to marketing risks and considerable expenses for market development, product launch and market penetration. Further, new expertise on the part of competitors or new market entrants increase the risk that competitors might outperform the Group with respect to technological advances or vehicle development, which could lead to the Group potentially losing market share and suffering significant losses in deliveries. Increased pressure on selling prices and margins caused by intense competition in global markets, particularly in Western Europe, the United States and China, also requires constant analysis and adapting to changes in circumstances and conditions.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group is dependent on market acceptance of the Group's products***

Many factors both within and outside of BMW Group's control affect the success of new or existing Group products in the marketplace. The Group seeks to offer highly desirable vehicles to overcome intensive price competition and meet market demand; however, the Group's new and existing vehicles and products might be

perceived to be less desirable than those of the Group's competitors, whether in terms of price, quality, design, safety, overall value, fuel efficiency or other attributes. For example, if a new model were to experience quality issues at the time of launch, the vehicle's perceived quality could be affected even after the issues had been corrected, resulting in lower numbers of deliveries, market share, and profitability. The trend towards an increasing range of body styles, including "cross-over" body styles, based on customer expectations and competitive actions across the automotive industry implies that the Group must continually evaluate the position and market share of its individual brands and models to maintain its competitive position. In addition, with increased consumer interconnectedness through the Internet and other media, mere rumors or allegations relating to quality, safety, fuel efficiency, corporate social responsibility or other key product attributes can negatively impact the Group's reputation or market acceptance of its products, even where such allegations prove to be inaccurate or unfounded.

As a result of the intensity of competition in the automotive industry and the pace of technological development, the Group faces constant pressure to develop new products and improve existing products at ever-shorter intervals. If the Group misjudges, delays recognition of, or fails to adapt its products and services to trends and changes in customer requirements in individual markets or other changes in demand, its sales volumes could be adversely affected. If the Group makes fundamental or repeated misjudgments, it could lose customers, and the reputation of its affected brands could suffer. Such misjudgments may also lead to significantly unprofitable investments and associated costs.

If the Group encounters potential delays in bringing new vehicle models and technologies to market or if customers do not accept the new models the Group introduces, or if the other risks mentioned herein were to materialize, it could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

If any of these risks were to materialize, they could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

#### ***BMW Group's success is dependent on its ability to maintain and develop its brand image***

In the highly competitive automotive industry, BMW Group is dependent on maintaining and developing the brand image for its various brands. In order to maintain and develop a brand image, the Group must earn customers' confidence by providing safe, high-quality products that meet customer demand and appeal to customers' preferences. Moreover, as the Group is dependent on suppliers for several significant production components, perceptions of the Group's quality can also be affected by the performance and quality of third-party supply components or broader perceptions of the automotive industry generally. If the Group is unable to effectively maintain and develop the brand image of its BMW, MINI and Rolls-Royce brands, for example as a result of an inability to provide safe, high-quality products or as a result of the failure to promptly implement safety measures, such as recalls when necessary, vehicle unit sales or sale prices might decrease.

If any of these risks were to materialize, they could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

#### ***BMW Group is dependent on good relationships with its employees and unions***

BMW Group's success is highly dependent on its employees and their expertise. Competition for highly qualified staff and management is very intense in the industry and the regions in which the Group operates. The Group's future success also depends on the extent to which it succeeds over the long term in recruiting, integrating and retaining executives, engineers and other specialists. Because of demographic developments, the Group must cope with changes relating to an aging workforce and must attract a sufficient number of qualified young talent with the potential to become the next generation of highly-skilled specialists and executives.

Further, personnel expenses are a major cost for the Group. Employees at the Group's German locations and at a number of foreign subsidiaries have traditionally been heavily unionized. When current collective bargaining agreements and collective wage agreements expire, the Group may not be able to conclude new agreements on terms and conditions that it considers to be reasonable. Moreover, the Group may be able to conclude such agreements only after industrial actions, such as strikes or similar measures. In addition, the Group's competitors may obtain competitive advantages if they succeed in negotiating collective wage agreements on better terms and conditions than the Group. Foreign competitors, in particular, may also obtain competitive advantages due to more flexible legal environments.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.



***BMW Group has significant pension obligations to current and past employees which could increase due to factors beyond the Group's control***

BMW Group's pension obligations to employees resulting from defined benefit plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high-quality corporate bonds. These yields are subject to market fluctuation and therefore influence the level of pension obligations. Changes in other parameters, such as extended periods of low interest rates, increases in inflation and longer life expectancy, also impact pension obligations and payments. Changes in factors beyond the Group's control could lead to funding shortfalls relating to pension obligations, which could have a material adverse effect on the Group's business, net assets, financial condition or results of operations.

***BMW Group is dependent on information technology and the integrity of its information and data***

The importance of electronically processed data continues to increase, with information technology (IT) playing an increasingly crucial role in every aspect of BMW Group's business. The Group could suffer adverse consequences if the confidentiality, integrity or availability of its sensitive information and data is not maintained.

The Group is dependent on the efficient and uninterrupted functionality of its servers and data processing systems. If an interruption or breakdown of the Group's servers or data processing systems affecting the operation of one or more of its businesses occurs, this may have a detrimental impact on the Group's operations. Moreover, in a centralized and standardized IT environment, excessive dependence on a single system or a single data center could lead to serious consequences for the Group in the event of a system failure. Due to its worldwide operations, the Group strongly depends on complex IT. Also, the demands placed on IT facilities, both externally and internally, are changing at a rapid pace in the face of technological developments. As a result of the increasing complexity of electronic information and communication technology, the Group is exposed to various risks in this context, ranging from the loss or theft of data to stoppages and interruptions of the Group's IT systems. Indirectly, BMW Group could also be exposed to reputational risks, which are difficult to quantify.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group's operational systems, security systems or infrastructure are subject to cybersecurity risks***

BMW Group could be at risk of interruptions, outages, and breaches of: (i) operational systems (including business, financial, accounting, product development, consumer receivables, data processing, or manufacturing processes), (ii) facility security systems or (iii) in-vehicle systems (e.g., "Connected Drive" and "Driving Assistant") or mobile devices, which have become an increasingly important component of vehicle control systems and mobility services. Such cyber incidents could materially disrupt operational systems, result in loss of trade secrets or other proprietary or competitively sensitive information, compromise personally identifiable information of customers, employees, or others, jeopardize the security of the Group's facilities or affect the performance of in-vehicle systems.

A cyber incident could be caused by malicious persons using sophisticated, targeted methods to circumvent firewalls, encryption, and other security defenses. A cyber incident might not be detected in time to prevent a breach of these systems. Any such incident could harm the Group's reputation and subject the Group to regulatory actions or litigation. If any of these risks were to materialize, this could have a material adverse effect on BMW Group's reputation, business, net assets, financial condition or results of operations.

***BMW Group is dependent on good relationships with its joint venture partners***

BMW Group has entered, and may from time to time enter, into joint ventures with strategic partners for research and development and market launches, particularly in emerging and developing markets and with respect to large projects. One of the most important such relationship relates to BMW Brilliance Automotive Ltd., Shenyang, which produces, markets and sells various BMW brand models for the Chinese market.

In its joint venture agreements, the Group has undertaken various obligations. If it were to fail to fulfill such obligations, in whole or in part, the Group could become subject to claims for damages and contractual penalties or the relevant joint venture agreement could be terminated. In addition, a breach of contract by joint venture partners or unforeseen events may impair the successful implementation of a project.

Moreover, the success of the Group's joint ventures requires that the partners constructively pursue the same goals. If the Group were to decide to divest its shareholdings or to withdraw from a joint venture, it might not be able to find a buyer for its shares or be able to sell such shares for other reasons, or its joint venture partner may claim damages.

Additionally, it is possible that the Group's partners may use, outside of the scope of the joint venture project, technologies acquired in the course of the joint venture or otherwise misappropriate trade secrets or competitive advantages from the relationship.

If any of these risks were to materialize, the Group might lose orders and customers and jeopardize its strategic market position in the relevant markets which, in turn, may result in a time-consuming and costly search for alternative partners and the loss of investments already made. The occurrence of these risks could have a material adverse effect on BMW Group's business, net assets, financial condition and results of operations.

***BMW Group is exposed to volatility and changes in foreign currency exchange rates, arising from its international production, distribution and sales networks***

As an internationally operating enterprise, BMW Group conducts business in a variety of currencies, thus giving rise to currency risks. Since a substantial, and in recent years increasing, portion of the Group's revenue is generated outside the eurozone (particularly in China (renminbi), the United States (U.S. dollar) and the United Kingdom (British pound)) and the procurement of production materials and funding is also organized on a worldwide basis, fluctuations in currency exchange rates may have a significant impact on the Group's earnings.

The Group measures currency exposure using cash-flow-at-risk models and scenario analyses. In addition, the Group is also exposed to currency translation risk, as the financial statements of foreign consolidated subsidiaries prepared in a foreign currency are translated into euro, with income and expenses translated at the average currency exchange rate and assets and liabilities translated at the closing rate for the relevant period.

The Group seeks to manage currency exchange risks on both a strategic (medium- and long-term) and operating level (short- and medium-term). Medium- and long-term measures include increasing production volumes in non-euro-region countries (natural hedging) and increasing purchase volumes denominated in foreign currencies. Currency exchange risks are managed in the short to medium term and, for operational purposes, by means of hedging. Nevertheless, changes in currency exchange rates cannot always be predicted or hedged, and there can be no assurances that the Group's strategies will be successful in reducing currency exchange risks.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Significant changes in prices of raw materials and commodities could lead to increased costs in producing and distributing BMW Group vehicles***

The Group requires significant amounts of raw materials and commodities in the manufacture of its products. Changes in prices of raw materials and commodities are monitored on the basis of a set of specific management procedures. The principal objective of these management processes is to increase planning reliability for the Group and its production decisions and forecasts. Price risks relating to precious metals (platinum, palladium and rhodium) and non-ferrous metals (aluminum, copper, lead and nickel), and, to some extent, to steel and steel ingredients (iron ore and coking coal) and energy (gas and electricity) are hedged using financial derivatives or supply contracts with fixed pricing arrangements. Nevertheless, changes in raw material and commodities prices cannot always be predicted or hedged. Should the Group fail to adequately address commodity price changes or volatility, it could lead to increased costs for producing and distributing the Group's vehicles, which could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group is dependent on securing financing on attractive terms to provide liquidity to develop its business***

In the normal course of business, BMW Group makes use of bonds, commercial paper and securitized transactions as well as bank credit facilities in various currencies, primarily to finance the Group's leasing and sales-financing business. Any negative development in the capital markets could increase the Group's financing costs or ability to access capital and sources of financing. More expensive refinancing would also have a negative effect on the competitiveness and profitability of the Group's financial services business if it were unable to pass on the

higher refinancing costs to its customers. A limitation of the financial services business would have a negative impact on the automotive business, if it affected consumers' ability to purchase the Group's vehicles.

In March 2020, the rating agency Moody's revised BMW AG's long-term rating to A2 (under review for downgrade) and the rating agency Standard & Poor's revised BMW AG's long-term rating to A (negative outlook). A further decrease of BMW AG's credit rating could impact BMW Group's ability to obtain financing, or to obtain financing on terms favorable to BMW Group.

If any of these financial risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group is exposed to interest rate risks through its various financing programs***

Interest rate risks relate to potential losses caused by changes in market interest rates and can arise when fixed interest rate periods for assets and liabilities recognized in the statement of financial position do not match. Interest rate risks are managed by raising refinancing funds with matching maturities and by employing interest rate derivatives. BMW Group monitors and manages these exposures as an integral part of its overall risk management program which recognizes the unpredictability of markets and seeks to reduce potentially adverse effects on its business. Nevertheless, changes in interest rates cannot always be predicted or adequately hedged.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group is dependent on its counterparties maintaining their operations and creditworthiness***

Credit and counterparty default risk arises if a contractual partner (*e.g.*, a customer or dealer) either becomes unable, or is only partially able, to fulfil its contractual obligations, such that lower income is generated or losses are incurred. BMW Group uses a variety of rating systems in order to assess the creditworthiness of its contractual partners, but there can be no assurances that such systems will be effective in all circumstances or that contractual parties will maintain sufficient creditworthiness over the course of a contractual relationship.

Credit risk typically arises from the possibility of loss from a customer's or dealer's failure to make payments according to contract terms, particularly in the Group's leasing and financing business. Credit risk (which is dependent upon economic factors including unemployment, consumer debt service burdens, personal income growth, dealer profitability and used car prices) has a significant impact on the Group's business. If the Group experiences a high or unexpected level of credit losses, it could materially adversely affect its business, net assets, financial condition or results of operations.

***The success of BMW Group's financial services business depends on vehicles' residual values developments***

In recent years, the volume of vehicles BMW Group leases and finances has increased. For the vehicles it leases, BMW Group projects expected residual values and return volumes. Actual proceeds the Group realizes upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce the profitability of the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume of vehicles returned, the maturity profile of outstanding leases, economic conditions and price levels in used vehicle markets, and quality or perceived quality, safety, fuel efficiency or reliability of the Group's vehicles.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Changes in deliveries can have a substantial effect on BMW Group's cash flow and profitability as BMW Group has a high proportion of relatively fixed structural costs***

Because the Group, like other manufacturers, has a high proportion of relatively fixed structural costs, even comparatively small changes in deliveries can have a substantial effect on its cash flow and profitability. If sales were to decline to levels significantly below the Group's planning assumptions or the Group's business were to be otherwise significantly disrupted, particularly in the United States, China or Europe, due to financial crises, recessions, significant currency exchange rate movements, geopolitical events, pandemics, trade barriers or other factors, it could have a material adverse effect on the Group's business, net assets, financial condition or results of operations.

### ***BMW Group is required to comply with numerous laws and regulations in multiple jurisdictions***

Compliance with laws is a basic prerequisite for the success of BMW Group. Current laws provide the binding framework for the Group's various business activities around the world. The growing international scale of operations of the Group, the complexity of the business world and a broad set of complex legal (including, for example, tax, antitrust, customs and export controls) regulations potentially applicable to the Group's business increase the risk of non-compliance with applicable laws, simply because they are not known, fully understood or are subject to varying interpretations.

The Group has established a compliance organization aimed at ensuring that its representative bodies, managers and staff act in a lawful manner at all times. Nevertheless, there remains a risk that the Group's employees may not act in compliance with applicable statutory provisions or the Group's compliance systems (including with respect to antitrust, anti-corruption, export control or consumer protection laws) or that the Group's internal controls and compliance systems are not adequate to maintain compliance with applicable laws and that, as a result, penalties, liabilities or additional compliance costs could be imposed on the Group. For example,

- in October 2017, the European Commission carried out inspections at BMW Group's premises in connection with cartel allegations against five German car manufacturers. On April 5, 2019, BMW Group received a Statement of Objections from the European Commission. Following its review of the Statement of Objections, BMW Group concluded that it was probable (i.e., more likely than not) that the European Commission will issue a significant fine and therefore recognized a provision in an amount of approximately €1.4 billion; and
- in December 2019, BMW Group was informed by the SEC that the SEC had commenced an inquiry into BMW Group's vehicle sales and sales reporting practices. On January 22, 2020, the SEC formally opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. BMW Group is reviewing the matter and cooperating with the SEC's investigation.

Both investigations are pending. See "*Business—Legal Proceedings—Cartel Allegations Regarding Emissions-reducing Technologies*" and "*—SEC Investigation Regarding BMW Group's Unit Sales of New Vehicles*," respectively, for further information.

The Group is confronted with legal disputes relating, in particular, to warranty claims, sales practices, product liability and infringements of protected rights. Further, the Group may also be subject to information requests, inquiries, investigations and other proceedings initiated by governmental agencies, as well as legal actions relating to safety, environmental, antitrust, securities, criminal and other laws and regulations. If these or other inquiries, investigations, legal actions and/or proceedings result in unfavorable findings, an unfavorable outcome or otherwise develop unfavorably, BMW Group could be subject to significant monetary penalties, remediation requirements, vehicle recalls, process improvements, mitigation measures or other sanctions, measures and actions, including further investigations by these or other authorities and additional litigation. Further, a negative determination or finding with respect to technical or legal issues by one governmental agency could result in other agencies also adopting such determination or finding, even if such determination or finding is not within the scope of such authority's responsibility or jurisdiction. Thus, a negative determination or finding in one proceeding carries the risk of having an adverse effect on the outcome of other proceedings, also potentially leading to new or expanded investigations or proceedings.

When known and quantifiable, the Group seeks to recognize appropriate levels of provisions for lawsuits in accordance with applicable accounting standards. It cannot be ruled out that losses from damages could arise which are either not covered or not fully covered by provisions. Some risks cannot be assessed in full or cannot be provided for in the Group's accounts, and new legal risks, as yet unidentified, could also materialize.

The Group is also subject to data protection laws such as the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) and the EU General Data Protection Regulation (the "GDPR"). The GDPR provides for significant potential fines for non-compliance. Unauthorized access to information stored by the Group or by a third party, including failure to detect such access or to notify data subjects in a timely manner, may cause damage to the Group's reputation, constitute infringement of administrative and criminal law and grant the affected persons a right to damage claims against the Group.

If any of these risks were to materialize, this could have a material adverse effect on the Group's business, net assets, financial condition or results of operations.

***BMW Group is subject to international trade restrictions, such as economic sanctions and export controls of the United States and other applicable jurisdictions, and BMW Group's failure to comply with such restrictions could materially adversely affect its reputation and results of operations***

BMW Group is subject to trade restrictions imposed by governments around the world with jurisdiction over BMW Group's operations, including economic sanctions administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") and the U.S. Department of State and export controls administered and enforced by the U.S. Department of Commerce. Such laws and regulations prohibit or restrict certain operations, trade practices, investment decisions, and partnering activities, including dealings with certain countries or territories, and with certain designated persons.

If BMW Group fails to comply with applicable trade restrictions, it could be subject to significant civil or criminal penalties or other remedial measures, which could adversely affect BMW Group's business and financial condition. In addition, BMW Group employees, dealers or independent import companies may engage in conduct for which BMW Group might be held responsible. BMW Group's failure to comply with these laws and regulations also may expose it to reputational harm. Further, internal or governmental investigations related to alleged violations – even in the absence of an actual or confirmed legal violation – could be expensive and disruptive. BMW Group maintains policies and procedures reasonably designed to ensure compliance with applicable trade restrictions, including prohibiting the sale of BMW Group vehicles in certain countries or territories. However, BMW Group cannot assure that its policies and procedures will effectively prevent possible violations, including the unauthorized diversion of vehicles to countries, territories or persons that are the target of economic sanctions or other international trade restrictions.

***BMW Group is dependent on its compliance and risk management systems***

BMW Group's compliance and risk management systems may prove to be inadequate to prevent and discover breaches of laws and regulations and to identify, measure and take appropriate countermeasures against all relevant risks.

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements in a number of jurisdictions and local operational business processes, particularly relating to sales practices. Moreover, the Group has expanded its worldwide operations in recent years, particularly in China and emerging markets, increasing the scope of applicable regulations and operational practices. The Group has a compliance management system that supports its operational business processes, helps to ensure compliance with legislative provisions and, where necessary, initiates appropriate countermeasures. There can be no assurances that the Group's internal controls and compliance systems are adequate to address all applicable risks in every jurisdiction.

Members of the Group's governing bodies, employees, authorized representatives or agents may intentionally or unintentionally violate applicable laws and internal standards and procedures. The Group may not be able to identify such violations, evaluate them correctly or take appropriate countermeasures. Furthermore, the Group's compliance and risk management systems may not be appropriate given its size, complexity and geographical diversification and may fail for various reasons.

The occurrence of these risks may result in reputational loss and adverse legal consequences, such as the imposition of fines, sanctions and penalties on the Group or the members of the Group's governing bodies or employees and could lead to the assertion of damages claims by third parties or to other detrimental legal consequences, including civil and criminal penalties. The Group is particularly exposed to these risks with respect to its minority interests and joint ventures, where it is difficult and, in some cases, possible only to a limited extent, to integrate these entities fully into the Group's compliance and risk management system.

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***Unusual or significant litigation, governmental investigations or adverse publicity could adversely affect BMW Group***

Compliance with governmental standards does not necessarily prevent individual or class action law suits, which can entail significant cost and risk. In certain circumstances, courts may permit tort claims even where BMW Group's vehicles comply with applicable laws and regulations. Furthermore, simply responding to actual or threatened litigation or governmental investigations of the Group's compliance with regulatory standards, competition laws or other legal requirements, whether related to the Group's products or business or commercial relationships, may require significant expenditures of time and resources. Litigation also is inherently uncertain, and the Group could experience significant adverse results. In addition, adverse publicity surrounding an allegation may cause significant reputational harm that could affect public perception of the Group's brands or market demand for its products. If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations. For further information on litigation, please see "*Business—Legal Proceedings.*"

***A decrease in or cessation or claw-back of government incentives could affect BMW Group's results of operations***

BMW Group receives economic benefits from national, state, and local governments in various regions of the world in the form of incentives designed to encourage manufacturers to establish, maintain, or increase investments, workforces or production.

These incentives may take various forms, including grants, loan subsidies, and tax abatements or credits. The impact of these incentives can be significant in a particular market. A decrease in, expiration without renewal of, or other cessation or claw-back of government incentives for any of the Group's business units, as a result of administrative decision or otherwise, could have a material adverse effect on the Group's business, net assets, financial condition or results of operations.

***BMW Group's international operations give rise to complex tax and customs matters***

BMW Group is subject to regular tax and customs audits. Ongoing or future tax audits may lead to demands for back taxes, tax penalties, interest, customs and similar payments. Such payments may arise, for example, from the full or partial non-recognition of intra-group transfer prices. In countries where there are no limitation periods for tax payments (such as China), the Group may also face demands for back taxes relating to any earlier period. As a result, the Group's provisions for tax and customs risks may be insufficient to cover any actual settlement amount. Risks may also arise due to changes in tax or customs laws or accounting principles, or its interpretation by the local tax authorities or courts. Such changes may also have a retroactive effect. The long-term impact of the 2018 U.S. tax reform on the Group will depend, in part, on future U.S. Treasury regulations and administrative guidance. See also "*—Macroeconomic, geopolitical or other events could adversely affect the automotive industry and BMW Group*" and "*—Export controls, tariffs and other trade barriers could affect BMW Group's ability to produce, market and sell its products across global markets and affect BMW Group's supply chains.*"

If any of these risks were to materialize, this could have a material adverse effect on BMW Group's business, net assets, financial condition or results of operations.

***BMW Group's insurance coverage may not be sufficient or its insurance premiums may increase***

BMW Group maintains insurance coverage in relation to a number of risks associated with its business activities that are subject to standard exclusions, such as willful misconduct. However, the Group may suffer losses or claimants may bring claims against the Group that exceed the type and scope of its existing insurance coverage. Significant losses could lead to higher insurance premium payments. In addition, there are certain risks for which the Group does not maintain coverage based on the Group's cost-benefit analysis, and it therefore has no insurance coverage against the occurrence of these events. If the Group sustains damage for which there is no insurance coverage or insufficient insurance coverage, or if it has to pay higher insurance premiums or encounters restrictions on insurance coverage, this could materially adversely affect its business, net assets, financial condition or results of operations.

## **Risks Relating to the Issuer**

### ***The Issuer is a financing subsidiary within BMW Group***

The Issuer is a financing subsidiary within BMW Group, and as such, the purpose of the Issuer is to assist the financing of business activities conducted by companies of BMW Group and its affiliates and to provide financial services in connection therewith. The ability of the Issuer to satisfy its obligations under the Notes will depend, among other things, upon payments to the Issuer by members of the Group. The assets of the Issuer, which include intra-group receivables, are not disclosed and should not be primarily relied upon by prospective investors in making an investment decision to purchase the Notes.

## **Risks Relating to the Offering and the Notes**

### ***The ability of holders to transfer the Notes in the United States and certain other jurisdictions will be limited***

The Notes have not been and will not be registered under the Securities Act and the Issuer has not been and will not be registered under the Investment Company Act. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in a transaction that does not cause the Issuer to be required to register under the Investment Company Act. The Notes may be offered and sold only to (1) a person who is a QIB in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (2) to a non-U.S. person (as defined in Regulation S under the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act, and in each case, in accordance with any other applicable law. The section of this Offering Memorandum entitled “*Transfer Restrictions*” contains further details on the terms and conditions under which holders may hold, transfer and exchange the Securities. Each purchaser and transferee of the Notes must be able to make (and will be deemed to have made) the representations described therein. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions in respect of the Notes.

### ***BMW Group may incur substantially more debt in the future***

BMW Group may incur substantial additional indebtedness in the future, some of which may be secured by some or all of its assets and which may be structurally senior to the Notes. The terms of the Notes will not limit the amount of indebtedness the Group may incur. Any such incurrence of additional indebtedness could exacerbate the related risks described in this Offering Memorandum or pose new risks not described in this Offering Memorandum.

### ***The Notes are the Obligors’ unsecured obligations and are subordinated to secured obligations on insolvency***

Holders of the Obligors’ secured obligations have claims that are senior in priority to the claims of holders of the Notes to the extent of the value of the assets securing those secured obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, the assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to any unsecured creditors, including the holders of the Notes. In any of the foregoing events, there is no assurance to holders of the Notes that there will be sufficient assets to pay amounts due under the Notes.

### ***An active trading market may not develop for the Notes, in which case your ability to transfer the Notes will be more limited***

The Notes are new securities for which there currently is no market. The Notes will not be listed on any stock exchange and there can be no assurances as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on a number of factors, including general economic conditions and BMW Group’s own financial condition, performance and prospects, as well as recommendations by securities analysts. The initial purchasers have informed the Obligors that they currently intend to make a market in the Notes after completion of the offering. However, they are not obliged to do so and may discontinue such market-making activity at any time without prior notice. As a result, there can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. The liquidity of, and trading market for, the Notes

may also be negatively affected by general declines in the market for similar securities. Such a decline may adversely affect any liquidity and trading of the Notes independent of the Group's financial performance and prospects.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold the Notes and may be suspended, changed or withdrawn at any time.

***The Secured Overnight Financing Rate ("SOFR") is a relatively new market index and as the related market continues to develop, there may be an adverse effect on the return on or value of the Floating Rate Notes***

The rate of interest on the Floating Rate Notes will be determined using SOFR.

On June 22, 2017, the Alternative Reference Rates Committee ("ARRC") convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (the "Federal Reserve") identified SOFR, a broad U.S. treasuries repurchase financing rate to be published by the Federal Reserve Bank of New York, as the rate that, in the consensus view of the ARRC, represented best practice for use in certain new U.S. dollar derivatives and other financial contracts. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. treasury securities and has been published by the Federal Reserve since April 2018. The Federal Reserve has also begun publishing historical indicative Secured Overnight Financing Rates going back to 2014. Investors should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

Because SOFR is published by the Federal Reserve based on data received from other sources, the Issuer has no control over its determination, calculation or publication. The Federal Reserve notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. There can be no guarantee, particularly given its relatively recent introduction, that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Floating Rate Notes. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Floating Rate Notes and the trading prices of the Floating Rate Notes. In addition, the Federal Reserve may withdraw, modify or amend published SOFR data in its sole discretion and without notice. The interest rate for any day will not be adjusted for any modifications or amendments to SOFR data that the Federal Reserve may publish after the interest rate for that day has been determined as described in Condition 5(b) (*Floating Rate Notes*).

Since SOFR is a relatively new reference rate, the Floating Rate Notes may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Floating Rate Notes may be lower than those of later-issued indexed debt securities as a result. Similarly, if SOFR does not prove to be widely used in securities like the Floating Rate Notes, the trading price of the Floating Rate Notes may be lower than those of notes linked to reference rates that are more widely used. Investors in the Floating Rate Notes may not be able to sell the Floating Rate Notes at all or may not be able to sell the Floating Rate Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

It may be difficult for investors holding Floating Rate Notes to reliably estimate the amount of interest that will be payable. Further, if the Floating Rate Notes become due and payable under Condition 9 (*Events of Default*), the rate of interest applicable to the Floating Rate Notes shall be determined on the date the Floating Rate Notes became due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of SOFR reference rates in the markets applicable to the Floating Rate Notes may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets.

Investors should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection



with any acquisition, holding or disposal of Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to Floating Rate Notes.

***Investors in the Notes may be unable to enforce judgments obtained in U.S. courts***

The majority of BMW AG's directors reside in Germany, or other jurisdictions outside the United States, and all or a substantial portion of the assets of such persons and of BMW Group are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Company, or upon the Group's directors, or to enforce against the Company, or the Company's executive officers and directors, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws or other laws of the United States.

***Transactions in the Notes could be subject to a future European financial transaction tax***

The European Commission has published a proposal for a Directive (the "Commission Proposal") for a common financial transaction tax (the "FTT") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "participating Member States"). Estonia has since stated that it would not participate.

The proposed FTT has a particularly broad scope and could, if introduced in the form of the Commission Proposal, apply to certain transactions relating to the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain transactions relating to the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is the subject of the transaction is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate or participating Member States may decide to withdraw.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## CAPITALIZATION AND INDEBTEDNESS

The table below sets out, on a consolidated basis, the capitalization of the Group as of December 31, 2019:

- on a historical basis; and
- on an as adjusted basis to give effect to the offering of Notes made hereby and the application of the net proceeds as set forth under “*Use of Proceeds*” as if the sale of Notes had occurred on December 31, 2019 (converted into euros at an exchange rate of \$1.12 to €1.00).

You should read this table in conjunction with “*Risk Factors*” and “*Use of Proceeds*” included elsewhere in this Offering Memorandum as well as the Group’s Audited Financial Statements and related notes incorporated by reference into this Offering Memorandum.

Other than as reflected below, there have been no material changes to the Group’s consolidated capitalization since December 31, 2019.

	As of December 31, 2019	
	Historical	As adjusted
	(in € million)	
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	<b>12,036</b>	
Equity .....	59,907	59,907
Pension provisions .....	3,335	3,335
Other provisions .....	5,788	5,788
Deferred tax .....	632	632
Financial liabilities <sup>(2)</sup> .....	70,647	
Other liabilities .....	5,100	5,100
Non-current provisions and liabilities .....	85,502	
Current provisions and liabilities .....	82,625	82,625
<b>Total equity and liabilities</b> .....	<b>228,034</b>	

(1) Cash and cash equivalents, as adjusted, reflect an increase in the amount of the net proceeds of the issue of the Notes.

(2) Financial liabilities, as adjusted, reflect an increase in the amount of the aggregate principal amount of the Notes.

## **USE OF PROCEEDS**

The Issuer estimates that the net proceeds of the issue of the Notes will be approximately U.S.\$ \_\_\_\_\_ million, after deducting the fees and commissions payable to the initial purchasers. The Group intends to use the net proceeds for general corporate purposes.

## EXCHANGE RATE AND CURRENCY INFORMATION

The following table shows the period-end, average, high and low Noon Buying Rates in New York City for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York (the “Noon Buying Rates”) for the euro, expressed in U.S. dollar per one euro, for the periods and dates indicated.

On March 31, 2020, the Noon Buying Rates in New York City for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York was \$1.0971 per one euro.

Period	End	Average rate <sup>(1)</sup>	High	Low
<b>Month</b>				
October 2019 .....	1.1155	1.1058	1.1155	1.0932
November 2019 .....	1.1019	1.1051	1.1169	1.1002
December 2019 .....	1.1227	1.1114	1.1227	1.1052
January 2020 .....	1.1082	1.1098	1.1187	1.1004
February 2020 .....	1.1001	1.0911	1.1062	1.0794
March 2020.....	1.0971	1.1050	1.1463	1.0667
<b>Year</b>				
2016.....	1.0552	1.1072	1.1516	1.0375
2017.....	1.2022	1.1298	1.2041	1.0416
2018.....	1.1456	1.1817	1.2488	1.1281
2019.....	1.1227	1.1194	1.1524	1.0905
2020.....	1.0971	1.1025	1.1463	1.0667

Source: Federal Reserve Bank of New York

(1) The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual averages; on each business day of the month (or portion thereof) for the monthly average.

Fluctuations in exchange rates that have occurred in the past are not necessarily indicative of fluctuations in exchange rates that may occur at any time in the future. No representations are made herein that the euro or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

## BUSINESS

### Overview

BMW Group is one of the most successful makers of premium and luxury automobiles and motorcycles worldwide and among the largest industrial companies in Germany. With BMW, MINI and Rolls-Royce, BMW Group owns three of the strongest premium and luxury brands in the automotive industry. The vehicles it manufactures set high standards in terms of aesthetics, dynamics, technology and quality, as borne out by BMW Group's strong position in engineering and innovation both in the automotive and motorcycle sectors. In addition, BMW Group provides financial services supporting its automotive and motorcycle business. Moreover, in recent years BMW Group has evolved into one of the leading global providers of premium services for individual mobility. As of December 31, 2019, BMW Group had a worldwide workforce of 133,778 employees by headcount.

In the year ended December 31, 2019, BMW Group paid particular attention to the implementation of its corporate strategy, in particular against the back-drop of changes in the market environment attributable to trade conflicts, regulatory issues – especially fleet CO<sub>2</sub> emissions – as well as corporate social responsibility considerations. The expansion of the Group's electrified product portfolio, and of the related strategic fields of technology and digitalization, electric mobility and automated driving, remain key for sales.

Bayerische Motoren Werke Aktiengesellschaft, or BMW AG, which is based in Munich, Germany, is the parent company of BMW Group. The primary business objective of the Group is the development, manufacture and sale of engines and vehicles equipped with those engines as well as services related to these activities. BMW Group is subdivided into the four segments Automotive, Motorcycles, Financial Services and Other Entities (with the Other Entities segment comprising primarily holding and financing companies and thus not being part of the Group's primary business).

BMW Group traces its origins to 1916, when it was founded as Bayerische Flugzeugwerke AG. Bayerische Motoren Werke G. m. b. H. was established in 1917 and became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918. The Group comprises BMW AG and all subsidiaries, which BMW AG, either directly or indirectly, has the power to control. BMW AG is also responsible for managing BMW Group.

BMW Group operates on a global scale and is represented in more than 140 countries worldwide. Its research and development network is spread over 12 countries. As of December 31, 2019, the Group's production network comprised a total of 31 locations in 15 countries.

The following tables present an overview of BMW Group's key non-financial and financial performance indicators for the periods indicated.

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Key non-financial performance indicators</b>			
<b>BMW Group</b>			
Workforce at end of period (# of employees) <sup>(1)</sup> .....	133,778	134,682	129,932
<b>Automotive segment</b>			
Deliveries (units) <sup>(2)(6)</sup> .....	2,537,504	2,486,149	2,465,021
Fleet emissions in g CO <sub>2</sub> /km <sup>(3)</sup> .....	127	128 <sup>(5)</sup>	128
<b>Motorcycles segment</b>			
Deliveries (units).....	175,162	165,566	164,153
<b>Further non-financial performance figures</b>			
<b>Automotive segment</b>			
Deliveries (units)			
BMW <sup>(2)(6)</sup> .....	2,184,939	2,117,854	2,089,854
MINI <sup>(6)</sup> .....	347,465	364,101	371,729
Rolls-Royce <sup>(6)</sup> .....	5,100	4,194	3,438
<b>Total<sup>(2)(6)</sup>.....</b>	<b>2,537,504</b>	<b>2,486,149</b>	<b>2,465,021</b>

	For the year ended December 31,		
	2019	2018	2017
Production volume (units)			
BMW <sup>(4)</sup> .....	2,205,841	2,168,496	2,123,947
MINI .....	352,729	368,685	378,486
Rolls-Royce .....	5,455	4,353	3,308
<b>Total<sup>(4)</sup> .....</b>	<b>2,564,025</b>	<b>2,541,534</b>	<b>2,505,741</b>
<b>Motorcycles segment</b>			
Production volume (units)			
BMW .....	187,116	162,687	185,682
<b>Financial Services segment</b>			
New contracts with retail customers .....	2,003,782	1,908,640	1,828,604

- (1) By headcount as of end of period, excluding suspended contracts of employment, employees in the non-work phases of pre-retirement part-time working arrangements and low income earners.
- (2) Including deliveries from the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612; 2018: 455,581 units; 2017: 385,705 units).
- (3) Group calculation of fleet consumption of newly registered cars in Europe (EU-28) on an annual basis.
- (4) Including production volume from the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 536,509; 2018: 491,872 units; 2017: 396,749 units).
- (5) From 2018, adjusted value based on conversion to Worldwide Harmonized Light Vehicles Test Procedure (WLTP).
- (6) For further information on vehicle delivery data, please see “Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data.”

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
(in € million unless otherwise indicated)				
<b>Key financial performance indicators</b>				
Profit/(loss) before tax .....	7,118	9,627	9,815	10,675
<b>Automotive segment</b>				
Revenues .....	91,682	85,846	85,846	85,742
EBIT margin <sup>(3)</sup> (%) .....	4.9	7.2	7.2	9.2
<b>Further financial key performance figures</b>				
<b>Total Capital Expenditure<sup>(3)(4)</sup> .....</b>	<b>7,784</b>	<b>8,013</b>	<b>8,013</b>	<b>7,112</b>
<b>Depreciation and amortization<sup>(5)</sup> .....</b>	<b>6,017</b>	<b>5,113</b>	<b>5,113</b>	<b>4,822</b>
<b>Operating cash flow automotive segment .....</b>	<b>9,690</b>	<b>9,352</b>	<b>9,352</b>	<b>10,848</b>
<b>Revenues .....</b>	<b>104,210</b>	<b>96,855</b>	<b>97,480</b>	<b>98,282</b>
Automotive .....	91,682	85,846	85,846	85,742
Motorcycles .....	2,368	2,173	2,173	2,272
Financial Services .....	29,598	27,705	28,165	27,567
Other Entities .....	5	6	6	7
Eliminations .....	(19,443)	(18,875)	(18,710)	(17,306)
<b>Profit/(loss) before financial result (EBIT)<sup>(3)</sup> .....</b>	<b>7,411</b>	<b>8,933</b>	<b>9,121</b>	<b>9,899</b>
Automotive .....	4,499	6,182	6,182	7,888
Motorcycles .....	194	175	175	207
Financial Services .....	2,312	2,172	2,190	2,194
Other Entities .....	29	(27)	(27)	14
Eliminations .....	377	431	601	(404)
<b>Profit/(loss) before tax .....</b>	<b>7,118</b>	<b>9,627</b>	<b>9,815</b>	<b>10,675</b>
Automotive .....	4,467	6,977	6,977	8,717
Motorcycles .....	187	169	169	205

	For the year ended December 31,			
	2019	2018 (adjusted) <sup>(1)</sup>	2018	2017 (adjusted) <sup>(2)</sup>
	(in € million unless otherwise indicated)			
Financial Services.....	2,272	2,143	2,161	2,207
Other Entities.....	(96)	(45)	(45)	80
Eliminations.....	288	383	553	(534)
<b>Income taxes.....</b>	<b>(2,140)</b>	<b>(2,530)</b>	<b>(2,575)</b>	<b>(2,000)</b>
<b>Profit/(loss) from continuing operations.....</b>	<b>4,978</b>	<b>7,097</b>	<b>7,240</b>	<b>8,675</b>
<b>Profit/(loss) from discontinued operations.....</b>	<b>44</b>	<b>(33)</b>	<b>(33)</b>	<b>—</b>
<b>Net profit/(loss).....</b>	<b>5,022</b>	<b>7,064</b>	<b>7,207</b>	<b>8,675</b>

- (1) Certain financial statement line items for the year ended December 31, 2018 are adjusted due to a change in accounting policy in connection with the adoption of IFRS 16. See “*Additional Information—Changes in Accounting Policy for Leases*” and *Note 6—Changes in Accounting Policy for Leases* of the Group’s 2019 Audited Financial Statements. In addition, certain figures for the year ended December 31, 2018 have been adjusted due to changes in presentation of selected items, which are not material overall.
- (2) Certain financial information for the year ended December 31, 2017 was adjusted in accordance with IFRS 15. See “*Additional Information—Adoption of IFRS 15*” and *Note 6—First-time application of IFRS 15* of the Group’s 2018 Audited Financial Statements.
- (3) Non-IFRS financial measure. For further information, see “*Additional Information—Non-IFRS Financial Measures*.”
- (4) Total Capital Expenditure corresponds to additions to development costs, other intangible assets and property, plant and equipment in the Group’s Audited Financial Statements.
- (5) Depreciation and amortization is defined as the sum of amortization of intangible assets and depreciation of property, plant and equipment. See *Note 20—Analysis of changes in Group tangible, intangible and investment assets 2019* in the Group’s 2019 Audited Financial Statements and *Note 20—Analysis of changes in Group tangible, intangible and investment assets 2018* in the Group’s 2018 Audited Financial Statements.

## Outlook and Recent Developments

Prior to the COVID-19 pandemic, BMW Group’s business was expected to continue to develop positively in the financial year 2020. However, the spread of COVID-19 has slowed down the growth of BMW Group’s deliveries in China. In light of the sharp increase in COVID-19 infections in other regions of the world, as of the date of this Offering Memorandum particularly in Europe and North America, the BMW Group now expects worldwide deliveries to customers to be significantly down on the previous year.

Due to the lower volume of deliveries in China compared to the original forecast, the necessary containment measures and a similar trend already emerging in other regions of the world, including Europe and North America, earnings of the Automotive segment are likely to be negatively impacted, particularly in the first half of the year.

See also “*Risk Factors—Risks Relating to BMW Group—The COVID-19 pandemic could adversely impact BMW Group’s business and results of operations.*”

## The Group’s Businesses

The BMW Group’s underlying principle in all aspects of corporate strategy is its customer-oriented approach. In its ongoing efforts to develop its products, brands and services, the BMW Group continues to focus on new technologies such as alternative drivetrains, digitalization, connectivity and autonomous driving.

## Organization of the Group’s Businesses

The Group is organized into four segments:

- *Automotive*: The Automotive segment develops, manufactures, assembles and sells automobiles and off-road vehicles under the BMW, MINI and Rolls-Royce brands, and provides spare parts, accessories

and mobility services. Within Germany, sales are conducted through branches of BMW Group and independent authorized dealerships. Sales outside Germany are handled primarily by subsidiary companies and by independent import companies in some markets.

- *Motorcycles*: The Motorcycles segment develops, manufactures, assembles and sells motorcycles as well as spare parts and accessories.
- *Financial Services*: The principal lines of business of the Financial Services segment are automobile leasing, fleet business, multi-brand business, retail and dealership financing, customer deposit business and insurance activities.
- *Other Entities*: The Group's holding and financing companies are reported in the Other Entities segment. The segment also includes the operating companies BMW (UK) Investments Ltd. and Bavaria Lloyd Reisebüro GmbH, which are not allocated to one of the other segments. The Other Entities segment is not considered part of BMW Group's primary business.

## Automotive

### Segment Overview

The Group's automotive segment is comprised of its three premium brands, BMW, MINI and Rolls-Royce. BMW Group seeks to manufacture vehicles across all brands to meet the highest standards in terms of aesthetics, dynamics, technology and quality, maintaining a leading position in engineering and innovation.

BMW Group provides comprehensive individual mobility solutions, ranging from premium-segment small vehicles to ultra-luxury and powerful vehicles. The Group's products are linked by its core focus on efficiency and driving dynamics.

BMW Group delivered a total of 2,537,504 BMW, MINI and Rolls-Royce brand vehicles in 2019 (2018: 2,486,149 units; 2017: 2,465,021 units). Deliveries of BMW models increased by 3.2% to 2,184,939 units (2018: 2,117,854 units; 2017: 2,089,854 units). MINI deliveries decreased by 4.6% to 347,465 units in 2019 (2018: 364,101 units; 2017: 371,729 units). Rolls-Royce Motor Cars delivered 5,100 luxury automobiles to customers during 2019 (2018: 4,194 units; 2017: 3,438 units). In 2019, the Automotive segment recorded total revenues of €91,682 million.

The following table presents BMW Group's deliveries by region and market.

Deliveries by region and market <sup>(1)</sup>	For the year ended December 31,		
	2019	2018	2017
	(in 1,000 units)		
Europe .....	1,081.7	1,097.4	1,101.9
thereof Germany .....	330.5	310.6	296.5
thereof United Kingdom .....	233.8	236.8	242.4
Americas.....	472.9	457.1	456.1
thereof United States.....	375.8	355.4	358.8
Asia <sup>(2)</sup> .....	930.8	871.7	847.7
thereof China <sup>(2)</sup> .....	724.7	635.8	595.0
Other markets .....	52.1	59.9	59.4
<b>Total</b> .....	<b>2,537.5</b>	<b>2,486.1</b>	<b>2,465.0</b>

(1) For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

(2) Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units; 2018: 455,581 units; 2017: 385,705 units).

Within Europe, BMW Group delivered a total of 1,081,697 units of its three brands in 2019, a decrease by 1.4% (2018: 1,097,412 units; 2017: 1,101,931 units). In Germany, deliveries to customers increased by 6.4% year-on-year to 330,507 units in 2019 (2018: 310,576 units; 2017: 296,470 units). In the United Kingdom, deliveries decreased by



1.3% to a total of 233,780 units in 2019 (2018: 236,752 units; 2017: 242,416 units). Deliveries growth was again recorded in Asia, with overall deliveries of the Group's three brands in the region up by 6.8% totaling 930,816 units in 2019 (2018: 871,727 units; 2017: 847,655 units), including 724,733 units delivered in China, 14.0% more than in 2018 (2018: 635,813 units; 2017: 595,018). On the American continent, business conditions were characterized by growing competition within a declining market. Deliveries in 2019 nevertheless increased by 3.5% to 472,904 (2018: 457,095 units; 2017: 456,066 units). Deliveries in the United States increased by 5.7% to 375,751 units in 2019 (2018: 355,373; 2017: 358,758 units).

BMW Group's key automobile markets, by percentage of 2019 deliveries, are: China (28.6%), United States (14.7%), Germany (13.0%), the United Kingdom (9.2%), Italy (2.9%), Japan (2.4%) and Other (29.2%).

### BMW

The BMW brand caters to a wide variety of customer requirements. Its portfolio encompasses a broad range of models, starting with the premium compact class and extending – via the premium mid-class – through to the ultra-luxury class. Alongside all-electric models such as the BMW i3, it also offers its customers state-of-the-art plug-in hybrids and a whole array of vehicles driven by efficient combustion engines. Together with its X-model family and high-performance BMW M range, the BMW Group is addressing on the varying needs and wishes of its customers worldwide.

The following table presents deliveries of BMW vehicles by series.

Deliveries of BMW vehicles by series <sup>(1)(2)</sup>	For the year ended December 31,			Proportion of total BMW deliveries 2019 (%)
	2019	2018	2017	
		(in units)		
BMW 1 Series .....	173,870	198,548	202,192	8.0
BMW 2 Series .....	115,184	153,073	180,658	5.3
BMW 3 Series .....	359,211	364,347	412,461	16.4
BMW 4 Series .....	74,238	108,376	130,775	3.4
BMW 5 Series .....	353,268	381,749	347,686	16.2
BMW 6 Series .....	25,181	26,244	11,142	1.2
BMW 7 Series .....	50,552	56,208	64,359	2.3
BMW 8 Series <sup>(3)</sup> .....	12,219	923	–	0.6
BMW Z4 .....	15,827	85	1,510	0.7
BMW X1 .....	266,124	283,709	287,438	12.2
BMW X2 .....	91,812	66,792	82	4.2
BMW X3 .....	316,883	200,151	147,682	14.5
BMW X4 .....	61,598	46,894	51,905	2.8
BMW X5 .....	165,537	155,134	180,795	7.6
BMW X6 .....	22,116	35,368	40,547	1.0
BMW X7 <sup>(4)</sup> .....	39,924	15	–	1.8
BMW i .....	42,249	37,347	33,794	1.9

(1) Delivery figures in this table have been adjusted retrospectively with respect to five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

(2) Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2019: 538,612 units; 2018: 455,581 units; 2017: 385,705 units).

(3) The BMW 8 Series Coupé launched in November 2018.

(4) The BMW X7 model went on sale to customers in March 2019.

### MINI

The MINI brand, which the Group acquired as part of the acquisition of the Rover Group in 1994 and relaunched in 2001, has long-standing brand recognition in the premium small car segment.

MINI deliveries decreased by 4.6% worldwide to 347,465 units in 2019 (2018: 364,101 units; 2017: 371,729 units).

The MINI Countryman deliveries decreased slightly by 0.8% to 98,845 units (2018: 99,594 units; 2017: 85,103 units). Deliveries of the MINI Convertible decreased by 7.2%, with 30,384 units delivered in 2019 (2018: 32,738 units; 2017: 33,244 units). Deliveries of the MINI Hatch 3- and 5-door models decreased, by 3.5%, with 177,560 units delivered in 2019 (2018: 184,008 units; 2017: 194,477 units).

The following table presents deliveries of MINI-branded vehicles by series.

Deliveries of MINI vehicles by series <sup>(1)</sup>	For the year ended December 31,			Proportion of total MINI deliveries 2019
	2019	2018	2017	
	(in units)			(%)
MINI Hatch (3- and 5-door) .....	177,560	184,008	194,477	51.2
MINI Convertible .....	30,384	32,738	33,244	8.7
MINI Clubman .....	40,685	47,795	59,370	11.7
MINI Countryman / Paceman.....	98,845	99,594	85,103	28.4

(1) Delivery figures in this table have been adjusted retrospectively with respect to five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

### Rolls-Royce

BMW Group acquired the brand and naming rights for Rolls-Royce motor cars from Rolls-Royce plc in 1998 and took on full responsibility for Rolls-Royce Motor Cars Limited, along with all rights, as of the end of 2002. Rolls-Royce has a long and distinguished tradition in the ultra-luxury segment going back more than 100 years. Rolls-Royce Motor Cars is a market leader in the ultra-luxury segment.

In 2019, Rolls-Royce deliveries had its best year in over 100 years of corporate history with 5,100 units delivered worldwide, an increase by 21.6% compared to the prior year (2018: 4,194 units; 2017: 3,438 units). The following table presents deliveries of Rolls-Royce vehicles by series.

Deliveries of Rolls-Royce vehicles by series <sup>(1)</sup>	For the year ended December 31,			Proportion of total Rolls-Royce deliveries 2019
	2019	2018	2017	
	(in units)			(%)
Phantom.....	604	831	235	11.8
Ghost .....	663	1,003	1,174	13.0
Wraith / Dawn .....	1,325	1,816	2,029	26.0
Cullinan <sup>(2)</sup> .....	2,508	544	–	49.2

(1) Delivery figures in this table have been adjusted retrospectively with respect to five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

(2) The Cullinan became available to customers at the end of 2018.

### Electrified Models

BMW Group offered a range of 11 electrified vehicles in 2019 and delivered a total of 146,160 all-electric and plug-in hybrid vehicles in total, an increase by 2.7% as compared to the previous year (2018: 142,385 units; 2017: 103,104). The table below presents deliveries of electrified models.

Deliveries of electrified models <sup>(1)</sup>	For the year ended December 31,		
	2019	2018	2017
		(in units)	
BMW i.....	42,249	37,347	33,794
BMW iPerformance.....	86,947	91,759	63,527
MINI Electric .....	16,964	13,279	5,783
<b>Total.....</b>	<b>146,160</b>	<b>142,385</b>	<b>103,104</b>

(1) Delivery figures in this table have been adjusted retrospectively with respect to five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

Under the brand name BMW i, BMW Group has since 2013 offered customers a range of electric mobility solutions. The brand covers BMW i vehicles as well as a wide array of services. Under the name "360° ELECTRIC," BMW i provides a comprehensive range of products and services for all-electric vehicles and plug-in hybrids worldwide.

#### *Manufacturing and Assembly Plants*

Unless otherwise noted, the following information is presented for the Group as of December 31, 2019.

The Group's production network comprised a total of 31 locations in 15 countries. The 31 locations comprise 20 BMW Group manufacturing facilities, three plants belonging to joint ventures/operations, four partner plants and four contract production plants. BMW Group seeks to apply similar quality, safety and sustainability standards across all plants in its production network worldwide. The 20 BMW Group manufacturing facilities comprised 14 automobile and engine plants, two plants for BMW motorcycles, three sites for the production of components, pressed parts and tools and one supply center. In 2019, BMW Group manufactured electrified vehicles at 11 of its facilities.

The plants in Shenyang (China) are operated together with the joint venture partner Brilliance China Automotive Holdings Ltd. The Shenyang site comprises the Dadong and Tiexi automobile plants as well as an engine plant complete with foundry and battery factory. In October 2018, BMW Group agreed to extend the joint venture, BMW Brilliance Automotive Holdings Ltd., until 2040, during which time it would increase its stake in the joint venture from 50% to 75%, at a cost of €3.6 billion. The transaction was approved by Brilliance China Automotive Holdings Ltd.'s shareholders on January 18, 2019, but is still subject to regulatory approval and other customary conditions and is expected to close in 2022.

BMW Group also intends to invest more than €3 billion in the joint venture's production facilities, including the modernization and expansion of the Dadong plant, after which it will become the sole global production location for the BMW iX3 electric SUV and also add a third model to the range of products of the Dadong plant (currently comprising the BMW 5 Series Long Wheelbase version (including plug-in hybrid version) and the BMW X3). In addition, the Group will construct a new plant at the current site in Tiexi. BMW Group believes that, taken together, these improvements to the Dadong and Tiexi production facilities will increase BMW Group's Chinese production to 650,000 units annually, and create 5,000 new jobs. BMW Group also intends, alongside Great Wall Motor, to construct a joint plant in Zhangjiagang, China, where the BMW Group will manufacture future fully-electric models of its MINI brand. The plant is expected to have a standard capacity of up to 160,000 vehicles per year, which will employ approximately 3,000 employees after the ramp-up phase. Both partners will together invest approximately €650 million.

The primary function of the four partner plants of BMW Group is to serve regional markets. In 2019, BMW and MINI vehicles were manufactured in Kaliningrad (Russia), Cairo (Egypt), Jakarta (Indonesia) and Kulim (Malaysia).

BMW Group also awards contracts to external partners for the manufacturing of specific types of vehicle and motorcycles. In 2019, BMW and MINI models were produced by Magna Steyr AG & Co KG, Graz (Austria) and VDL Nedcar, Born (the Netherlands). In addition, BMW motorcycles were manufactured by TVS Motor Company Limited, Hosur (India) and Loncin Motor Co., Ltd in Chongqing (China).

In June 2019, BMW Group opened a new plant in San Luis Potosí (Mexico) following investments of more than U.S.\$1 billion. The new facility, which has the capacity to manufacture up to 175,000 units per year, produces the BMW 3 Series Sedan, thus significantly increasing production flexibility within the network. Other than in Mexico, the BMW 3 Series Sedan is also produced in Germany and China.

In July 2018, BMW Group announced its intention to build a plant in Debrecen, Hungary with an expected capacity of up to 150,000 units. The construction of the new facility will commence in spring 2020.

The table below presents the Group's vehicle production by plant.

Vehicle production of BMW Group by plant	For the year ended December 31,			Proportion of total production in 2019 (%)
	2019	2018	2017	
		(in units)		
Spartanburg, United States .....	411,620	356,749	371,316	16.1
Dingolfing, Germany .....	284,907	328,862	376,580	11.1
Regensburg, Germany .....	255,804	319,592	338,259	10.0
Tiexi, China <sup>(1)</sup> .....	250,241	299,939	269,309	9.8
Leipzig, Germany .....	230,284	244,248	246,043	9.0
Oxford, United Kingdom .....	222,340	234,501	223,817	8.7
Dadong, China <sup>(1)</sup> .....	286,268	191,888	127,440	11.2
Munich, Germany .....	221,077	157,799	196,455	8.6
Roslyn, South Africa .....	69,463	50,224	53,105	2.7
Rayong, Thailand .....	23,700	15,612	21,084	0.9
Chennai, India .....	8,976	10,956	8,952	0.3
Araquari, Brazil .....	8,208	7,752	12,768	0.3
Goodwood, United Kingdom .....	5,455	4,353	3,308	0.2
San Luis Potosi, Mexico <sup>(2)</sup> .....	25,538	308	–	1.0
Born, the Netherlands (VDL Nedcar) <sup>(3)</sup> .....	174,097	211,660	168,969	6.8
Graz, Austria (Magna Steyr) <sup>(3)</sup> .....	52,231	64,431	50,272	2.0
Partner plants (Jakarta, Cairo, Kaliningrad and Kulim) .....	33,816	42,660	38,064	1.3
<b>BMW Group</b> .....	<b>2,564,025</b>	<b>2,541,534</b>	<b>2,505,741</b>	<b>100.0</b>

(1) Joint venture BMW Brilliance Automotive Ltd., Shenyang.

(2) 2018 only pre-series production, plant opened in June 2019.

(3) Contract production.

The table below provides an outline of the products at each Group plant and partner plant during 2019.

BMW Group plants	Products
<b>Manufacturing plants</b>	
Araquari, Brazil .....	BMW 3 Series, BMW X1, BMW X3, BMW X4, BMW X5
Berlin, Germany .....	BMW motorcycles, Maxi-Scooters, car brake discs
Chennai, India .....	BMW 3 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series, BMW X1, BMW X3, BMW X4, BMW X5, MINI Countryman
Dingolfing, Germany .....	BMW 3 Series, BMW 4 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series, BMW Series 8, BMW M Chassis and drivetrain components Components for electric mobility
Eisenach, Germany .....	Rolls-Royce bodywork, pressed parts
Hams Hall, United Kingdom .....	Toolmaking, outer body parts for Rolls-Royce, aluminum tanks for BMW Motorrad
Landshut, Germany .....	Petrol engines for BMW, BMW I, MINI Core engine parts
	Lightweight construction components, electric drivetrain systems and special engines

BMW Group plants	Products
Leipzig, Germany .....	BMW 1 Series, BMW 2 Series, BMW i, BMW M
Manaus, Brazil.....	Motorcycles
Munich, Germany .....	BMW 3 Series, BMW 4 Series, BMW M
	Petrol and diesel engines, high-performance engines for M models
	Core engine parts
Oxford, United Kingdom.....	MINI, MINI Clubman
Rayong, Thailand.....	BMW 3 Series, BMW 5 Series, BMW 7 Series, BMW X1, BMW X3, BMW X5, BMW X6
	Motorcycles
Regensburg, Germany .....	BMW 1 Series, BMW 2 Series, BMW 3 Series, BMW 4 Series, BMW X1, BMW X2, BMW M
Rossllyn, South Africa.....	BMW X3
San Luis Potosi, Mexico <sup>(1)</sup> .....	BMW 3 Series
Spartanburg, United States .....	BMW X3, BMW X4, BMW X5, BMW X6, BMW X7
	BMW M
Steyr, Austria.....	Petrol and diesel engines for BMW and MINI
	Core engine parts
	High performance engines for M models
Swindon, United Kingdom .....	Pressed parts and bodywork components
Wackersdorf, Germany.....	Distribution center for parts and components
	Cockpit assembly
	Processing of carbon fiber components
Rolls Royce Manufacturing Plant Goodwood, United Kingdom.	Rolls-Royce Phantom, Ghost, Wraith, Dawn, Cullinan
<b>Joint Venture BMW Brilliance Automotive Holdings Ltd.</b>	
Dadong (Shenyang), China.....	BMW 5 Series, BMW X3
Tiexi (Shenyang), China.....	BMW 1 Series, BMW 2 Series, BMW 3 Series, BMW X1, BMW X2
Tiexi (Shenyang), China.....	Petrol engines, production of core engine parts
<b>Partner Plants</b>	
Jakarta, Indonesia .....	BMW 3 Series, BMW 5 Series, BMW 7 Series, BMW X1, BMW X3, BMW X5, MINI Countryman
Cairo, Egypt.....	BMW 5 Series, BMW 7 Series, BMW X1, BMW X3, BMW X4, BMW X5, BMW X6, BMW X7
Kaliningrad, Russia .....	BMW 5 Series, BMW 7 Series, BMW X1, BMW X3, BMW X4, BMW X5, BMW X6, BMW X7
Kulim, Malaysia .....	BMW 3 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series, BMW X1, BMW X3, BMW X4, BMW X5, MINI Countryman
<b>Contract Production</b>	
Born, The Netherlands (VDL Nedcar).....	MINI Convertible, MINI Countryman, BMW X1
Chongqing, China.....	Motorcycles
Graz, Austria (Magna Steyr).....	BMW 5 Series, BMW Z4
Hosur, India.....	Motorcycles

(1) Until plant opening in June 2019 only pre-series production.

### *Dealership Network*

The worldwide distribution network consisted of approximately 3,500 BMW, 1,600 MINI and 150 Rolls-Royce dealerships as of December 31, 2019. Sales are conducted by independent authorized dealers, BMW Group branches and subsidiaries, and by independent import companies in certain markets.

## Global Automotive Market Overview

A downward trend was observable on most automobile markets in 2019. Accordingly, registration figures for passenger cars and light commercial vehicles decreased worldwide by 2.0% to 83.5 million vehicles. New registration figures decreased in China (– 3.9%) and in both the United States (– 1.2%) and Japan (– 0.8%).

Overall, European automobile markets increased slightly compared to the previous year's level (+ 1.1%). Individual markets showed a mixed picture for registrations: while Germany (+ 4.9%), France (+ 1.6%), Italy (+ 0.1%) and the United Kingdom (+ 4.0%) saw year-on-year growth, new registrations were down in Spain (– 4.6%).

## Motorcycles

### Segment Overview

The Group's Motorcycles segment, branded as BMW Motorrad, focuses on the premium market and offers a range of motorcycles for the Tourer, Sport, Roadster, Heritage and Adventure segments, as well as Maxi-Scooter for urban mobility. In the year ended December 31, 2019, deliveries increased by 5.8% to 175,162 units compared to the prior year (2018: 165,566 units), primarily driven by new models becoming available in 2019. In 2019, the Motorcycles segment recorded total revenues of €2,368 million.

The following tables present BMW Group's motorcycle deliveries in total and as split by markets.

	For the year ended December 31,		
	2019	2018	2017
	(in 1,000 units)		
BMW deliveries of motorcycles.....	175.2	165.6	164.2
BMW Group – key motorcycle markets	For the year ended December 31,		
	2019	2018	2017
	(% of deliveries)		
Germany.....	15.0	14.4	16.2
France.....	9.9	10.0	10.1
Italy.....	8.9	8.5	8.8
United States.....	7.6	8.4	8.3
Spain.....	7.2	6.7	6.8
United Kingdom.....	–	5.5	5.7
Brazil.....	5.7	–	–
Other.....	45.7	46.5	44.1

### Manufacturing and Operations

BMW Motorrad models are produced at the Group's plant in Berlin, Germany and by BMW Motorrad's partners Loncin Motor Co., Ltd in Chongqing, China, and TVS Motor Company in Hosur, India. Two further motorcycle assembly plants are located in Manaus, Brazil and Rayong, Thailand.

The sales network for motorcycles is organized in a similar way to the automobile business. As of December 31, 2019, BMW motorcycles were delivered by more than 1,200 dealerships and importers in over 90 countries.

### Global Motorcycle Market Overview

Most motorcycle markets in the 250 cc plus class performed well in 2019, with registrations up by 3.1% worldwide. European markets in particular developed well, growing at an overall rate of 8.2%. Germany's market expanded by 7.5%. The number of new registrations also increased in Italy (+ 5.5%), France (+ 12.0%) and Spain (+ 14.5%). In the United States, the market was down 4.8% compared to 2018.

## Financial Services

### Segment Overview

In 2019, BMW Group's Financial Services segment offered its services in almost 60 countries worldwide via companies and cooperation arrangements with local financial services providers and importers. The segment's main line of business is credit financing and leasing of BMW Group brand automobiles and motorcycles to retail customers. Operating under the brand name "Alphabet," BMW Group's international multi-brand fleet business provides financing and comprehensive management services for corporate car fleets in 20 countries. Through its multi-brand business, "Alphera," BMW Group provides credit financing, leasing and other services to retail customers. The segment also supports BMW Group's dealership organization, for example by financing dealership vehicle inventories. In 2019, the Financial Services segment recorded total revenues of €29,598 million.

	For the year ended December 31,		
	2019	2018	2017
<b>Outstanding Contract portfolio of Financial Services segment</b>			
	(in 1,000s)		
Contract portfolio .....	5,974	5,708	5,381

### Credit Financing and Leasing

Credit financing and leasing of the Group's automobiles and motorcycles to retail customers is the segment's largest line of business.

In 2019, 2,003,782 new credit financing and leasing contracts were concluded with customers, an increase by 5.0% as compared to 2018 (2018: 1,908,640 contracts; 2017: 1,828,604 contracts). Credit financing grew by 3.4% and the number of new leasing contracts increased by 8.2%. Overall, leasing accounted for 34.1% of new business in 2019 (2018: 33.1%; 2017: 33.0%) and credit financing for 65.9% (2018: 66.9%; 2017: 67.0%).

The following table presents the proportion of new BMW Group vehicles financed or leased through the Financial Services segment (penetration rate).

	For the year ended December 31,		
	2019	2018	2017
<b>Penetration rate<sup>(1)</sup></b>	(% of new vehicles sold)		
New vehicles financed or leased through Financial Services segment <sup>(2)</sup> .....	52.2	50.1	46.7

(1) Delivery figures used for the calculation of the penetration rates in this table have been adjusted retrospectively with respect to five of BMW Group's most significant markets (China, the United States, Germany, the United Kingdom and Japan). For further information on vehicle delivery data, please see "Additional Information—Presentation of Financial and Other Information—Retail Vehicle Delivery Data."

(2) Penetration rate is calculated by dividing the number of retail vehicle deliveries that are financed or leased by the Financial Services segment by the total number of retail vehicle deliveries of the Group, expressed as a percentage. The calculation includes only those automobile markets in which the Financial Services segment is represented by a consolidated entity.

In the financing and leasing business for pre-owned BMW and MINI brand vehicles, the segment recorded a slight increase in the number of new contracts signed, which was up by 0.4% in 2019 with 398,144 contracts (2018: 396,610 contracts; 2017: 387,937 contracts). The total volume of new credit and leasing contracts concluded with retail customers during 2019 was significantly higher than in the previous year (+9.9%) amounting to €61,353 million (2018: €55,817 million; 2017: 55,049 million). The total portfolio of credit financing and leasing contracts with retail customers developed positively in 2019, with an increase by 4.8% year-on-year. In total, 5,486,319 contracts were in place with retail customers as of December 31, 2019 (as of December 31, 2018: 5,235,207; as of December 31, 2017: 4,926,228). By region, China recorded the fastest growth rate, significantly expanding its contract portfolio by 19.8% year-on-year. The Europe/Middle East/Africa region (+5.6%) and the EU Bank region, consisting of Germany, Italy, Spain and Portugal (+4.0%) grew year-on-year (while the former subsidiary in France was transferred for organizational purposes from the EU Bank region to the Europe/Middle East/Africa region in

conjunction with strategic realignments). The Americas region (+ 0.7%) hovered around the previous year's level in 2019, while the Asia/Pacific region saw a decrease in 2019 (- 2.5%).

The following table presents the regional share of the retail customer financing contract portfolio of the Financial Services segment.

Contract portfolio retail customer financing of Financial Services segment	For the year ended December 31,		
	2019	2018	2017
	(% of total)		
Europe/Middle East/Africa.....	35.5	32.8	32.6
Americas.....	25.7	26.7	27.8
EU Bank <sup>(1)</sup> .....	18.5	21.1	21.1
China.....	12.2	10.7	–
Asia/Pacific.....	8.1	8.7	18.5

(1) With effect from October 1, 2019, the EU Bank comprises BMW Bank GmbH with headquarters in Germany, and branches in Italy, Spain and Portugal. The former subsidiary in France was transferred for organizational purposes to the Europe/Middle East/Africa region in conjunction with strategic realignments.

#### *Other Financial Services Offerings*

The Group's international multi-brand fleet business, operating under the brand name "Alphabet," provides fleet financing products and comprehensive management services for corporate car fleets. In 2019, the number of fleet contracts under management increased by 2.5% compared to 2018. As of December 31, 2019, the segment managed a portfolio of 717,353 fleet contracts (as of December 31, 2018: 700,080 contracts; as of December 31, 2017: 679,895 contracts).

The Financial Services segment continued to support the Group's dealer organization in 2019 by providing financing for dealership vehicle inventories, real estate and equipment. The total volume of dealer financing increased in 2019 by 3.9% to €21,227 million as of December 31, 2019 (as of December 31, 2018: 20,438 million; as of December 31, 2017: €19,161 million).

The Group's deposit business provides an important source of funding for the Financial Services segment. The volume of customer deposits as of December 31, 2019 stood at €14,657 million, an increase of 2.1% as compared to 2018 (as of December 31, 2018: €14,359 million; as of December 31, 2017: €13,572 million). Customer deposits consist of a range of investment products offered by BMW Group's banks in Germany and the United States, including retail savings accounts in Germany and brokered certificates of deposit in the United States.

The Financial Services segment also operates an insurance brokerage business, providing broad individual mobility insurance.

#### *International Interest Rate Environment*

In 2019, the trade dispute between the USA and China, increasing trade barriers and growing uncertainty as a result of geopolitical risks all had a negative impact on the global economy. The major central banks responded to these developments with expansionary monetary policies and interest rate cuts.

Protectionism and the ongoing trade dispute between the United States and China are also casting a shadow over global growth prospects for 2020. The COVID-19 pandemic, which is spreading worldwide, poses an additional risk for the global economy. Beginning in February 2020, various central banks and governments have already taken action to counteract the economic impact of the virus with a raft of monetary policy measures.

In view of the developments regarding the COVID-19 pandemic, the U.S. Federal Reserve lowered its benchmark interest rates by 0.5 percentage points on March 3, 2020 and by 1 percentage point on March 15, 2020. In connection with the latest developments, further reductions appear to be likely over the course of the year.

Further central banks are expected to take measures to mitigate the negative impact on the global economy and to ensure liquidity on the markets.



Apart from the consequences of the spread of the COVID-19 pandemic and other global developments, the progress of negotiations on a trade agreement between the EU and the United Kingdom are likely to have a considerable impact on the UK economy. The Bank of England cut interest rates by 0.15 percentage points to 0.1% on March 19, 2020.

The economic consequences of the COVID-19 pandemic and the trade war with the United States are likely to continue to have an adverse impact on the Chinese economy in 2020 and beyond. A mixture of reforms as well as monetary and fiscal policy measures is intended to counteract any sharp slowdown in economic growth.

Despite the government's economic measures against the negative effects of the tax increase, the economy in Japan is likely to be impacted negatively by the coronavirus. It is expected that the Japanese central bank will continue its extremely low interest rate policies, in order to reach the target of 2% inflation.

### ***Research and Development***

A long tradition of innovation is not only the basis of BMW Group's economic success, but an integral part of its corporate philosophy. Shaping individual mobility and finding innovative solutions today for the needs of tomorrow is a key driving force for BMW Group. Research and development are therefore of great importance for BMW Group as a maker of premium and luxury vehicles.

Total research and development expenditure amounted to €6.4 billion in 2019, a significant decrease by 7.2% as compared to the 2018 level (2018: €6.9 billion; 2017: €6.1 billion). The research and development expenditure ratio decreased to 6.2% in 2019 (2018: 7.1%; 2017: 6.2%). The ratio of capitalized development costs to total research and development expenditure for the period (capitalization ratio) was 33.2% (2018: 43.3%; 2017: 39.7%). Amortization of capitalized development costs totaled €1.7 billion (2018: €1.4 billion; 2017: €1.2 billion). As of December 31, 2019, over 15,700 employees at 15 locations in twelve countries worldwide were working in BMW Group's research and development network to achieve this end.

Against a backdrop of rapid technological change within the automotive industry, BMW Group also enters into specific cooperation agreements with selected technology partners. The aim of collaboration with external partners, also across sectors, is to combine expertise in order to bring innovations to customers within the shortest time possible.

In its development of new technologies, BMW Group is focusing on the topics of emissions-reducing drivetrain systems, digitalization and autonomous driving with the aim of creating completely new experiences and future ways of travelling. A key prerequisite for success both now and in the future is the ability to anticipate customer needs and wishes in all fields of technology and implement developments in a way that add value for the customer. However, as a premium manufacturer, BMW Group is driven by the aspiration to exceed customer expectations in every respect. With this approach, BMW Group strives to find outstanding solutions for the overall mobility needs of its customers.

BMW Group addresses the key trends shaping tomorrow's individual mobility via the central topics of "Design", "Autonomous", "Connectivity", "Electrified" and "Services".

#### *Design*

BMW Group sees design as the characteristic combination of aesthetics and technology. Outstanding design involves focusing on people and their needs. A ground-breaking design underlines the distinctive character of each new vehicle, thereby strengthening all of BMW Group's brands.

#### *Autonomous*

Since 2018, BMW Group has pooled its expertise with the aim of developing state-of-the-art driver assistance systems in its own development center. The goal is to create an open platform for highly and fully automated driving that will serve as an industry standard going forward. Today, the latest generation of driver assistance systems already supports customers in a variety of driving situations. However, "safety first" always has the foremost priority for BMW Group in all development work performed.

In July 2019, BMW Group and Daimler AG entered into a long-term strategic cooperation in the field of automated driving. The two companies intend to jointly develop the next generation of technology for driver assistance systems and automated driving on motorways as well as automated parking features. The cooperation is open for further original equipment manufacturers (“OEMs”) and technology partners and the results of this collaboration will also be offered to other OEMs for licensing.

### *Connectivity*

The demands and needs of customers for modern, digital mobility are a priority for BMW Group. One of the most important effects of digitalization in the automotive industry is that the vehicle itself has become focal point of the digital customer experience.

With BMW Connected and the growing digital offerings, BMW Group believes it is prepared for the expectations and wishes of its customers. In this regard, BMW Group’s focus is not just on the development and integration of new technologies and services for the vehicle, but on customers and their contemporary demands. BMW Group believes that digital services should be available to customers seamlessly and without restrictions, even out-side of the vehicle.

The ability to use services from BMW Group nearly everywhere and at all times is the prerequisite for a digital services offering that is solely focused on the customers and their individual needs. This includes, for example, personalized and context-based information in the vehicle.

BMW Group intends for its customers to find it easy to keep the vehicle digitally up-to-date and to tailor the vehicle to customers’ individual wishes over the entire life cycle. With the Remote Software Update, the vehicle can always be updated with the latest software, functions are continuously expanded and digital services can be booked at any time. Thereby, the security and quality of the vehicle is continuously improved. Customers can therefore keep their vehicles up to date in the same way they are accustomed to from the smartphone world.

With digital services such as on-street parking or digital charging services, which are available to book over the BMW ConnectedDrive Store, it has been possible, since 2014, to constantly customize the vehicle based on a customer’s individual preferences. The next step for more flexibility involves BMW Group offering additional vehicle functions after a customer’s purchase, such as a high-beam assistant or a driver assistant system (Active Cruise Control (ACC)). The expanded, customer-oriented and digital offerings of BMW Group will enable customers to update their vehicle with new functions for many years to come.

Customers do not need to pick specific optional equipment when they purchase a vehicle but can customize their vehicle later on based on individual needs. Together with automated driving, the systematic expansion of connectivity towards a digital and emissions-free future is one of the central areas of action, through which BMW Group is intending to shape the transformation of the mobility industry in line with its corporate strategy.

### *Electrified*

During the year ended December 31, 2019, BMW Group reached a further milestone with the delivery of approximately 500,000 electrified automobiles. With eleven electrified models in its range (as of 2019), BMW Group is among the world’s leading providers of electric mobility. Since 2016, it has been the market leader for electrified vehicles in Germany and also occupies a top position not only in Europe, but worldwide.

Its many years of experience have given BMW Group a broad and sound base of knowledge in the field of electric mobility. On this basis, it develops the drivetrain technology such as the motor, the power electronics and also the battery, including the battery cell itself, guaranteeing the typical driving characteristics for its electrified vehicles that customers associate with the brand.

In 2020, the BMW X3 will be the first BMW Group model to be available in four different drivetrain versions: with an efficient diesel or petrol engine, as a plug-in hybrid, and with an all-electric powertrain system in the form of the BMW iX3. The BMW iX3 is the first model to benefit from a new generation of highly efficient BMW electric drivetrains, which enables a new balance between range and battery size.

Due to its role as a technology carrier and its enduring sales success, the BMW i3 is also being developed to the next level. Launched at the end of 2019, the MINI Cooper SE is a further all-electric vehicle that complements

BMW Group's range of electrified models. Over 90,000 registered prospective customers (as of 2019) reflect the avid interest of consumers in this first all-electric MINI model. Rolls-Royce Motor Cars is also working on developing an electric vehicle. In line with the expectations of its customers, the brand will immediately focus on manufacturing all-electric models.

BMW Group's range of models includes highly efficient combustion engines as well as state-of-the-art plug-in hybrids and all-electric drivetrains. This broad array of options enables BMW Group to meet the varying requirements and wishes of its customers in different regions of the world while at the same time making an effective contribution to cutting CO<sub>2</sub> emissions. Regardless of the type of drivetrain the customer chooses, all current and future models, each with their own specific characteristics, will feature the driving pleasure typical of the brand.

### *Services*

BMW Group aims to be one of the leading providers of premium mobility services going forward. To achieve this goal, it is essential to have a clear understanding of the needs of customers worldwide. This knowledge is the basis for offering customers an attractive, comprehensive range of services. These include easy-to-use, digitally supported mobility services that also feature bring-and-collect services or help customers find free parking spaces in urban environments. To reinforce this strategic field, BMW Group founded the joint venture YOUR NOW together with Daimler AG, see "*—Cooperation Agreements and Partnerships.*"

### *Cooperation Agreements and Partnerships*

BMW Group from time to time enters into cooperation agreements and partnerships with companies both from the automotive sector and with technology leaders in other industries. Against a backdrop of rapid technological change, the aim of collaborating with external partners is to combine expertise in order to bring innovations to customers within the shortest time possible.

In 2017, BMW Group together with other automobile manufacturers founded the joint venture IONITY with the aim of establishing a high-performance, fast-charging network in Europe along key transportation routes. The BMW Digital Charging Service uses Connected Drive to integrate the vehicle in the customer's charging infrastructure and automatically charges at the cheapest times, taking electricity prices into account. The service also provides a constant overview of the vehicle's energy requirements as well as ongoing and completed charging activities.

In March 2018, BMW Group acquired all of Sixt SE's shares in the premium car sharing service DriveNow.

On March 28, 2018, BMW Group and Daimler AG announced an agreement to merge their mobility services in a new joint venture (YOUR NOW) in order to achieve dynamic growth in a highly competitive environment. Both companies are promoting the vision of pure electric and autonomous on-demand mobility simultaneously. The objective is to further expand existing offerings in the areas of car-sharing, ride-hailing, parking, charging and multimodality. The new mobility offering is intended to be easy to access, intuitive to use, and cater to customers' needs. The joint venture seeks to increase the quality of urban life and to prepare the way for a world with autonomous vehicles. Following approval by the relevant antitrust authorities the transaction closed on January 31, 2019, and BMW Group and Daimler AG now each hold a 50% stake in the joint venture.

To coincide with its 15<sup>th</sup> anniversary, the joint venture BMW Brilliance Automotive Holdings Ltd. ("BBA") announced extensive investments in new and existing plant structures in order to cover future market requirements. BMW Group intends to increase its stake in BBA from 50% to 75%. BMW Group signed an agreement to that effect with its partner Brilliance China Automotive Holdings Ltd. ("CBA"). The contractual term of the joint venture, which is due to end in 2028, is to be extended up to 2040. After the Annual General Meeting of CBA granted approval on January 18, 2019, the agreement is still subject to regulatory approvals.

On July 10, 2018, BMW Group signed an agreement with the Chinese manufacturer Great Wall Motor Company Limited for the joint manufacturing of electric MINI vehicles in China in a new joint venture. In addition to electric MINI Vehicles, the joint venture, Spotlight Automotive Limited, will also produce electric vehicles for Great Wall Motor. The establishment of the joint venture was approved by the relevant Chinese authorities in November 2019. Together with the planned increase of shares in BBA, this joint venture represents a significant expansion of BMW Group's presence in China and underscoring its local engagement.

In November 2018, BMW Group obtained a license to provide ride-hailing services in Chengdu, Sichuan (China), making it the first foreign carmaker permitted to develop a ride-hailing business in China. With this ride-hailing service, BMW Group aims to complement its current ReachNow car sharing business which was started in Chengdu in partnership with EVCARD, a Shanghai-based electric car-sharing service of Global Car-Sharing & Rental Co. Ltd., in December 2017 and runs a fleet of approximately 100 BMW i3 electric vehicles. BMW Group currently possesses over 200 operators and drivers in Beijing and Chendu.

In July 2019, BMW Group entered into a long-term development cooperation agreement for automated driving with Daimler AG. The cooperation aims at a joint development of next-generation technologies for driver assistance systems, automated driving on highways and automated parking (all to SAE Level 4). In addition, the parties will discuss a possible extension of the cooperation to higher levels of automation in urban areas and city centers. The non-exclusive cooperation is also open to other OEMs and technology partners, with research results expected to be made available to other OEMs under license.

Since the acquisition of the HERE Technologies (“HERE”) mapping service by BMW AG, Daimler AG and AUDI AG in 2015, the partners have been working on high-precision digital maps that can be linked to real-time vehicle data. These digital maps are key for the next generation of mobility and location-based services, including providing the basis for new assistance systems. As an independent platform, HERE has ensured at all stages that it remains accessible to other partners in the automotive sector and beyond. In December 2019, HERE announced the intention of Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation of Japan to jointly acquire a 30% ownership stake in the business. Subject to regulatory approvals, the transaction is expected to be closed during the first half of 2020.

### **Purchasing and Supplier Network**

The international orientation of its Purchasing and Supplier Network provides BMW Group with good access to global procurement markets. It is responsible for the worldwide procurement and quality assurance of production materials, raw materials, capital goods and services as well as the manufacturing of vehicle components produced in-house. External suppliers are selected systematically on the basis of competitiveness according to the criteria of operating excellence, quality, innovation, flexibility, cost and sustainability.

BMW Group seeks to maintain a regional balance with regard to sales volume, production and purchasing volumes, thereby providing a partial natural hedge against currency fluctuations. In particular, the proportion of purchase volumes attributable to the Americas region grew in 2019, mainly due to the significant increase in vehicle production in Spartanburg, USA, and the start-up of the vehicle plant in San Luis Potosí, Mexico.

In 2019, Germany accounted for 33.4% of BMW Group’s purchase volume (as a percentage of production materials worldwide translated into euros), with Eastern Europe and the rest of Western Europe accounting for 22.0% and 16.8%, respectively. 19.0% of production materials were sourced in North America, 6.5% in Asia/Australia and 2.3% in other regions.

### **Sustainability**

BMW Group seeks to enable its business model and develop its long-term growth through sustainable activities. BMW Group works continuously on technical innovations that contribute to solving global challenges such as climate change and urbanization. In terms of sustainability, BMW Group focuses on three areas: the development of products and services for sustainable individual mobility, the efficient use of resources along the entire value chain, and responsibility towards employees and society in general.

The following table presents BMW Group’s sustainability performance.

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Energy consumed <sup>(1)</sup> per vehicle produced (MWh/vehicle).....	2.04	2.12	2.17
CO <sub>2</sub> emissions <sup>(2)</sup> per vehicle produced (t/vehicle).....	0.30	0.40	0.41
Water consumption <sup>(3)</sup> per vehicle produced (m <sup>3</sup> /vehicle).....	2.32	2.39	2.22
Process wastewater <sup>(4)</sup> per vehicle produced (m <sup>3</sup> /vehicle).....	0.44	0.45	0.40

- (1) Electricity, heat, natural gas and heating oil consumption from vehicle production (excluding motorcycles) minus combined heat and power (“CHP”) losses, divided by the total number of vehicles produced, including the BMW Brilliance Automotive Ltd. joint venture, but not including the vehicles from the Magna Steyr/AT and Nedcar contract production plants.
- (2) CO<sub>2</sub> emissions (from vehicle production, without motorcycles) from Scope 1 and Scope 2 minus CHP losses divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr/AT and Nedcar contract production plants.
- (3) Water consumption from vehicle production divided by the total number of vehicles produced, including the BMW Brilliance Automotive Ltd. joint venture, but not including the vehicles from the Magna Steyr/AT and Nedcar contract production plants.
- (4) Process waste water from vehicle production divided by the total number of vehicles produced, including the BMW Brilliance Automotive Ltd. joint venture, but not including the vehicles from the Magna Steyr/AT and Nedcar contract production plants.

Restrictions on carbon dioxide emissions are one of the most important regulatory considerations for BMW Group. Such regulations have proliferated in recent years in jurisdictions around the world, not only in the developed markets of Europe, North America and Japan, but also in emerging markets, such as China, and are expected to increase further in scope and restrictiveness in the years to come. These regulations have a major impact on the overall strategy and approach to marketing and engineering of BMW Group and its competitors in the automobile industry, and planning ahead for compliance with future restrictions is critical to the success of the Group’s business.

Medium- to long-term targets to reduce fuel consumption and CO<sub>2</sub> emissions from vehicles have already been set in Europe, North America, Japan, China and other countries. For a more detailed discussion on emissions targets, see “*Business—Governmental Standards and Regulations.*”

The development of sustainable products and services is an important aspect of BMW Group’s business model. The early use of Efficient Dynamics technologies (since 2007) across the Group’s entire fleet and the electrification of vehicles, which continued to make good progress in 2019, have enabled CO<sub>2</sub> emissions to be continuously reduced. Due to the expansion of the model range, annual sales of electric BMW Group vehicles increased to 146,160 units in 2019. Between 1995 and 2019, the average CO<sub>2</sub> emissions of BMW Group’s newly sold vehicles in Europe declined by approximately 40%. In 2019, BMW Group’s fleet of new vehicles sold in Europe (EU-28) had an average fuel consumption of 5.0 liters of diesel and 6.0 liters of petrol per 100 km, respectively, and CO<sub>2</sub> emissions averaged 127 grams per km.

## Intellectual Property

The Group generates and holds a significant number of patents in a number of countries in connection with the operation of its business. While none of these patents by itself is material to the Group as a whole, these patents are important to its business and continued technological development. In addition, BMW Group holds a number of trademarks and service marks that are important to its identity and recognition in the marketplace.

## Employees

As of December 31, 2019, the Group workforce amounted to 133,778 employees by headcount (as of December 31, 2018: 134,682; as of December 31, 2017: 129,932).

The Group’s employees include persons in vocational training. As of December 31, 2019, 4,801 young talent worldwide were in vocational training and training programs for young talent with BMW Group. At €370 million, spending on training and development decreased in 2019 (2018: €373 million; 2017: €349 million).

The following table presents BMW Group employees by segment.

BMW Group employees	As of December 31,		
	2019	2018	2017
Automotive .....	121,208	121,994	117,664
Motorcycles .....	3,658	3,709	3,506
Financial Services.....	8,798	8,860	8,645
Other Entities.....	114	119	117
<b>BMW Group .....</b>	<b>133,778</b>	<b>134,682</b>	<b>129,932</b>

From January 1, 2020, BMW Group will calculate and report the size of its workforce based solely on the number of core and temporary employees. Other employee groups such as apprentices, students gaining work experience and doctoral candidates primarily serve to secure the next generation of employees and promote the training of young people. For this reason, they will no longer be included in the size of the workforce reported by BMW Group. As of December 31, 2019, based on this new definition the BMW Group workforce amounted to 126,016 employees.

## **Insurance**

BMW Group carries various insurance policies, including comprehensive general liability insurance, product liability insurance, environmental liability insurance, property insurance and business interruption insurance policies deemed appropriate to its business needs. Furthermore, the Company has taken out directors' and officers' liability insurance for members of the Board of Management and Supervisory Board of the Guarantor.

## **Governmental Standards and Regulations**

Many governmental standards and regulations relating to safety, fuel efficiency, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale in the United States, Europe and elsewhere. In addition, manufacturing and other automotive assembly facilities in the United States, Europe and elsewhere are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances.

With respect to CO<sub>2</sub> emissions from vehicles, medium- to long-term targets have already been set in Europe, North America, Japan, China and other countries. However, these cannot be directly compared at an international level, as the test cycles and the test procedures in the individual countries are different, and segment and drivetrain mixes also tend to vary considerably. For representative and reproducible CO<sub>2</sub> emission testing, regulators have sought to define and harmonize vehicle testing procedures under the Worldwide Harmonized Light Vehicles Test Procedures ("WLTP") in the EU and under the framework of the Economic Commission for Europe ("UN ECE"). WLTP is based on a wide range of worldwide real road driving data and, in 2018, replaced the previous test procedure New European Driving Cycle ("NEDC"), which was based on synthetic driving patterns with less relation to real road conditions of use.

In addition to WLTP, regulatory standards for the pollutant criteria particulate number ("PN") and nitrogen oxide ("NOx") must be met under EU and UN ECE regulation independently from the laboratory test cycle under "normal condition of use." Depending on the driving style, the condition of the vehicle (e.g., load factor) and the prevailing surrounding conditions (e.g., temperature and altitude), actual vehicle emissions can deviate to a greater or lesser degree from the cycle values. Taking this into account, regulators testing for compliance with cycle limits started to adopt standards for vehicle testing in real conditions with binding limits for the conformity between test cycle values and road test values. In the EU, for example, the RDE (Real Driving Emissions) standard was introduced in September 2017 in a first step (Euro 6d-TEMP) and has since applied to new type approvals. In addition, the RDE standard, which applies to all new initial registrations from September 2018 for PN, and will take effect from September 2019 for NOx. From January 2020, the final RDE step Euro 6d will apply to new type approvals and, from January 2021, to all new initial registrations.

In Europe, applicable regulations define targets for CO<sub>2</sub> emissions based on vehicle weight and the NEDC as the underlying test cycle. However, in September 2017 the NEDC was replaced by the WLTP. The regulations stipulate that the European new vehicle fleet of all manufacturers must achieve an average of 95 g CO<sub>2</sub> /km (based on NEDC) by 2021. The EU regulation setting CO<sub>2</sub> emission performance standards for new passenger cars and for new light commercial vehicles for the period up to 2030 was agreed on a common position by representatives of the European Commission, Council and Parliament in December 2018. The regulation includes a further reduction in CO<sub>2</sub> emissions from the EU new vehicle fleet of 15% by 2025, and 37.5% by 2030 (as compared to 2021 WLTP measured values on EU fleet average), with reference to the new WLTP cycle. In addition, it includes a CO<sub>2</sub> bonus scheme for individual OEM's overachievement of a benchmark related to zero- and low-emission vehicles (<50 g/km WLTP).

In the United States, a regulatory scheme known as the One National Program ("ONP") was put in place under the Obama administration. Under the ONP, consumption and CO<sub>2</sub> targets were set through to 2025 based on the

numbers of vehicles sold. The FTP combined driving cycle is used and annual reduction targets are specified for the entire vehicle fleet and thus allow for flexibility in terms of the individual models. Based on a gradual reduction starting in model year 2012, the new vehicle fleet of all manufacturers must achieve an average of 202 g CO<sub>2</sub>/mile (125 g CO<sub>2</sub>/km) by model year 2021 and 163 g CO<sub>2</sub>/mile (101 g CO<sub>2</sub>/km) by model year 2025.

Under the Clean Air Act, the State of California may set more stringent fuel emissions standards provided it obtains a waiver from the U.S. Environmental Protection Agency (“EPA”). Other states may adopt California’s standards. Since the Clean Air Act was enacted in 1970, this waiver has historically been granted by the EPA. Under the ONP, compliance with these federal standards was deemed to comply with California’s CO<sub>2</sub> standards, as well as the standards of those thirteen states and the District of Columbia that adopted California’s CO<sub>2</sub> standards. Additional zero emission vehicle (“ZEV”) rules applied in California, and ten other states also participating in the ZEV mandate, intended to attain a certain number of ZEV credits depending on the number of vehicles produced and delivered for sale in the respective state.

In the United States, the ONP required a mid-term evaluation to determine if adjustments were needed. Following this mid-term evaluation, the EPA announced in April 2018 that the targets for model years 2022 to 2025 are not appropriate and should be revised by a new regulation.

In August 2018, the EPA and the Department of Transportation’s National Highway Transportation and Safety Administration jointly announced a draft new rule entitled “The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks.” Under SAFE, the agencies proposed less stringent greenhouse gas (“GHG”) and Corporate Average Fuel Economy (CAFE) standards for model years 2021 to 2026 light duty vehicles.

On September 27, 2019, the agencies finalized “SAFE rule part 1” finding that federal law preempts state tailpipe GHG emissions standards. Additionally, EPA withdrew the Clean Air Act preemption waiver it granted to the State of California as part of ONP as it relates to California’s GHG and ZEV programs. The new target values for fleet compliance will be set in the SAFE rule part 2, which is expected to be published as a final rule by May 2020. In the meantime, California filed a lawsuit in November 2019 challenging SAFE rule part 1, in particular seeking to overturn EPA’s revocation of the Clean Air Act waiver. This litigation results in uncertainty for the automotive industry about future CO<sub>2</sub> emission requirements in California and those states that follow the California regulation.

In July 2019, four motor vehicle OEMs and the State of California announced a general agreement on a framework for the reduction of GHG emissions at levels that are more stringent than anticipated under SAFE rule part 2 and would serve as a nationwide solution. The intent of the ongoing negotiations is for each OEM to reach an individual agreement with California that would also be binding on those states that follow California’s regulatory authority as provided by the Clean Air Act. The OEMs who agreed to the framework are Ford, Honda, BMW of North America and Volkswagen Group of America. BMW Group supports a nationwide standard that is supported by the federal government as well as by the State of California and all other U.S. states and has long advocated for a reliable and nationwide legal framework that provides for the highest possible level of planning certainty.

Japan also set ambitious targets for reducing fuel consumption. For 2020, a consumption target of 20.3 km/l was set – equivalent to a CO<sub>2</sub> emissions level of 117 g CO<sub>2</sub> /km.

In China, the fuel efficiency of the vehicle fleet is regulated. For 2020, an average fleet consumption target of 5 liters per 100 kilometers has been set. These figures are calculated based on the number of vehicles produced/imported. The consumption limits refer to the standardized test cycle NEDC. A fuel consumption standard for 2021 to 2025 in China has been released in 2019. 4.6 liters per 100 kilometers is set as the target in 2025, under the test cycle of WLTC. From 2021 onwards, the test cycle for internal combustion engine vehicles and Plug-in Hybrid Electric Vehicles (“PHEVs”) will switch from NEDC to Worldwide Harmonized Light Duty Test Cycle (“WLTC”). Battery Electric Vehicles (“BEVs”) will switch from NEDC to China cycle (“CLTC”). The introduction of a new energy vehicle (“NEV”) mandate started in 2019, with a 10% NEV quota requirement, and a 12% quota requirement in 2020. The draft amendment to the NEV mandate for 2021 to 2023 would increase the NEV quota to 14% in 2021, 16% in 2022 and 18% in 2023, but the credit earned for each NEV would be reduced by up to 50%. The NEV volume is expected to reach 20% in 2025 in the passenger vehicle segment as national target. For pollutant emission, China has released the China 6 emission standard for passenger vehicles which is generally similar to the EU and U.S. regulatory schemes. It includes two sets of limits: ‘C6b’ (which is stringent) and ‘C6a’

(which is less stringent). The C6b limit on emission pollutants is tightened by 40% to 50% compared to the China 5 emission standard and is more stringent than the EU6 emission standard. The testing cycle and procedure adopted is WLTP. Five regions (including Shanghai, Tianjin, Hebei, Guangdong and Shenzhen) have implemented C6b since July 2019, ahead of nationwide implementation from July 2023; 11 regions (including Hainan, Zhejiang, Shandong, Henan, Shaanxi, Jiangsu, Anhui, Shanxi, Chongqing, Midwest of Inner Mongolia, and Sichuan) have implemented C6a since July 2019, ahead of national implementation from July 2020. Beijing has implemented C6b from January 2020. In the released emission standard, it is regulated that RDE will be mandatorily required nationwide from July 2023. Final requirements of RDE (such as components, temperature, altitude correlation, cold start, and conformity factor limits) are now under review and are expected to be finalized in 2020 as earliest.

Above and beyond national regulations, measures are increasingly being taken at regional and municipal levels. Varying requirements for drivetrain technologies in particular will start to have considerable influence on product strategy (e.g., the aforementioned Californian ZEV program or the limited quota on ICE vehicle registration plates in Chinese metropolitan areas while offering waivers for NEVs).

## **Legal Proceedings**

BMW Group is involved from time to time in various claims, lawsuits, arbitrations, governmental inquiries and investigations and other legal proceedings, arising in the ordinary course of its business. Other than the legal proceedings described below, BMW Group is not presently involved in any legal proceeding of which BMW Group currently expects that it could have a material adverse effect on the Group's financial position or results of operations.

### ***Cartel Allegations Regarding Emissions-reducing Technologies***

In July 2017, cartel allegations against five German car manufacturers appeared in the press. In October 2017, the European Commission carried out inspections at BMW Group's premises. A number of class action lawsuits were brought in the United States and Canada thereafter. The class actions were dismissed without prejudice to submission of an amended complaint on June 17, 2019. The plaintiffs have filed an amended complaint on August 15, 2019. BMW Group has moved to dismiss the amended complaint. In April 2019, BMW Group received a Statement of Objections from the European Commission (the "Statement of Objections"), expressing the European Commission's preliminary view that:

- BMW Group, Daimler AG and Volkswagen Group participated in a collusive scheme to restrict the development and roll-out of emissions-reducing technologies (in particular, between 2006 and 2014, regarding selective catalytic reduction systems in diesel passenger cars and, between 2009 and 2014, regarding "Otto" particle filters in petrol passenger cars) for passenger cars sold in the European Economic Area; and
- Such market behavior, if confirmed, would violate applicable EU competition rules prohibiting cartel agreements to limit or control production, markets or technical development.

Following its review of the Statement of Objections, BMW Group concluded that it was probable (i.e., more likely than not) that the European Commission will issue a significant fine and therefore recognized a provision in an amount of approximately €1.4 billion. If necessary, BMW Group will contest the European Commission's allegations with all legal means at its disposal. BMW Group has examined the Statement of Objections and had access to the documents in the European Commission's investigation file. In December 2019, BMW Group submitted a detailed response to the European Commission, which the latter will now examine before determining the next steps in the proceedings. Consequently, it is not yet possible to assess the ultimate financial impact definitively.

### ***SEC Investigation Regarding BMW Group's Unit Sales of New Vehicles***

In December 2019, BMW Group was informed by the SEC that the SEC had commenced an inquiry into BMW Group's vehicle sales and sales reporting practices. On January 22, 2020, the SEC formally opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. BMW Group is reviewing the matter and cooperating with the SEC's investigation. Information on contingent liabilities is provided in *Note 38—Contingent liabilities and other financial commitments* of the Group's 2019 Audited Financial Statements, incorporated by reference into this Offering Memorandum.



In connection with its review, BMW Group reviewed prior period retail vehicle delivery data for automobiles and determined that certain vehicle deliveries of automobiles were not reported in the correct periods. Specifically, BMW Group identified instances in which vehicle deliveries were either held for reporting in later periods or accelerated for reporting in earlier periods, in each case, than the periods in which the deliveries actually occurred. BMW Group has corrected its reported delivery data, as further described below, to report deliveries in the period in which they occurred and is making, and will continue to make in the future, certain adjustments to its policies and procedures (together, the “Revised Reporting Process”) in order to improve the reliability and validity of its retail vehicle delivery data, in particular with respect to the timing of the recognition of retail vehicle deliveries.

Specifically, the retail vehicle delivery data for automobiles presented in this Offering Memorandum have been revised as follows:

- When presenting total retail vehicle delivery data other than model-by-model data, data for BMW Group’s 16 most significant markets were adjusted to reflect the Revised Reporting Process. In the years 2015 through 2019, these 16 markets represented, on average, approximately 86% of BMW Group’s total retail vehicle deliveries of automobiles. For each of the years 2015 through 2019, these revisions amounted to less than 1% of BMW Group’s total retail vehicle deliveries of automobiles.
- When presenting model-by-model retail vehicle delivery data, data for five of BMW Group’s most significant markets (China, the United States, Germany, the United Kingdom and Japan) were adjusted to reflect the Revised Reporting Process. In the years 2015 through 2019, these five markets represented, on average, approximately 65% of BMW Group’s total retail vehicle deliveries of automobiles.

The retail vehicle delivery data for automobiles for BMW Group’s other markets have not been adjusted, nor have retail vehicle delivery data for motorcycles been adjusted. BMW Group believes the impact on BMW Group’s retail vehicle delivery data presented in this Offering Memorandum of such data not having been adjusted to reflect the Revised Reporting Process to be immaterial.

The preparation of BMW Group’s retail vehicle delivery data involves a variety of estimates and judgments, some of which are complex and all of which are inherently subjective, and is subject to other uncertainties. By way of example only:

- The vast majority of deliveries of vehicles are carried out by independent dealerships, auction houses or other third parties, and BMW Group is reliant on such third parties to correctly report relevant data to BMW Group.
- In addition, the definition of deliveries includes vehicles delivered in the United States and Canada if:
  - the relevant dealers designate such vehicles as service loaner vehicles or demonstrator vehicles (BMW Group provides financial incentives in this regard to such dealers); or
  - such vehicles are company vehicles purchased by dealers or other third parties at auctions or by dealers directly from BMW Group,

neither of which may correlate to a sale to a retail consumer or other end user in the relevant reporting period. In the years 2015 through 2019, deliveries of service loaner vehicles and demonstrator vehicles in the United States represented, on average, approximately 18% and 10%, respectively, of BMW Group’s total retail vehicle deliveries of automobiles in the United States. Approximately 89% of the service loaner vehicles and approximately 98% of the demonstrator vehicles delivered in such years in the United States were thereafter sold by the relevant dealer as used or new automobiles to consumers within one year from the relevant date of delivery; such subsequent sales are not counted as deliveries.

BMW Group’s definition of “deliveries” is as follows: “A new or used vehicle will be recorded as a delivery when it is handed over to the end user (which also include leaseholders under lease contracts with BMW Financial Services). In the United States and Canada, end users also include (1) dealers when they designate a vehicle as a service loaner or demonstrator vehicle and (2) dealers and other third parties when they purchase a company vehicle at auction and dealers when they purchase company vehicles directly from BMW Group. Deliveries may be made by BMW AG, one of its international subsidiaries, a BMW Group retail outlet, or independent third party dealers.

The vast majority of deliveries – and hence the reporting to BMW Group of deliveries – is made by independent third party dealers.”

BMW Group believes the retail vehicle delivery data presented in this Offering Memorandum are materially correct in accordance with BMW Group’s definition of deliveries. However, there can be no assurance that such definition and data will not be challenged or further revised, including as a result of the above-referenced review and investigation.

Retail vehicle deliveries during a given reporting period do not correlate directly to the revenue that BMW Group recognizes in respect of such reporting period. Consequently, the introduction of the Revised Reporting Process did not result, and BMW Group believes will not result in the future, in any change in BMW Group’s revenues for 2019 or any prior period.

### ***Other Matters***

In June 2016, Germany’s Federal Cartel Office (*Bundeskartellamt*) conducted searches at various carmakers and suppliers, including BMW AG, in relation to the purchase of steel. The proceedings were concluded in November 2019 with the imposition of a fine of €28 million, which BMW Group did not contest.

In December 2017, two separate class action lawsuits were filed against BMW of North America, LLC claiming (i) that sunroofs in certain BMW models can explode or shatter unexpectedly and (ii) that the electric coolant pump in certain BMW models prematurely fail. The latter class action seeks damages and a warranty extension with regard to the alleged premature failure of the electric coolant pump. In addition, in March and April 2018, two class action complaints regarding certain diesel emission technologies were filed against certain entities of BMW Group in New Jersey; these complaints have been consolidated. The complaints relate to certain BMW X5 vehicles (model years 2009 through 2013) and BMW 335d vehicles (model years 2009 to 2011). The class actions were dismissed without prejudice to submission of an amended complaint on June 27, 2019. The plaintiffs have filed an amended complaint on September 20, 2019. BMW of North America, LLC has moved to dismiss the amended complaint.

Further class action lawsuits were filed in 2018 against BMW of North America, LLC claiming that car owners whose vehicles are affected by a safety recall over possible issues with (i) the defective blower-motor wiring systems or (ii) positive crankcase ventilation valve heaters cannot get timely repairs or were denied loaner cars. These class actions seek damages based on various grounds, including for allegedly failing to provide a timely remedy and diminution in value of the vehicles due to the recall. BMW Group is currently also involved in litigation with regard to some BMW models that are equipped with airbags which contain ammonium nitrate as a propellant of these airbags, including class actions and product liability lawsuits. Possible risks for BMW Group cannot be quantified at present with respect to any of these legal proceedings.

In 2018, several BMW vehicles in South Korea caught fire due to a defect in the vehicles’ exhaust gas recirculation (“EGR”) unit. In December 2018, the South Korean Ministry of Land, Infrastructure and Transport (“MoLIT”) announced that the leakage of coolant from the EGR cooler was the root cause of the occurrence of such thermal events. On April 12, 2019, MoLIT imposed a fine of KRW 11.8 billion (approximately €9.0 million as of July 31, 2019) on BMW South Korea, alleging delayed action in response to such thermal events. In July 2019, BMW South Korea filed an appeal against the April 2019 MoLIT fine. MoLIT separately filed a criminal complaint against BMW South Korea with the South Korean public prosecutor, and several third parties filed criminal complaints against BMW South Korea, BMW AG and certain of their employees and senior executives. In October 2019, the investigating police department transferred the case to the Prosecutor’s Office with an indictment recommendation regarding eight BMW Group employees. The Prosecutor’s Office investigation is ongoing. BMW Group is cooperating with the South Korean authorities with respect to all inquiries and investigations relating to such complaints. In addition, several civil lawsuits for damages arising from the EGR thermal events were filed against BMW Group in South Korea. These civil proceedings are at a very early stage and possible risks to BMW Group cannot be quantified at present.

In May 2019, a class action lawsuit was filed alleging that BMW twin-turbo V8 petrol engines are affected by an oil burning defect causing the vehicles to consume excess amounts of engine oil with regular use. These proceedings are at a very early stage and possible risks to BMW Group cannot be quantified at present.

## **Risk Management**

BMW Group employs a risk management system to identify, record and actively manage internal and external risks, including those which pose a threat to the attainment of corporate targets. The risk management system seeks to identify and address significant risks to the Group, or those which could pose a threat to its going-concern status. The risk management process has been implemented across the Group and comprises the early identification of risks, risk analysis and measurement, the coordinated use of suitable management tools and the monitoring and evaluation of actions taken.

The risk management system is tested regularly by the Group's internal audit function. By regularly monitoring external practices, BMW Group also seeks to incorporate new insights in its risk management system.

As a supplement to comprehensive risk management, managing the business on a sustainable basis also represents one of the Group's core corporate principles. Risks or opportunities related to sustainability issues specifically are raised to and discussed by the Group's sustainability committee. Strategic options and measures open to BMW Group are put forward to the Group's sustainability board, to which all members of the Board of Management belong. Risk aspects discussed at this level are integrated in the work of the Group-wide risk network.

## MANAGEMENT

### Board of Directors and Other Key Management

BMW AG is governed by a Board of Management and a Supervisory Board. The business address of each member of the Board of Management and the Supervisory Board is Petuelring 130, 80788 München, Germany.

#### *Board of Management*

The following table sets forth the name, year of birth and area of oversight of each of the members of the Board of Management.

Name	Area of Oversight	Born
Oliver Zipse .....	Chairman	1965
Klaus Fröhlich <sup>(1)</sup> .....	Development	1960
Ilka Horstmeier .....	Human Resources, Labor Relations	1969
Milan Nedeljković .....	Production	1969
Pieter Nota .....	Customer, Brands, Sales	1964
Nicolas Peter .....	Finance	1962
Andreas Wendt .....	Purchasing and Supplier Network	1958

(1) Mr. Frank Weber will assume responsibility for the Development division from July 1, 2020, taking over from Klaus Fröhlich, who will retire.

BMW Group has reorganized its Board of Management to create a new leaner and future-oriented structure. Since April 1, 2019, the BMW, MINI and Rolls-Royce automotive brands are part of a new central Sales Division. It is headed by Pieter Nota who also remains responsible for additional functions including brand and product management and aftersales. Oliver Zipse assumed the role of Chairman of the Board of Management effective August 16, 2019. He succeeded Harald Krüger who announced on July 5, 2019 that he would not seek a second term of office. Milan Nedeljković assumed the role of head of Production on October 1, 2019 replacing Oliver Zipse who occupied this position previously. Ilka Horstmeier joined the Board of Management as Director of Human Resources and Labor Relations on November 1, 2019. Effective July 1, 2020, Frank Weber will assume responsibility for the Development division, succeeding Klaus Fröhlich who will retire upon reaching the age of 60.

#### *Supervisory Board*

The following table sets forth the name, year of birth and position of each of the members of the Supervisory Board.

Name	Position	Born
Norbert Reithofer <sup>(1)</sup> .....	Chairman	1956
Manfred Schoch .....	Deputy Chairman	1955
Stefan Quandt .....	Deputy Chairman	1966
Stefan Schmid .....	Deputy Chairman	1965
Karl-Ludwig Kley .....	Deputy Chairman	1951
Christiane Benner .....	Member	1968
Kurt Bock .....	Member	1958
Verena zu Dohna-Jaeger .....	Member	1975
Heinrich Hiesinger .....	Member	1960
Reinhard F. Hüttl .....	Member	1957
Susanne Klatten .....	Member	1962
Renate Köcher <sup>(2)</sup> .....	Member	1952
Horst Lischka .....	Member	1963
Willibald Löw .....	Member	1956
Simone Menne .....	Member	1960

<b>Name</b>	<b>Position</b>	<b>Born</b>
Dominique Mohabeer .....	Member	1963
Brigitte Rödiger .....	Member	1963
Vishal Sikka.....	Member	1967
Thomas Wittig .....	Member	1960
Werner Zierer .....	Member	1959

- (1) Mr. Norbert Reithofer will stand for re-election as Supervisory Board Member at BMW AG's Annual General Meeting scheduled for May 14, 2020.
- (2) Ms. Renate Köcher will step down early as Supervisory Board Member at the end of BMW AG's Annual General Meeting scheduled for May 14, 2020, at which time Ms. Anke Schaeferkordt is expected to be appointed as a Member of the Supervisory Board.

## **Corporate Governance**

### *Overview*

The Board of Management manages the enterprise in its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with existing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain significant measures. The Supervisory Board is not, however, authorized to undertake management measures itself.

Terms of reference approved by the Board of Management contain a plan for the allocation of divisional responsibilities among the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all the required information pertaining to major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of BMW Group, involving other board members to the extent that divisions within their areas of responsibility are affected.

In accordance with the requirements of the German Co-Determination Act (*Mitbestimmungsgesetz*) for companies that generally employ more than 20,000 employees by headcount, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the German Co-Determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative (*leitende Angestellte*), and three members elected following nomination by unions.

The close interaction between the Board of Management and the Supervisory Board in the interest of the enterprise as described above is also known as a "two-tier board structure."

## **Committees of the Supervisory Board**

### *Presiding Board*

The Presiding Board is composed of five members of the Supervisory Board. It prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee and coordinates activities based on its terms of reference.

The following table sets forth the current members of the Presiding Board.

Name	Position
Norbert Reithofer.....	Chairman
Karl-Ludwig Kley.....	Member
Stefan Quandt.....	Member
Stefan Schmid.....	Member
Manfred Schoch.....	Member

#### ***Personnel Committee***

The Personnel Committee is composed of five members of the Supervisory Board. Among other duties, it makes decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation of members of the Board of Management and the regular review of the Board of Management's compensation system.

The following table sets forth the current members of the Personnel Committee.

Name	Position
Norbert Reithofer.....	Chairman
Karl-Ludwig Kley.....	Member
Stefan Quandt.....	Member
Stefan Schmid.....	Member
Manfred Schoch.....	Member

#### ***Audit Committee***

The Audit Committee is composed of five members of the Supervisory Board. Among other duties, it supervises the financial reporting process and the non-financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance.

The following table sets forth the current members of the Audit Committee. BMW Group plans to bring about a change in the position of the Chairman of the Audit Committee following BMW AG's Annual General Meeting scheduled for May 14, 2020. In line with the requirements profile, the intention is for an independent financial expert to continue to hold this position in the future.

Name	Position
Karl-Ludwig Kley.....	Chairman
Norbert Reithofer.....	Member
Stefan Quandt.....	Member
Stefan Schmid.....	Member
Manfred Schoch.....	Member

#### ***Nomination Committee***

The Nomination Committee is composed of four members of the Supervisory Board. Among other duties, it identifies suitable candidates as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), the Nomination Committee comprises only shareholder representatives.

The following table sets forth the current members of the Nomination Committee.

Name	Position
Norbert Reithofer.....	Chairman
Susanne Klatten.....	Member

Name	Position
Karl-Ludwig Kley.....	Member
Stefan Quandt .....	Member

### *Mediation Committee*

The Mediation Committee is composed of four members of the Supervisory Board. It advises the Supervisory Board when resolutions for the appointment of Board of Management members have not been carried by the necessary two-thirds majority of Supervisory Board members' votes. In line with German statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.

The following table sets forth the current members of the Mediation Committee.

Name	Position
Norbert Reithofer.....	Member
Stefan Quandt .....	Member
Stefan Schmid.....	Member
Manfred Schoch.....	Member

### **Compensation of Members of the Board of Management and Supervisory Board**

The total compensation of the current members of the Board of Management and the Supervisory Board of BMW AG for the year 2019 amounted to €45.6 million (2018: €41.7 million; 2017: €49.8 million).

The total compensation of the current members of the Board of Management for 2019 amounted to €30.0 million (2018: €28.8 million; 2017: €40.2 million). This comprised fixed components of €8.1 million (2018: €8.2 million; 2017: €7.7 million), variable components of €20.9 million (2018: €20.3 million; 2017: €31.7 million) and a share-based compensation component totaling €1.0 million (2018: €0.3 million; 2017: €0.8 million). Since the financial year 2018, the variable cash compensation includes a multi-year and future-oriented Performance Cash Plan (calculated at the end of a three-year evaluation period, by multiplying a pre-defined target amount by a factor that is based on multi-year target achievement), which in 2019 amounted to €8.3 million of the total variable components (2018: €5.3 million). Pension obligations to current members of the Board of Management are covered by provisions amounting to €14.6 million (2018: €19.7 million; 2017: €22.0 million), computed in accordance with IAS 19 (Employee Benefits).

The compensation of the members of the Supervisory Board for 2019 amounted to €5.6 million (2018: €5.6 million; 2017: €5.6 million). This amount comprised fixed components of €2.0 million (2018: €2.0 million; 2017: €2.0 million) and variable components of €3.6 million (2018: €3.6 million; 2017: €3.6 million).

The aggregate remuneration of former members of the Board of Management and their dependents for 2019 amounted to €16.0 million (2018: €9.2 million; 2017: €6.7 million).

See *Note 43—Compensation of members of the Board of Management and Supervisory Board* to the Group's 2019 Audited Financial Statements and *Note 43—Compensation of members of the Board of Management and Supervisory Board* to the Group's 2018 Audited Financial Statements.

## PRINCIPAL SHAREHOLDERS AND SHARE CAPITAL

As of the date of this Offering Memorandum, BMW Group's authorized share capital consists of 601,995,196 shares of common stock and 56,126,904 shares of non-voting preferred stock. The voting power attached to each share of common stock corresponds to its par value; each €1 of par value of share capital represented in a vote entitles the holder to one vote. Preferred shares only confer voting rights in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year.

Based on the information available to the Company, the following direct or indirect holdings exceeding 5% of the voting rights were held as of December 31, 2019:

Shareholder	Direct share of voting rights (in %)	Indirect share of voting rights (in %)
Stefan Quandt .....	0.2	25.6 <sup>(1)</sup>
AQTON SE .....	9.0	16.6 <sup>(2)</sup>
AQTON Verwaltung GmbH.....	—	16.6 <sup>(3)</sup>
AQTON GmbH & Co. KG für Automobilwerte .....	16.6	—
Susanne Klatten .....	0.2	20.7 <sup>(4)</sup>
Susanne Klatten Beteiligungs GmbH .....	20.7	—

- (1) Controlled entities, of which 3% or more are attributed: AQTON SE, AQTON Verwaltung GmbH and AQTON GmbH & Co. KG für Automobilwerte.
- (2) Controlled entities, of which 3% or more are attributed: AQTON Verwaltung GmbH and AQTON GmbH & Co. KG für Automobilwerte.
- (3) Controlled entities, of which 3% or more are attributed: AQTON GmbH & Co. KG für Automobilwerte.
- (4) Controlled entities, of which 3% or more are attributed: Susanne Klatten Beteiligungs GmbH.

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



## **DESCRIPTION OF THE ISSUER**

BMW US Capital, LLC, a Delaware limited liability company, is wholly-owned and managed by BMW (US) Holding Corp., which is indirectly wholly-owned by BMW AG.

The Issuer's purpose is to assist in the financing of the activities and in managing interest and foreign exchange risk for BMW Group, primarily in the United States, and to provide services in connection therewith. The Issuer's activities mainly consist of providing long- and short-term liquidity and intercompany funding at arm's length terms for BMW Group.

## TERMS AND CONDITIONS OF THE NOTES AND GUARANTEE

*The Notes will be represented by Global Notes which will be deposited with a custodian for and registered in the name of DTC or its nominees. The following is the text of the terms and conditions of the Notes which will be incorporated by reference into the Global Notes and endorsed on any certificated Notes in definitive forms. In addition, certain procedures and provisions will be applicable to the Notes when represented by the Global Notes, see "Form of Notes, Clearance and Settlement."*

The U.S.\$ \_\_\_\_\_ per cent. Notes due 20\_\_\_\_ (the "20\_\_\_\_ Notes"), the U.S.\$ \_\_\_\_\_ per cent. Notes due 20\_\_\_\_ (the "20\_\_\_\_ Notes") and the U.S.\$ \_\_\_\_\_ per cent. Notes due 20\_\_\_\_ (the "20\_\_\_\_ Notes" and, together with the 20\_\_\_\_ Notes and the 20\_\_\_\_ Notes, the "Fixed Rate Notes"), and the U.S.\$ \_\_\_\_\_ Floating Rate Notes due 20\_\_\_\_ (the "Floating Rate Notes", and together with the Fixed Rate Notes, collectively, the "Notes" and each tranche thereof, a "Tranche") of BMW US Capital, LLC (the "Issuer") guaranteed by Bayerische Motoren Werke Aktiengesellschaft (the "Guarantor") were duly issued. A fiscal agency agreement dated April \_\_\_\_\_, 2020 (the "Fiscal Agency Agreement") in relation to the Notes has been entered into by the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as fiscal agent, a transfer agent and calculation agent (the "Fiscal Agent," a "Transfer Agent" and the "Calculation Agent," respectively), The Bank of New York Mellon, New York Branch as paying agent and a transfer agent (a "Paying Agent" and a "Transfer Agent") and The Bank of New York Mellon, SA/NV, Luxembourg Branch as registrar (the "Registrar"). Any reference herein to the Notes includes any Additional Notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the relevant Tranche. The Guarantor has entered into a deed of guarantee (the "Guarantee") pursuant to which it has guaranteed the obligations of the Issuer under the Notes. Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and the Guarantee and in each case are subject to its detailed provisions.

In these Conditions, the Fiscal Agent and any other paying agents appointed pursuant to the Fiscal Agency Agreement are together referred to as the "Paying Agents," and the Transfer Agents and any other transfer agent appointed pursuant to the Fiscal Agency Agreement are together referred to as the "Transfer Agents." References to the Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents or the Calculation Agent shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement, and any reference to an "Agent" or "Agents" shall mean any or all (as applicable) of such persons.

Copies of the Fiscal Agency Agreement and the Guarantee are available for inspection by prior appointment during usual business hours by Noteholders at the principal office of the Fiscal Agent (presently at The Bank of New York Mellon, London Branch, One Canada Square, London E15 5AL, United Kingdom) and at the specified offices of each of the other Agents. The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Guarantee and the Fiscal Agency Agreement applicable to them.

References to "Conditions" are, unless the context otherwise requires, to the numbered paragraphs of these Conditions.

### **1. Form, Denomination and Title**

#### **(a) Form and Denomination**

The Notes are in registered form, without interest coupons attached, in a minimum denomination of U.S.\$2,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000 (each an "authorized denomination"). A definitive registered note (each a "Definitive Registered Note") will be issued to each Noteholder in respect of its registered holding or holdings of Notes. Each Definitive Registered Note issued in respect of a registered holding of Notes will be numbered serially with an identifying number which will be recorded in the register, being held outside the United Kingdom, relating to the Notes which the Issuer shall procure to be kept by the Registrar (the "Register").

**(b) Title**

Title to the Notes will pass by and upon registration in the Register. A Noteholder will (except as otherwise requested by such holder in writing, or as otherwise ordered by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or any interest therein, any writing thereon by any Person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no Person will be liable for so treating the holder.

**2. Transfer of Notes and Issue of Notes**

**(a) Transfer**

Subject to Conditions 2(d) (*Closed Periods*) and 2(e) (*Regulations Concerning Transfer and Registration*), a Note may be transferred in whole or in part in an authorized denomination upon the surrender of the Definitive Registered Note representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon (the “Transfer Form”) duly completed and executed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of part only of the Notes represented by a Definitive Registered Note, neither the part transferred nor the balance not transferred may be less than the applicable authorized denomination; a new Definitive Registered Note in respect of the part transferred will be issued to the transferee and a new Definitive Registered Note in respect of the balance not so transferred will be issued to the transferor.

**(b) Delivery**

Each new Definitive Registered Note to be issued upon a transfer of any Notes will, within five business days of the request for transfer being duly made, be delivered at the specified office of the Registrar or, as the case may be, any Transfer Agent or (at the request and the risk of such transferee) be mailed by uninsured post to such address as the transferee entitled to the Notes represented by such Definitive Registered Note may have specified. In this Condition 2(b), “business day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in the cities in which the Registrar and/or any such Transfer Agent (as applicable) have their respective specified offices.

**(c) No Charge**

Registration of transfers of Notes will be effected without charge to the holder or transferee thereof, subject to payment (or against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may reasonably require) of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration of transfer.

**(d) Closed Periods**

No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

**(e) Regulations Concerning Transfer and Registration**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior written approval of the Registrar. A copy of the current regulations will be sent by the Registrar to any Noteholder who so requests.

### **3. Guarantee and Status**

#### **(a) Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. Its obligations in that respect are contained in the Guarantee.

#### **(b) Status of Notes and Guarantee**

The Notes constitute direct, general, unconditional, unsubordinated and, subject to Condition 4 (*Negative Pledge*), unsecured obligations of the Issuer, and shall at all times rank at least *pari passu* without any preference among themselves and at least *pari passu* in all respects with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.

Pursuant to the Guarantee, the Guarantor has assumed *vis-à-vis* the Noteholders the unconditional and irrevocable guarantee for the due and punctual payment of principal and interest, if any, as well as Additional Amounts payable pursuant to Condition 8 (*Taxation*), in accordance with these Conditions.

The payment obligations of the Guarantor under the Guarantee constitute direct, general, unconditional, unsubordinated and, subject to Condition 4 (*Negative Pledge*), unsecured obligations of the Guarantor and shall at all times rank at least *pari passu* in all respects with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by mandatory provisions of law.

### **4. Negative Pledge**

Each of the Issuer and the Guarantor undertakes *vis-à-vis* the Noteholders that until such time as principal and interest, if any, as well as Additional Amounts payable pursuant to Condition 8 (*Taxation*), if any, have been placed at the disposal of the relevant Paying Agent or any other paying agent appointed in accordance with the terms of the Fiscal Agency Agreement, not to secure or have secured by any mortgage or pledge on its present or future property or assets, any present or future obligations (including obligations under guarantees or securities) arising from other International Capital Market Indebtedness, unless the Notes at the same time share *pari passu* and *pro rata* in such security. Any mortgage, pledge or other charge for obligations in respect of national and local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded from the requirements of this Condition 4. If security is to be furnished for this issue of Notes by the Issuer or the Guarantor, as the case may be, pursuant to this Condition 4, such security shall be furnished for the benefit of the Noteholders together with any related rights and obligations. If, after the occurrence of any of the events specified in Condition 9 (*Events of Default*) which entitle the Noteholders to declare their Notes due, a Noteholder shall with respect to the principal of any Notes not otherwise due, enforce any security given for the Notes, then such Notes shall be deemed to be due for all purposes.

For the avoidance of doubt, the undertaking contained in this Condition 4 shall not apply to any security provided in connection with asset backed securities issued by a special purpose vehicle where the Issuer or the Guarantor is the originator of the underlying assets.

### **5. Interest**

#### **(a) Fixed Rate Notes**

The Fixed Rate Notes bear interest from, and including, \_\_\_\_\_, 20\_\_\_\_. The 20\_\_\_\_ Notes bear interest at the rate of \_\_\_\_\_ per cent. per annum, the 20\_\_\_\_ Notes bear interest at the rate of \_\_\_\_\_ per cent. per annum and the 20\_\_\_\_ Notes bear interest at the rate of \_\_\_\_\_ per cent. per annum. Interest in respect of the 20\_\_\_\_ Notes shall be payable semi-annually in arrears on \_\_\_\_\_ and \_\_\_\_\_ in each year (each a “20\_\_\_\_ Notes Interest Payment Date”), commencing on \_\_\_\_\_, 20\_\_\_\_ to, but excluding, \_\_\_\_\_, 20\_\_\_\_ (the “20\_\_\_\_ Notes Maturity Date”). Interest in respect of the 20\_\_\_\_ Notes and the 20\_\_\_\_ Notes shall be payable semi-annually in arrears on \_\_\_\_\_ and \_\_\_\_\_ in each year (each a “20\_\_\_\_/20\_\_\_\_ Notes Interest Payment Date” and together with the 20\_\_\_\_ Notes Interest Payment Date, each a “Fixed Rate Notes Interest Payment Date”), commencing on \_\_\_\_\_, 20\_\_\_\_ to, but excluding \_\_\_\_\_, 20\_\_\_\_ in respect of the 20\_\_\_\_ Notes (the “20\_\_\_\_ Notes Maturity Date”) and (ii) \_\_\_\_\_, 20\_\_\_\_ in respect of the 20\_\_\_\_ Notes (the “20\_\_\_\_ Notes Maturity Date”). Interest will be paid subject to and in accordance with the provisions of Condition 7 (*Payments*).

Interest will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each.

**(b) Floating Rate Notes**

The Floating Rate Notes bear interest from, and including, \_\_\_\_\_, 2020 (the “Floating Rate Notes Interest Commencement Date”). Interest in respect of the Floating Rate Notes shall be subject to adjustment on a quarterly basis, and payable quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ of each year (each a “Floating Rate Notes Interest Payment Date”) (except that if any Floating Rate Notes Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day), commencing on \_\_\_\_\_, 2020 to, but excluding, the Floating Rate Notes Interest Payment Date falling on or nearest to \_\_\_\_\_, 20\_\_\_\_ (the “Floating Rate Notes Maturity Date”). The rate of interest from time to time in respect of the Floating Rate Notes will be determined by the Calculation Agent on the following basis:

- (1) As soon as practicable after 11:00 a.m. (New York time) on each Floating Rate Notes Interest Determination Date, the Calculation Agent will determine the Rate of Interest and calculate the Floating Rate Notes Interest Amount. In no event will the Rate of Interest be less than the Minimum Rate of Interest.
- (2) For the purposes of this Condition 5:

“Benchmark” means Compounded SOFR;

“Compounded SOFR” means, with respect to any Floating Rate Notes Interest Period, subject to Condition 5(b)(3), the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards to 0.00001):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{\text{SOFR}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

“do”, for any Observation Period, is the number of U.S. Government Securities Business Days (as defined below) in the relevant Observation Period;

“i” means a series of whole numbers from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Observation Period;

“SOFR<sub>i</sub>” for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is equal to SOFR in respect of that day “i”;

“U.S. Government Securities Business Day” or “USBD” means any day, except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

“ni” for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is the number of calendar days from, and including, such U.S. Government Securities Business Day “i” up to, but excluding, the following U.S. Government Securities Business Day (i+1); and

“d” means the number of calendar days in the relevant Observation Period;

“Floating Rate Notes Interest Determination Date” means the date five (5) U.S. Government Securities Business Days before each Floating Rate Notes Interest Payment Date;

“Margin” means           basis points per annum;

“Minimum Rate of Interest” means 0% per annum;

“Observation Period” means, in respect of each Floating Rate Notes Interest Period, the period from, and including, the date five (5) U.S. Government Securities Business Days preceding the first date in such Floating Rate Notes Interest Period to, but excluding, the date five (5) U.S. Government Securities Business Days preceding the Floating Rate Notes Interest Payment Date for such Floating Rate Notes Interest Period;

“Rate of Interest” means the Benchmark plus the Margin;

“SOFR” means, with respect to any U.S. Government Securities Business Day:

the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator’s Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the “SOFR Determination Time”);(2) if the rate specified in (1) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator’s Website;

where:

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate); and

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, or any successor source.

(3) In the event that:

(i) SOFR for a particular date does not appear on a U.S. Government Securities Business Day as specified above, unless both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date (each, as defined below) have occurred, SOFR means the SOFR as published in respect of the first preceding U.S. Government Securities Business Day for SOFR was published on the New York Federal Reserve’s Website; or

(ii) if SOFR does not appear on a U.S. Government Securities Business Day as specified above, and both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred, the rate that was recommended as the replacement for SOFR by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for SOFR (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator); provided that, if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Effective Date, then the interest rate for the Floating Rate Notes will be determined as if, for each U.S. Government Securities Business Day occurring on or after the SOFR Index Cessation Effective Date:

(A) references to “SOFR” were references to the daily Overnight Bank Funding Rate (“OBFR”) as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate), on the New York Federal Reserve’s Website on or about 5.00 p.m. (New York City time) on each day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York

City (“New York City Banking Day”) in respect of the New York City Banking Day immediately preceding such day (“OBFR reference rate”):

- (B) references to “U.S. Government Securities Business Day” were references to “New York City Banking Day”;
- (C) references to “SOFR Index Cessation Event” were references to “OBFR Index Cessation Event” (as defined below); and
- (D) references to “SOFR Index Cessation Effective Date” were references to “OBFR Index Cessation Effective Date” (as defined below),

and provided further that, if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event and an OBFR Index Cessation Event has occurred, then the interest rate for the Floating Rate Notes will be determined as if, for each U.S. Government Securities Business Day occurring on or after the later of the SOFR Index Cessation Effective Date and the OBFR Index Cessation Effective Date:

- (E) references to the “SOFR” were references to the short-term interest rate target set by the Federal Open Market Committee and published on the website of the Board of Governors of the Federal Reserve System currently at <http://www.federalreserve.gov>, or any successor website of the Board of Governors of the Federal Reserve System (the “Federal Reserve’s Website”) or, if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve’s Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range, rounded, if necessary, to the nearest second decimal place, 0.005 being rounded upwards);
- (F) references to “U.S. Government Securities Business Day” were references to “New York City Banking Day”; and
- (G) references to the “New York Federal Reserve’s Website” were references to the “Federal Reserve’s Website.”

In the event that the interest rate for the Floating Rate Notes cannot be determined in accordance with the foregoing provisions, the interest rate for the Floating Rate Notes shall be (i) that determined at the last preceding Floating Rate Notes Interest Determination Date, or (ii) if there is no such preceding interest rate, the initial interest rate which would have been applicable to the Floating Rate Notes for the scheduled first Floating Rate Notes Interest Period had the Floating Rate Notes been in issue for a period equal in duration to the scheduled first Floating Rate Notes Interest Period but ending on, and excluding, the Floating Rate Notes Interest Commencement Date.

If the Floating Rate Notes become due and payable under Condition 9 (*Events of Default*), the final Floating Rate Notes Interest Determination Date shall be deemed to be the date on which the Floating Rate Notes became due and payable and the interest rate on the Floating Rate Notes shall, for so long as any such Floating Rate Notes remain outstanding, be the interest rate determined on such date.

Where:

“SOFR Index Cessation Effective Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of SOFR), ceases to publish SOFR, or the date on which SOFR may no longer be used;

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or any successor or administrator of SOFR) announcing that it has ceased or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide SOFR;

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or any successor administrator of SOFR) has ceased or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide SOFR; or

(c) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of SOFR that applies to, but need not be limited to, all swap transactions, including existing swap transactions;

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

(a) a public statement by the Federal Reserve Bank of New York (or any successor or administrator of the OBFR) announcing that it has ceased or will cease to provide OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide OBFR;

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or any successor administrator of OBFR) has ceased or will cease to provide OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide OBFR; or

(c) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of OBFR that applies to, but need not be limited to, all swap transactions, including existing swap transactions; and

“OBFR Index Cessation Effective Date” means, in respect of a OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the OBFR), ceases to publish the OBFR, or the date on which the OBFR may no longer be used.

(4) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 5(b) including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error (without prejudice of the Fiscal Agent, Calculation Agent and Paying Agent’s right to rely on the certificate below mentioned), may be made in the Issuer’s sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.

(5) Notices, etc.

The specific terms of any SOFR Index Cessation Event or OBFR Index Cessation Event and any changes to the reference rates determined under this Condition 5(b) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 15 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the date on which such changes became effective. No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent, Calculation Agent and Paying Agent a certificate signed by two authorized signatories of the Issuer confirming (x) that a SOFR Index Cessation Event or OBFR Index Cessation Event, as the case may be, has occurred, (y) the relevant replacement reference rate, and (z) the SOFR Index Cessation Effective Date or the OBFR Index Cessation Effective Date, as the case may be, in each case as determined in accordance with the provisions of this Condition 5(b).

(c) **Default Interest**

Each Note will cease to bear interest from (and including) the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the rate specified above (after as well as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after notice has been given to the Noteholders in accordance with Condition 15 (*Notices*) that the Fiscal Agent has received all sums due in respect of the Notes up to such seventh day (except, in the case of



payment to the Fiscal Agent, to the extent that there is any subsequent default in payment in accordance with these Conditions).

**(d) Publication of the Floating Rate Notes Interest Amount**

The Calculation Agent will cause the rate of interest for the relevant Floating Rate Notes Interest Period and the relevant Floating Rate Notes Interest Amount for any Floating Rate Notes Interest Period and the relevant Floating Rate Notes Interest Payment Date to be notified to each of the Agents and the Issuer, and the Issuer shall cause such rates to be notified to the Noteholders as soon as possible in accordance with Condition 15 (*Notices*) after their determination but in no event later than the second Business Day thereafter. Any Floating Rate Notes Interest Amount and Floating Rate Notes Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Notes Interest Period. If the Floating Rate Notes become due and payable under Condition 8 (*Taxation*), the accrued interest per authorized denomination and the rate of interest payable in respect of the Floating Rate Notes shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition 5 but no publication of the rate of interest or the amount of interest payable per authorized denomination so calculated need be made.

**(e) Calculation Agent**

If the Calculation Agent fails duly to establish the rate of interest for any Floating Rate Notes Interest Period or to calculate the relevant Floating Rate Notes Interest Amount, the Issuer shall appoint some other leading bank engaged in the London interbank market (acting through its principal London office) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been so appointed.

For the avoidance of doubt, in no event shall the Calculation Agent be responsible for determining whether any SOFR Index Cessation Effective Date, SOFR Index Cessation Event, OBFR Index Cessation Event, OBFR Index Cessation Effective Date or any adjustments or conforming changes thereto has occurred, or for the Issuer's decisions and determinations described in this Condition 5. The Calculation Agent shall have no liability for any such determination, decision or election made by or on behalf of the Issuer pursuant to these Conditions. In connection with the foregoing, the Calculation Agent will be entitled to conclusively rely on any such determinations, decisions or elections made by the Issuer.

**6. Redemption, Purchase and Cancellation**

**(a) Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on the relevant Maturity Date plus any accrued and unpaid interest thereon to, but not including, the relevant Maturity Date.

**(b) Redemption for Taxation Reasons**

If as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective (or, in the case of a change in the official interpretation, is announced) after \_\_\_\_\_, 2020 (or if such jurisdiction became a Relevant Jurisdiction on a date after \_\_\_\_\_, 2020, such later date), on the next Interest Payment Date the Issuer (or, if the Guarantee were called, the Guarantor) would be required to pay Additional Amounts as provided or referred to in Condition 8 (*Taxation*) with respect to Notes of any Tranche, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders of that Tranche in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the Notes of the relevant Tranche at any time (in the case of the Fixed Rate Notes) or on any Floating Rate Notes Interest Payment Date (in the case of Floating Rate Notes) at their principal amount together with accrued and unpaid interest to, but excluding, the redemption date specified in such notice. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or, as the case may be, the Guarantor) shall deliver to the Fiscal Agent an Officers' Certificate stating that the requirement referred to above will apply on the next Interest Payment Date and an opinion of independent legal advisors of recognized standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such Additional Amounts or the Issuer or the Guarantor, as the case may be, will be required to make such withholding or deduction as a result of the change or

amendment. The Fiscal Agent shall be entitled to accept any such Officers' Certificate or opinion of independent legal advisors without further inquiry and shall be entitled to rely on such Officers' Certificate and opinion and, where it does so rely, shall suffer no liability whatsoever to any Noteholder or other interested person.

**(c) Purchase and Cancellation**

Each of the Issuer and the Guarantor may at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased may be held or, subject to the provisions of the final sentence of this Condition 6(c), resold or, at the discretion of the Issuer, surrendered to the Fiscal Agent for cancellation. Any Notes so cancelled will not be reissued or resold. The Notes so purchased, while held by or on behalf of the Issuer or the Guarantor, shall not entitle the holder to consent to any proposal made pursuant to Condition 12 (*Amendment, Modification and Waiver*) (or for the purposes of Condition 9 (*Events of Default*)).

Each of the Issuer and the Guarantor shall use its reasonable endeavors to ensure that no Note acquired by it or by any affiliate (as defined in Rule 144A under the Securities Act) of it is resold by the acquirer, except to the Issuer, the Guarantor or any of their respective affiliates (as so defined), unless, upon completion of such sale, such Note would not be a restricted security within the meaning of Rule 144A under the Securities Act.

**(d) Optional Redemption of Fixed Rate Notes only**

The Issuer may redeem any Tranche of Fixed Rate Notes, in whole or in part, at the Issuer's option, at any time and from time to time. If the Issuer elects to redeem (i) the 20 Notes at any time prior to the 20 Notes Maturity Date, (ii) the 20 Notes at any time prior to , 20 or (iii) the 20 Notes prior to , 20 , the Issuer will pay a redemption price for such Notes equal to the greater of (i) 100 per cent. of the principal amount of the Notes to be redeemed and (ii) as determined by the Independent Investment Banker, the sum of the present values of the applicable Remaining Scheduled Payments discounted to the date of redemption (the "Redemption Date") on a semi-annual basis (assuming a year of 360 days consisting of 12 months of 30 days each or, in the case of an incomplete month, the actual number of days elapsed) at the Treasury Rate plus basis points in the case of the 20 Notes, basis points in the case of the 20 Notes and basis points in the case of the 20 Notes, in each case together with accrued and unpaid interest on the principal amount of the Notes to be redeemed to the Redemption Date.

If the Issuer elects to redeem (i) the 20 Notes on or after the date that is one month prior to the 20 Notes Maturity Date, or (ii) the 20 Notes on or after the date that is three months prior to the 20 Notes Maturity Date, the Issuer will pay a redemption price equal to 100 per cent. of the principal amount of the Notes to be redeemed plus accrued and unpaid interest thereon to, but not including, the Redemption Date.

The Issuer will give notice of any optional redemption of the Notes in accordance with Condition 15 (*Notices*) not less than 10 days and not more than 60 days before the Redemption Date to each holder of the Notes to be redeemed and any such redemption notice shall specify the Redemption Date.

**(e) Provisions relating to Partial Redemption**

If less than all of any tranche of the Fixed Rate Notes are to be redeemed at any time, selection of such Notes for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Notes are listed or, if such Notes are not then listed or there are no such applicable rules, on a *pro rata* basis. Where some but not all of the Notes in respect of which a Definitive Registered Note is issued are to be redeemed, the notice of redemption that relates to such Definitive Registered Note shall state the portion of the principal amount of the Notes to be redeemed, and where applicable, a new Definitive Registered Note in a principal amount equal to the unredeemed Notes will be issued in the name of the Noteholder thereof upon cancellation of the original Definitive Registered Note. Any such new Definitive Registered Note will be delivered to the specified office of an Agent or (at the risk and, if mailed at the request of the Noteholders otherwise than by ordinary uninsured mail, at the expense of the Noteholder) sent by mail to the Noteholder.

**7. Payments**

**(a) Principal and Interest**

Payments of principal and interest in respect of the Notes will be made to the Persons shown in the Register at the close of business on the Record Date. Each payment in respect of the Notes will be made by transfer to a U.S. dollar account maintained by or on behalf of the payee with a bank in New York City.

**(b) Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, subject to the Issuer's or the Guarantor's obligation to pay any Additional Amounts pursuant to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code or any regulations or administrative guidance promulgated thereunder or any official interpretations thereof ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any law, regulation or official guidance implementing an intergovernmental approach to FATCA.

**(c) Commissions**

No commissions or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

**(d) Payments on Business Days**

If the date for any payment of principal or interest on the Fixed Rate Notes under this Condition 7 is not a Business Day, the Noteholder shall not be entitled to payment of the amount due until the next Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

If the due date for any payment of principal or interest on the Floating Rate Notes under this Condition 7 is not a Business Day, the Noteholder shall not be entitled to payment of the amount due until the next Business Day but shall be entitled to additional interest, solely as provided for in Condition 5(b) (*Floating Rate Notes*).

**(e) Partial Payments**

If at any time a partial payment is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

**(f) Agents**

The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Fiscal Agency Agreement, and each of the Issuer and the Guarantor reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that while any Notes are outstanding it will maintain (i) a Fiscal Agent, (ii) a Registrar and (iii) a Paying Agent and a Transfer Agent having a specified office in New York City, and provided further that, so long as any Floating Rate Notes are outstanding, the Issuer shall procure that there shall at all times be a Calculation Agent. Notice of any change in the Agents or their specified offices will be given promptly to the Noteholders.

**8. Taxation**

All payments under the Notes or the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax (together "Taxes"), unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, shall pay such Additional Amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (i) with respect to withholding or deduction for U.S. taxes;

- (ii) to a Noteholder, or to a third party on behalf of a Noteholder, if such Noteholder or beneficial owner is liable to such Taxes in respect of such Note by reason of having some present or former connection with a Relevant Jurisdiction, including, without limitation, such Noteholder or beneficial owner being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere acquisition, holding, enforcement of, or receipt of payment with respect to, such Note;
- (iii) where such withholding or deduction would not have been imposed, assessed, levied or collected but for the failure by the Noteholder or the beneficial owner of a Note to comply, upon timely request by the Issuer addressed to the Noteholder, with any applicable certification, identification, documentation, information or other reporting requirements concerning the nationality, residence or identity of such Noteholder (or beneficial owner) or its connection with the Relevant Jurisdiction if compliance is required by a statute, treaty, regulation, or administrative practice of the Relevant Jurisdiction as a precondition to exemption from all or part of the tax, levy, impost, duty, charge or fee;
- (iv) if the Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except that Additional Amounts shall be payable to a Noteholder to the extent that the Noteholder would have been entitled to such Additional Amounts on surrender of such Certificate for payment on the last day of such period of 30 days;
- (v) for any estate, inheritance, gift, transfer, personal property or similar Tax;
- (vi) if the Note is presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent;
- (vii) for any Tax that is payable otherwise than by deduction or withholding from payments on or in respect of a Note;
- (viii) to any Noteholder that is a fiduciary or partnership, limited liability company or any person other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Relevant Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or limited liability company or a beneficial owner that would not have been entitled to such amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Notes;
- (ix) for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code or any regulations or administrative guidance promulgated thereunder or any official interpretations thereof, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any law, regulation or official guidance implementing an intergovernmental approach to FATCA; or
- (x) in respect of any combination of the Taxes described above.

The Issuer and the Guarantor will pay any present or future stamp, issue, registration, court or documentary taxes, or any similar charges, levies or taxes levied by the jurisdiction in which the Issuer or Guarantor is incorporated on the initial issuance, execution, delivery and registration, or enforcement, of any of the Notes, any Guarantee or any other document or instrument related thereto and referred to therein.

In these Conditions, “Relevant Date” means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

Any reference in these Conditions to principal or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under this Condition 8 (“Additional Amounts”).

## **9. Events of Default**

If any of the following events (each an “Event of Default”) occurs with respect to any Tranche:

- (i) the Issuer or the Guarantor, for any reason whatsoever, fails to pay within 30 days after the relevant due date principal in respect of that Tranche, including Additional Amounts pursuant to Condition 8 (*Taxation*), if any; or
- (ii) the Issuer or the Guarantor, for any reason whatsoever, fails to pay within 30 days after the relevant due date any interest in respect of that Tranche, including Additional Amounts pursuant to Condition 8 (*Taxation*), if any; or
- (iii) the Issuer, for any reason whatsoever, fails to duly perform any other obligation under that Tranche, including, without limitation, pursuant to Condition 4 (*Negative Pledge*), or the Guarantor fails to duly perform any obligation pursuant to the Guarantee and such failure continues for more than 90 days after receipt of a written notice of such failure from the Noteholders; or
- (iv) insolvency proceedings are commenced by a court in the relevant place of jurisdiction against the Issuer or the Guarantor which shall not have been reversed or stayed within 60 days or the Issuer or the Guarantor itself institutes such proceedings, or offers or makes an arrangement for the benefit of creditors generally; or
- (v) 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 Conditions and in the case of the Guarantor assumes all obligations arising from the Guarantee; or
- (vi) the Guarantor stops payment completely (*Zahlungen ganz einstellen*) or ceases to carry on its business,

then a holder may provide written notice to the Issuer declaring all of the Notes of that Tranche due and payable, in each case at their principal amount together with accrued interest (a “Default Declaration”), *provided, however*, that a Default Declaration shall become effective only when (a) the Issuer has received Default Declarations from holders of not less than 25 per cent. in aggregate principal amount of that Tranche then outstanding (the “Relevant Threshold”), and (b) 30 days have passed from the date on which the Relevant Threshold was met, unless in the case of Condition 9(i), 9(ii) or 9(iii), the obligation has been satisfied or performed prior thereto (in which case each Default Declaration shall become null and void). Upon the Relevant Threshold being met the Issuer shall give notice thereof to the holders of that Tranche in accordance with Condition 15 (*Notices*).

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the relevant Tranche then outstanding to the effect that each Default Declaration received in relation to such Tranche should be deemed to be null and void, the Issuer shall give notice thereof to the holders of that Tranche (with a copy to the Fiscal Agent), whereupon such Default Declarations shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

## **10. Prescription**

Claims in respect of principal and interest shall become void unless made within a period of ten years, in the case of principal, and five years, in the case of interest, from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

## **11. Replacement of Definitive Registered Notes**

If any Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or the Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Definitive Registered Notes must be surrendered before replacements will be issued.

## **12. Amendment, Modification and Waiver**

### **(a) Without Consent of Noteholders**

Notwithstanding Condition 12(b), without the consent of any Noteholder, the Issuer and the Guarantor may amend or supplement the Conditions, the Guarantee or, subject to the proviso below, the Fiscal Agency Agreement:

- (i) to cure any ambiguity, defect or inconsistency which is of a formal, minor or technical nature or which is made to correct a manifest error; or
- (ii) to make any change that would provide any additional rights or benefits to the Noteholders, *provided* that such change does not adversely affect the rights under these Conditions of any such Noteholder in any material respect; or
- (iii) in accordance with Condition 5(b).

The Fiscal Agency Agreement can only be amended provided that the relevant Agents party thereto agree to do so (and such agreement cannot be compelled by the Noteholders).

### **(b) With Consent of Noteholders**

- (i) Except as provided in Condition 12(a) and in this Condition 12(b), these Conditions, the Fiscal Agency Agreement and/or the Guarantee may be amended or supplemented with the consent of the Issuer, the Guarantor and the holders of a majority in aggregate principal amount of any Tranche then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, any Tranche) (an “Ordinary Resolution”), and any existing Event of Default or compliance with any provision of these Conditions, the Guarantee and/or the Fiscal Agency Agreement may be waived by an Ordinary Resolution.
- (ii) Unless consented to by all holders of any then outstanding Tranche (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, any Tranche) (an “Extraordinary Resolution”), an amendment, supplement or waiver may not (with respect to any Notes of that Tranche held by a non-consenting Noteholder):
  - 1. reduce the principal amount of that Tranche whose holders must consent to an amendment, supplement or waiver;
  - 2. reduce the principal of or change the fixed maturity of that Tranche or alter the provisions with respect to the redemption or repurchase of that Tranche;
  - 3. reduce the rate of or change the time for payment of interest, including default interest, on that Tranche or to vary the method of determining the rate of interest of that Tranche;
  - 4. waive an Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, that Tranche (except a rescission of acceleration of that Tranche by the holders of that Tranche of a majority in aggregate principal amount of the then outstanding Notes of that Tranche and a waiver of the payment default that resulted from such acceleration);
  - 5. make any interest or principal in respect of that Tranche payable in money other than that stated in these Conditions;
  - 6. make any change relating to waivers of past Events of Defaults or the rights of Noteholders to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, that Tranche (other than as permitted in (7) below);
  - 7. waive a redemption or repurchase payment with respect to that Tranche;

8. modify or release any of the Guarantee in respect of that Tranche in any manner adverse to the Noteholders, other than in accordance with these Conditions and the Guarantee;
  9. make any change to the ranking of a Tranche or the Guarantee, in each case in a manner that adversely affects the rights of the Noteholders; or
  10. make any change to this Condition 12.
- (iii) The Fiscal Agency Agreement contains detailed provisions for convening meetings of Noteholders of any Tranche to consider any matter listed in Condition 12(b)(i) or Condition 12(b)(ii), which shall apply in the event that any Definitive Registered Notes have been issued.
- (iv) If and whenever the Issuer has issued and has outstanding Notes of more than one Tranche the following provisions shall have effect:
- (1) a resolution which affects the Notes of only one Tranche shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Notes of that Tranche or by a separate resolution of the holders of the Notes of that Tranche;
  - (2) a resolution which affects the Notes of more than one Tranche but does not give rise to a conflict of interest between the holders of Notes of any of the Tranches so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Notes of all the Tranches so affected or by single resolution of the Notes of all the Tranches so affected;
  - (3) a resolution which affects the Notes of more than one Tranche and gives or may give rise to a conflict of interest between the holders of the Notes of one Tranche or group of Tranches so affected and the holders of the Notes of another Tranche or group of Tranches so affected shall be deemed to have been duly passed only if it is duly passed at separate meetings of the holders of the Notes of each Tranche or group of Tranches so affected or by separate resolutions of the holders of the Notes of each Tranche or group of Tranches so affected; and
  - (4) to all such resolutions all the preceding provisions of this Condition 12 shall *mutatis mutandis* apply as though references therein to Notes, Noteholders and holders were references to the Notes of the Tranche or group of Tranches in question or to the holders of such Notes, as the case may be.

The consent of the Noteholders is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. Noteholders may give consent to any proposal made pursuant to this Condition 12 by way of electronic consents through the relevant clearing system(s) or as directed in the documentation prepared by the Issuer or the Guarantor, as the case may be, in respect of such proposal.

For the purposes of Condition 9 (*Events of Default*) and this Condition 12, those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or the Guarantor) for the benefit of the Issuer or the Guarantor or by any public body owned or controlled, directly or indirectly, by the Issuer or the Guarantor shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

**(c) Supplements to the Fiscal Agency Agreement**

In order to make any modification to the Conditions, the Fiscal Agency Agreement or the Guarantee pursuant to this Condition 12, the Issuer, the Guarantor and the Fiscal Agent shall execute a supplemental fiscal agency agreement and/or a supplemental guarantee, as applicable. Following the execution of such supplemental fiscal agency agreement and/or such supplemental guarantee, as applicable, the Conditions, the Guarantee or the Fiscal Agency Agreement, as the case may be, shall be deemed modified in accordance therewith, and such supplemental fiscal agency agreement and/or such supplemental guarantee, as applicable, shall form part of the Fiscal Agency Agreement and/or the Guarantee, as applicable, for all purposes and every Noteholder shall be bound thereby.

**(d) Revocation and Effect of Consents**

Until an amendment, supplement or waiver becomes effective, a consent to it by a Noteholder is a continuing consent by the Noteholder and every subsequent Noteholder or portion of a Note that evidences the same debt as the consenting Noteholder's Note, even if notation of the consent is not made on any Note. However, any such Noteholder or subsequent Noteholder may revoke the consent as to its Note if the Issuer or the Guarantor, as the case may be, receives written notice of revocation before the date on which the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Noteholder.

**(e) Notice of Amendment or Waiver**

As soon as reasonably practicable, after the execution by the Issuer, the Guarantor and the Fiscal Agent of any supplemental fiscal agency agreement, supplemental guarantee and/or waiver pursuant to Condition 12(b) (*With Consent of Noteholders*), the Issuer shall give notice thereof to the Noteholders of each outstanding Note affected, in accordance with Condition 15 (*Notices*), setting forth in general terms the substance of such supplemental fiscal agency agreement, supplemental guarantee and/or waiver.

**13. Substitution**

**(a) Substitution**

The Issuer shall be entitled at any time without the consent of the Noteholders of any Tranche to be substituted as issuer by any direct or indirect wholly-owned subsidiary of the Guarantor that is at the time of the substitution incorporated in a member country of the OECD or by the Guarantor (such substituted issuer being the "New Issuer") in respect of all obligations arising from or in connection with the Notes of that Tranche, if:

- (i) the New Issuer assumes all obligations of the Issuer arising from or in connection with that Tranche;
- (ii) the Issuer and the New Issuer have obtained any necessary authorizations or consents from the relevant competent authorities to the effect that, as of the substitution date, the New Issuer may transfer to the relevant Paying Agent in U.S. dollars or other relevant currency without the withholding at source or deduction at source of any taxes, fees, duties, assessments or other governmental charges in the country of its incorporation and, if different where it is treated as resident for tax purposes, all amounts required for the performance of the payment obligations arising from or in connection with that Tranche; and
- (iii) the Guarantor, if it is not itself the New Issuer, irrevocably and unconditionally guarantees such obligations of the New Issuer in the same form and with the same content as that Tranche were originally guaranteed by the Guarantor.

The substitution of another obligor in place of the Issuer may be treated for U.S. federal income tax purposes as an exchange by the U.S. Holders of their Notes for new notes. This deemed exchange could result in recognition of taxable gain or loss for U.S. federal income tax purposes and other adverse consequences.

**(b) Change of References**

In the event of such substitution, any reference in these Conditions to the Issuer shall from the time of such substitution be deemed to refer to the New Issuer.

**(c) Notice**

Any substitution effected in accordance with Condition 13(a) (*Substitution*) shall be binding on the Noteholders of the relevant Tranche and shall be notified to them in accordance with Condition 15 (*Notices*) not less than 15 Business Days before such substitution comes into effect.

**14. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of any of the Noteholders, to create and issue further Notes of any Tranche ("Additional Notes") ranking equally in all respects (or in all respects save for the date



for and amount of the first payment of interest thereon and the date on which such interest begins to accrue) so that the same shall be consolidated and form a single series with and increase the aggregate principal amount of the relevant Tranche then outstanding, *provided* that if such Additional Notes are not fungible with the outstanding Notes of the relevant Tranche for U.S. federal income tax purposes, such Additional Notes will be issued with a CUSIP, ISIN or other identifying number that is different from the CUSIP, ISIN or other identifying number of the outstanding Notes of that Tranche.

## **15. Notices**

All notices to the Noteholders will be mailed to them at their respective addresses in the relevant Register at the time of publication of such notice or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures (or any other manner approved by the Registrar (or the Fiscal Agent on its behalf), which may be by electronic transmission). Any such notice shall be deemed to have been given on the fourth day after the date of mailing, or if the Notes are held in a clearing system, on the day after the day on which such notice is delivered to the clearing system.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Definitive Registered Note, with the relevant Registrar or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **16. Currency Indemnity**

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Notes or the Guarantee, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note or the Guarantee, the Issuer or the Guarantor, as the case may be, shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer or the Guarantor, as the case may be, shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate and independent obligations from the Issuer's and the Guarantor's other respective obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgences granted by any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order.

## **17. Rights of Third Parties**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **18. Governing Law and Jurisdiction**

### **(a) Governing Law**

The Notes, the Guarantee and the Fiscal Agency Agreement, and any non-contractual obligations arising out of or in connection with them, shall be governed by and construed in accordance with English law.

### **(b) Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Guarantee and the Fiscal Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Guarantee and the Fiscal Agency Agreement ("Proceedings") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process**

Each of the Issuer and the Guarantor irrevocably appoints BMW (UK) Holdings Ltd of Summit ONE, Summit Avenue, GU14 0FB, Farnborough, Hampshire, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on the Notes or the Guarantee. If for any reason the Issuer or the Guarantor, as the case may be, does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

**19. Definitions**

In these Conditions:

“Additional Amounts” has the meaning assigned to such term in Condition 8 (*Taxation*).

“Business Day” except as provided in Condition 2(b) (*Delivery*), means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each of Frankfurt, London and New York City.

“Comparable Treasury Issue” means the United States Treasury security selected by the Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes (assuming, for this purpose, that the 20 Notes mature on , 20 and the 20 Notes mature on , 20 ). **[NTD: To be included for tranches with a par-call period.]**

“Comparable Treasury Price” means, with respect to any Redemption Date, (i) the average of the Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker for the Notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Event of Default” has the meaning assigned to such term in Condition 9 (*Events of Default*).

“Floating Rate Notes Interest Amount” means the amount of interest accrued and payable on the Floating Rate Notes for each Floating Rate Notes Interest Period, which will be equal to the product of (i) the outstanding principal amount of the Floating Rate Notes multiplied by (ii) the product of (a) the Rate of Interest for the relevant Floating Rate Notes Interest Period multiplied by (b) the quotient of the actual number of calendar days in such Floating Rate Notes Interest Period divided by 360;

“Floating Rate Notes Interest Period” means the period commencing on and including a Floating Rate Notes Interest Payment Date and ending on and including the day immediately preceding the next succeeding Floating Rate Notes Interest Payment Date, with the exception that (i) the first Floating Rate Notes Interest Period shall commence on and include , 2020 and (ii) the final Floating Rate Notes Interest Period shall end on and exclude the Floating Rate Notes Maturity Date.

“IFRS” means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the EU and in effect on the date hereof.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Issuer to act as the Independent Investment Banker.

“Interest Payment Date” means either a Fixed Rate Notes Interest Payment Date or a Floating Rate Notes Interest Payment Date, as applicable.

“International Capital Market Indebtedness” means any issue of notes, bonds or similar debt securities with an original maturity of more than one year which are, or are intended to be, capable of being quoted, listed, dealt in or traded on any stock exchange or over the counter or other securities market.

“London Business Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

“Maturity Date” means the 20     Notes Maturity Date, the 20     Notes Maturity Date, the 20     Notes Maturity Date, or the Floating Rate Notes Maturity Date, as applicable.

“Noteholder” means, in relation to a Note, the Person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named holder thereof).

“OECD” means the Organization for Economic Cooperation and Development.

“Officers’ Certificate” means a certificate signed by two officers of the Issuer or the Guarantor, as the case may be.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

“Primary Treasury Dealer” means a primary U.S. Government securities dealer in New York City.

“Record Date” means the fifteenth day before an Interest Payment Date.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that Redemption Date.

“Reference Treasury Dealers” means BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC and their respective successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Issuer; *provided*, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Issuer shall substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer.

“Relevant Jurisdiction” means Germany or any other jurisdiction where the Issuer or Guarantor is then organized or resident for tax purposes, or any jurisdiction from or through which payment is made by the Issuer, the Guarantor or their paying agent, or, in each case, any political subdivision thereof; provided that, the United States or any political subdivision thereof shall not be considered a Relevant Jurisdiction.

“Remaining Scheduled Payments” means, with respect to each Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due if the Note to be redeemed had matured on     , 20     for the 20     Notes,     , 20     for the 20     Notes and     , 20     for the 20     Notes.

“Treasury Rate” means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding that Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

“U.S. dollars” and “U.S.\$” means the lawful currency of the United States of America.

## FORM OF NOTES, CLEARANCE AND SETTLEMENT

### General

The Notes are being offered and sold only:

- to QIBs in reliance on Rule 144A (“Rule 144A Notes”), or
- to persons other than “U.S. persons” (as defined in Regulation S) in offshore transactions in reliance on Regulation S (“Regulation S Notes”).

The Notes will be issued in fully registered global form in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. Notes will be issued on the Issue Date therefor only against payment in immediately available funds.

The Rule 144A Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the “Rule 144A Global Note”). The Rule 144A Global Note will be deposited upon issuance with Cede & Co., as custodian (the “Custodian”) for DTC in New York, New York, and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC (including Euroclear and Clearstream, Luxembourg, as described below under “—*Depositary Procedures*”).

The Regulation S Notes will be represented by one permanent global certificate (which may be subdivided) in definitive, fully registered form without interest coupons (the “Regulation S Global Note,” together with the Rule 144A Global Note, the “Global Notes” and each a “Global Note”). The Regulation S Global Note will be deposited upon issuance with the Custodian for DTC and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear and Clearstream, Luxembourg, as described below under “—*Depositary Procedures*.” Interests in the Regulation S Global Note may only be held by non-U.S. persons (as defined in Regulation S).

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under “—*Exchange of Book-Entry Notes for Certificated Notes*.”

The Notes will bear a restrictive legend as described in the Fiscal and Paying Agency Agreement. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

### Exchanges Between the Regulation S Global Note and Rule 144A Global Note

Beneficial interests in the Rule 144A Global Note may be exchanged for beneficial interests in the Regulation S Global Note at any time, and beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Regulation 144A Global Note after the 40<sup>th</sup> day after the later of the commencement of the Offering and the date of the original issue of the Notes, in each case in the circumstances described below.

Beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Paying Agent a written certificate to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Paying Agent a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Note for a beneficial interest in the Rule 144A Global Note or vice versa will be effected in DTC by means of an instruction originated by the Transfer Agent.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as it remains such an interest.

### **Exchange of Global Notes for Certificated Notes**

The Global Notes are exchangeable for certificated Notes in definitive, fully registered form without interest coupons only in the following limited circumstances:

- DTC notifies the Group that it is unwilling or unable to continue as depository for the Global Notes or DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), at a time when DTC is required to be so registered in order to act as depository, and in each case BMW Group fails to appoint a successor depository within 90 days of such notice;
- if there shall have occurred and be continuing an Event of Default (as defined in the Fiscal and Paying Agency Agreement) with respect to the Notes (see “*Terms and Conditions of the Notes and Guarantee*”), and DTC representing a majority in aggregate principal amount of the then outstanding Notes so advises the Fiscal Agent in writing; or
- the Company has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by certificated Notes in definitive form.

In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “*Transfer Restrictions*,” unless the Obligors determine otherwise in accordance with the Fiscal and Paying Agency Agreement and in compliance with applicable law.

### **Notices**

So long as the Notes are represented by Global Notes held on behalf of DTC, notices required to be given to Noteholders may be given by their being delivered to DTC, rather than by publication as required by the Terms and Conditions.

### **Meetings**

The holder of each Global Note shall (unless such Global Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 principal amount of Notes for which such Global Note may be exchanged.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urges investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include

securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants").

Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes, and
- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including, in case of the Regulation S Global Note, Euroclear and Clearstream, Luxembourg) that are Participants or Indirect Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. The depositories, in turn, will hold interests in the Global Notes in customers' securities accounts in the depositories' names on the books of DTC.

All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of these systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in the Global Notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Notes, see "*Transfer Restrictions.*"

**Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or holders thereof for any purpose.**

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be payable by the Paying Agent to DTC in its capacity as the registered holder under the Fiscal and Paying Agency Agreement. The Issuer and the Paying Agent will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Issuer, the Paying Agent or any agent of the Issuer or the Paying Agent has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to, or payments made on account of beneficial ownership interests in, the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes, or
- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Paying Agent or the Issuer. Neither the Issuer nor the Paying Agent will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Issuer and the Paying Agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under "*Transfer Restrictions*," cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Transfers between holders of Regulation S Notes and Rule 144A Notes will be effected through the Registrar, the Transfer Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Settlement between such a buyer and seller cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Issuer nor the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.



## TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with BMW Group and the initial purchasers:

(1) You acknowledge that:

- the Securities have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, if applicable, in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of BMW Group, that you are not acting on its behalf and that either:

- you are a QIB (as defined in Rule 144A) and are purchasing the Notes for your own account or for the account of another QIB, and you are aware that the initial purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S) or purchasing for the account or benefit of a U.S. person and you are purchasing Notes in an offshore transaction in compliance with Regulation S.

(3) You acknowledge that neither BMW Group nor the initial purchasers nor any person representing BMW Group or the initial purchasers has made any representation to you with respect to BMW Group or the offering of the Notes, other than the information contained in or incorporated by reference into this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning BMW Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from BMW Group or the initial purchasers.

(4) If you are a purchaser of Notes pursuant to Rule 144A, you represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You further agree, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that the Notes may be offered, sold or otherwise transferred only:

(A) to a person who the seller reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a QIB or QIBs in a transaction meeting the requirements of Rule 144A;

(B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S;

(C) pursuant to an exemption from registration pursuant to Rule 144 (if available); or

(D) pursuant to an effective registration statement under the Securities Act,

provided that as a condition to registration of transfer of the Notes, BMW Group or the Fiscal Agent may require delivery of any documents or other evidence that each of BMW Group or the Fiscal Agent, in its discretion, deems necessary or appropriate to evidence compliance with one of the exemptions referred to above, and, in each case, in accordance with the applicable securities laws of the states of the United States and other jurisdictions.

You also acknowledge that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; AND

(2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE, OR OTHERWISE TRANSFER THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN, EXCEPT:

(A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF;

(B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,

(C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT; OR

(D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. EACH OF THE ISSUER AND THE GUARANTOR SHALL USE ITS REASONABLE ENDEAVORS TO ENSURE THAT NO NOTE ACQUIRED BY IT OR BY ANY AFFILIATE (AS DEFINED IN RULE 144A) OF IT IS RESOLD BY THE ACQUIRER, EXCEPT TO THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE AFFILIATES (AS SO DEFINED), UNLESS, UPON COMPLETION OF SUCH SALE, SUCH NOTE WOULD NOT BE A RESTRICTED SECURITY WITHIN THE MEANING OF RULE 144A.

(5) If you are a purchaser of the Notes under Regulation S, you will be deemed to:

(A) acknowledge that the Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and, until so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below; and

(B) agree that if you should resell or otherwise transfer the Notes prior to the expiration of a distribution compliance period (defined as 40 days after the later of the closing date with respect to the Notes and the completion of the distribution of the Notes), you will do so only (i)(A) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable securities laws of the states of the United States or any other jurisdictions.

You also acknowledge that each Regulation S Note will contain a legend substantially to the following effect:

THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF IN AN OFFSHORE TRANSACTION, AND

(2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR GUARANTEE, PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S), ONLY

(A) TO THE ISSUER OR ANY AFFILIATE THEREOF,

(B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,

(C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT; OR

(D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. EACH OF THE ISSUER AND THE GUARANTOR SHALL USE ITS REASONABLE ENDEAVORS TO ENSURE THAT NO NOTE ACQUIRED BY IT OR BY ANY AFFILIATE (AS DEFINED IN RULE 144A) OF IT IS RESOLD BY THE ACQUIRER, EXCEPT TO THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE AFFILIATES (AS SO DEFINED), UNLESS, UPON COMPLETION OF SUCH SALE, SUCH NOTE WOULD NOT BE A RESTRICTED SECURITY WITHIN THE MEANING OF RULE 144A.

(6) You acknowledge that the Obligors, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify BMW Group and the initial purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see “*Form of Notes, Clearance and Settlement—Exchanges Between a Regulation S Global Note and Rule 144A Global Note.*”

## TAXATION

*Prospective investors should be aware that they may be required to pay present or future taxes, fees or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions.*

*In light of the various jurisdictions in which prospective investors may be located, this Offering Memorandum does not describe any tax consequences to prospective investors except to the extent discussed under “Certain U.S. Federal Income Tax Considerations” below. Prospective investors are advised to ask for their own tax advisors’ advice on the tax consequences to them with respect to the acquisition, ownership or disposition of the Notes, including under the laws of their country of residence. Only such advisors are in a position to duly consider the specific situation of the potential investor.*

### **Certain U.S. Federal Income Tax Considerations**

The following is a discussion of certain U.S. federal income tax consequences of owning and disposing of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person’s decision to acquire such Notes. This discussion applies only to the U.S. Holders and Non-U.S. Holders (both as defined below) described herein who are beneficial owners of Notes who hold Notes as capital assets for U.S. federal income tax purposes and acquire such Notes in this offering at the “issue price,” which will equal the first price at which a substantial amount of the Notes of the relevant series is sold for money to the public, not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. This discussion does not describe Medicare tax or alternative minimum tax consequences or any special tax accounting rules under Section 451 of the Internal Revenue Code of 1986 (the “Code”), nor does it describe all of the U.S. federal income tax consequences that may be relevant to investors in light of their particular circumstances or to investors subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and certain traders in securities;
- persons holding Notes as part of a straddle or integrated transaction;
- U.S. Holders (as described below) whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- tax-exempt organizations.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Notes and their partners should consult their tax advisors as to the particular U.S. federal income tax consequences of purchasing, owning and disposing of the Notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, all of which are subject to change, possibly on a retroactive basis. Prospective purchasers should consult their own tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of purchasing, owning and disposing of Notes in their particular circumstances.

### ***Tax consequences to U.S. Holders***

As used herein, the term “U.S. Holder” means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;

- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The Floating Rate Notes should be treated as “variable rate debt instruments” for U.S. federal income tax purposes, and the remainder of this discussion so assumes.

#### *Interest*

It is expected, and the following discussion assumes, that the Notes will be issued with no more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. Interest (including any Additional Amounts) paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

#### *Sale, retirement or other taxable disposition of the Notes*

Upon the sale, retirement or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, retirement or disposition and the U.S. Holder’s tax basis in the Note. A U.S. Holder’s tax basis will generally be its cost for the Note. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be taxed as described under “*Interest*” above. Gain or loss realized on the sale, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, retirement or disposition the Note has been owned for more than one year. Long-term capital gains of non-corporate U.S. Holders are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

#### *Deemed exchange event upon substitution of Issuer*

The substitution of another obligor in place of the Issuer, as described in “*Terms and Conditions of the Notes and Guarantee—Substitution*,” may be treated for U.S. federal income tax purposes as an exchange by the U.S. Holders of their Notes for new notes. This deemed exchange could result in recognition of taxable gain or loss for U.S. federal income tax purposes and other adverse consequences. U.S. Holders should consult their own tax advisors regarding the tax consequences of any substitution.

#### *Backup withholding and information reporting*

Information returns generally are required to be filed with the Internal Revenue Service in connection with interest payments on the Notes and proceeds from the sale, exchange, retirement or other disposition of the Notes unless the U.S. Holder is an exempt recipient and, if required, demonstrates such status. A U.S. Holder may also be subject to backup withholding unless such U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding or provides proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or allowed as a credit against a U.S. Holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

#### ***Tax consequences to Non-U.S. Holders***

As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual who is not a citizen or resident of the United States; or
- a foreign corporation.

However, “Non-U.S. Holder” does not include a person who is an individual present in the United States for 183 days or more in the taxable year of disposition of a Note and who is not otherwise a resident of the United States for U.S. federal income tax purposes or a former citizen or former resident of the United States. In either case, such

a person is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of purchasing, owning and disposing of a Note.

#### *Payments on the Notes*

Subject to the discussions below under “—*Backup withholding and information reporting*” and “—*FATCA*” payments of principal and interest on the Notes by the Issuer to any Non-U.S. Holder will not be subject to U.S. federal withholding tax, provided that, in the case of interest:

- the Non-U.S. Holder, does not own, actually or constructively, 10% or more of the total combined voting power of all classes of stock of the Guarantor entitled to vote;
- the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to the Issuer through stock ownership; and
- the Non-U.S. Holder certifies on a properly executed Internal Revenue Service Form W-8BEN or Form W-8BEN-E (or other applicable form or successor form), under penalty of perjury, that it is not a U.S. person.

If a Non-U.S. Holder cannot satisfy the three requirements described above and interest on the Notes is not effectively connected with its conduct of a trade or business in the United States (and thus exempt from withholding, as described below), payments of interest on the Notes will be subject to withholding tax at a rate of 30% unless an income tax treaty applies to reduce or eliminate the withholding tax and the Non-U.S. Holder properly certifies as to its entitlement to the treaty benefits under penalty of perjury (generally through the provision of a properly executed Internal Revenue Service Form W-8BEN or W-8BEN-E (or other applicable form or successor form)).

#### *Sale, exchange, retirement or other disposition of the Notes*

Subject to the discussions below under “—*Backup withholding and information reporting*” and “—*FATCA*” a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale, exchange, retirement or other disposition of a Note, unless the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, subject to an applicable income tax treaty providing otherwise. However, any proceeds attributable to accrued interest will be treated as described above under “—*Payments on the Notes.*”

#### *Effectively connected income*

If a Non-U.S. Holder is engaged in a trade or business in the United States, and if interest or gain on the Note is effectively connected with the conduct of this trade or business (and is attributable to the Non-U.S. Holder’s U.S. permanent establishment, if required under any applicable income tax treaty), the Non-U.S. Holder, although exempt from the withholding tax discussed above, will generally be taxed in the same manner as a U.S. Holder (see “—*Tax consequences to U.S. Holders*” above), except that the Non-U.S. Holder will be required to provide to the payor a properly executed Internal Revenue Service Form W-8ECI (or other applicable form or successor form) in order to claim an exemption from withholding tax. These Non-U.S. Holders should consult their own tax advisors with respect to the U.S. tax consequences of the purchase, ownership and disposition of Notes, including the possible imposition of a 30% branch profits tax in the case of corporate Non-U.S. Holders.

#### *Backup withholding and information reporting*

Information returns are required to be filed with the U.S. Internal Revenue Service in connection with interest payments on the Notes. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person, information reports may also be filed with the U.S. Internal Revenue Service in connection with the proceeds from a sale, exchange, retirement or other disposition of the Notes and the Non-U.S. Holder may be subject to U.S. backup withholding on payments on the Notes or on the proceeds from a sale, exchange, retirement or other disposition of the Notes. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or allowed as a credit against the Non-U.S. Holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

## **FATCA**

Provisions commonly referred to as “FATCA” impose withholding of 30% on payments of U.S.-source interest made to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles and financial institutions), and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) are satisfied or an exemption applies. Although the FATCA legislation would also impose withholding on payments of gross proceeds from the disposition of Notes, under proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization), no withholding on gross proceeds would apply. If FATCA withholding is required, the Issuer will not be required to pay any additional amounts with respect to any amounts so withheld (See “*Terms and Conditions of the Notes and Guarantee—Payments—Payments subject to Applicable Laws*”). If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution generally will be entitled to a refund of any amounts so withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). Prospective investors should consult their tax advisors regarding the effects of FATCA on their investment in the Notes and their ability to obtain a refund of any FATCA withholding.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among the Obligor and the initial purchasers, each initial purchaser named below has agreed to purchase the principal amount of the Notes set forth opposite its name below.

<b>Initial Purchasers</b>	<b>Principal Amount of the 20 Notes</b>	<b>Principal Amount of the 20 Notes</b>	<b>Principal Amount of the 20 Notes</b>	<b>Principal Amount of the Floating Rate Notes</b>
BofA Securities, Inc. ....				
Citigroup Global Markets Inc.....				
Goldman Sachs & Co. LLC.....				
J.P. Morgan Securities LLC .....				
Wells Fargo Securities, LLC .....				
<b>Total</b> .....				

The obligations of the initial purchasers under the purchase agreement are subject to the satisfaction of certain conditions. The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all of the Notes if any of them are purchased. The Issuer and the Guarantor will pay the initial purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

The initial purchasers initially propose to offer the Notes for resale at the issue prices that appears on the cover of this Offering Memorandum. After the initial offering, the initial purchasers may change the offering prices and any other selling terms. The initial purchasers may offer and sell Notes through certain of their affiliates.

In the purchase agreement, the Obligor has agreed that:

- up to and including the settlement date, without the prior written consent of the representatives, they will not offer, sell, contract to sell, pledge or otherwise dispose of any substantially similar debt securities issued or guaranteed by the Issuer or the Guarantor, as the case may be, and having a tenor of more than one year and denominated in U.S. dollars, except for any debt securities issued or sold outside the United States; and
- they will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act.

The Notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. In the purchase agreement, each initial purchaser has agreed that:

- the Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- during the initial distribution of the Notes, it will offer or sell Notes only to QIBs in the United States in reliance on Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

No action has been taken by the Issuer, the Guarantor or the initial purchasers that would permit a public offering of the Notes described in this Offering Memorandum in any jurisdiction where action for that purpose is required. The Notes offered by this Offering Memorandum may not be offered or sold, directly or indirectly, nor may this Offering Memorandum or any other offering material or advertisements in connection with the offer and sale of the Notes be distributed or published in any jurisdiction, except under circumstances that will result in



compliance with applicable laws and regulations of that jurisdiction. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about, and to observe, any restrictions relating to the offering of the Notes and the distribution of this Offering Memorandum. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase the Notes in any jurisdiction in which such an offer or a solicitation is unlawful.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “*Transfer Restrictions*.” The Obligors do not intend to apply for the Notes to be listed on any securities exchange or to arrange for the Notes to be quoted on any automated dealer quotation system. The initial purchasers have advised the Obligors that they intend to make a market in the Notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the Notes at any time in their sole discretion without notice. Accordingly, the Obligors cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering of the Notes, the initial purchasers may overallocate Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers (or persons acting on their behalf) will undertake stabilization actions. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the Issue Date and 60 days after the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the initial purchasers in accordance with applicable laws and rules.

The Obligors expect that delivery of the Notes will be made against payment on the respective Notes on or about the date specified on the cover page of this Offering Memorandum, which will be three business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on any date prior to two business days before delivery will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the initial purchasers or their affiliates may have a lending relationship with the Issuer, the Guarantor or their respective affiliates. Certain of the initial purchasers or their affiliates routinely hedge, and certain of the initial purchasers or their affiliates may hedge, their credit exposure to the Group consistent with their customary risk management policies. A typical hedging strategy would include these initial purchasers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Group’s securities, including potentially any Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments (including serving as counterparties to certain derivative and hedging arrangements) and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities trading activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Notice to Prospective Investors in the European Economic Area and the United Kingdom**

### ***Prohibition of Sales to EEA or UK Retail Investors***

Each of the initial purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area (“EEA”) or in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or
  - (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in point (e) of Article 2 of the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

### **Notice to Prospective Investors in Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd. or any other exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

### **Notice to Prospective Investors in Canada**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of National Instrument 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Notice to Prospective Investors in the United Kingdom**

Each initial purchaser has represented and agreed with the Obligors that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Notice to Prospective Purchasers in Hong Kong**

Each initial purchaser has represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”), other than: (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO (Cap. 571) and any rules made under the SFO.

### **Notice to Prospective Purchasers in Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Act on Special Taxation Measures. The Notes may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the Notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient to others for reoffering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Issuer as described in Article 6, paragraph (4) of the Act on Special Taxation Measures, (ii) a Japanese financial institution, designated in Article 3-2-2, paragraph (28) of the Cabinet Order, relating to the Act on Special Taxation Measures that will hold the Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2 2, paragraph (2) of the Cabinet Order.

### **Notice to Prospective Purchasers in Singapore**

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, and if the Issuer has not notified the initial purchasers on the classification of the notes under and pursuant to Section 309(B)(1) of the Securities and Futures Act, Chapter 289 Singapore, this Offering Memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the Guarantee may not be circulated or distributed, nor may the Notes and the Guarantee be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in

Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Securities are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the Securities and Futures Act; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### **Notice to Prospective Purchasers in the United Arab Emirates**

The Notes have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (including the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this Offering Memorandum does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This Offering Memorandum has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority of the United Arab Emirates or, in the Dubai International Financial Centre, or the Dubai Financial Services Authority.

## **LEGAL MATTERS**

The validity of the Notes offered hereby will be passed upon for the Issuer by Davis Polk & Wardwell London LLP, London, United Kingdom. Certain legal matters in connection with the offering of the Notes will be passed upon for the initial purchasers by Latham & Watkins (London) LLP, London, United Kingdom and Latham & Watkins LLP, Frankfurt am Main, Germany.

## **INDEPENDENT AUDITORS**

The Group's audited consolidated financial statements as of and for the financial year ended December 31, 2019, which are incorporated by reference into this Offering Memorandum, have been audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and the EU Audit Regulation (No. 537/2014) by the Group's independent auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany.

The Group's audited consolidated financial statements as of and for the financial year ended December 31, 2018, which are incorporated by reference into this Offering Memorandum, have been audited by the Group's independent auditors at the time, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, Germany.

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United States of America

**REGISTERED OFFICE OF THE GUARANTOR**

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Federal Republic of Germany

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and England and Wales*

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United Kingdom

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

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AGENT AND  
CALCULATION AGENT**

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United Kingdom

**FISCAL AGENT AND  
TRANSFER AGENT**

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**REGISTRAR**

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Grand Duchy of Luxembourg

**BMW US Capital, LLC**

U.S.\$                    % Notes due 20  
U.S.\$                    % Notes due 20  
U.S.\$                    % Notes due 20  
U.S.\$                    **Floating Rate Notes due 20**

fully and unconditionally guaranteed by

**Bayerische Motoren Werke Aktiengesellschaft**



**OFFERING MEMORANDUM**

, 2020

**BofA Securities  
Citigroup  
Goldman Sachs & Co. LLC  
J.P. Morgan  
Wells Fargo Securities**