

Offering Circular
January 18, 2000

BMW (UK) Capital plc
England and Wales

3114356

GBP 100,000,000
6.5% Notes due 2004 (1. Increase)
to the
GBP 200,000,000
6.5% Notes due 2004

unconditionally and irrevocably guaranteed by

Bayerische Motoren Werke Aktiengesellschaft
Munich, Federal Republic of Germany

Issue Price: 97.694%

The GBP 100,000,000 6.5% Notes due 2004 (the "Notes") issued by BMW (UK) Capital plc (the "Issuer" or "BMW UK") are unconditionally and irrevocably guaranteed by Bayerische Motoren Werke Aktiengesellschaft (the "Guarantor" or "BMW AG", together with its consolidated subsidiaries, the "BMW Group"). The Notes constitute the first increase of the issue of GBP 200,000,000 6.5% Notes of 1999/2004 (the "Original Notes").

The Notes will initially be represented by a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited with a common depository on behalf of Cedelbank, société anonyme ("Cedelbank") and the Euroclear System ("Euroclear") on or about 14 January 2000. The Temporary Global Note will be exchangeable for definitive Notes in bearer form with interest coupons attached not earlier than 23 February 2000 upon certification as to non-U.S. beneficial ownership.

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

Dresdner Kleinwort Benson



The Issuer and the Guarantor accept responsibility for the information contained in this document and to the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "GBP" are to Great Britain Pounds, all references to "DM" and "DEM" are to Deutsche Mark and all references to "EUR" are to Euros.

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

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ANLEIHEBEDINGUNGEN

Der deutsche Text dieser Anleihebedingungen ist ausschließlich rechtlich maßgebend. Die englische Übersetzung ist unverbindlich.

§ 1

- (1) Die Anleihe im Gesamtnennbetrag von GBP 100.000.000 (in Worten: Einhundert Millionen Britische Pfund) ist in auf den Inhaber lautende, untereinander gleichberechtigte Teilschuldverschreibungen (die "Teilschuldverschreibungen" oder die "Anleihe") wie folgt eingeteilt:

15 000 Teilschuldverschreibungen
zu je GBP 1.000
Nr. 31 701 bis 46 700 und

850 Teilschuldverschreibungen
zu je GBP 100.000
Nr. 46 701 bis 47 550

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

§ 2

- (1) Die Teilschuldverschreibungen werden vom 10. August 1999 an mit 6,5 % jährlich verzinst. Die Zinsen sind jährlich nachträglich am 10. August eines jeden Jahres (der "Zinstermin") gegen Einreichung der Zinsscheine zahlbar. Der erste Zinsschein ist am 10. August 2000 fällig.

Die Verzinsung der Teilschuldverschreibungen endet mit Ablauf des Tages, der dem Fälligkeitstag vorausgeht und zwar auch dann, wenn der Fälligkeitstag kein Bankarbeitstag ist.

Für Zwecke dieser Anleihebedingungen ist ein "Bankarbeitstag" ein Tag, an dem Geschäftsbanken und der internationale Devisenhandel Zahlungen in Britische Pfund in London und Luxemburg abwickeln.

- (2) Sofern es die Emittentin aus irgendeinem Grund unterläßt, die zur Tilgung fälliger Teilschuldverschreibungen erforderlichen Beträge rechtzeitig und in voller Höhe bereitzustellen, läuft die Zinsverpflichtung auf den offenen Kapitalbetrag dieser Teilschuldverschreibungen so lange weiter, bis dieser Kapitalbetrag gezahlt ist, keinesfalls jedoch über den 14. Tag nach dem Zeitpunkt hinaus, an dem die erforderlichen Beträge bei der in § 10 definierten Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 14 bekanntgemacht worden ist.
- (3) Sind Zinsen auf einen Zeitraum von weniger als einem Jahr zu berechnen, so werden sie auf der Grundlage eines Jahres von 360 Tagen, bestehend aus 12 Monaten von je 30 Tagen und im Falle eines Zeitraums von weniger als einem Monat, auf der Basis der tatsächlich verstrichenen Tage, berechnet.

§ 3

- (1) Die Teilschuldverschreibungen werden insgesamt am 10. August 2004 zum Nennbetrag zurückgezahlt.

TERMS AND CONDITIONS OF THE ISSUE

The German text of the Terms and Conditions of the Issue is the exclusively legally binding one. This English translation is for convenience only.

§ 1

- (1) The Issue in the aggregate principal amount of GBP 100,000,000 (in words: One hundred million British Pounds) is represented by notes (the "Notes" or the "Issue") payable to bearer and ranking pari passu among themselves as follows:

15 000 Notes
of GBP 1,000 each
Nos. 31 701 to 46 700 and

850 Notes
of GBP 100,000
Nos. 46 701 to 47 550

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

§ 2

- (1) The Notes will bear interest at the rate of 6.5% per annum from August 10, 1999. Interest is payable annually in arrears on August 10 of each year (the "Interest Payment Date") against surrender of the relevant Interest Coupons. The first Interest Coupon will become due on August 10, 2000.

The Notes will cease to bear interest at the end of the day preceding the due date, even if the due date is not a Banking Day.

For the purposes of these Terms and Conditions of the Issue a "Banking Day" means a day, on which commercial banks and foreign exchange markets settle payments in Great Britain Pounds in London and in Luxembourg.

- (2) Should the Issuer for any reason whatsoever fail to provide, when due, the full aggregate amount for the redemption of the Notes, then interest on the outstanding principal amount of such Notes will continue to accrue until the payment of such principal has been effected, but in no case beyond the fourteenth day after the date on which the necessary funds have been provided to the Principal Paying Agent (as defined in § 10 below) and notice thereof has been given by publication in accordance with § 14.
- (3) If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

§ 3

- (1) All of the Notes shall be redeemed on August 10, 2004 at par.

- (2) Die Emittentin ist berechtigt, Teilschuldverschreibungen am Markt oder auf sonstige Weise zurückzukaufen.

§ 4

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

§ 5

- (1) Die Emittentin verpflichtet sich unwiderruflich, Zinsen und Kapital bei Fälligkeit in derjenigen frei verfügbaren und konvertierbaren Währung zu zahlen, die zur Zeit der Zahlung gesetzliches Zahlungsmittel im Vereinigten Königreich von Großbritannien und Nordirland (das "Vereinigte Königreich") ist. Diese Verpflichtung umfaßt den rechtzeitigen Transfer unter allen Umständen und ohne Rücksicht auf die Staatsangehörigkeit, den Wohnsitz oder den gewöhnlichen Aufenthaltsort der Inhaber von Teilschuldverschreibungen und/oder Zinsscheinen (die "Anleihegläubiger").
- (2) Die Teilschuldverschreibungen und Zinsscheine werden den Inhabern bei den Hauptgeschäftsstellen der nachfolgend aufgeführten Banken als Zahlstellen mittels eines auf eine autorisierte Bank im Vereinigten Königreich gezogenen Schecks in Britische Pfund oder durch Überweisung auf ein GBP Konto des Zahlungsempfängers bei einer autorisierten Bank im Vereinigten Königreich eingelöst.

Citibank, N.A., 5 Carmelite Street, London EC4Y 0PA, Vereinigtes Königreich, ist die Hauptzahlstelle der Emittentin (die "Hauptzahlstelle"). Banque Paribas Luxembourg, 10A Boulevard Royal, L-2093 Luxembourg, ist die Zahlstelle der Emittentin (die "Zahlstelle" zusammen mit der Hauptzahlstelle die "Zahlstellen").

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

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

- (2) The Issuer is entitled to purchase Notes in the market or otherwise.

§ 4

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

§ 5

- (1) The Issuer irrevocably undertakes to pay, as and when due, interest and principal in such freely negotiable and convertible currency as at the time of payment is legal tender in the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"). This undertaking includes the obligation to transfer the amounts due under any and all circumstances regardless of the nationality, domicile or residence of the holders of Notes and/or Interest Coupons (the "Noteholders").
- (2) Redemption of Notes and payments on Interest Coupons shall be made against presentation and surrender of Notes and Interest Coupons, as the case may be, at the principal offices of the banks as paying agents, as listed below, by a Great Britain Pound cheque drawn on, or by transfer to a GBP account maintained by the payee with, an authorised bank in the United Kingdom.

Citibank, N.A., 5 Carmelite Street, London EC4Y 0PA, United Kingdom, shall act as principal paying agent of the Issuer (the "Principal Paying Agent"). Banque Paribas Luxembourg, 10A Boulevard Royal, L-2093 Luxembourg, shall act as paying agent of the Issuer (the "Paying Agent" together with the Principal Paying Agent the "Paying Agents").

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

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

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

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

- (2) Zusätzliche Beträge gemäß Absatz (1) sind nicht zu zahlen aufgrund solcher Steuern, Abgaben oder behördlicher Gebühren
- (a) denen ein Anleihegläubiger aus irgendeinem anderen Grund als der bloßen Tatsache unterliegt, daß er Anleihegläubiger ist und zwar insbesondere, wenn der Anleihegläubiger aufgrund einer persönlichen unbeschränkten oder beschränkten Steuerpflicht derartigen Steuern, Gebühren oder Abgaben unterliegt, oder
 - (b) denen der Anleihegläubiger nicht unterläge, wenn er seine Teilschuldverschreibungen bzw. Zinsscheine binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 14 bekanntgemacht wurde, zur Zahlung vorgelegt hätte, oder
 - (c) wenn diese Beträge von einer Zahlstelle in einem Land einbehalten oder abgezogen werden, eine Zahlstelle in einem anderen Land die Zahlung jedoch ohne einen solchen Einbehalt oder Abzug hätte leisten können, oder
 - (d) die auf andere Weise als durch Abzug an der Quelle oder Einbehalt an der Quelle aus Zahlungen von Kapital und Zinsen zu entrichten sind, oder
 - (e) wenn diese Beträge nur abgezogen oder einbehalten werden, weil die Zinsscheine effektiv zur Einlösung am Schalter vorgelegt werden, oder
 - (f) denen ein Anleihegläubiger deshalb unterliegt, weil er Einwohner des Vereinigten Königreiches oder der Bundesrepublik Deutschland ist oder weil er eine andere persönliche oder geschäftliche Verbindung zu diesen Ländern hat und nicht aufgrund der Tatsache, daß Zahlungen gemäß diesen Bedingungen aus dem Vereinigten Königreich oder der Bundesrepublik Deutschland stammen oder steuerlich so behandelt werden, oder

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

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

- (2) No additional amounts shall be payable pursuant to Paragraph (1) with respect to taxes, duties or governmental charges
- (a) which the Noteholder is subject to for any reason other than the mere fact of being a Noteholder including if the Noteholder is subject to such taxes, fees or duties based on a personal unlimited or limited tax liability, or
 - (b) to which the Noteholder would not be subject if he had presented his Notes or Interest Coupons, respectively, for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Principal Paying Agent when due, from the date on which such funds have been provided to the Principal Paying Agent, and a notice to that effect has been published in accordance with § 14, or
 - (c) which are deducted or withheld by a Paying Agent in a country from a payment if the payment could have been made by another Paying Agent in another country without such deduction or withholding, or
 - (d) which are payable otherwise than by deduction at source or withholding at source from payments of principal or interest, or
 - (e) which are only deducted or withheld because they are being presented for payment effectively at the counter, or
 - (f) to which a Noteholder is liable by reason of being a resident of or having some other personal or business connection with the United Kingdom or with the Federal Republic of Germany and not merely by reason of the fact that payments according to these Terms and Conditions are derived, or for the purpose of taxation are deemed to be derived, from sources in the United Kingdom or the Federal Republic of Germany, or

- (g) wenn irgendwelche Steuern, Veranlagungen oder andere behördliche Gebühren nur deshalb erhoben oder an der Quelle abgezogen werden, weil der Anleihegläubiger oder der aus einer Teilschuldverschreibung oder einem Zinsschein wirtschaftlich Berechtigte es versäumt hat, irgendwelche Anforderungen aus einem Gesetz, einem Vertrag, einer Bestimmung oder einer administrativen Regelung der Steuergesetzgebung, aufgrund dessen er einen Anspruch auf Erlass der gesamten Steuer, Veranlagung oder anderen behördlichen Gebühr oder eines Teils davon gehabt hätte, zu erfüllen, oder
- (h) wenn irgendwelche Steuern, Veranlagungen oder andere behördliche Gebühren auf Zahlungen aus den Teilschuldverschreibungen von einem Anleihegläubiger erhoben werden, der ein Treuhänder oder eine Personengesellschaft ist, oder jemand anderes als der wirtschaftlich Berechtigte aus einer solchen Zahlung ist, sofern der Begünstigte oder der die Zahlung Erhaltende in Bezug auf eine solche Treuhandgesellschaft oder einen Gesellschafter einer Personengesellschaft oder einen wirtschaftlich Berechtigten keinen Anspruch auf eine Zahlung zusätzlicher Beträge gehabt hätte, wenn der Begünstigte, der die Zahlung Erhaltende, der Gesellschafter oder der wirtschaftlich Berechtigte seinen ihm zustehenden oder ausgeschütteten Anteil direkt erhalten hätte, oder
- (i) jede Kombination der Absätze (a), (b), (c), (d), (e), (f), (g) und (h)
- (3) Sollte irgendwann in der Zukunft aufgrund einer Änderung des in dem Vereinigten Königreich oder in der Bundesrepublik Deutschland geltenden Rechts oder seiner behördlichen Anwendung die Emittentin oder (falls die Garantin aufgrund der Garantie die Zahlung bewirkt), die Garantin zu dem bezüglich der Teilschuldverschreibungen oder Zinsscheine nächstfolgenden Zahlungstermin verpflichtet sein, die in § 6 Absatz (1) genannten zusätzlichen Beträge zu zahlen, so ist die Emittentin berechtigt, mit einer Frist von wenigstens 30 und höchstens 60 Tagen durch Bekanntmachung gemäß § 14 die ausstehenden Teilschuldverschreibungen insgesamt zur vorzeitigen Rückzahlung zum Nennbetrag zu kündigen.
- Eine Kündigung gemäß diesem § 6 Absatz (3) darf jedoch nicht auf einen Termin erfolgen, der dem Tag, an welchem die Änderung des Rechts oder seiner amtlichen Anwendung erstmals für diese Anleihe gilt, mehr als einen Monat vorangeht.
- (g) any tax, assessment, or other governmental charge that is imposed or withheld by reason of the failure by the Noteholder or the beneficial owner of a Note or an Interest Coupon to comply with any requirement under a statute, treaty, regulation, or administrative practice of the tax jurisdiction to establish entitlement to exemption from all or part of such tax, assessment, or other governmental charge, or
- (h) any tax, assessment, or other governmental charge imposed on any payment on a Note to a Noteholder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the payment of additional amounts had such beneficiary settlor, member or beneficial owner directly received its beneficial or distributive share of such payment, or
- (i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h).
- (3) If at any future time as a result of a change of the laws applicable in the United Kingdom or in the Federal Republic of Germany or a change in their official application, the Issuer at the time of the next succeeding payment due in respect of the Notes or Interest Coupons will be, or (in the event that the Guarantor became obligated under the Guarantee to make payment of any amount next becoming due in respect of Notes and Interest Coupons), the Guarantor would be required to pay additional amounts as provided in Paragraph (1) of this § 6, the Issuer will be entitled, upon not less than 30 days and not more than 60 days' notice to be given by publication in accordance with § 14, prematurely to redeem all outstanding Notes at par.
- No redemption pursuant to this § 6 Paragraph (3) shall occur more than one month prior to the date on which such change of the laws or their official application becomes applicable to this Issue for the first time.

§ 7

- (1) Die in § 801 Abs. 1 S. 1 BGB bestimmte Vorlegungsfrist wird für die Teilschuldverschreibungen auf zehn Jahre abgekürzt
- (2) Die Vorlegungsfrist für Zinsscheine beträgt vier Jahre von dem Ende des Kalenderjahres an, in dem der betreffende Zinsschein fällig ist.
- (3) Die Verjährungsfrist für innerhalb der Vorlegungsfrist zur Zahlung vorgelegten Teilschuldverschreibungen und Zinsscheine beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.
- (4) Im Falle des Abhandenkommens oder der Vernichtung von Zinsscheinen ist jeder Anspruch gemäß § 804 Abs. 1 Satz 1 BGB ausgeschlossen.
- (1) The period for presentation of the Notes (§ 801, Paragraph 1, Sentence 1 of the German Civil Code) shall be reduced to 10 years.
- (2) The period for presentation of Interest Coupons shall be four years calculated from the end of the calendar year, during which the respective Interest Coupon was due.
- (3) The period for limitation for claims under Notes and Interest Coupons presented during the period for presentation shall be two years calculated from the expiration of the relevant presentation period.
- (4) In the case of loss or destruction of Interest Coupons, any right under § 804, Paragraph 1, Sentence 1 of the German Civil Code is excluded.

§ 8

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

§ 9

- (1) Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland (vor- und nachstehend "Garantin" genannt), hat gegenüber der Dresdner Bank AG London Branch ("Dresdner Bank") in deren Eigenschaft als Sicherheitenverwahrerin für die Anleihegläubiger die unwiderrufliche und unbedingte Garantie (die "Garantie") für die volle Zahlung von Zinsen und Kapital übernommen. Alle Rechte aus der Garantie werden ausschließlich von der in § 10 definierten Sicherheitenverwahrerin gehalten und wahrgenommen; die handschriftlich unterzeichnete Ausfertigung der Garantie wird von der Sicherheitenverwahrerin verwahrt.
- (2) Darüber hinaus hat sich die Garantin einer Verpflichtungserklärung (die "Verpflichtungserklärung") gegenüber der Sicherheitenverwahrerin verpflichtet, so lange bis Kapital, Zinsen sowie etwaige zusätzliche Beträge aus dieser Anleihe in vollem Umfang bei der Hauptzahlstelle bereitgestellt worden sind, keine gegenwärtigen oder zukünftigen Verbindlichkeiten aus anderen internationalen Kapitalmarktverbindlichkeiten (einschließlich Verbindlichkeiten aufgrund von Garantien oder vergleichbaren Verpflichtungen zur Erfüllung von Ansprüchen aus anderen internationalen Kapitalmarktverbindlichkeiten) durch irgendwelche Grund- oder Mobiliarpfandrechte an ihrem gegenwärtigen oder zukünftigen Grundbesitz oder Vermögenswerten zu besichern oder besichern zu lassen, es sei denn, daß diese Anleihe zur gleichen Zeit und in gleichem Rang anteilig an der Besicherung teilnimmt. Ausgenommen hiervon sind Grund- und Mobiliarpfandrechte und andere Besicherungen von Verbindlichkeiten aufgrund von nationalen oder lokalen Steuervorschriften, anderen gesetzlichen Ausnahmeregelungen, gesetzlichen Vorschriften und Verwaltungsvorschriften.

§ 8

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

§ 9

- (1) Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany (heretofore and hereinafter referred to as the "Guarantor"), has delivered to Dresdner Bank AG London Branch ("Dresdner Bank") in its capacity as Fiduciary for the Noteholders, its irrevocable and unconditional guarantee (the "Guarantee") for the full payment of interest and principal. All rights under the Guarantee shall be held and exercised exclusively by the Fiduciary defined in § 10; the manually signed copy of the Guarantee is kept by the Fiduciary.
- (2) In addition the Guarantor has undertaken vis-à-vis the Fiduciary in a declaration of undertaking (the "Declaration of Undertaking"), until such time as principal, interest and additional amounts, if any, of this Issue have been completely placed at the disposal of the Principal Paying Agent, not to secure or to have secured by any mortgage or pledge on the present or future property or assets any present or future obligations arising from other International Capital Markets indebtedness (including obligations under guarantees or comparable undertakings to fulfil claims under other International Capital Markets Indebtedness), unless this Issue at the same time shares pari passu and pro rata in such security. Any mortgage, pledge or other charge on obligations in respect of national or local taxes, other statutory exceptions, requirements by applicable laws and any governmental requirements shall be excluded.

§ 10

- (1) Die Citibank, N.A. in London ist Hauptzahlstelle und die Dresdner Bank Sicherheitenverwahrerin.
- (2) Sollten irgendwelche Ereignisse eintreten, die dazu führen, daß die Citibank bzw. die Dresdner Bank nicht in der Lage sind, als Hauptzahlstelle oder Sicherheitenverwahrerin tätig zu werden, so sind sie berechtigt, eine andere Bank von internationalem Standing als Hauptzahlstelle oder Sicherheitenverwahrerin zu bestellen. Sollte die Citibank bzw. die Dresdner Bank in einem derartigen Fall außerstande sein oder es unterlassen, die Übertragung der Stellung als Hauptzahlstelle oder Sicherheitenverwahrerin vorzunehmen, so ist die Emittentin berechtigt und verpflichtet, dies zu tun. Falls die Emittentin verpflichtet ist, eine andere Sicherheitenverwahrerin zu bestellen, ist sie ermächtigt und verpflichtet, alle von der vorherigen Sicherheitenverwahrerin gehaltenen Sicherheiten (einschließlich der Rechte aus der Garantie sowie der Verpflichtungserklärung) auf die neue Sicherheitenverwahrerin zu übertragen. Die Bestellung einer anderen Hauptzahlstelle oder Sicherheitenverwahrerin ist von der Citibank bzw. der Dresdner Bank und jeweils von der Emittentin unverzüglich gemäß § 14 oder, falls dies nicht möglich sein sollte, in sonstiger Weise öffentlich bekanntzumachen.
- (3) Die Citibank in ihrer Eigenschaft als Hauptzahlstelle und jede an ihre Stelle tretende Hauptzahlstelle wird vor- und nachstehend "Hauptzahlstelle" genannt. Die Dresdner Bank in ihrer Eigenschaft als Sicherheitenverwahrerin und jede an ihre Stelle tretende Sicherheitenverwahrerin wird vor- und nachstehend "Sicherheitenverwahrerin" genannt.
- (4) Die Hauptzahlstelle und die Sicherheitenverwahrerin haften daraus, daß sie Erklärungen abgeben, nicht abgeben oder entgegennehmen, Handlungen vornehmen oder unterlassen, nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt haben.
- (5) Die Hauptzahlstelle und die Sicherheitenverwahrerin sind von den Beschränkungen des § 181 BGB und etwaigen gleichartigen Beschränkungen des anwendbaren Rechts anderer Länder befreit.

§ 11

- (1) Etwa von der Emittentin gemäß § 8 oder von der Garantin gemäß der Verpflichtungserklärung zu bestellende Sicherheiten sind der Sicherheitenverwahrerin oder einer von ihr beauftragten Person zu bestellen. Alle Rechte an und aus den bestellten Sicherheiten werden ausschließlich von der Sicherheitenverwahrerin oder der von ihr beauftragten Person im eigenen Namen zugunsten der Anleihegläubiger wahrgenommen und im Verzugsfalle durchgesetzt.

§ 10

- (1) Citibank, N.A. in London shall be the Principal Paying Agent and Dresdner Bank shall be Fiduciary.
- (2) Should any contingencies arise which in the opinion of Dresdner Bank or Citibank, respectively, would result in its being unable for reasons beyond its control to act as the Principal Paying Agent or the Fiduciary, respectively, it shall then be entitled to appoint as the Principal Paying Agent or the Fiduciary, respectively, another bank of international standing. If, in such case, Citibank or Dresdner Bank should be unable, or should fail, to select a bank and/or to transfer its responsibilities as the Principal Paying Agent or the Fiduciary, the Issuer shall be entitled and obliged to do so. In the event that the Issuer is obliged to appoint another Fiduciary hereunder, the Issuer is authorized by the Fiduciary and obliged to transfer any security (including the rights under the Guarantee and the Declaration of Undertaking) held by the Fiduciary to the new Fiduciary. The appointment of another Principal Paying Agent or Fiduciary shall be published without delay by Citibank or Dresdner Bank and in each case the Issuer in accordance with § 14 or, should this not be possible, published in some other way.
- (3) Citibank in its capacity as Principal Paying Agent and any successor Principal Paying Agent are heretofore and hereinafter referred to as "Principal Paying Agent". Dresdner Bank in its capacity as Fiduciary and any successor Fiduciary are heretofore and hereinafter referred to as "Fiduciary".
- (4) The Principal Paying Agent and the Fiduciary shall be held responsible for giving, failing to give, or accepting a declaration, or for acting or failing to act, only if, and insofar as, they fail to act with the diligence of a conscientious businessman.
- (5) The Principal Paying Agent and the Fiduciary are hereby granted exemption from the restrictions of § 181 of the German Civil Code and any similar restrictions of the applicable laws of any other country.

§ 11

- (1) Any security to be granted by the Issuer pursuant to § 8 or by the Guarantor pursuant to the Declaration of Undertaking shall be granted to the Fiduciary, or to any person nominated by the Fiduciary, and only the Fiduciary or its nominee shall be entitled in its own name for the benefit of the Noteholders to administer and, in case of default, to enforce the rights in and arising from such security.

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

§ 12

- (1) Jeder Anleihegläubiger ist berechtigt, seine sämtlichen Forderungen aus den Teilschuldverschreibungen durch Kündigung fällig zu stellen und vorzeitige Rückzahlung zum Nennbetrag einschließlich aufgelaufener Zinsen zu verlangen, wenn
- (a) die Emittentin, gleichgültig aus welchen Gründen, mit der Zahlung von Kapital oder Zinsen aus dieser Anleihe, einschließlich der Zahlung zusätzlicher Beträge gemäß § 6, länger als 30 Tage in Rückstand kommt, oder
 - (b) die Emittentin mit der Erfüllung einer anderen Verpflichtung aus dieser Anleihe oder die Garantin mit der Erfüllung von irgendwelchen Verpflichtungen aus der Garantie oder der Verpflichtungserklärung länger als 90 Tage in Rückstand kommt, oder
 - (c) gegen die Emittentin oder die Garantin ein Insolvenz-, Konkurs- oder Vergleichsverfahren eröffnet worden ist und diese Entscheidung nicht innerhalb von 60 Tagen aufgehoben oder ausgesetzt worden ist, oder die Emittentin oder die Garantin von sich aus ein solches Verfahren beantragt oder einen Vergleich mit Gläubigern allgemein anbietet oder durchführt, oder
 - (d) die Emittentin oder die Garantin aufgelöst oder liquidiert wird oder irgendeine Maßnahme zum Zwecke der Liquidation trifft, es sei denn, daß eine solche Liquidation im Zusammenhang mit einer Verschmelzung, Konsolidierung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft erfolgt und diese andere Gesellschaft—im Falle der Emittentin—alle Verpflichtungen aus diesen Anleihebedingungen und—im Falle der Garantin—alle Verpflichtungen aus der Garantie übernimmt, oder
 - (e) die Emittentin oder die Garantin die Zahlungen ganz oder zu einem wesentlichen Teil ihre Geschäftstätigkeit einstellt oder damit droht, die Geschäftstätigkeit ganz oder zu einem wesentlichen Teil einzustellen, ohne daß die im vorstehenden Absatz (d) im einzelnen genannten Tatbestände gegeben sind.

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

§ 12

- (1) Each Noteholder is entitled to declare due his entire claims arising from the Notes and to demand early repayment at par plus accrued interest, if
- (a) the Issuer defaults, for any reason whatsoever for more than 30 days on the payment of principal or interest of this Issue including the payment of additional amounts pursuant to § 6, or
 - (b) the Issuer defaults for more than 90 days in the performance of any other obligation under this Issue, or the Guarantor in the performance of any of the obligations under the Guarantee or the Declaration of Undertaking, or
 - (c) bankruptcy or insolvency proceedings are commenced in court against the Issuer or the Guarantor which shall not have been reversed or stayed within 60 days or the Issuer or the Guarantor itself institutes such proceedings, or offers or makes an arrangement for the benefit of creditors generally, or
 - (d) the Issuer or the Guarantor is wound up or dissolved or shall take any action for the purpose of liquidation unless such liquidation is to take place in connection with a merger, consolidation or any other form of combination with another company and such company—in the case of the Issuer—assumes all obligations arising from these Terms and Conditions of the Issue and—in the case of the Guarantor—assumes all obligations arising from the Guarantee, or
 - (e) the Issuer or the Guarantor stops payment or threatens to cease or ceases (other than as specifically provided in Paragraph (d) above) to carry on all or a material part of its business.

- (2) Jeder Anleihegläubiger kann sein Recht, seine Teilschuldverschreibungen fällig zu stellen und zur Rückzahlung zu kündigen, durch einen an die Sicherheitenverwahrerin zu richtenden eingeschriebenen Brief ausüben. Eine solche Kündigung wird mit Zugang bei dieser wirksam.

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

§ 13

- (1) Die Emittentin ist jederzeit berechtigt, die Garantin oder eine andere Gesellschaft, an der die Garantin direkt oder indirekt beteiligt ist, als Emittentin (die "Neue Emittentin") hinsichtlich aller Verpflichtungen aus oder in Verbindung mit den Teilschuldverschreibungen an die Stelle der Emittentin zu setzen, sofern

(a) die Neue Emittentin in einer die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Weise die Verpflichtungen der Emittentin aus oder in Verbindung mit den Teilschuldverschreibungen übernimmt;

(b) die Garantin, ausgenommen der Fall, daß sie selbst die Neue Emittentin ist, in einer die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Weise unbedingt und unwiderruflich gemäß § 8 die Verpflichtungen der Neuen Emittentin garantiert; und

(c) die Neue Emittentin alle etwa notwendigen Genehmigungen der Behörden des Landes, in dem sie ihren Sitz hat, erhalten hat und einen die Sicherheitenverwahrerin nach Form und Inhalt zufriedenstellenden Nachweis erbringt, daß die Neue Emittentin alle Beträge, die zur Erfüllung der aus oder in Verbindung mit den Teilschuldverschreibungen entstehenden Zahlungsverpflichtungen erforderlich sind, in frei verfügbarer und konvertierbarer gesetzlicher Währung des Vereinigten Königreiches an die Hauptzahlstelle zu transferieren berechtigt ist.

- (2) Im Falle einer solchen Schuldübernahme gilt jede in diesen Anleihebedingungen enthaltene Bezugnahme auf die Emittentin fortan als auf die Neue Emittentin bezogen und jede Bezugnahme auf das Vereinigte Königreich als Bezugnahme auf das Land, in dem die Neue Emittentin ihren Sitz hat.

- (3) Eine derartige Schuldübernahme ist gemäß § 14 zu veröffentlichen.

§ 14

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

§ 15

- (1) Form und Inhalt der Teilschuldverschreibungen und der Zinsscheine sowie die Rechte und Pflichten der Anleihegläubiger, der Emittentin, der Sicherheitenverwahrerin, der Hauptzahlstelle und der Zahlstelle sowie die Garantie und die Verpflichtungserklärung bestimmen sich ausschließlich nach dem Recht der Bundesrepublik Deutschland, die Art und Weise der Bestellung und Verwertung von etwa zu bestellenden Sicherheiten nach dem Recht des Belegenheitsortes.

- (2) Any Noteholder shall exercise his right to declare his Notes due and to demand payment by notice by registered letter directed to the Fiduciary. Such notice will become effective upon receipt.

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

§ 13

- (1) The Issuer shall be entitled at any time to substitute as issuer in respect of all obligations arising from or in connection with the Notes, the Guarantor or any other company in which the Guarantor holds a direct or indirect interest (the "New Issuer"), if

(a) the New Issuer, in a manner satisfactory in form and substance to the Fiduciary, assumes all obligations of the Issuer arising from or in connection with the Notes;

(b) other than in the case of the Guarantor being the New Issuer, the Guarantor irrevocably and unconditionally guarantees according to § 8, the obligations of the New Issuer in a manner satisfactory in form and substance to the Fiduciary; and

(c) the New Issuer has obtained all necessary authorizations, if any, from the authorities of the country, in which it has its corporate seat, and gives evidence in form and substance satisfactory to the Fiduciary that the New Issuer may transfer to the Principal Paying Agent, in freely disposable and convertible legal currency of the United Kingdom all amounts required for the performance of the payment obligations arising from or in connection with the Notes.

- (2) In the event of such substitution, any reference in these Terms and Conditions of the Issue to the Issuer shall from then on be deemed to refer to the New Issuer, any reference to the United Kingdom shall from then on be deemed to refer to the country of the corporate seat of the New Issuer.

- (3) Any such substitution shall be published in accordance with § 14.

§ 14

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

§ 15

- (1) The Notes and Interest Coupons, both as to form and content, and the rights and duties of the Noteholders, the Issuer, the Fiduciary, the Principal Paying Agent and the Paying Agent as well as the Guarantee and the Declaration of Undertaking shall exclusively be governed by the laws of the Federal Republic of Germany; the manner of granting and foreclosure of any security to be granted shall be subject to the laws of the country where such security is situated.

- (2) Sollte eine Bestimmung dieser Anleihebedingungen ganz oder teilweise rechtsunwirksam sein oder werden, so sollen die übrigen Bestimmungen wirksam bleiben. Unwirksame Bestimmungen sollen dann dem Sinn und Zweck dieser Anleihebedingungen entsprechend ersetzt werden.
- (3) Erfüllungsort ist London.
- (4) Gerichtsstand für alle sich aus den in diesen Anleihebedingungen geregelten Rechtsverhältnissen ergebenden Rechtsstreitigkeiten ist München. Dieser Gerichtsstand ist der ausschließliche Gerichtsstand für derartige Rechtsstreitigkeiten gegen die Garantin. Die Anleihegläubiger und die Sicherheitenverwahrerin sind berechtigt, ihre Ansprüche gegen die Emittentin auch vor Gerichten im Vereinigten Königreich geltend zu machen. Hierdurch ist ein gegebener gesetzlicher Gerichtsstand des Vermögens der Emittentin in anderen Ländern nicht ausgeschlossen. Auch in diesen Fällen ist ausschließlich das Recht der Bundesrepublik Deutschland anzuwenden.
- (5) Die deutschen Gerichte sind ausschließlich zuständig für die Kraftloserklärung abhanden gekommener und vernichteter Teilschuldverschreibungen.
- (6) Für etwaige Rechtsstreitigkeiten, die vor Gerichten in der Bundesrepublik Deutschland zwischen den Anleihegläubigern oder der Sicherheitenverwahrerin und der Emittentin geführt werden, bestellt die Emittentin die Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, D-80788 München, zur Zustellungsbevollmächtigten.
- (2) Should any provisions hereof be or become void in whole or in part, the other provisions shall remain in force. Void provisions shall be replaced in accordance with the meaning and purpose of these Terms and Conditions of the Issue.
- (3) Place of performance is London.
- (4) Place of jurisdiction for all litigations arising from legal relations established in these Terms and Conditions of the Issue is Munich. This place of jurisdiction shall be exclusive for any such litigations against the Guarantor. The Noteholders and the Fiduciary are entitled to assert their claims against the Issuer also before courts in the United Kingdom. Any court having jurisdiction for any venue established by location of assets of the Issuer in other countries shall not be excluded thereby. In such cases the laws of the Federal Republic of Germany shall exclusively be applied as well.
- (5) The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes.
- (6) For any litigation between the Noteholders or the Fiduciary and the Issuer, which is brought before courts in the Federal Republic of Germany, the Issuer appoints Bayerische Motoren Werke Aktiengesellschaft, Petuelring 130, D-80788 München, as agent for the service of process.

Garantie

Die BMW (UK) Capital plc, Warwick, Vereinigtes Königreich von Großbritannien und Nordirland, (nachstehend "Emittentin" genannt) begibt eine 6,5% Britische Pfund-Anleihe von 1999/2004 (die "Teilschuldverschreibungen") in Höhe von GBP 100.000.000 (in Worten: Britische Pfund einhundert Millionen).

Die Bayerische Motoren Werke Aktiengesellschaft, München, Bundesrepublik Deutschland (nachstehend "Garantin" genannt) übernimmt gegenüber der Dresdner Bank AG London Branch, (nachstehend "Dresdner Bank" genannt) als Sicherheitenverwahrerin für die Inhaber von Teilschuldverschreibungen (nachstehend "Sicherheitenverwahrerin" genannt) die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung in GBP des Kapitals, der Zinsen sowie etwaiger zusätzlicher Beträge nach Maßgabe der Anleihebedingungen.

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

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

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

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

München, im Januar 2000

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

Angenommen:

DRESDNER BANK AG LONDON BRANCH

Guarantee

BMW (UK) Capital plc, Warwick, United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the "Issuer") issues 6,5% Great Britain Pound Notes of 1999/2004 (the "Notes") in the amount of GBP 100,000,000 (in words: Great Britain Pounds one hundred million).

Bayerische Motoren Werke Aktiengesellschaft, Munich, Federal Republic of Germany (hereinafter referred to as the "Guarantor") assumes vis-à-vis Dresdner Bank AG London Branch (hereinafter referred to as "Dresdner Bank") as Fiduciary for the holders of Notes (hereinafter referred to as the "Fiduciary") the unconditional and irrevocable guarantee for the due payment in GBP of principal, interest and additional amounts in accordance with the Terms and Conditions of the Issue.

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

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

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

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

Munich, in January 2000

BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT

Accepted:

DRESDNER BANK AG LONDON BRANCH

Verpflichtungserklärung

Die BMW (UK) Capital plc, Warwick, Vereinigtes Königreich von Großbritannien und Nordirland, begibt eine 6,5% Britische Pfund Anleihe von 1999/2004 (die "Teilschuldverschreibungen") in Höhe von GBP 100.000.000 (in Worten: Britische Pfund einhundert Millionen).

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

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

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

München, im Januar 2000

BAYERISCHE MOTOREN WERKE
AKTIENGESellschaft

Angenommen:

DRESDNER BANK AG LONDON BRANCH

Declaration of Undertaking

BMW (UK) Capital plc, Warwick, United Kingdom of Great Britain and Northern Ireland issues 6.5% Great Britain Pound Notes of 1999/2004 (the "Notes") in the amount of GBP 100,000,000 (in words: Great Britain Pounds one hundred million).

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

The rights arising from this Declaration of Undertaking shall be held and exercised exclusively by Dresdner Bank as the Fiduciary for the holders of Notes or any successor in that function.

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

Munich, in January 2000

BAYERISCHE MOTOREN WERKE
AKTIENGESellschaft

Accepted:

DRESDNER BANK AG LONDON BRANCH

Use of Proceeds

The net proceeds (including accrued interest) of the Issue amounting to approximately GBP 100,199,555.56 will be used for general financing purposes of the BMW Group.

BMW (UK) Capital plc

Incorporation, Domicile

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

BMW UK is an indirectly 100% wholly owned subsidiary of BMW AG which is described in more detail on page 16 and the following pages. BMW UK has no subsidiaries.

Purpose

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

Capitalization and Indebtedness

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

The following table shows the capitalization and indebtedness of BMW UK as of December 31, 1998:

	December 31, 1998 (in GBP thousands)
Subscribed capital.....	150
Share premium account	24,900
Retained earnings	4,523
Shareholder's equity.....	29,573
Long term loans due to banks	743,700
Bonds.....	589,842
Deferred income due within five years.....	3,705
Long term liabilities	1,337,247
Short term liabilities.....	855,111
Total capitalization.....	2,231,931

GBP 600 million of the Long term liabilities due to banks are guaranteed by BMW AG. The bonds are completely guaranteed by BMW AG. BMW (UK) Capital plc. has no secured liabilities.

Since January 1, 1999 in addition to these Notes BMW UK has issued bonds totalling EUR 200 million with a maturity of 5 years, USD 300 million with maturities up to 3 years and GBP 300 million with maturities up to 10 years as well as Euro Medium Term Notes totalling EUR 300 million, and JPY 47.2 billion with maturities up to 2 years, USD 113 million with maturities up to 3 years and GBP 18 million with a maturity of about five years. In addition, BMW UK has repaid Euro Medium Term Notes totalling JPY 9 billion, GBP 85 million, EUR 175 million, PTE 7.15 billion, CHF 32 million and USD 10 million. In addition, BMW UK has approximately GBP 200 million of Commercial Papers outstanding.

Effective 16 November 1999 131,198 additional shares have been issued and are fully paid in. The number of outstanding shares has thereby increased to 281,198. The additional share premium from this increase is GBP 32,668,302.

BMW UK Capital plc. has no material contingent liabilities or guarantees as at the date of this Offering Circular.

With the exception of the issues described above, there has been no material change in the total capitalization, indebtedness and contingent liabilities or guarantees of BMW UK since December 31, 1998.

Management

BMW UK is managed by a Board of Directors consisting of one or more Directors. At present there are two Directors.

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

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

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

The directors perform no principal activity outside BMW Group.

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

Shareholders' Meeting

General Meetings of Shareholders will be held annually.

Auditors

Independent auditors ("chartered accountants") of BMW UK at present are KPMG, 2 Cornwall Street, Birmingham B3 2DL.

The financial statements of BMW UK for the period from incorporation to December 31, 1996 and for the years ended 1997 and 1998 were prepared by the directors in accordance with generally accepted accounting principles and practice in the UK. The financial statements for the years ended 1996 and 1997 have been audited by KPMG, Arlington Business Park, Theale, GB-Reading R67 4SD, for the year ended 1998 by KPMG, 2 Cornwall Street, 63-Birmingham B3 2DL in accordance with generally accepted auditing standards, and certified without qualification.

Financial Year

The financial year of BMW UK is the calendar year.

Distribution of Profits

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

Litigation

There are no, nor have there been any, legal or arbitration proceedings which could have, or have had during the 12 months preceding the date of this document, a significant effect on the financial situation of BMW AG, BMW UK or BMW AG and its subsidiaries, nor has BMW AG, BMW UK or BMW AG and its subsidiaries knowledge of any such proceedings pending or threatened.

Bayerische Motoren Werke Aktiengesellschaft

Incorporation, Domicile and Purpose

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

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

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

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

BMW AG is the parent Company of the Group.

Consolidated Capitalization and Indebtedness of BMW Group

The following table shows the consolidated capitalization and indebtedness of BMW Group as of December 31, 1998:

	December 31, 1998 (in DEM million)
Subscribed capital.....	1,287
Capital reserve.....	3,670
Revenue reserves.....	7,063
Unappropriated profit available for distribution	457
Minority interest.....	129
Shareholders' equity.....	12,606
Registered profit-sharing certificates.....	75
Long-term debt (with a term of more than one year) ⁽¹⁾	
Bonds	6,363
Due to banks	3,866
Short-term debt ⁽¹⁾	
Bonds	2,139
Due to banks	6,853
Commercial paper	3,063
Total Debt	22,359
Total capitalization.....	34,965
Contingent liabilities	159

⁽¹⁾ Approximately DEM 23 million of the combined liabilities to banks are secured by real estate liens. The other liabilities are unsecured

The liabilities of BMW Group are not guaranteed.

Since January 1, 1999, in addition to these Notes BMW Group has issued bonds totalling EUR 400 million with maturities up to 5 years, GBP 300 million with maturities up to 10 years, USD 550 million with maturities up to 5 years, AED 350 million with a maturity of 3 years and JPY 40 billion with a maturity of 3 years, Euro Medium Term Notes totalling EUR 908 million with maturities up to 3 years, GBP 18 million with a maturity of about 5 years, CHF 25 million with a maturity of 1.5 years, CZK 300 million with a maturity of 6 years, JPY 81.7 billion with maturities up to 2 years and USD 421 million with maturities up to 7 years. BMW Group has repaid Notes totalling CHF 100 million, Bonds in the amount of DEM 450

million and USD 200 million, Euro Medium Term Notes totalling GBP 85 million, JPY 32.5 billion, PTE 7.15 billion, USD 20 million, EUR 183 million and CHF 32 million, a Schuldschein in the amount of USD 250 million and DEM 17.68 million in annuity bonds.

The share capital of EUR 669,424,080 is divided into 622,227,918 common bearer shares with a nominal value of EUR 1.00 each, and 47,196,162 non-voting preferred bearer shares with a nominal value of EUR 1.00 each, all of which are fully paid in. The authorized share capital allows the further issuance of non-voting preferred shares in the amount of EUR 5,000,000.

The common shares and part of the preferred shares of BMW AG are listed in the Federal Republic of Germany at the stock exchange of Munich, Berlin, Düsseldorf, Frankfurt am Main and Hamburg. The common shares are also listed abroad in Austria on the Wiener Börse and Switzerland on the Schweizer Börse.

With the exception of the activities described above there has been no material change in the consolidated capitalization, indebtedness and contingent liabilities and guarantees of BMW Group since December 31, 1998.

Board of Management

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

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

The directors perform no principal activity outside BMW Group.

Supervisory Board

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

Volker Doppelfeld	Munich, Chairman, Former Member of the Board of Management of BMW AG
Manfred Schoch*	Munich, Deputy Chairman, Chairman of the Works Council
Prof. Dr.-Ing. E.h.	Ditzingen, Deputy Chairman, Managing Partner of TRUMPF GmbH
Berthold Leibinger	+ Co., Maschinenfabrik Stuttgart
Stefan Quandt	Bad Homburg v.d.H., Deputy Chairman, Graduate Industrial Engineer
Ernst Rehmeier*	Dingolfing, Deputy Chairman, Member of the Works Council, Dingolfing plant
Konrad Gottinger*	Dingolfing, Member of the Works Council, Dingolfing plant
Willibald Löw*	Landshut, Chairman of the Works Council, Landshut plant
Dr. Karin Benz-Overhage*	Frankfurt am Main, Executive Member of the Executive Board of IG Metall
Ulrich Eckelmann*	Frankfurt am Main, Head of Department for the Executive Board of IG Metall
Hans Glas*	Dingolfing, Director Dingolfing Plant
Gerhard Gutmiedl*	Munich, Deputy Chairman of the Works Council, Munich plant
Arthur L. Kelly	Chicago, Illinois, Managing Partner of KEL Enterprises Ltd.
Susanne Klatten	Bad Homburg v.d.H., Economist, MBA
Prof. Dr. Hubert Markl	Munich, President of Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
Werner Neugebauer*	Munich, Trade union secretary
Hans-Günther Niklas*	Regensburg, Chairman of the Works Council, Regensburg plant
Dr. Wolfgang Röller	Frankfurt am Main, Former Chairman of the Supervisory Board of Dresdner Bank AG

Dr.-Ing. Dieter Soltmann

Lodewijk C. van Wachem

Dr. oec. publ. Hans-Dietrich
Winkhaus

Munich, Member of the Managing Board of Gabriel Sedlmayr,
Spaten-Franziskaner-Bräu KGaA

The Hague, The Netherlands, Chairman of the Supervisory Board of
Royal Dutch Petroleum Company/Shell

Düsseldorf, Chairman of Management of Henkel KGaA

* Employees' representative.

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

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

General Meeting of Shareholders and Voting Rights

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

The voting right of each common bearer share corresponds to its nominal value. Each nominal value of EUR 1.00 of the respective common bearer share capital represented at the voting gives entitlement to one vote.

Auditors

Independent auditors ("Wirtschaftsprüfer") of BMW AG are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft—Wirtschaftsprüfungsgesellschaft, Elektrastraße 6, D-81925 Munich, Federal Republic of Germany. They have audited the financial statements of BMW AG as well as the consolidated financial statements of the BMW Group for the fiscal years ended 1996, 1997 and 1998 in accordance with generally accepted accounting principles and practices in the Federal Republic of Germany and have for each year issued their unqualified opinion.

Fiscal Year

The fiscal year of BMW AG is the calendar year.

General Information on the Business of the BMW Group

The BMW Group—A global enterprise

The BMW Group is a leading manufacturer of automobiles and motorcycles, it offers a broad product range of attractive and distinctive brands such as BMW, Rover, Land Rover, Mini and MG, and at the beginning of 2003, Rolls Royce Motor Cars. In 1998, more than 1.2 million cars were manufactured in the Group's International production network. The products are sold throughout 130 countries, with Germany, the United Kingdom and the United States being the key markets. The sales in Euro reached in 1998 over 32,280 Mio. Euro, the BMW Group employed 1998 worldwide approximately 120,000 people.

The Brands of the BMW Group

The BMW brand offers high-quality, high-performance automobiles in the luxury-performance segment of the automobile market.

With its 3, 5 and 7 Series and their numerous variants as well as the X and Z Series, the BMW brand is represented in all important world markets and automobile segments, such as luxury performance and Sports Activities Vehicles.

1998 was the most successful year in the history of the BMW brand, with production, sales and earnings reaching an all-time high. With respect to the return on sales the BMW brand is one of the most profitable car manufacturers in the world.

BMW Automobiles are produced in the German plants Munich, Dingolfing, Regensburg, as well as in the South African plant in Pretoria and in the US-plant in Spartanburg (S.C.). Assembly plants for BMW Automobiles are located in Russia, Mexico, Thailand, Vietnam, Egypt, Indonesia, Malaysia, and on the Philippines. The full production plants are linked effectively, thus enabling BMW to balance changing customer demand in a very quick and flexible way. Germany, the U.S., Great Britain, and Japan are the most important markets for BMW Automobiles.

BMW motorcycles are manufactured in Berlin. For the sixth year in succession, the number of BMW Motorcycles delivered to customers increased. In 1998 again, BMW Motorcycles reached a new record level with 60,300 BMW Motorcycles delivered. The main markets here are Germany, the U.S., Italy and France.

The Rover brand is represented by a range of small (the new Rover 25 Series), medium (the new Rover 45 Series) and luxurious executive cars such as the new Rover 75. They are produced at the Birmingham and Oxford plants in the UK.

With the Defender, the Freelander, the Discovery and the Range Rover, the Land Rover brand is acknowledged as the world leader in four-wheel drive vehicles. They are produced in Solihull, near Birmingham (UK), as well as in assembly plants in Russia, Zimbabwe, Kenya, Turkey, Malaysia, South Africa, Brazil, and Morocco.

The Mini, built from 1959 and with production at 5.3 million has proven itself as the world's favourite small car. The Mini Classic sets the way for an all new Mini to be built in 2001 which will take the brand into the next century.

MG has produced world-famous sports cars since 1924 and the open-top MGF is the modern incarnation of the definitive British Sports car.

BMW Group Five Year Survey

		1994 ⁽¹⁾	1995	1996	1997	1998
Production						
Automobiles	units	948,683	1,098,582	1,143,558	1,194,704	1,204,000
Motorcycles ⁽²⁾	units	44,435	52,653	48,950	54,933	60,152
Deliveries to customers						
Automobiles	units	931,883	1,073,161	1,151,361	1,196,096	1,187,115
Motorcycles	units	46,667	50,246	50,465	54,014	60,308
Sales	DEM million	42,125	46,144	52,265	60,137	63,134
Change	%	+45.2	+9.5	+13.3	+15.1	+5.0
Workforce at end of year...		109,362	115,763	116,112	117,624	119,913
Investment	DEM million	3,543	3,477	3,830	4,520	4,262
as % of sales	%	8.4	7.5	7.3	7.5	6.8
Depreciation	DEM million	2,567	2,877	3,002	3,543	3,635
Cash flow	DEM million	3,569	3,755	4,092	4,925	4,849
as % of investment	%	100.7	108.0	106.8	109.0	113.8
Fixed assets	DEM million	11,748	11,905	13,429	15,234	15,274
Assets from sales						
financing	DEM million	13,300	15,008	16,798	21,245	24,574
as % of balance sheet						
total	%	34.4	36.7	37.0	39.8	41.0
Other current assets and						
prepaid expenses	DEM million	13,645	13,934	15,115	16,801	20,076
Subscribed capital	DEM million	985	987	989	990	1,287
Reserves	DEM million	6,538	6,820	7,657	8,732	10,733
Capital reserve	DEM million	1,574	1,593	1,614	1,635	3,670
Revenue reserve	DEM million	4,964	5,227	6,043	7,097	7,063
Shareholders' equity	DEM million	7,922	8,200	9,067	10,248	12,606
as % of balance sheet						
total	%	20.5	20.1	20.0	19.2	21.0
as % of fixed assets	%	67.4	68.9	67.5	67.3	82.5
Debt/equity ratio						
Industrial business	%	24.8	25.1	25.0	25.3	28.7
Sales financing	%	12.2	11.4	11.5	10.0	10.0
Long-term borrowings	DEM million	9,012	10,780	11,764	15,201	13,767
Long-term capital	DEM million	16,934	18,980	20,831	25,449	26,373
as % of fixed assets	%	144.1	159.4	155.1	167.1	172.7
Liabilities from sales						
financing	DEM million	11,672	13,299	14,871	19,116	22,108
Balance sheet total	DEM million	38,693	40,847	45,342	53,280	59,924
Personnel costs	DEM million	8,425	8,846	9,844	10,825	11,532
per employee	DEM	83,482	82,716	90,206	98,755	99,476
Results from ordinary						
business activities	DEM million	1,357	1,367	1,660	2,528	2,076
Taxes	DEM million	660	675	840	1,282	1,173
Net income	DEM million	697	692	820	1,246	903
Net income of BMW AG						
available for distribution	DEM million	277	267	297	397	457

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

⁽²⁾ Incl. F650 assembly at Aprilia S.p.A.

Source: BMW Annual Reports

The figures have been extracted from the BMW Group annual report without material adjustment.

1998 Business Review

In spite of the negative result in the Rover Automobiles segment, the overall result from ordinary activities fell by only 17.9%, to DM 2.076 billion. After deduction of earnings-related and other taxes, totalling DM 1.173 billion, net income for the Group is stated at DM 903 million, down 27.5% from the previous year's figure.

For the business segment of BMW Automobiles, the 1998 result from ordinary activities improved by 24.5%, to DM 3.9 billion—and thus once again made the most important contribution to the result of the entire Group.

The Rover Automobiles segment showed a loss of DM 1.9 billion, attributable to changes in the model range, prevailing market conditions and fluctuating currencies, as well as restructuring measures newly introduced.

The result in the segment of BMW Motorcycles was a further improvement, increasing by DM 23 million to DM 31 million.

A substantial improvement was also returned by BMW Rolls-Royce GmbH, due primarily to the first full year of sales of the BR710 engines. Preparatory development work on the BR715 engine variant led to a loss of DM 458 million in the Aero Engines business segment, cutting back these losses by 30.8% against 1997.

Financial Services continued the positive development of the previous year. The result for this segment improved by DM 100 million, to DM 847 million. Taking interest expenditure in financing of leasing business into account, the result from ordinary activities was DM 175 million.

BMW Group

General Information on the Business, first 9 months of 1999

The BMW Group is a leading manufacturer of vehicles offering a broad product range of attractive and distinctive brands such as BMW, Rover Cars, Mini and MG, and beginning in 2003 Rolls Royce Motor Cars.

The Group still expects to reach the same core figures that it achieved last year. From January to September 1999, Group sales rose by 4.8% to 24.7 billion euros (same period last year: 23.6 billion euros).

"The BMW Group sees the millennium as a sporting challenge. Authentic product innovations, the creation of new market segments and, in particular, the new Rover family, with the models 25, 45 and 75, are further milestones along the path to the future," said Professor Joachim Milberg, Chairman of the Board of BMW AG, confirming the BMW Group's future strategy at the opening of the Tokyo Motor Show.

BMW Group January to September

Production in units	Jan.-Sep. 1999	Jan.-Sep. 1998	Change in %
Group	830,372	915,809	-9.3
BMW	560,558	514,861	+8.9
Land Rover	118,702	126,685	-6.3
Rover	134,799	251,529	-46.4
MG	7,957	11,331	-29.8
Mini	8,356	11,403	-26.7
Motorcycles ⁽¹⁾	55,844	47,811	+16.8
Deliveries to customers			
Group	895,932	907,018	-1.2
BMW	568,154	516,642	+10.0
Land Rover	133,423	111,761	+19.4
Rover	176,528	253,810	-30.4
MG	9,052	12,050	-24.9
Mini	8,775	12,755	-31.2
Motorcycles	53,354	49,746	+7.3
Workforce on 30.9.	117,468	121,816	-3.6

⁽¹⁾ including F 650 assembly at Aprilia S.p.A.

The BMW brand

The BMW brand is once again about to break all records, and is stronger than ever before. In the first nine months of the year, sales world-wide rose by ten percent to over 568,000 cars.

The extraordinarily successful saloon and the new Coupé in particular form the basis for these high growth rates, with the BMW 3 series rising by some 22% to 383,700 units. Overall, this means that volume sales of the smallest BMW series are moving towards record levels. The launch of the new BMW touring a few days ago was also well received by public and media alike.

Despite falling by nine percent, sales of the BMW 5 series, at 152,200 units, are above expectations. In Europe, the mid-range series did particularly well in Sweden, where growth reached 4%, and in Spain, which recorded an increase of 13%. In the important American market, volume sales of 5 series BMWs rose by 9% to 28,809 units.

In the first nine months of the year, 31,572 vehicles in the BMW 5 and 7 series with the new generation of diesel engines were sold. This raises the proportion of diesels in the 5 series as a whole from just under 17% to over 26% and from just under 5% to just under 11% in the 7 series.

Deliveries of the BMW 7 series remain at a very high level in the sixth year of its life cycle. Over 31,800 cars were sold (minus eight percent), marking a level of sales that remains well above that of its

predecessor. In Europe, the 7 series recorded increased sales in Italy (+2%), Austria (+3%), France (+4%), Holland (+12%), Sweden (+13%) and, in particular, in Spain (+47%). The small drop in sales of 1% in the USA to 13,779 units is a major success when seen in the light of the market launch of new models by competitors.

For BMW in the USA, 1999 is set to be the best year in its history overall. From January to September this year, BMW recorded an increase of 19%, with sales reaching around 116,300 units—over 18,500 more BMW cars than in the same period last year (97,808 cars).

Sales of motorcycles were also extremely successful in the USA. In comparison with September last year, BMW increased volume sales by 64%, with a 27% increase over the same period in 1998 if the figures are taken over a 9-month period. The high safety standards of BMW motorcycles, which are exclusively fitted with ABS, are the reason why sales to authorities are continuing to increase, strengthening the brand's number 1 position in this US sector. The California Highway Patrol—the largest motorcycle fleet in the USA, with 415 motorcycles—uses BMW motorcycles, as do 53 other US authorities.

In the first three quarters of the year, sales of BMW motorcycles world-wide increased by a further eight percent to 53,354 units. In addition to the very successful R 1100 GS (enduro) and R 1100 RT (tourer) models, sales were boosted considerably by the R 1100 S sports tourer, launched in the autumn of 1998, and the new K 1200 LT luxury tourer, available since the spring of this year.

The Rover brand

Even though market-oriented measures are starting to take effect, market conditions remain difficult. Nevertheless Rover's domestic market share in September showed encouraging signs of recovery (from 3.4% to 5.8%). The campaign to reduce stocks brought about a consolidation in the sale of Rover vehicles, in spite of the phasing out of a number of models (the Rover 200, 400, 600 and 800).

Comprehensive restructuring measures at Rover and Land Rover are directed towards securing the profitability in the nearer future. The cost-cutting programmes are making progress. Major contributors towards this goal are being made by the standardisation of Group structures resulting in a completely new Group organisation. This eradicates task duplication, introduces flexible working hours and new shift patterns and harnesses synergies in purchasing and in a streamlined modular system for future products.

The Rover 25 and the Rover 45 completes the new face of Rover. Both models—the new Rover 25 and the new Rover 45—have a newly designed interior, an expanded, more powerful range of engines, the latest Steptronic system with CVT automatic, improved driving gear, sportier servo steering, more extensive electronics and an improved standard of safety.

Developments in sales of the Rover 75 are as expected. Altogether, around 10,000 vehicles were supplied to customers by the end of September, including 4,500 to the British market. We expect the launch of the entry-level, high-volume model—the Rover 75 1.8 litre Classic—onto the British market next year to stimulate sales of the Rover 75. The upcoming launch of the Rover 75 onto more export markets, such as Japan, will further increase exports.

The Land Rover brand

The clear growth in sales of the Land Rover brand continued, with the number of vehicles sold increasing by around 20% to some 133,500. This was mainly due to the Freelander (+68% to 52,100 units), the most popular 4X4 in western Europe in 1999, and the new Discovery (+20% to 49,900 units). Sales of Range Rovers (–17% to 16,500 units) and Defender (–13% to 20,900 units) declined as expected, but still remain at a high level. Land Rover has recorded clear increases in sales in all the major markets apart from Great Britain.

BMW Rolls-Royce aircraft engines

On 25 October 1999, BMW and Rolls-Royce announced a repositioning of their strategic relationship in which Rolls-Royce will take full control of the joint venture BMW Rolls-Royce Aero Engines GmbH with effect from 1 January 2000. BMW will increase its equity interest in Rolls-Royce to a stake of just over 10 per cent of Rolls-Royce's issued ordinary share capital.

CKD assembly in Kaliningrad/Russia

On 22 October 1999, the CKD plant in Kaliningrad will be officially opened. The CKD plant in Kaliningrad will be operated by our Russian partner Avtotor. The first 5 series automobiles will be appearing at the end of October. Assembly of Land Rover Defenders will be starting in mid-November. At present, around 300 people are employed on assembly at Avtotor.

Taxation

Taxation in the United Kingdom

1. The Notes will constitute "quoted Euronotes" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Taxes Act and remain in bearer form. If Notes are issued in definitive form in the circumstances set out in "Form of the Notes" and are and continue to be quoted on a recognised stock exchange and are and continue to be held in bearer form, then payments of interest on such Notes may be made without such withholding or deduction where:
 - (i) the payment is made by or through a paying agent who is not in the United Kingdom; or
 - (ii) the payment is made by or through a person who is in the United Kingdom and:
 - (a) the interest is paid on a Note held in a recognised clearing system; or
 - (b) a person who is not resident in the United Kingdom is beneficially entitled to the interest and beneficial owner of the Note on which the interest is paid; and
 - (c) a declaration to that effect in the form required by law has been given to that person (or the Inland Revenue has issued a notice to that effect to that person) unless the Inland Revenue has issued a direction that it considers that neither of the conditions (i) and (ii) is satisfied.

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

2. Where a person in the United Kingdom acts as collecting agent i.e.:
 - (i) collects or secures payment of or receives interest on the Notes for the Noteholder, or (except by means of clearing a cheque or arranging for the clearing of a cheque)
 - (ii) acts as a custodian of the Notes and receives interest on the Notes or directs that interest on the Notes be paid to another person or consents to such payment;the collection agent will be required to withhold United Kingdom income tax at the lower rate subject to certain exceptions, including the following:
 - (a) the Notes are held in a recognised clearing system and:
 - (i) the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system; or
 - (ii) the collecting agent is acting as a depository for the recognised clearing system.
 - (b) the person beneficially entitled to the interest beneficially owns the Notes and is not resident in the United Kingdom.
 - (c) interest arising to non-UK-resident trustees of certain trusts.
 - (d) the person owning the Notes and beneficially entitled to the interest is eligible for certain reliefs.

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

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

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

in connection with which the interest is received, will not be assessed to United Kingdom tax on any income or gain derived from the holding or disposition of the Notes.

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

4. Proposed EU Directive on the Taxation of Savings Income

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

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

Taxation in the Federal Republic of Germany

This Section "Taxation in the Federal Republic of Germany" contains a brief summary of a number of key German taxation principles which are or could become relevant in relation to notes. It does not present any comprehensive or complete description of all aspects of tax laws which could be relevant to noteholders. The summary is based on current German law at the time of preparation of this Offering Circular whereby tax regulations may change at any time. It is recommended that prospective investors in notes should consult their tax advisors regarding the tax consequences of any purchase, the ownership and disposal or cost-free transfer of notes. Only a tax advisor is in a position to adequately assess also the particular tax position of the individual noteholder.

Taxation of interest payments

Since January 1, 1993 a capital yield tax on interest payments ("*Zinsabschlagsteuer*") has been imposed in the Federal Republic of Germany. As long as any Notes are deposited with a German credit institution or with the German branch of a foreign credit institution, a 30% capital yield tax on interest payments on such Notes will be imposed on tax residents in the Federal Republic of Germany ("*Steuerinländer*"). Since January 1, 1995, an additional solidarity surcharge on the capital yield tax which amounts to 5.5% ("*Solidaritätszuschlag*") is imposed. The solidarity surcharge then amounts to 1.65% of the interest payment (5.5% of 30%). These interest payments are generally exempt from German capital yield tax for persons who are not residents for tax purposes in the Federal Republic of Germany ("*Steuerausländer*") unless such investments are part of German operating assets of a person who is not resident for tax purposes.

If interest coupons are presented for payment, a 35% capital yield tax and an additional solidarity surcharge in the amount of 1.925% (5.5% of 35%) of the interest payment will be imposed on the holder thereof, regardless of whether such holder is tax resident or not.

For tax residents a tax-allowance for income derived from capital investments ("*Sparerfreibetrag*") at present in the amount of DM 6,000/DM 12,000 (in the case of married couples who file a joint tax return) is granted, which will be reduced for assessment periods from the year 2000 on to DM 3,000/DM 6,000. Up to the amounts mentioned above plus a lump-sum professional expenses allowance of DM 100/DM 200 interest can be paid without the imposition of a capital yield tax if the paying agency has received an exemption instruction ("*Freistellungsauftrag*") to that respect. The same applies if it is assumed that there will be no income tax assessment provided that the paying agency is presented a non-assessment certificate ("*Nichtveranlagungs(NV)-Bescheinigung*"). Additionally, since January 1, 1994 accrued interest ("*Stückzinsen*") being paid in the same calendar year as the interest payment can be taken into account up to the amount of the interest payment for purposes of the income or corporation tax assessment when held in safe custody.

The capital yield tax on interest payments and the solidarity surcharge imposed in the Federal Republic of Germany as well as the EU-wide standardized withholding tax proposed by the EU Commission according to a "Council Directive to ensure a minimum of effective taxation of interest income within the EU" ("*Vorschlag für eine Richtlinie des Rates zur Gewährleistung eines Minimums an effektiver Besteuerung von Zinserträgen innerhalb der Gemeinschaft*"—KOM (1998) 295 endg.—98/0194

(CNS)) from the European Commission as of May 20, 1998 do not constitute withholding taxes within the meaning of the Terms and Conditions of the Issue.

Other taxes

No German capital transfer tax, value added tax, stamp duty or any similar tax or duty is levied on the purchase, sale or assignment of notes.

Noteholders should consult their tax advisors regarding the tax consequences of any purchase or sale of the Notes.

According to Section 6 paragraph 1 of the Terms and Conditions of the Issue, the Issuer undertakes to pay additional amounts in the case of withholding at source of taxes, fees or duties in the Federal Republic of Germany in order that the redemption of the Notes can be effected at the whole nominal amount. Certain exemptions according to Section 6 paragraph 2 of the Terms and Conditions of the Issue apply.

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

Subscription and Sale

Dresdner Bank AG London Branch (the "Bank") has, pursuant to a subscription agreement (the "Subscription Agreement") dated 12 January, 2000 agreed with the Issuer and the Guarantor, subject to satisfaction to certain conditions, to subscribe and pay for the Notes at the issue price of 97.694% of the principal amount thereof less a combined management and underwriting commission of 0.275% of the principal amount of the Notes for its services. In addition, the issuer has agreed to reimburse the Bank for certain of its expenses in connection with the issue of the Notes.

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

Selling Restrictions

(1) The Bank

- (a) represents and agrees that it will not offer or sell any Notes or distribute any offering material in any other country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations;
- (b) acknowledges that the Notes are subject to and undertakes to comply with the restrictions provided in the German Offering Prospectus Law (Verkaufsprospektgesetz).

- (2) (a) The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Bank represents that it has offered and sold the Notes, and agrees that it will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither the Bank, its affiliates nor any persons acting on its behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. The Bank agrees that, at or prior to confirmation of sales of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

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

Terms used in the above Paragraph have the meaning given to them by Regulation S.

- (b) The Bank agrees that, except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "D-Rules"),
 - (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and
 - (ii) it has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period.
- (c) The Bank represents and agrees that it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules.

- (d) Each Bank which is a United States person represents that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6).
- (e) The Bank agrees that, with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either
 - (i) repeats and confirms the representations and agreements contained in Sub-paragraphs (b), (c) and (d) above on its behalf, or
 - (ii) will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in Sub-paragraphs (b), (c) and (d) above.

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

(3) The Bank represents and agrees that:

- (a) it has not offered or sold and prior to the date six months after the date of the issue of the Notes will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1996;
- (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemption) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

General Information

1. Application has been made to the London Stock Exchange for the Notes to be admitted to the Official List subject only to the issue of the temporary global note. It is expected that listing of the Notes will be granted on or around January 14, 2000.
2. The Notes have been accepted for clearance through Euroclear and Cedelbank. The preliminary Common Code for the Notes is 010580404 and the preliminary ISIN number for the Notes is XS 0105804040. After the exchange of the Temporary Global Note for definitive Notes, which may be represented by one or more collective notes to be exchanged for definitive Notes to and upon request of the relevant Noteholder, the Notes will become fungible with the Original Notes. The Common Code for the Notes will then be 10023351 and the ISIN number will be XS 100233518.
3. The Issuer will maintain a Paying Agent in the United Kingdom and in Luxembourg until the Notes are repaid.
4. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes and the giving of the Guarantee. The issue of the Notes was authorised by resolution of the Board of Directors of the Issuer passed 12 January 2000.
5. Save as disclosed herein, there has been no material change in the financial or trading position of the Issuer and the Guarantor since December 31, 1998 nor has there been any material adverse change in the financial position or prospects of either the Issuer and the Guarantor since December 31, 1998.
6. The Notes and any Interest Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."
7. The financial statements of the Issuer for the period from incorporation to December 31, 1997 and for the fiscal year ended December 31, 1998 have been audited by KPMG in accordance with generally accepted auditing standards and certified without qualification. The financial statements of the Guarantor for the fiscal years ended December 31, 1996, 1997 and 1998 have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft—Wirtschaftsprüfungsgesellschaft in accordance with generally accepted accounting principles and practices in the Federal Republic of Germany who have issued for each year their unqualified opinion.
8. Copies of the following documents together with English translations may be inspected at the specified offices for the time being of the Paying Agent and the Listing Agent in London, during usual business hours on any day (Saturdays, Sundays and public holidays excepted):
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Articles of Association (Satzung) and the excerpt of the commercial register (Handelsregistrauszug) of the Guarantor;
 - (c) the Annual Financial Statements of the Issuer for the fiscal years ended December 31, 1997 and 1998;
 - (d) the Annual Report of the Guarantor for the fiscal years ended December 31, 1997 and 1998 together with the Interim Report of the Guarantor for the nine months period ended September 30, 1999 and the Shareholder's Letter for the fiscal year ended December 31, 1998;
 - (e) the Subscription Agreement;
 - (f) the Guarantee;
 - (g) the Paying Agency Agreement and
 - (h) the Fiduciary Agreement.

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AUDITORS TO THE GUARANTOR

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Gesellschaft Aktiengesellschaft-
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