Ladies and Gentlemen,

Welcome to China! I am very pleased that you have chosen to accept our invitation and that you are able to join us today.

China is certainly on the fast track: It recently became the world's second-largest economy.

The BMW Group has been active in China for more than 15 years. China combines rising incomes, a very low car penetration rate and a strong demand for premium brands. That is why we consider this country to be the most dynamic market in the world for auto makers over the medium and long term.

China's Premium vehicle segment has the highest growth potential worldwide: According to our forecasts, it will have a Compound Annual Growth Rate of 4.5% between 2009 and 2022. This means more than one million premium automobiles will be sold in China in the year 2022. I know, there are more optimistic forecasts, too. But I feel comfortable with this lower growth rate, which is the basis of our internal planning.
In the first half of 2010, premium automobiles accounted for 7% of the total Chinese market. Locally produced vehicles made up 95% of sales. Currently, German premium brands have a combined market share of no more than 3%.

I would like to share first with you BMW Group’s current situation worldwide:

The BMW Group benefited from the strong economic growth in China and other emerging markets. As of the 2nd Quarter 2010, we have left the global economic crisis behind us.

We were able to maintain our position as the world's leading premium automobile manufacturer on the international car markets. We sold more than 919,000 units in the first eight months – an increase of 12.5% year-on-year.

In the first half of 2010, we benefited from a strong sales position and highly profitable business in Financial Services segment. Both had a positive impact on our performance in the first six months: Our EBIT rose sharply to euro 2,166 million.

In the months of July and August, we have experienced a very dynamic development so far. Our sales were higher than expected. There has been outstanding demand for our new models, for example the BMW 5 Series and the BMW X1. This has led to a high-value model mix in sales. We further experienced lower sales incentive levels.
We expect our sales performance to drive our results in the third quarter. Should these trends continue through September, we will not see the magnitude of the seasonal slowdown in the 3rd quarter which we indicated in the Q2 conference call.

Our car sales volume is set to rise by some 10% to more than 1.4 million units for the full year. We also forecast a full-year EBIT margin of more than 5% for the Automobiles segment.

The outstanding performance of the Financial Services segment is likely to continue, due to attractive market conditions and the improved risk situation. Pre-tax earnings in the Financial Services segment are forecast to improve significantly. We are targeting a return on equity of over 18%.

Now let me come back to the Chinese market. What kind of opportunities do we see here?

We saw highly dynamic growth in China in the first eight months: we delivered more than 106,000 BMW and MINI vehicles. This is an increase of 96% over the same period last year.

Currently, the BMW Group is the number two premium manufacturer in the Chinese market. We have a 22% market share in our segment.

And we have a clear target: We want to become the strongest premium brand in China - especially with respect to brand awareness and customer satisfaction.
How do we get there? We are following a similar strategy for China as we did for the United States. We will significantly increase local production and local sourcing. In this way, we will reap considerable profits from economies of scale. We will also benefit from the highly motivated and well-trained workforce at competitive wages as well as the establishment of a local suppliers’ network in China.

China occupies a special position for the BMW Group. Here, for the first time, we launched a vehicle built exclusively for this market. In fact, the 5 Series LWB is our very first market-specific model. Its success has proved us right. We plan to build more exclusive models for China in the future.

China is currently our third largest market. As you can see, China is in first or second place when it comes to our larger vehicles. There is no other market where we sell as many BMW 7 Series. The same applies to the BMW 5 Series and X6.

Chinese customers find our upscale models to be extremely appealing. They love big engines and big cars with lots of technical features. A car is an important status symbol that reflects its owner’s financial strength. Chinese customers are extremely brand-conscious.

However, there is currently no market in China for diesel vehicles and for our touring models. But it does have the potential to become BMW Group’s largest market.

Over the next years, we will considerably expand our vehicle portfolio in China. We will also build smaller models over there.
We are counting on the steady growth of the Chinese market. What does our strategy for this country look like?

We are pursuing a long-term and comprehensive development strategy in China. We are working in all areas:

- We are setting up a local R&D facility and adopting a China-specific strategy for electric mobility.
- We are expanding our local and global sourcing.
- We are considerably increasing our production capacity.
- We are establishing BMW Financial Services China and
- We are expanding our sales and marketing as well as after sales.

The Chinese Government has set the target to become the global leader in e-mobility. The administration has drawn up an Automotive Industry Revitalization Plan (2009-2011). It stipulates that the preconditions for production of 500,000 New Energy Vehicles must be fulfilled by 2011. The NEV has yet to be clearly defined by law: but it will include energy-saving vehicles, vehicles with alternative drive trains (non-fossil fuels), plug-in hybrids, fuel cell vehicles, and BEVs.

By 2011, 5% of all passenger vehicles sold must be NEVs. We are pleased that China is a driving force behind e-mobility worldwide.

We have already taken the first steps in this direction starting in 2008: We developed in cooperation with Tongji University in Shanghai an electric car based on the 5 Series Sedan LWB. This so called ECHO-project has been
BMW Group’s first joint research project in China. It also marks the launch of our e-mobility activities in China.

With this project, we have supported Chinese development of a NEV. We clearly see that China has an excellent chance to become one of the largest BEV markets and the leading market for NEVs worldwide. It could also become a strategic base for supplying key BEV components.

The BMW Group will be offering a NEV developed to a substantial degree in China. We will develop electronic components in our JV together with local Chinese partners. The build-up of a R&D Department in Shenyang has already started.

And there are further projects around future electric mobility. In 2011, a test fleet of 50 MINI E cars will start in Beijing and Shenzhen. In a second step, there will also be a BMW Active E test fleet in China in 2011. Last but not least, our Megacity-Vehicle will come to China in 2014.

In parallel with our capacity expansion, we will also grow our supplier base. We aim to extend our current network of around 100 local suppliers to more than 160 suppliers by 2012. For the new 3 Series, which will be built in China from June 2012, 174 components will be locally-produced.

This is independent of the 40% local content requirement, which was suspended in September 2009. Local content is our starting point for qualifying global suppliers in China and brings them up to our quality standards. We now have two purchasing offices in China, one in Shenyang.
and an International Purchasing Office in Beijing, combing the market to find potential suppliers.

You saw the work in Tiexi this morning – our new factory there will go into operation in 2012. The structure of the Tiexi plant has evolved from that of our Leipzig plant, our most state-of-the-art facility.

All technologies – press shop, body shop, paint shop, assembly – will be integrated at the plant. A supplier park will be also located on-site. With Tiexi, the capacity in all our Chinese plants has the potential to reach to 300,000 units per annum by 2013.

The new plant in Tiexi will meet the same sustainability standards as our plant in Leipzig. We strive to comply with local limit values, to lower our energy and water consumption, and use fewer solvents. Similar environmental standards also apply at our existing plant in Shenyang/Dadong.

Our serious commitment to sustainability has also been acknowledged outside the company. We lead the Dow Jones Sustainability Index World for the auto industry. Recently, we were confirmed as super sector leader for the sixth time in a row.

The plant in Tiexi forms the core of our China strategy. It provides the basis for further locally produced models in China.

Today we have celebrated the approval of our 'licence two' by CBRC. BMW Financial Services China will start its own business activities in
China by the end of the year. So far, there has been a wholesale and retail financing cooperation between BMW Group and the Shenzhen Development Bank, which will continue.

BMW Financial Services China is a Joint Venture Automotive Finance Company (AFC): It is a JV between the BMW AG and its Chinese joint venture, BMW Brilliance Automotive (BBA). It is called BMW Automotive Finance (China). In 2009, BMW Financial Services China financed around 7,000 vehicles.

So where do we go from here? We plan to invest in our fleet business in 2011. The year after, we will launch our leasing activities in China. This is still a marginal business sector in China. Vehicle ownership in China is much more preferred than leasing.

However, our strategy will be to expand this business over the long term.

The BMW Group sees enormous potential for growth in China. We will continue developing the market to take advantage of its potential.

I have just given you a very brief overview of our China strategy today.

I would now like to hand over to Christoph Stark who will now address the topics of sales and marketing.

Thank you for your time.