



# **AUDI AG Annual Press Conference on February 22, 2006**

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**Prof. Dr. Martin Winterkorn  
Chairman of the Board of Management of AUDI AG**

**Part 1  
Review of 2005**

**– Note for the speeches: Check against delivery**

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Ladies and Gentlemen,

It is my pleasure to welcome you to the Audi Annual Press Conference.

I wish to start my presentation today by saying something about the most important figures and events of 2005. I will then hand over to our Board Member for Finance, Mr Rupert Stadler, who will explain the key company figures to you. In the second part of my speech, I will then focus on the current situation at Audi and take a look forward to the future.

2005 was a very good year for Audi.

The total revenue generated by the Audi Group in 2005 rose by 8.5 percent to the highest level to date, around EUR 26.6 billion.

Our profit before tax also improved further on the previous year, and amounted to EUR 1.3 billion.

We sold more than 829,000 vehicles in 2005 – more than ever before. This is equivalent to a increase of 6.4 percent compared with the year before.

Audi sales have continued to rise steadily over the last ten years – even in difficult economic periods. 2005 was the tenth record year in succession.

We achieved record sales figures in 39 markets in 2005, making further significant gains in the major European markets in particular.

Europe remains the most important pillar of our success. Despite extremely varied underlying economic conditions and market situations, we increased sales in this region by 7.4 percent.

The Western European market excluding Germany recorded an increase of 8.4 percent to over 351,400 vehicles. The above-average growth of Audi in Western Europe led to the Ingolstadt brand achieving a record market share of 3.2 percent in 2005.

The positive development in Eastern Europe continued in 2005 with a sales increase of 19.9 percent to almost 21,000 vehicles.

Audi is the undisputed number one among companies offering premium cars in China. We sold almost 59,000 vehicles there in 2005 (including Hong Kong). The A4 is selling particularly well, and the long-wheelbase version of the A6 specially developed for the Chinese market is also proving to be a fast-seller.

The largest individual export market is the USA with more than 83,000 units. This represents a year-on-year sales increase of 6.6 percent.

Audi sold over 247,000 vehicles in Germany, 5.1 percent more than in 2004.

Let us now take a short trip to Italy – to Lamborghini.

The existing sales record of 1,592 vehicles was surpassed once again last year. 1,600 of our super sports cars were delivered to customers in 2005, the majority of these in Germany, the USA and Western Europe.

Let us move on now to other key figures for the Audi Group: the vehicle production volume at Audi and Lamborghini expanded by 3.4 percent to just under 812,000 units.

So as well as achieving the best-ever sales figures for the tenth year in succession, we also achieved a new production record.

Engine production at our Hungarian plant in Győr rose by 14.1 percent to 1.7 million units. In summer 2005, we built the 10 millionth engine in Győr.

The number of employees in the Audi Group at the end of December was approximately on a par with the previous year, at around 52,400. Audi provides around 45,000 secure jobs in Germany alone.

Our company agreement entitled “Audi’s Future” concluded in April 2005 rules out redundancies for operational reasons up to the year 2011.

Ladies and Gentlemen,

A key factor behind Audi’s success is the design of its vehicles.

2005 saw all Audi models finally get their “new face” – the single-frame radiator grille. This even sportier look has been received positively without exception by customers and experts alike.

As well as design, sportiness, quality and reliability are what make our vehicles so fascinating. And it goes without saying that this fascination is exuded by new models in particular.

The Audi Q7 celebrated its world premiere at the IAA Motor Show in Frankfurt. We also presented our new A4 Cabriolet for the first time at the IAA. And your reports, Ladies and Gentlemen, were especially complimentary with regard to the classic elegance of its soft top.

At the Tokyo Motor Show in October, Asia’s most important car exhibition, we presented our luxury-class sports car – the S8 – for the first time.

The Shooting Brake study was another highlight in Tokyo. This combination of sports coupé and Avant offers a number of innovations including the adaptive damping system known as magnetic ride, LED headlight technology and a touch screen monitor with character recognition in conjunction with the navigation system plus.

The many awards that we received for our cars in 2005 are gratifying confirmation of the international success of the Audi brand. I'm afraid it would take far too long now to list all the prizes that we received. I just wish to say the following: although it hasn't been launched yet, the new Audi Q7 has already received two important prizes: the "Golden Steering Wheel" from the newspaper "Bild am Sonntag" and the "Auto Trophy" from the readers of "Autozeitung".

We were particularly pleased about the outstanding brand image that was confirmed by the readers of "Autozeitung". Audi was the clear winner here – just as it was in 2004.

Allow me to say something briefly about motor racing in 2005: the Le Mans 24 Hours was very exciting and successful. Together with JJ Lehto and Marco Werner, Tom Kristensen clinched Audi's fifth Le Mans win in the Audi R8.

We believe this once again confirms our decision to participate in motorsport. I will be saying more about this in the second half of my speech.

That's all from me for the moment. Thank you for your attention. I'll now hand over to the Board Member for Finance and Organisation, Mr Rupert Stadler.

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**Prof. Dr. Martin Winterkorn**  
**Vorsitzender des Vorstands der AUDI AG**

**Part 2**  
**Current situation and outlook**

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Ladies and Gentlemen,

International competition in the car industry is tough and we car manufacturers have to live according to the principle of “Push them out before you get pushed out yourself.”

The fact that Audi is so well positioned is the result of a product and brand strategy geared to the long term. Our core competence is to build sporty, high-quality cars. This applies equally to our high-volume standard segments and our exclusive niche products.

Our A3, A4, A6 and A8 model lines are supplemented by emotional derivative versions and fascinating new models. Examples include our S and RS models, Cabriolets and the new Audi Q7 SUV. Part of our strategy is to produce higher volumes and to expand considerably with the help of additional new models and model versions.

We are aiming to break through the magic sales barrier of one million vehicles as early as the end of 2008. And that will just be the start! By the year 2015 we plan to be selling at least 1.4 million vehicles a year.

One way in which we intend to achieve this goal is to exploit the potential of existing markets more effectively. We have already made progress in this respect: last year, for example, we succeeded in boosting sales in Spain, France and Italy by at least 10 percent.

In Western Europe, Audi still tops the sales charts for 12-cylinder luxury saloons.

In 2005 we sold more of these vehicles in this market than both of our key competitors put together. Incidentally, we also expect our sales of the Audi A8 to be up by over 45 percent in the first two months of this year!

We are also the market leader in Western Europe in the A4 and A6 segments.

We likewise have a sound foundation in the difficult domestic market of Germany: last year we managed to boost our market share by 0.2 percentage points, to 7.4 percent.

The economic forecasts for the German economy are cautiously optimistic. The increase in VAT planned for 2007 will possibly prompt people to buy a new car this year instead. The question remains, though, as to what the state of the economy will be like in 2007.

Whatever happens, Audi will stand firmly by Germany as a production location. 45,000 highly qualified and motivated employees make our success possible. It goes without saying that we have to reduce our costs and increase productivity in order to survive in the face of fiercer competition. However, our new, intelligent vehicle architecture, the modular longitudinal platform, is already producing clear synergy effects. And through our growth strategy, we want to maintain the size of our workforce at the current level.

No car brand will grow as strongly as Audi over the next few years!

Growth in Germany will not be influenced so much by domestic demand, but above all by export.

Audi is becoming increasingly less dependent on German domestic demand. This is because we are developing more and more into a globally active company: while we still sold almost 46 percent of our vehicles in Germany in 1995, this figure was below 30 percent in 2005.

Our sales in the USA and Asia alone have increased from 13 to over 22 percent in the last ten years.

In China, Audi has been the leader in the premium segment for some time. And we are currently in the process of extending our lead further: in January, we recorded an exceptionally high growth rate and sold almost 6,400 vehicles.

Our standing in terms of reliability and customer satisfaction also confirms our strong position: Audi came out on top yet again in the J.D. Power rankings for China.

And thanks to what now amounts to around 120 exclusive Audi Centres in China, we will continue to increase our volume in this important growth market.

There is also still considerable potential in the USA. Audi of America will reach the breakeven point by the end of this year. The new Audi Q7 will of course have an important role to play in this. However, there's still need for action as far as our North American sales structures are concerned. We will therefore be strengthening our profile as a premium manufacturer this year and investing in the dealer network together with our sales partners. We will be focusing on 25 major cities in particular.

It is important to exhaust the potential of existing markets. But it is equally important to open up new markets. One good example is Russia, where we achieved an enormous growth rate last year of almost 50 percent, to more than 6,100 units.

We will continue to push on with our strategy of tapping new markets this year – in Eastern Europe, India, Korea, Australia and in the Golf States, for example.

But growth and high volume are not everything: we will increase the value added per vehicle in order to increase our profits. We are also on the right path here: to start with, we are reducing our unit labour costs by means of optimised production processes and flexible working hours. At the same time, we are offering our customers numerous attractive optional extras.

For Audi, the trend towards vehicle customisation is an important means of increasing the profit generated per vehicle. An ever increasing number of customers are prepared to spend more than 200,000 euros on one of our exclusively equipped vehicles.

Luxury equipment is closely related to a brand's high prestige and outstanding image.

Audi is already a strong brand and is set to become even stronger! Our long-term goal is to become the world's most successful premium brand.

The latest figures once again speak in favour of the fact that we are getting closer to achieving this goal. In January and February this year we will increase our sales total by around 20 percent compared with last year.

So the year has got off to a very good start for Audi. We will continue to keep up this pace and expect to achieve new record figures again in 2006.

Ladies and Gentlemen,

Perhaps you are asking yourselves what is going to happen to the SEAT brand, which is part of the Audi brand group. It's no secret that there have been a few problems here in the past. In order to get SEAT back on the road to success, we will be strengthening the lower price segment. We will be continuing our intensive cooperation with SEAT. Technical development provides the focus of this cooperation. One idea, for example, is to position a concept like the VW Caddy within SEAT.

But let's get back to the Audi brand.

In order to achieve our ambitious growth targets, we launched a model drive last year which is set to continue for quite some time.

Audi doesn't just stand for beautiful, sporty, high-quality and reliable cars.

Audi also stands above all for technical innovations:

- full galvanisation,
- quattro,
- progressive engine technology such as TDI and FSI,
- lightweight design
- the MMI operating system
- and ceramic brakes

are just a few examples. Several other innovations such as driver assistance systems, LED headlights or magnetic ride suspension are now being launched. All our innovations have one thing in common: they have a specific benefit.

And that's something our customers have come to appreciate.

Audi performed extremely well again in the readers' poll to find "The best cars", which was published in the German magazine "auto motor und sport" this month.

And once again it was the most successful brand – just like last year.

More than 100,000 readers took part in the German poll alone.

The A3 was victorious for the second time in a row, which clearly underlines the design and technical strength of our compact car. The A6, the Audi model that has won the most awards, was also crowned with the title of “best car” in what is the car industry’s most important readers’ poll. And the A8 topped the luxury class for the fourth time in succession. In view of the fact that our model, which is now almost four years old, was up against the new Mercedes S-Class, this is something we are particularly proud of at Audi.

Ladies and Gentlemen,

At the two motor shows held in the USA at the beginning of this year, we already gave an impression of what models Audi is – or might be – launching.

One of the highlights at the Detroit Motor Show was the new S6 with V10 FSI engine which delivers an output of 435 horsepower. The special features of this model include the single-frame grille with chrome bars and the LED light strip for the daytime running lights in the front bumper. The market launch of this model is scheduled for the first half of 2006.

Another highlight was the Roadjet Concept study. This vehicle can also be seen here today. With its long wheelbase of 2.85 metres, this car offers occupants a clear bonus in terms of space and comfort. This study also gave us the chance to present another electronic innovation: Audi drive select allows the driver to pre-select various vehicle characteristics – from comfortable to sporty. This not only changes the suspension and damping, but also engine characteristic, transmission and steering.

The Audi Q7 also features a number of innovations, in the field of driver assistance systems, for example: adaptive cruise control is a radar-assisted cruise control system with automatic distance control and obstacle warning. Audi side assist is specially designed for lane-changing and helps the driver by monitoring the blind spot.

And the Audi parking system advanced uses a rearview camera to make sure the driver can safely manoeuvre into any parking space.

Up until a few days ago, we presented the Audi Q7 to the international press in Phoenix/Arizona. More than 300 journalists from all over the world tested our SUV in a unique landscape. The USA is the most important market for our SUV. We are planning to sell around 30,000 units a year there.

The Audi Q7 will be in European dealers' showrooms from March 10. But even before it takes to the road, our SUV is already attracting attention. I mentioned before that the Audi Q7 has already picked up some important prizes. The response from our customers is quite overwhelming: by yesterday evening we had received more than 13,000 fixed advance orders – in Europe alone! That's an outstanding figure. We will be stepping up production so as to make sure that all orders are delivered as quickly as possible. As you can see, the diesel share of orders is very dominant so far. But this will change when orders start coming in from the USA and Asian markets in May.

Ladies and Gentlemen,

So what other models will help to make sure that Audi achieves new record figures this year?

The Avant and Cabriolet versions of the RS 4 saloon presented last year will celebrate their world premiere at this year's Geneva Motor in Geneva – next week in other words. The market launch of these power packs – with their 420-horsepower high-revving engine – will be in the first half of 2006.

We will also be presenting the successor to the allroad quattro in Geneva.

The new Audi A6 allroad quattro with quattro drive as standard puts up an even more dynamic performance – both on the motorway and across open terrain.

This model will also be launched in the first half of 2006.

I'm particularly looking forward to our super sports car – the R8. It will be launched with a 420-horsepower 4.2-litre engine; other attractive engine versions offering even more power will follow at a later date. The start of production will be in Neckarsulm at the end of 2006; the market launch will follow in 2007.

I'm afraid I'm unable to show you any pictures yet of the following models that we will be launching this year:

The S3 will be a three-door model with a sporty engine. It will be in dealers' showrooms in the second half of 2006.

The new TT Coupé will continue the success of the TT. The new TT will be powered by sporty engines, combined throughout with DSG. It will be launched in the second half of 2006.

The A5 Coupé will mark the start of a new technical generation. Like the R8, the A5 opens up a new segment for Audi in which we will be considering various model versions. And the name has already been decided on: the Coupé will definitely be launched as the A5 – and the launch will be in the first half of 2007. And, one more thing I can also reveal to you is an important decision that has been taken regarding the production location: we will be building the A5 Coupé here in Ingolstadt.

To conclude, I would like to say a word about motor racing.

We presented the new Audi R10 racing car in Paris and at the Los Angeles Auto Show. This car is fitted with a high-performance TDI engine which is intended to underline our expertise in the field of diesel technology, especially in the USA. The R10 will compete in its first race on March 18 – at the 12 Hours of Sebring.

We also hope, of course, that this revolutionary vehicle concept will take us to victory at Le Mans.

Audi will also continue to concentrate on the DTM in the future. With Audi and Mercedes, two of the leading premium manufacturers will be competing against each other in future. This is a repeat of the duel between the legendary Silver Arrow models of Auto Union and Mercedes-Benz that captivated spectators 70 years ago. Audi will be entering an advanced version of the A4 DTM with a new V8 engine.

Ladies and Gentlemen,

Let me summarise:

- In 2005 we posted record figures for vehicle sales, production, revenue and profit.
- With our renewed and expanded product range, we are laying the foundations for even greater successes in existing and new markets.
- We are systematically continuing our model drive and expect 2006 to be another record year for Audi.

Our success wouldn't be possible without the enthusiasm of our employees. On behalf of the Board of Management of AUDI AG, I would therefore like to thank all our employees worldwide for their hard work.

In our company agreement "Audi's Future" we have decided to introduce an additional performance-related bonus for employees when the operating result reaches a certain level. If we look at the past financial year, we see that the requirement for this extended profit share for employees has been fulfilled. This means that we will be giving our employees a greater share in our company's profits than was previously the case.

We would also like to thank our customers most sincerely for their loyalty.

And I would like to thank you, Ladies and Gentlemen, for your attention.