



Rupert Stadler

Speech

Annual Press Conference (Outlook)

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Speech at the Annual Press Conference

Prof. Rupert Stadler

Chairman of the Board of Management of AUDI AG

Ingolstadt, March 10, 2015

Outlook

-Check against delivery-

Ladies and Gentlemen,

to summarize the previous speeches, in 2014, we further enhanced the brand with technical innovations. We launched products on the market that are coveted worldwide. We surpassed our target for unit sales. And we converted our success into solid earnings – providing additional capital for further growth.

For our future, I see four questions as game changing. Buzzword internationalization: What are the success factors of a global presence? Buzzword digitalization: Which maximum added value does a customer gain from his or her car in a connected world? Buzzword sustainability: With which formula can we solve one of the biggest challenges facing humanity? And buzzword shifting values: What will premium mean in tomorrow's world?

On the first question: No matter in which industry we work, we are all aware of one thing, the world is getting smaller. That means: more knowledge, more growth and at a higher pace, more competition. At the same time, these interdependencies also result in a large number of new variables for the world economy, such as: international political crises, constant economic fluctuations and currency risks. The results are: less security, less plannability and overall less independence.

Anyone who wants to stay in the game as a global player must take account of as many variables as possible. Still, business always involves betting on the future. Which developments is our industry facing this year? Trade and industry in the euro zone are sending the first slight positive signals. The weak euro is benefiting the export business. The situation in Ukraine is still critical. We have to hope that the Minsk cease fire holds and that the conflict is resolved at the political level. On the global scale, China will remain the growth driver in 2015, even if the rate of growth decreases. In the United States, industry surprisingly lost some of its dynamism again at the beginning of the year. Nonetheless, we anticipate solid economic growth of about three percent there. And what do we see on global raw-material markets? The recent fall in the price of crude oil made fuel inexpensive. In the short term it reduced the pressure on car drivers to change over to alternative drive systems. Accelerating this changeover is and remains a shared task of politicians and the automotive industry. We need two factors: desirable products from the car industry



and appropriate, plannable conditions from the political side. This is the only way to create significant benefits and buying incentives for the customers. The discussions about Greece and the euro-exit scenarios are rather explosive. A debate with displeasure about austerity on the one hand, and disappointment about threatened credit defaults on the other.

This year, there will be parliamentary elections in the United Kingdom and Spain. Unfortunately, the European question is a welcome election issue for many opponents of Europe. Their rhetoric almost lets us forget what makes us Europeans so strong: our unity. A political unity that has brought us peace. And an economic unity that secures our prosperity. With regard to free trade, we can learn from the fathers of the European Union. They knew exactly how effective the appeal of a common economic area would be.

On the global political stage, the idea of free trade is gaining new impetus with the negotiations on a comprehensive transatlantic trade agreement. In late January, I spoke out publicly with colleagues of the German automotive industry in favor of TTIP. We want 800 million people on both sides of the Atlantic to profit from it. Brussels and Washington should take consumers' concerns seriously and make the negotiations much more transparent. TTIP is the unique opportunity for tariff-free trade between the US and the EU, to dismantle other serious barriers to trade, and for uniform standards. Because differing standards cost time and money.

Ladies and gentlemen,

we once again have ambitious plans on our global growth path in 2015. We made a good start to the new year with growth of 7.4 percent as of February. In the first quarter alone, our plants in Ingolstadt and Neckarsulm will work 19 special shifts. This will allow us to meet the high demand.

We will tackle the full year with this ambition: We are targeting a new record year. We want to grow once again in 2015: stronger than the world market and with expansion in all regions. And what no-one would have expected five years ago: We want to reach the next strategic milestone of two million deliveries before the year 2020. When someone asks me – What is crucial for success in the global game? – I name three points:

First: Wherever a customer comes into contact with our brand, our promise applies: uniqueness and outstanding quality. That's what appeals to people and turns them into fans. Second: As a globally positioned company, we can fulfill differing regional customer expectations. And third: We at Audi utilize the diversity of our employees in a worldwide knowledge network. From our trend scouts in San Francisco to the headquarters in Ingolstadt and to our R&D center in Beijing.

Our employees' expertise is the key to our premium ambitions. And for our new plant in San José Chiapa that doesn't only begin with the start of production in 2016. You can see from these pictures how far the construction has advanced. We are on schedule: the Audi Q5 will drive off the assembly line there in 2016. Audi is the first premium brand to produce in Mexico. So many local suppliers will for the first time have to supply a customer with our expectations. To ensure that we can purchase premium quality, we will qualify 160 suppliers by the start of production. We have opened a local Training Center for our employees at Audi México. Here at the main plant in Ingolstadt and also in Neckarsulm, about 600 Mexicans from various specialties and ranks are already learning from their German colleagues. The basis is our Audi Production System. It ensures that we have binding standards all over the world. A global network – whether in development, procurement, production or sales – lives from the creativity of its workforce and partners.



People from nearly 100 nations work for our brand. That's a diversity that enriches us. A diversity that we as a German company depend on. Which Germany depends on.

As the leader of this international company, I am firmly convinced that Germany has the potential to continue to be a leading location for industry in the future. To realize that potential, we need smart people from all over the world. Smart people from various industries: robotics, electronics, and information technology for example. Because our competence profile is changing. And I now turn to the second challenge facing our industry: to digitalization. We feel that the virtual and real worlds are merging. For us as a premium brand, this means: We create added value for our customers in both worlds. We reduce complexity. We optimize our service. And we are creating a unique world of experience – real and digital. The best example is our Audi City: In our digital showroom, our customers experience the diversity of the entire model range on a powerwall. And they can do that in the middle of metropolises like London, Beijing and Berlin. We are also bringing these digital elements to our dealerships. The latest highlight is the Audi Virtual Reality experience – a new development project that we are also testing in retailing. With these glasses, our customers can configure and get to know their own Audi digitally. And you will experience in the coming years: An Audi will more and more become a digital interface between the customer and his brand.

The possibility to be “always on” extends the experience space in the car of the future far beyond the bodywork. From the car's cockpit, you will be able to manage your life and work in the future. We say: “The car gets bigger than the car.” While you are managing your world, your car will be driving itself. That's our vision of piloted driving. This vision will become reality the year after next – already in 2017. Our mission is: We create added value for our customers in a digitally connected automobile. In particular when the focus isn't on driving pleasure, especially in traffic jams. Our customers can use this time productively and their Audi takes them safely to their destinations. This allows us to give them more time and quality of life. The German Transport Minister is to visit us quite soon. He wants to experience piloted driving for himself in an Audi. Alexander Dobrindt has declared the Autobahn A9 as a test highway for connected and automated driving. That's an important step, so that this key technology from Germany creates a leading market domestically and is successful here first. The next step must be to create the required legal framework. To do that, we need political support. This will help us to strengthen Germany as a high-tech location.

We utilize the possibilities of connectedness not only with the product, but also in production. Our vision is the intelligent factory. In this factory of the future. we will digitally connect all processes, robots will assist our employees in production and will work with them hand in hand. In our logistics here at the Ingolstadt plant, we are the first industrial company to test driverless transport robots. They move our cars fully automatically, temporarily park them, and then sort them and place them into position for loading onto trains. The human being is always at the center of all this. We support our employees with physically strenuous work and improve the ergonomics of our workplaces. And our customers profit from even greater flexibility – and thus more options for their chosen car.

At the same time, the intelligent factory allows a high degree of resource efficiency. And this is where I come to my next topic: Sustainability. We are ambitious right down to the smallest detail. We fight: for every liter of water and every kilowatt of electricity that we don't use in our production, for every gram in lightweight construction and for every drop of fuel that our engines do not consume.



Our race cars in Le Mans show you how we implement this principle in practice. In the past eight years, we have halved the number of cylinders in our diesel racing engines and have reduced the engines' displacement by one third. At the same time, we have increased their power output by 72 percent while reducing fuel consumption by 38 percent. Our guarantee for success is efficiency. We get more output from less input. That's the Audi ultra formula for sustainable success. This is our most important race. This is a matter of how we keep our planet a place worth living for future generations. We are committed to putting sustainability into practice throughout the company. Not the sophisticated, but the clever, simple solutions are what we are searching for day by day. Not complex structures, but lean processes are what distinguish us at Audi. We therefore continually question established ways of doing things.

Success and sustainability are mutually dependent. A company that isn't successful cannot invest in sustainability. And a company that does not invest substantially in sustainability will not remain successful. We apply the Audi ultra success formula on the road as well: There, ultra is our label for the most efficient combustion-engine versions of each model series. The ultra models mark a step along the way into CO₂-neutral mobility. Each of our drive concepts works towards this goal: Whether high-tech combustion engines like TFSI or TDI, whether plug-in-hybrids or pure electric cars – both of them called e-tron –, or fuel cells.

To my last question for today: What will "premium" mean in tomorrow's world? For us, premium means making the extraordinary possible. Quality, exclusivity and individuality – all of that will continue to be valid in the future. But the premium of tomorrow is more. For many of our customers, it's a matter of better quality of life. And instead of the car as a status symbol, the car makes a statement. An Audi is a statement for avant-garde, an inspiration for the future. Our new design language expresses that very clearly. That's what our customers want. Not for nothing is design the main reason to buy. At Audi, the contents keep the promise of the packaging: fascinating products and a portfolio that anticipates the customers' wishes.

The next stage of our model initiative has started: After the Audi TT*, the models Audi Q7*, R8* and Audi A4 will enter our dealerships' show rooms. We have already presented the new Q7 and the Q7 e-tron versions at the latest motor shows. Audi is the world's leading premium-SUV brand. And we are continuing this success story: The Audi Q1 will be the new entry-level model among our SUVs and will round out the portfolio at the bottom end as of 2016. In the large luxury segment, we will make an impact with a sporty Q derivative: with the Audi Q8. In the coming five years, we will expand our product range from the present 52 to more than 60 models. The claim to uniqueness can be found in every single one of our products – in the entire Audi Group. Ducati sets a new benchmark for high-performance sports bikes with the 1299 Panigale. Another highlight from Bologna is the Scrambler – the premium entry-level machine with cult status for young bike fans. We will launch it this year. Lamborghini is making headlines with the Huracán*. In Geneva, the Aventador Superveloce* debuted – another high-class automobile from Sant'Agata Bolognese.

Ladies and gentlemen,

this is our masterplan for the future: We move forward with our course of internationalization. We turn the car into a digital experience space. We bring sustainability in the entire value chain. And, we define the new premium. Thank you.

– End –



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Fuel consumption figures of the models named above

The fuel consumption and the CO₂ emissions of a vehicle vary due to the choice of wheels and tires. They not only depend on the efficient utilization of the fuel by the vehicle, but are also influenced by driving behavior and other non-technical factors.

Audi TT:

Combined fuel consumption in l/100 km: 7.5 – 4.2
Combined CO₂ emissions in g/km: 174 – 110

Audi Q7:

Combined fuel consumption in l/100 km: 8.3 – 5.7
Combined CO₂ emissions in g/km: 193 – 149

Audi R8:

Combined fuel consumption in l/100 km: 12.4 – 11.8
Combined CO₂ emissions in g/km: 289 – 275

Lamborghini Huracán:

Combined fuel consumption in l/100 km: 12.5
Combined CO₂ emissions in g/km: 290

Lamborghini Aventador Superveloce:

Combined fuel consumption in l/100 km: 16
Combined CO₂ emissions in g/km: 370