Speech

Annual Press Conference (Review)

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Speech at the Annual Press Conference

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Chairman of the Board of Management of AUDI AG

Ingolstadt, March 10, 2015

Review

-Ladies and Gentlemen,-

Today, we are taking stock of the 2014 financial year – a challenging and very emotional year. We will also describe to you the outlook for 2015. The year in which we will enter the next phase of our model initiative.

In the Audi history, we are today giving recognition to two new heroes: Bobby and Jack. Bobby demonstrated his sophistication without a driver on the racetrack at Hockenheim – even at the limits of physics! This was enough to win the title of the sportiest piloted car. Jack then proved his abilities on the open road: 900 kilometers of piloted driving from Silicon Valley to Las Vegas. That’s a world record. Both of them – Bobby and Jack – emphasized our technological leadership in the field of piloted driving. Last year, we set a lot more benchmarks – and we are going to tell you about them today.

2014 wasn’t an easy year. It already became clear in the first quarter: The general economic conditions didn’t indicate a mild summer. The world economy was hit by significant setbacks in the middle of the year. The euro zone clouded over, and even the drive engine of the BRIC countries started to stall: Structural problems, weakening raw-material markets and – in the case of Russia for example – geopolitical conflicts are still making life hard for the markets that were expected to provide stimulus. Despite this situation, we maintained our ambitious targets. And I am proud to say: We delivered more than we promised. We not only achieved our targeted unit sales, we surpassed them.

At the same time, we posted solid earnings. And sharpened our brand’s profile on all continents: “Vorsprung durch Technik” appeals with the “best design worldwide” and makes us the “world’s best brand” (Autozeitung/November 2014) – as confirmed by the readers of the German magazine “Autozeitung” and its sister magazines in Europe, the United States, South Africa and Australia. Our pioneering role in digital connectivity brought us the coveted Connectivity Award (auto motor und sport and CHIP/July 2014). And the new Audi TT* with its virtual cockpit won the title of “Connected Car 2014” (Auto Bild and Computer Bild/December 2014). Groundbreaking technology, uncompromising quality and first-class service: The Four Rings stand for this premium promise worldwide. And our customers recognize

* The collective fuel consumption of all models named above and available on the German market can be found in the list provided at the end of this speech.
that. In China, they placed Audi in first position for the fifth time in succession in the J.D. Power survey of customer service. At the same time, our products are convincing: We have just been awarded 11 of 18 first places by the Chinese “auto motor and sport” magazine. The Four Rings shine brightly also in the United States – as the best European brand in Consumer Reports. And the Audi A6* has been voted the “best luxury car” for the third successive year.

Those are achievements with which we are inspiring customers all over the world. People who dive into the world of the Four Rings and are fascinated by our products. More than 1.74 million customers said “yes” to Audi in 2014. With an increase of 10.5 percent, we grew significantly – even before the next model initiative.

Our subsidiary Lamborghini also performed very successfully in 2014: The brand from Sant’Agata Bolognese posted its best year yet with 2,530 deliveries. Above all, the new Huracán* stimulated strong demand. At the end of 2014 we had more than 3,000 orders for this car.

Ducati had to cope with a particularly difficult market last year. Nonetheless, we ended the motorcycle year with slight growth. In total, we delivered about 45,000 motorcycles.

Back to the Audi brand. In Europe, we are the number one – with a new record. Our European customers bought approximately 763,000 automobiles last year. In China, we are also the undisputed leader – and we have further extended our lead. As the first premium brand, we delivered more than half a million cars there in one year. Our models that we produce locally are strong growth drivers. With the long versions of the Audi A4* and A6*, the Audi Q3* and Q5* and the A3 Sportback* and Sedan*, we are the only German premium car brand to produce six models in China. This commitment pays off: We are clearly leading the segment. And we literally delivered the goods also in the United States: With sales of more than 180,000 units, we moved significantly closer to the next milestone of 200,000. We thus had our fifth record year in succession, and so far the 50th record month in a row. We see a lot more potential in the US market: Of the European manufacturers, we are the fastest-growing premium brand. The Audi Q5 is the bestselling Audi in the United States. That’s a good sign for our new production site in Mexico, where we will produce the new Q5 as of 2016.

We see rising demand also beyond our core markets: Canada, South Korea and Brazil stand out with double-digit growth rates. Our dealers in Brazil posted growth of nearly 90 percent. That reflects the special situation of Brazil. We have here a country with two markets: While the overall Brazilian car market is weakening, demand is rising in the premium segment. This year, we will start the production of the Audi A3 Sedan in Curitiba. The Audi Q3 will follow in 2016. We are convinced of the opportunities for Audi in Brazil. In the medium term, we plan to be the leading premium brand there. We will continue along our growth path in terms of production in 2016 with the new plant in Mexico.

We are also developing our domestic sites in Germany: We have expanded our production site Neckarsulm with a new logistics Center at Audi Böllinger Höfe. We also produce all of our RB* models there under one roof. For the region, this is the biggest investment in decades. We have just acquired a piece of land for further expansion. All of this strengthens our presence at the Neckarsulm site. Until 2019, we will invest more than 600 million euros at the site each year. For the Ingolstadt site, we are making an investment volume of more than one billion euro available each year. Following the latest decision by the Supervisory Board, we can now push forward with an important project: a new innovation campus on a site in the east of the city. Last year, the region already gained one high-tech center, Audi Neuburg. The new Motorsport Competence Center is an important component of our worldwide development network. This is where we
bring together the expertise of Audi Sport and build our racing cars. It is also where we test the latest technologies and assistance systems for series application. And with the Audi driving experience, we offer our customers a unique form of driving and safety training.

We sharpened our brand’s sporting profile also on the road in 2014: The third generation of the Audi TT is a genuine sports car offering high performance, efficiency and driving pleasure. This year, the TT will be launched in the United States and China. We have strengthened the top end of our product range with ten new S and RS models. This means that we now offer our customer the broadest ever portfolio of sports versions, from the Audi S1* to the S8*, and from the Audi RS 3* to the RS 7*. And these models are very popular: Overall, we sold one third more of our sporty top models in 2014.

The A3 e-tron* was another impressive highlight of the year 2014: with its unique combination of high performance, range and fuel consumption resulting in less than 35 grams of CO₂ per kilometer. It received the highest grade of five stars in the NCAP crash test, and is the “Value Champion 2015” with the best expected residual-value. We produce our first plug-in hybrid here at the Ingolstadt plant. And we do it on the same line as the other A3 models*. This allows the optimal utilization of assembly synergies. To date, we have trained more than 25,000 employees for high-voltage systems – each of them individually instructed for his or her tasks. In doing so, we have set a new benchmark: The chambers of industry and commerce have made our qualification concept the standard for the German automotive industry.

Ladies and Gentlemen,

Worldwide, approximately 80,000 people now work for “Vorsprung durch Technik”. In the year 2014, Audi recruited 8,190 employees worldwide. In Germany alone, we welcomed more than 4,500 new people. This year, we plan 6,000 recruitments: 2,000 at our international sites and around 4,000 in Germany. This includes 760 apprenticeships that we provide for young people at our sites in Ingolstadt and Neckarsulm. The Audi team is the driver of our progress. Our success is due to their ideas and their commitment. We are therefore letting our employees participate in our profit with an average amount of 6,540 euros.

I have deliberately kept what for you are probably the most interesting figures until the end. Because their full meaning is only clear in the proper context. In 2014, we made considerable progress in our bold move to globalization, expanded and trained our worldwide workforce, and rolled out our product and technology initiative. How has that affected our financial statements? On the revenue side, we posted more than 50 billion euros for the first time. Despite all advance expenditure, our operating profit is in excess of more than five billion euros – for the fourth consecutive year. This means: Our operating return on sales of 9.6 percent is at the upper end of our strategic target corridor. Our profit before tax of approximately six billion euros is also a reflection of our successful China business.

We are making use of our strong profitability and laying the foundations for further qualitative growth: In 2014, we invested 4.5 billion euros – one quarter more than in the previous year. By 2019, we will invest another 24 billion euros. This means we are implementing the biggest investment program in the company’s history. My colleague Axel Strotbek will now explain to you the details of our financial statements. Thank you.

– End –

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* The collective fuel consumption of all models named above and available on the German market can be found in the list provided at the end of this speech.
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 S1:**
Combined fuel consumption in l/100 km: 7.2 – 7.0  
Combined CO₂ emissions in g/km: 166 – 162

**Audi A3:**
Combined fuel consumption in l/100 km: 6.5 – 3.2  
Combined CO₂ emissions in g/km: 149 – 85

**Audi A3 Sedan:**
Combined fuel consumption in l/100 km: 6.5 – 3.3  
Combined CO₂ emissions in g/km: 149 – 88

**Audi A3 Sportback:**
Combined fuel consumption in l/100 km: 6.5 – 3.2  
Combined CO₂ emissions in g/km: 149 – 35

**Audi A3 e-tron:**
Combined fuel consumption in l/100 km: 1.7 – 1.5  
Combined electric power consumption in Wh/km: 124 – 114  
Combined CO₂ emissions in g/km: 39 – 35

**Audi RS 3 Sportback:**
Combined fuel consumption in l/100 km: 8.1  
Combined CO₂ emissions in g/km: 189

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

**Audi A4:**
Combined fuel consumption in l/100 km: 9.4 – 4.0  
Combined CO₂ emissions in g/km: 174 – 104

**Audi A6:**
Combined fuel consumption in l/100 km: 7.6 – 4.2  
Combined CO₂ emissions in g/km: 177 – 104

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**Audi RS 7 4.0 TFSI quattro:**
Combined fuel consumption in l/100 km: 9.5  
Combined CO₂ emissions in g/km: 221

**Audi S8 4.0 TFSI quattro:**
Combined fuel consumption in l/100 km: 9.6  
Combined CO₂ emissions in g/km: 225

**Audi Q3:**
Combined fuel consumption in l/100 km: 7.2 – 4.4  
Combined CO₂ emissions in g/km: 168 – 114

**Audi Q5:**
Combined fuel consumption in l/100 km: 8.5 – 4.9  
Combined CO₂ emissions in g/km: 199 – 129

**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

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