Prof. Rupert Stadler

Speech

Annual General Meeting

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Speech at the
Annual General Meeting AUDI AG 2014

Prof. Rupert Stadler
Chairman of the Board of Management of AUDI AG

Ingolstadt, May 22, 2014
Part 1

-Ladies and Gentlemen,-

welcome to the 125th Annual General Meeting of AUDI AG. On behalf of the entire Board of Management, I would like to welcome you most cordially here in Ingolstadt today. Together with you, we will sum up the financial year 2013, which was very challenging for us, but overall very successful.

Headwinds were very strong in Europe. The competitors attacked us fiercely. And on top of that, we made an extra effort: We had substantial advance expenditure last year – which we regard as crucial for our long-term success. Today, we will also present to you an outlook of what our financial statements could look like in 2014: And of how we will keep our company on its successful path once again this year. In addition to our financial performance, we will report on our enormous steps of globalization, on our second model initiative, and on our company’s ongoing volume growth.

Let’s start with the key figures for 2013: With our deliveries of Audi automobiles, we significantly surpassed the mark of 1.5 million units! So the target we had set ourselves for 2015 was already reached last year! This shows that Audi is more popular today than ever before. In just four years, we have gained more than 600,000 customers.

* 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.
Let’s have a look at our top markets: The main growth drivers are our overseas markets.
In China alone, we delivered nearly 492,000 cars to customers, over a fifth more than in the previous year. Our lead in China was bigger than ever before in 2013! We gained major impetus from our local production, which we are expanding step by step with new models. In China, we are the premium brand with the broadest range of models from local production: We produce the Audi A6 L, A4 L, Q5*, Q3* and A3 Sportback* in China.

The Four Rings are making good progress also in North America. The Audi community there grew at a double-digit rate once again in 2013. This means that for the first time, we passed the mark of 150,000 units in the USA – and exceeded the record number of the previous year!

In Europe, we too felt the difficult economic situation in 2013. The good news is that Audi was the only one of the three large premium manufacturers that successfully defied the crisis – we grew in that time by five percent, quite contrary to the market trend. In 2013, Audi delivered a total of 732,000 automobiles in Europe. That means that Europe is once again Audi’s strongest sales region. At the same time, Audi is the bestselling premium brand in Europe.

We put 15 new models and derivatives on the road in 2013. Above all, we further expanded our A3 model series*. It’s already the market leader in Europe – and the Sedan and the Cabriolet will give us additional impetus.

In the luxury class, we have set a new “highlight” with the A8*. It is the first car with innovative matrix-LED headlights. This technology is currently unique in the automotive industry. We will strengthen the luxury class with the new version of the A8.

The Q strategy has been an unparalleled success for Audi. Worldwide, we have delivered more than 1.7 million Q models since we entered the SUV business in 2006. And we will continue this success story. Last autumn, we announced a new addition to the Q family: As of 2016, we will round off our SUV offering at the bottom end with the Audi Q1. We will systematically close the gaps in our SUV portfolio and thus utilize further the market opportunities in this segment.

We have underscored our status as the sportiest premium brand with four new RS models.
On the subject of sport: 2013 was one of the most successful years in our motorsport history. The motorsport season has just begun. In the DTM, we started successfully at the Hockenheimring. And we scored points also in Oschersleben. In the WEC, we have strong competitors in Porsche and Toyota. The new regulations are an additional challenge – which our team is tackling ambitiously. On June 14, it’s all about Le Mans. Our objective is clear: We are participating in order to win again!

Let us stay with the Audi Group: Our Italian subsidiaries were also very successful in 2013. Lamborghini set a new record for the third consecutive year with 2,121 super sports cars delivered to customers. And Ducati surpassed its record of the previous year with more than 44,200 motorcycles sold, despite all the difficulties affecting the motorcycle market.

In total, the Audi Group generated record revenue of 49.9 billion euros in 2013. And we achieved operating profit of more than five billion euros, despite challenging economic conditions in some of our key markets. At the same time, we invested 3.6 billion euros last year – ten percent more than in 2012 – thus laying the foundations for our ongoing success.

The focus of investment in 2013 was on expansion and thus on new production sites. Just over a year ago, we had ten car plants in nine countries. Today, with the full automobile plant in Győr, Hungary, and the plant in Foshan, Southern China, we have twelve plants in ten countries. This year, we will for the first time produce more cars abroad than here in Germany.

Recent steps we have taken will strengthen this production network. We will commence CKD production in Brazil in 2015. And we have decided on the full Audi plant for North America: As of 2016, we will produce the Audi Q5* in Mexico. The decision in favor of this continent is obvious: As we want to get more established in the US market, we need more models, shorter delivery times and more flexibility. This localization will make us more independent of currency fluctuations – this fact in itself will bring some earnings potential –, and we will also profit from several free-trade areas. We will then export to the United States, Latin America, Japan and Europe without any import duty!
Our construction work in Mexico is making good progress. At the same time, we are pushing forward with the necessary employee training. At present, we are carrying out training in cooperation with the VW Institute in Puebla. In September, we will open the Audi Training Center in San José Chiapa. Another objective is to identify the best partners for our innovation projects and to develop strong supplier structures. “Globalization through localization” is the motto. A suppliers’ park close to the plant is an important working basis for our local partners. Groundbreaking took place a week ago. We have promised to localize two thirds of the components in Mexico by the time that we start production of the Q5*. Our target in the medium term is actually 90 percent, so that we can utilize all the available potential. Contracts have already been signed for three quarters of the value added.

A good 7,000 kilometers further to the southeast is Curitiba in Brazil. Last year, we decided to produce the Audi A3 Sedan* there as of 2015. The Q3* will follow a bit later. According to the latest industry studies, demand for premium automobiles in Brazil will double by 2020. We want to make good use of this market potential for Audi.

Now let’s turn to the people at the Audi Group. In 2013, we recruited approximately 6,400 new employees. Ingolstadt and Neckarsulm account for the largest number, with more than 3,000 new employees including about 750 young people who started an apprenticeship or dual course of study with us. A total of 73,751 people worked for us at the end of the year 2013.

This is the team that achieved our successful results for last year. This team deserves our thanks and recognition for its great performance in 2013. For their outstanding work, the employees of AUDI AG paid according to wage-tariff agreements this year once again received a profit-sharing bonus at an average of 6,900 euros.

Ladies and gentlemen,

before I hand you over to Mr. Strotbek, just a few words about the rate of investment at Audi. We are now shifting up a gear in this respect. The lion’s share of our new investment program will flow into the second stage of our strategic model initiative.

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We already started the first stage at the beginning of the decade: the Audi A4 family* with the Sedan*, Avant* and allroad*, as well as the A5 Coupe*, Sportback* and Cabriolet*. We rolled out the Audi Q5 worldwide – a real boost for our SUV segment! The Audi Q3 – until now our entry-level model in the SUV segment, and the A1*, which shows that premium is not a matter of size.

Now we are commencing the second stage. The new generation of the modular longitudinal matrix plays a key role here. It is the basis of the segments B to D and will be applied throughout the Volkswagen Group – and that means in 23 models.

Another new development is that we are now using the modular longitudinal matrix also for larger SUV models. The new Audi Q7* is the beginning. And we will further expand the Q family. In three years, every third Audi worldwide will be a Q model!

The uniform basic architecture of the modular longitudinal matrix gives us maximum flexibility – also with regard to our drive technologies: The modular longitudinal matrix is designed for conventional as well as alternative drive systems. So we will systematically apply the e-tron technology in our mid-sized and large models. Furthermore, this modular development strategy will also allow us to produce e-tron models on existing assembly lines. These three examples show that the modular platform is fit for the future – in every respect.

At the same time, we are reinforcing our claim to leadership in innovative fields such as lightweight construction, lighting technology and connectivity. Take connectivity as an example. In this field, we are setting the standards for the industry! An Audi is the fastest mobile device on the market. Connectivity with the environment, infrastructure and other automobiles are always subject to the clear imperatives of traffic safety and improved traffic flow on the roads.

The next step is piloted driving. On the way to reaching an international legal framework for it, great progress was made at the United Nations last week. Very soon in the coming years, we plan to have a system in series production for speeds up to 60 kilometers per hour. It will be based on driver assistance systems that we already offer for our cars. We will combine all of these functions in a control unit, the so-called zFAS board. ZFAS is a German abbreviation for “central driver assistance control unit”. The electronics that filled the entire trunk a year ago will soon have the size of a tablet computer!
Ladies and gentlemen,

these are just some of the highlights of our innovation roadmap – our schedule for “Vorsprung durch Technik”. The guidelines for all our projects are set by our requirements in terms of efficiency and sustainability. That can be seen from our commitment to the Volkswagen Group’s target of 95 grams of CO₂ per kilometer by 2020.

We will achieve 20 percent of the current CO₂ target corridor through further optimization: of weight, roll resistance and wind resistance. We will achieve another 30 percent with alternative drive systems such as plug-in hybrid, natural gas and fuel cells as well as full electric drive. And we will reduce most of the remaining CO₂ emissions with our conventional high-performance combustion engines. In doing so, we will build on our many years of experience as a pioneer of engines with turbocharging and direct fuel injection, and we will continue to invest in our highly efficient engines. One example: At the Vienna Motor Symposium two weeks ago, we presented the new generation of our V6 TDI engines on the occasion of the jubilee, “25 years of the TDI”.

With these engines, we have further enhanced both performance and refinement. The new engine generation features power output of up to 272 horsepower. At the same time, we have reduced the CO₂ emissions of the new V6 TDI by up to 16 grams per kilometer.

Ladies and gentlemen,

as a globally active company, we are very well aware of our responsibility: for our employees, for the region in which we work and live, and for the environment and society. At Audi, we are working on the future – with innovations and with our values. Sustainability is firmly anchored as one of our principles, and is a yardstick for our entrepreneurial activity. We follow this principle with our products and processes along the entire value chain. For that reason, this year, we have become the first premium automobile manufacturer to have its corporate carbon footprint certified. With the CO₂ footprint, we are making our company-wide greenhouse-gas emissions transparent. This will enable us to analyze CO₂ emissions even more accurately and to reduce them further. We published details of our activities and targets of the Audi Group in our Corporate Responsibility Report in 2012. Measures and key figures for 2013 are available to you today in an updated report.

– End –
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Fuel consumption figures of the models named above

Audi A1:
Combined fuel consumption in l/100 km: 7.3 - 3.8
Combined CO₂ emissions in g/km: 168 - 99

Audi A3:
Combined fuel consumption in l/100 km: 7.1 - 3.2
Combined CO₂ emissions in g/km: 165 - 85

Audi A3 Sportback:
Combined fuel consumption in l/100 km: 7 - 3.3
Combined CO₂ emissions in g/km: 162 - 88

Audi A3 Sedan:
Combined fuel consumption in l/100 km: 7 - 3.3
Combined CO₂ emissions in g/km: 162 - 88

Audi A4:
Combined fuel consumption in l/100 km: 10.7 - 4
Combined CO₂ emissions in g/km: 249 - 104

Audi A4 Sedan:
Combined fuel consumption in l/100 km: 9.4 - 4
Combined CO₂ emissions in g/km: 178 - 104

Audi A4 Avant:
Combined fuel consumption in l/100 km: 10.7 - 4.2
Combined CO₂ emissions in g/km: 249 - 109

Audi A4 allroad quattro:
Combined fuel consumption in l/100 km: 7.1 - 5.6
Combined CO₂ emissions in g/km: 164 - 145

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**Audi A5 Sportback:**
Combined fuel consumption in l/100 km: 7.7 - 4.2  
Combined CO₂ emissions in g/km: 179 - 109

**Audi A5 Coupé:**
Combined fuel consumption in l/100 km: 10.5 - 4.2  
Combined CO₂ emissions in g/km: 246 - 109

**Audi A5 Cabriolet:**
Combined fuel consumption in l/100 km: 10.7 - 4.7  
Combined CO₂ emissions in g/km: 249 - 123

**Audi A8:**
Combined fuel consumption in l/100 km: 11.3 - 5.9  
Combined CO₂ emissions in g/km: 264 - 144

**Audi Q3:**
Combined fuel consumption in l/100 km: 8.8 - 5.2  
Combined CO₂ emissions in g/km: 206 - 137

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

**Audi Q7:**
Combined fuel consumption in l/100 km: 10.7 - 7.2  
Combined CO₂ emissions in g/km: 249 - 189