



Prof. Rupert Stadler

Speech (Review)

127th Annual General Meeting

May 12, 2016 | AUDI AG, Ingolstadt



**Speech at the
127th Annual General Meeting of AUDI AG**

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

Ingolstadt, May 12, 2016

Review

-Check against delivery-

Ladies and Gentlemen,
distinguished shareholders,

Right here, in the Audi Forum Ingolstadt, we experience every day the pleasure that the buyers of new Audi cars experience when they pick them up. That excitement is our driving force. I would like to welcome you all here on behalf of the entire Board of Management and our fellow Audi employees.

At our annual general meetings, we are traditionally available to answer your questions on the past financial year. Also we will give you an outlook on what you can expect from the Audi Group this year. I will come to that in the second part of my speech. But let's first look back at a challenging year 2015.

The review also includes a situation report on the diesel issue. By means of software manipulation on diesel engines, rules have been broken and ethical boundaries have been transgressed. All of us at the Volkswagen Group sincerely regret what has happened. We are working with all our efforts to restore confidence. That's only possible with full transparency. And with sustainable solutions: We will put things right!

As soon as this issue became known about at Volkswagen, we at Audi decided to do three things: to clear up the matter at the entire Group; to remedy the situation for our customers; and with a view to our future, to ensure that honesty has the utmost priority as a business principle.

Group-wide clarification is taking place. The Supervisory Board of Volkswagen AG has commissioned an external law firm investigation by Jones Day. That investigation has made good progress. Jones Day expects it to be concluded in the fourth quarter. In the meantime, we are pushing forward with technical solutions for our customers – until the last car has been put right. Our customers have top priority for us.

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The Volkswagen Group has submitted retrofitting plans to the German Federal Motor Transport Authority for the four-cylinder TDI engine in Europe. For technical reasons, that has been done in groups, each relating to several models. The Federal Motor Transport Authority has granted its approval for the first groups. Therefore we have already started with the global recall of the 2-liter TDI engine in the Audi A4, A5, A6 and Q5 – with the exception of Northern America. Other countries, amongst them 27 EU member states, are taking this decision as a benchmark.

About 90 percent of all the affected Audi models have 2-liter TDI engines. They will be given a software update, which will take about ten minutes. The other 10 percent of affected models have the 1.6-liter TDI engine. They will be upgraded with both software and hardware. For our customers, that means a short visit to the workshop of less than an hour.

We will probably be busy with refitting the affected models in Europe until the end of the year. For the United States, Volkswagen, as the company responsible for developing the four-cylinder TDI engines, is currently consulting with the authorities in order to determine the ongoing measures. An important step has been taken with a fundamental agreement. The court has demanded absolute confidentiality for the proceedings. I therefore request your understanding: We cannot yet communicate on this today. I can just say so much: Audi is affected in the United States with approximately 13,000 cars. The costs of fixing those cars will be borne by Volkswagen.

What about the 3.0-liter V6 TDI engine developed by Audi? In Europe, the engine complies with type-approval requirements. Nonetheless, together with other carmakers, we have promised the Federal Motor Transport Authority that we will carry out a software change. With this voluntary service action, we are dispelling the last doubts of the investigative commission. The cars of the approximately 60,000 affected Audi customers can have their software updated the next time they are serviced. For North America, we have presented CARB and EPA with technical solutions, which are now being examined by those authorities. As a consequence, we placed a non-recurring cost affecting income of EUR 228 million in the past fiscal year to cover financial expenditure for technical solutions, legal risks as well as measures directed specifically at our customers and the dealers.

Ladies and gentlemen, our US colleagues and our dealers continue to fully support our brand. They are working for Audi with their full efforts every day. And they are doing a good job. Since 2008, the US dealers alone have invested more than a billion US dollars in our brand. They plan to invest a similar amount again by 2020, and they look to the future with full confidence. That is based on the large number of models we are currently launching. And our US dealers are convinced of our strategy.

Also for our American customers, Audi has not lost any of its appeal. For them, Audi is the “best car brand of 2016”. That’s the result of the latest “Consumer Report.” First place for all Audi models without exception in the categories of customer satisfaction, reliability, road test and safety.

People continue to be convinced of Audi not only in the United States, but also in many other markets. The Audi A3 Sportback*, A4 Avant* and A6 Avant* currently have been voted “Company Car of the Year.”, the Audi R8 is “World Performance Car 2016.” And we recently gained eight first places in the readers’ survey of Germany’s Auto Bild magazine for the “Best Brand in all Classes.” Audi is regarded as the most innovative premium brand of 2016. And first place in the “Connected Car” category of the 2016 Automotive Innovations Award shows that we are on the right track to prepare ourselves for the future.

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Despite all the challenges – political crises in Russia and Brazil, currency turbulence and economic fluctuations in China – our business is still strong. We set a new record for deliveries of Audi automobiles last year, selling 1.8 million cars worldwide. That's 300,000 more than we had targeted in our strategy for 2015. And we increased our unit sales in more than 60 markets for a record of 72 months in succession.

In our income statement for last year, we present our earnings before and after special items. This, in an absolutely transparent manner, allows to assess the Group's actual profitability as solid. Notwithstanding all expenses, our business operations are in excellent health. In 2015, we achieved an operating profit before special items at the prior-year level; it amounts to 5.1 billion euros. After deducting special items, it amounts to 4.8 billion euros. My colleague Axel Strotbek will soon explain to you the financial results in detail.

Ladies and gentlemen, let's have a look at Audi's major sales regions. In the United States, the investment in our brand continues to pay off. As you see, we grew twice as fast as the market in 2015; our sales in the US increased by 11 percent to exactly 202,202 automobiles. We have doubled our unit sales in the United States within five years.

In Europe, we confirmed our position as the premium-market leader. We achieved growth of almost 5 percent to nearly 800,000 cars sold. We performed well in Germany, our domestic market, where we are the number one. In France, we grew by a good 5 percent. In Italy and Spain, we actually achieved double-digit growth. And with 166,000 cars delivered, Audi UK made a substantial contribution to our sales growth in Europe. Every fifth Audi sold in Europe goes to the United Kingdom.

In addition to Europe, we were the undisputed number one in the premium segment also in China in 2015. With more than 570,000 automobiles delivered, we continue to achieve very high sales there. 2015 will be recorded as a special year for the Chinese economy. Many of our customers there were unsettled by uncertainty in the real-estate market and equity-price fluctuations on the stock markets. There was concern worldwide that China's dynamic growth might slow down significantly. This would also have grave consequences for the entire automotive industry. However, we regard a massive slow-down as highly improbable. Overall demand for cars in China, our most important single market, had already stabilized by the end of 2015.

As the longstanding market leader, we decided at an early stage on a year of consolidation in China in 2015. This meant continuing our focus on customer satisfaction and profitability. Our Chinese product portfolio is about to go through a transformation. Since the beginning of this year, we have been replacing models that make up a large proportion of our unit sales in that market. To sum up: China is and will continue to be a very solid growth market in the long term – with great potential for the Audi brand.

Ladies and gentlemen, last year we launched twelve Audi models on the market – either new or upgraded – above all the Audi A4* and the Audi SQ7*, crucial drivers of growth, which you can see here on exhibit. Their launch in many international markets will further push this trend.

The super sports cars from Sant'Agata Bolognese are also well known for their power and acceleration. Lamborghini has posted nonstop growth for five years now. In 2015, our Italian subsidiary for the first time passed the mark of 3,000 cars delivered to customers: a substantial increase of 28 percent compared with the previous year. The Lamborghini Huracán* is responsible for a large part of that success: More than 2,200 fans became delighted owners of the new model in its first full year.

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You see, the bull is stronger than ever. The brand's unit sales have doubled since 2005. Lamborghini has created about 500 permanent jobs in the past five years. And we are currently doubling the floor space of the plant in Sant'Agata Bolognese to 150,000 square meters and creating another 500 new jobs.

Ducati, our other Italian subsidiary, also set a new record for unit sales in 2015. Our colleagues in Bologna for the first time passed the mark of 50,000 units in one year – and by a significant margin, with deliveries of almost 55,000 Ducati motorcycles. That's approximately 10,000 more than in 2014 – an increase of 21.5 percent. Ducati grew significantly faster than the overall market in 2015 and continues to strengthen its position as a top premium brand.

The new Ducati Scrambler was responsible for a large part of that success, with sales of more than 16,000 units in its first year. So the Scrambler got into the list of the world's top ten bestselling bikes right from the start. More than 700 Ducati dealers in 90 countries are involved in that success, as well as the 1,500 employees worldwide.

Ladies and gentlemen, 85,000 people all over the world work untiringly every day for the Audi Group – now in particular helping us to achieve our ambitious targets with passion and loyalty. In 2015, we brought about 7,500 new employees on board, mainly at AUDI AG and Audi México. In Germany alone, we recruited more than 4,000 people, including about 1,600 experts with expertise in digitization and electric mobility. For our system of dual occupational training, we were selected as “Germany's best occupational trainer 2016” in the automotive industry.

The proportion of young women amongst our apprentices continues to rise and was about 30 percent last year. We systematically support our next generation of skilled workers and are therefore increasing the number of apprenticeships we offer by another ten percent.

Before I pass you on to Mr. Strotbek, it's important to me at this point to say thank you – to all of our employees at our sites all over the world. It's the people who make a company's success possible. We have a highly motivated team and a company with a solid foundation. That's why I'm convinced: Together, we will make sure that the brand with the Four Rings continues its success in the future.

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 A3 Sportback:

Combined fuel consumption in l/100 km: 8.3 – 3.8
Combined CO₂ emissions in g/km: 154 – 99

Audi A4 Sedan:

Combined fuel consumption in l/100 km: 6.3 – 3.7
Combined CO₂ emissions in g/km: 144 – 95

Audi A4 Avant:

Combined fuel consumption in l/100 km: 6.4 – 3.8
Combined CO₂ emissions in g/km: 147 – 99

Audi A4 allroad quattro:

Combined fuel consumption in l/100 km: 5.5 – 5.1
Combined CO₂ emissions in g/km: 146 – 137

Audi A6 Avant:

Combined fuel consumption in l/100 km: 7.8 – 4.4
Combined CO₂ emissions in g/km: 182 – 114

Audi SQ7 TDI (5 Seater):

Combined fuel consumption in l/100 km: 7.5 – 7.2
Combined CO₂ emissions in g/km: 198 – 189

Audi Q7 e-tron 3.0 TDI quattro:

Combined fuel consumption in l/100 km: 1.9 – 1.8
Combined CO₂ emissions in g/km: 50 – 48

Lamborghini Huracán:

Combined fuel consumption in l/100 km: 12.3 – 11.9
Combined CO₂ emissions in g/km: 285 – 278