



Prof. Rupert Stadler

Speech (Outlook)

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

Outlook

-Check against delivery-

Ladies and Gentlemen,

Our outlook for this financial year includes a number of negative indicators: The burden resulting from the Diesel issue has not been relieved. Innumerable regional crisis zones continue to affect us. Europe is holding its breath due to the refugee crisis and the threat of the United Kingdom's exit from the EU. Currencies that are important for our business have become highly volatile and impact our business. Also, the debt crisis in Greece flares up once again. The Chinese market becomes more and more mature and we now experience an even fiercer competition. In short: The framework for our business activities is extremely challenging.

However: We aim to continue our growth in 2016. That's why our model initiative is continuing. We will launch more than 20 new or revised Audi models by the end of the year: The Audi A3 has been extensively upgraded. We are completing the A4 family with the allroad quattro* and its sporty brother, the S4**. For China, there will also be the Audi A4** Sedan with a longer wheelbase. And we are especially excited about the successor to a coupe design icon: the new Audi A5 coupe** together with its sporty brother, the S5**. In our Q range, the following cars have their premieres this year: first and foremost, the Audi Q7 e-tron*, the Audi SQ7 TDI*, and next to it here in the hall you can see our youngest Q – the Audi Q2**. It is made in Ingolstadt. With its launch in the second half of the year, we will enter a new market segment and open a new door for our customers into the world of SUVs.

After a weaker start to the year, the US economy fortunately presents itself with more confidence again. In China, the latest economic data indicate a different picture of the current situation from that a few years ago. Despite these challenging conditions, we are performing well. In the first few months of the year 2016, we started well. By the end of April, we had 4.9 percent growth in global unit sales compared with the prior-year

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period. In Europe, we actually achieved a year-on-year increase of 7.8 percent. Our new Audi A4 is responsible for a lot of that growth. Unit sales in the United States of America are up by 5.0 percent. In China, we have an increase of 5.9 percent – despite the current model changes.

Our “model athletes” are quite clearly our Q models. At Audi, we are experiencing worldwide growth in the SUV segment of significantly more than ten percent.

So you see, we are on the right track with our new Audi Q7 and with our new urban SUV, the Audi Q2.

And we will present our new Audi Q5 in the second half of the year. The team at our new plant in San José Chiapa in Mexico is working hard on the start of production of this bestseller. Setting up a completely new plant on a greenfield site in just three years with a new team and a new product – that’s a terrific achievement by our team. At that site, we have selected and recruited the 2,000 best-qualified persons from 200,000 applicants. We have signed contracts with approximately 180 suppliers. Two thirds of the components that we are purchasing for the Q5 are sourced in North America. In the medium term, we want to localize significantly more, thus counteracting currency fluctuations.

And now to Italy. At Lamborghini, we will produce the super-sports car in the SUV segment as of 2018. This third model series will secure significant growth and give us more financial stability. That’s why we are investing there, with the following goals: Passing the revenue mark of one billion euros per annum fairly soon, and selling more than 4,000 Lamborghinis each year.

And now to Ducati. Or “La Rossa di Borgo Panigale” as the Italians say. This brand with a great tradition will present nine new models this year. Let me mention three of them: The XDiavel, a cruiser model that will support further growth, especially in the North America region. In the voting on “Motorcycle of the Year 2016,” this important model has just gained first place in the “Chopper and Cruiser” category. A great start! With the Multistrada Enduro, Ducati is entering a new segment: The Multistrada Enduro is the new motorcycle for off-road adventure. And the Ducati Scrambler Sixty2 is an even lighter scrambler with a more compact, 400-cubic-centimeter engine.

From our Italian “daughter companies” to our domestic sites. In the surroundings of Ingolstadt, we established a center of competence for battery technology. To further enhance the deployment of electric mobility, we focus dedicated know-how, from cellular chemistry to the final assembly of high-voltage batteries.

In Neckarsulm, we are making preparations for our new flagship. We will present the new Audi A8 in 2017. We have just opened the new production facility. The production of the new A8 is as pioneering as the car itself. Driverless transport systems operate as a swarm. This makes us more flexible, increases our efficiency, enhances quality and makes our employees’ work easier.

Ladies and gentlemen, Audi will soon be 107 years old. And it feels as though we are starting again from scratch. Our entire industry is in an historic transformation. New competitors from the IT sector are participating. Those companies are moving fast – and they are not worried about making losses.

Digitization opens up completely new opportunities for us. That is, for the next major innovative leap, because Audi will continue to stand for “Vorsprung” in the future. We are well known for often thinking differently, outside the box. We find solutions for the megatrends of our society – for the following challenges for example: making the car into the most desirable digital device, supporting climate goals with a sustainable product range, and shaping mobility for the city of the future. In brief: We reinterpret the mobility of the future.

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In this context, I will present to you three focus areas of innovation: digitization, sustainability, and urbanization. Firstly: We will create a central digital platform for mobility. Already today, 90 percent of our innovations are based on electronics, sensors and digital assistants – resulting in more driving intelligence. “Vorsprung” means utilizing the potential of digitization. Let’s take the example of assistance systems. The new generation of driver assistance systems is predictive. It uses information that the driver cannot yet have. Before a traffic jam occurs, your navigation system is already planning a new route in the background. Before you drive over the crest of a hill or into a dangerous bend, your car knows about an accident there or an oil slick.

In a unique transaction, we acquired HERE, the digital mapping business of Nokia, together with BMW and Daimler in 2015. HERE is the global market leader amongst the providers of maps exact to a few centimeters. The data of HERE will be updated in real-time. The maps will then include not only geographic information, but also for example, data on the road surface, the weather and danger spots. The vision is a real-time reality index of our modern world. This is about far more than mobility. This is about the Internet of things and services.

Our assistance systems will only be able to act predictively when real-time information flows directly into them. Because they will use not only their own sensors, but also those of all the other cars around them at the same time. We will carry out the first field tests this year. Only on our platform can we guarantee our customers that their data is in good hands. That’s a matter of trust.

People have been trusting us with their personal safety for more than a hundred years. And they have to know that their virtual identity is safe with us as well. Using our platform, we will digitally enhance our customers’ experience. And that goes far beyond the core product. It gives our customers added value and gives us new business opportunities. On the way there, we will set up digital think tanks and will support targeted start-ups.

“Vorsprung” also means performing pioneering work. We have repeatedly demonstrated with spectacular actions since 2009: Audi is the leader for piloted driving. We will soon put this expertise into series production. The next generation of the Audi A8 as of 2017 will master piloted driving up to 60 kilometers an hour, as well as piloted parking.

And I am convinced that we will see fully automated driving by 2025. Our customers will profit from that in the long term. The Audi of tomorrow will be a workplace, a place of relaxation and a place of enjoyment. We at Audi call it the “25th hour.” When the car of the future drives automatically, the people on board will be able to make good use of their time. When cars communicate with each other and with the infrastructure, people will also get to their destinations faster, with less stress, and more safely. All of this will save time. And time is the biggest present that one can give a highly developed society nowadays.

The second milestone is sustainability. The future of mobility is emission-free. Our roadmap for electric mobility is ready. For us, hybrids and plug-in hybrids are both a transitional and bridging technology. Our first fully electric large-series car will go into production the year after next. And we are thinking beyond that: As of 2018, we will launch an electric model every year. And not only in market niches, but also in high-volume segments, in our successful Q family for example. Electric mobility requires an effective charging infrastructure: at least 150 kilowatts, or better 350 kilowatts – for fast charging along the Autobahns. That’s why we need a global rapid-charging network.

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“Vorsprung” means shaping premium solutions for electric mobility. In the future, that will include our customers reserving a place at a charging station while driving. Electric mobility must be seen as a normal part of our everyday lives. Only then will it become firmly established in our society. For us, it is now important to actively and vigorously push forward with this transformation.

At present, we are preparing our production facilities for the next stage of electric mobility. At our site in Brussels, we will begin the large-series production of our first fully electric SUV in 2018. That plant will also produce its own batteries. Audi Brussels will be the pioneer for electric mobility at the Audi Group.

We see great potential also in fuel-cell technology. Our Audi h-tron quattro concept study operates solely on electric power, and with hydrogen as an energy source – hence the name h-tron. The hydrogen tanks can be filled in about four minutes, with enough energy for a range of 600 kilometers. Audi has the leadership for this technology within the Volkswagen Group, and will bring it out of research and towards series development in the coming years.

“Vorsprung” means performing best practices even better. So striving for efficiency and sustainability includes the entire Audi world. We have already taken a large step in that direction: We have equipped more than seven million cars with quattro – our system of permanent all-wheel drive – and now we are making it even more efficient. As of mid 2016, we will launch quattro with ultra technology in the new Audi A4 allroad. This drive system thinks for itself and ensures maximum efficiency. It is always ready – permanently available. When quattro isn’t required, the Audi operates with front-wheel drive. That reduces fuel consumption and thereby emissions by 4 grams of CO₂ per kilometer.

And our most powerful Q model, the Audi SQ7 TDI, has a 48-volt power system. That allows the use of an electric compressor, giving the car its exceptional acceleration.

The third milestone of our strategic roadmap until 2025 is urbanization. Individual mobility will be connected with the city of the future. Space is scarce in metropolises. The United Nations have calculated that up to three quarters of humanity will live in cities by 2050. Mobility providers will need to offer solutions to that in the future. Some urban customers primarily want to use a car, not necessarily to own one. The city of the future therefore needs new premium ideas on sharing. With conventional car sharing, the cars are parked just anywhere, or at specified pickup points. With us, they are provided by a concierge, like in a pilot project that has been running in San Francisco for the past year. Or in the not-too-distant future, they will drive to the customers in piloted mode.

Our premium mobility services always add value: For example, the current “Audi select” offering targets customers who like to drive several Audi models throughout the year, alternating and one after the other. We are currently supplementing this variable usage model with three Ducati motorcycles. With the Scrambler, the Panigale and the Multistrada, Audi customers may switch over from four to two wheels. All in all, we provide a service according to the motto, “an Audi WHERE and WHEN I want” – “Audi on demand.”

At the core of this new mobility offering, there will be an app. It will allow Audi customers to get the desired car delivered to the desired place at any time. Our customers are already using an early version of this app to locate and lock or unlock their Audi Q7 or A4 using their smartphones.

“Vorsprung” means understanding the logic of the megacities. Whoever understands the city of the future will hold its golden key in his or her hand. That’s why we’ve been studying urban mobility since 2010. We have now turned this successful research project into the Audi Urban Solutions consultancy. We are involved in several urban-development projects in Somerville near Boston, in Mexico City and in Ingolstadt.



We are combining all of our know-how and developing it further – from assistance systems for the city, to mobility concepts for flexible use and intelligent data analysis.

Whoever explores new territory requires the curiosity to discover new pathways. That is exactly what's special about us at Audi. The most attractive automobile brand will be the one that helps to shape the future. Let me summarize how I see Audi in 2025: The “new premium” is digitally connected, efficiently and emission-free, and embodies the urban lifestyle of our customers. That's how “Vorsprung” will be measured 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