



# AUDI AG Annual Press Conference on February 22, 2005

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**Prof. Dr. Martin Winterkorn**  
**Chairman of the Board of Management of AUDI AG**

**Part 1**  
**Review of the year 2004**

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Ladies and Gentlemen,

It is my pleasure to welcome you to the Audi Annual Press Conference. The majority of you will already have spent yesterday evening with us here on the Piazza and experienced at first hand some of the fascination of Audi – fascination which our customers, our employees and, of course, you yourselves can feel in every Audi.

Yesterday we demonstrated that the year 2005 will focus very much on the 25th anniversary of a technology that has contributed quite substantially to the success of the company and of the Audi brand. It was exactly a quarter of a century ago, in February 1980, that Audi presented the first quattro model at the Geneva Motor Show. Yesterday evening we presented to you the latest – but by no means the last – member of the large quattro family: the new RS 4. You will also see it on display here in the hall today. And with the Q7, whose appearance came as a great surprise for many of you, we also treated you to a sneak preview of what you can expect from Audi next year,

But let's begin with the past year, with the major product events and the key company figures.

The fundamental strategy that accompanied us throughout the past year was to concentrate on our core competence – on fascinating, sophisticated and sporty vehicles. We are convinced that only by setting positive signals, by continuing to bring new, innovative cars of the highest quality and with an excellent finish on to the market will we be able to remain successful, even on difficult markets. And there was certainly no lack of difficult markets worldwide last year – as there still are today.

In 2004, we presented important new models, decisively rejuvenating all of our core model lines in the process.

- We started with our flagship, the twelve-cylinder A8. This model has been received extremely positively in the very image-laden market segment of luxury saloons. In 2004, we sold more twelve-cylinder saloons in Western Europe than our two main competitors put together. We can also report a similar success for our eight-cylinder models, which also succeeded in outstripping their respective core competitors in terms of registrations in Western Europe.
- The next new model to be launched last year was the A6 saloon. This new Audi – the sportiest executive saloon on the market – won all the most important car awards worldwide within the space of just a few months. These included, in Germany, the Golden Steering Wheel and best in class in the major survey “The best cars”; the prize for the “most beautiful car in the world” in Italy. In Japan the A6 was “Car of the Year” in 2004. In North America it was voted “World Car of the Year” just one week ago. But the A6 hasn’t just picked up an abundance of awards along the way; its sales figures have also developed extremely positively right from the start.
- The third new Audi of 2004 was the A3 Sportback – a car that enabled us to open up a completely new market segment. The Sportback is a sporty, compact five-door car with the elegance of a coupé.
- In the autumn we presented the new generation of our A4 line with saloon, Avant and S models. The A4 today represents what is by far the sportiest model line in the midsize class. And this is combined with a quality, visual appeal and a standard of technical equipment otherwise only to be found in segments higher up the scale.

With these new models, plus the recently launched A6 Avant, which together account for around three quarters of our annual sales, Audi has a very young and attractive product range. These cars will be available on the market at full production capacity and in all engine versions for the first time in 2005.

With the models I have just listed, we gave the entire Audi brand a new, sportier and more self-assured design last year. The most eye-catching feature of this change in our design language is without doubt the new Audi “face”.

The dominant feature of this is the characteristic radiator grille, which we call the “single frame”.

In my opinion, the enthusiastic response of both customers and experts alike underlines just how successful a bold design move can be – provided it is well prepared and realised with perception.

Ladies and Gentlemen, let me move on now from the product highlights to a rather less colourful subject – our figures. But I believe that both things go well together – after all, these are the products behind our sales, revenue and profit.

- The total revenue generated by the Audi Group in 2004 rose by 4.7 percent to the highest level to date, around EUR 24.5 billion.
- Despite the highly negative effects of the weak dollar, profit before tax improved again on the year before, to over EUR 1.1 billion.
- With an increase of 1.2 percent, sales of Audi brand vehicles reached a new record level of around 780,000 units.

This demonstrates once again just how consistent Audi's success is – even though the economic situation is not easy for the car industry at the moment. In 2004, therefore, our unit sales rose for the eleventh time in succession. And they climbed to record levels in 21 of our 50 biggest markets. These include mature, established markets such as Great Britain and Spain, as well as dynamic growth markets like Russia, Poland or Hungary.

Europe remains the most important mainstay of our success. Despite extremely varied underlying economic conditions, we increased sales here by 2.6 percent.

The Western European market recorded a rise of 4.7 percent to over 324,000 vehicles.

And very positive trends can also be observed in Eastern Europe: in this thriving market region, Audi sold a good 19 percent more than in the year before. In markets such as Poland, the Czech Republic and Slovenia, Audi is the market leader in the premium segment. In absolute terms, the sales volumes generated here are still relatively small, but they are growing at a satisfactory rate.

With sales of just over 235,000 cars in the extremely difficult market of Germany, we didn't reach our targets to the same extent that we would have wished for.

In the current year, however, the full range of our new products will be available, which will help to improve our position noticeably.

Economic forecasts only indicate minimum growth for the German economy this year. However, as in previous years, this growth – if indeed it does come about – will not be fuelled by domestic demand, but by export.

But we won't be affected too severely by this because Audi has long since established itself as a globally active company and our success is increasingly on an international basis.

This development becomes particularly clear if we look at the ten-year comparison: while 43 percent of our cars were sold in Germany in 1994, this proportion had dropped to 30 percent by 2004.

Our sales in America and Asia alone have increased from 12 to 23 percent. We will continue to push on with our strategy of tapping new markets this year, in Eastern Europe, India, Korea and Australia, for example.

The many awards that we received for our cars in 2004 are an indication of the high international reputation that the Audi brand enjoys. I've already mentioned the most important ones for the A6. Here is a selection of other awards that Audi picked up in 2004:

- The US magazine "Auto Week" voted the long-wheelbase version of the A8 America's "best luxury car".
- In a readers' poll conducted by the major Chinese magazine "Auto Pictorial", Audi was voted the brand with the best image.
- We picked up the most important awards for Europe in the major readers' poll conducted by the German trade magazine "auto motor und sport". For the first time, as many as four of our cars clinched first place in their respective categories: all our core model lines, from A3 to A8.

But let us return to our sales figures. Allow me to say something about Lamborghini: last year, the success of the Gallardo in particular helped to make sure that the existing sales record was clearly surpassed once again. 1,592 of our super sports cars were delivered to customers in 2004, the majority of these in Germany, the USA and Western Europe.

Let us move on now to other key figures for the Audi Group: the vehicle production volume at Audi and Lamborghini expanded by a good three percent to just under 785,000 units.

Engine production at our Hungarian plant in Győr rose by as much as almost 11 percent to around 1.5 million units.

The number of employees in the Audi Group at the end of December was approximately on a par with the previous year, at around 53,000. Audi today provides around 45,000 secure jobs in Germany alone.

Ladies and Gentlemen,

At our last two press conferences I reported not only on AUDI AG, but also briefly on the sporty brand group within the Volkswagen Group which Audi heads as the lead brand.

We have further intensified cooperation between SEAT and Audi. Technical development provides the focus of this cooperation. Thanks to the carefully organised distribution of competencies and capacities, we succeeded in increasing the efficiency of our development areas last year. And this year, too, we will further increase our own contribution to core development within the brand group.

That's all from me for the moment. Thank you for your attention. I now hand over to the Board Member for Finance and Organisation, Mr Rupert Stadler.

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**Prof. Dr. Martin Winterkorn**  
**Chairman of the Board of Management of AUDI AG**

**Part 2**  
**Current situation and outlook**

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Ladies and Gentlemen,

This year has got off to a good start for Audi.

Demand for our models in Germany and throughout Europe is developing positively. This is also reflected by the fact that we currently have around a third more customer orders on our books that we did in the same period last year.

The fact that we are so well placed today, in February 2005, is the result of a product and brand strategy geared to the long term.

Audi is the brand with the big, trend-setting innovations: full galvanisation, quattro, progressive engine technology such as TDI and FSI, lightweight design and the MMI operating interface. Our innovations are always linked to a specific customer benefit. Together with our design packed with emotion, they make an Audi desirable for our customers.

On top of this, we offer our customers continuously increasing product quality. Audi is already considered the benchmark in the industry for build quality.

To quote a test report on the new A6 Avant that appeared in a major Sunday newspaper: "Finish, quality appearance, haptics, operating convenience – luxurious. Nobody does it better than Audi."

A motoring magazine wrote: "The build quality of the body deserves the rating "faultless". Anyone travelling in the new Audi will be treated to a haptic experience which sets a benchmark for the competition."

The aforementioned survey “The best cars” in which over 100,000 participants were surveyed confirms this in impressive style. According to this, we have succeeded in further extending our lead of previous years.

Our customers must be able to experience the premium quality of their car – that’s our goal. This is to be achieved through driving experiences such as with the new V6 TDI engine, which combines very high performance with very low emissions and considerable smoothness. Through our exterior and interior design. And through fascinating materials such as solid aluminium and natural leather.

Quality is an integral aspect of the overall concept as well as of each individual detail. That’s our philosophy. And this care, this attention to detail is what lies behind our success.

Ladies and Gentlemen, despite the need to further improve our profit situation and increase our return on investment, despite the need to implement cost-cutting measures, you can rest assured that there are two things that we will not do:

We won’t stop offering our customers top quality, excellent visual appeal and finish in all our vehicles. We won’t stop using high-quality materials.

And we won’t stop continuously expanding our product range and filling new, attractive niches in the market. Of the investment total of around EUR 12.6 billion earmarked for the five-year period from 2005 to 2009, more than 70 percent will be channelled into new products.

In all cases, “Made by Audi” means: top quality. We live up to this claim not only at our German production sites, but also at our Hungarian plant in Győr and at Changchun in China.

Building “quality” has long since ceased to be a privilege enjoyed by a German site. As a globally active company, we can also ensure “quality” elsewhere. It is therefore all the more important to focus on our actual core expertise at our German plants and to place new emphasis in this particular area.

At our Technical Development departments in Ingolstadt and Neckarsulm, we are in a position to develop those innovations that safeguard our position among the German premium manufacturers.

We have launched a company-wide programme to further strengthen our core competences in the area of vehicle development. We are convinced that the expertise of our Development

Division in Neckarsulm and Ingolstadt is one of our major competitive advantages. This also means not depending on our suppliers alone to provide engineering expertise, but also further extending our own competence in this field. We promote and demand experts and specialist knowledge within our own team.

This applies, for example, to engine technology and lightweight design. But in particular to the field of vehicle electronics in which we have already taken appropriate action with our new Electronics Centre with its 800 employees. And this is already paying dividends – the new A6 has fewer problems with its on-board electronics than practically any other technologically so sophisticated car before it.

The survey already mentioned plainly indicate that Audi is clearly ahead of its main competitors and can therefore bring its brand essence “Vorsprung durch Technik” to life. We want to extend this lead. For this reason, we are promoting the necessary knowledge by means of insourcing at our Technical Development.

Quality and innovation are important success factors for a premium brand. But innovative technology in particular places extremely high demands on developers. Especially as far as reliability and dependability are concerned. Many manufacturers have recently had to experience this for themselves.

Here at Audi these subjects are a matter for the management. And I am pleased to report that reliability at Audi has been constantly increasing for the last two years and is clearly above the level of comparable manufacturers.

We are able to reach these high standards although we are optimising our processes and making them leaner, and working on our cost structures.

But we are not only working intensively on our cost structures – there is also need for action as regards our sales structures. In some markets and regions therefore, for example in Korea and Australia, we took sales responsibility into our own hands last year by setting up our own companies. We will consequently be able to process these markets much more intensively now.

Other companies of this kind will follow in the course of the year and will help us to further improve our international standing.

Ladies and Gentlemen,

2005 is the year that sees Audi celebrating 25 years of quattro.

A quarter of a century ago, Audi presented the first production car with permanent four-wheel drive.

Audi quattro was the first four-wheel drive system that didn't make a car heavy and cumbersome. Our quattro technology means decisive advantages in terms of safety and sportiness – totally irrespective of road conditions.

Many of you will remember the Audi rally quattros. In the early 1980s, these cars won virtually everything there is to win in this exciting sport. They were driven by legendary racing drivers such as Stig Blomqvist, Michèle Mouton, Hannu Mikkola and Walter Röhrl, who were our honorary guests yesterday evening.

To mark the start of the quattro year, we presented a concept study in Detroit. This shows how we imagine a typical Audi quattro of the future to look.

- with a very dynamic and innovative engine,
- with a design packed with emotion,
- with a wealth of possible uses
- and with new electronic driver assistance and safety systems.

And as many people will expect – we are, of course, thinking intensively about a production version of this vehicle.

Now to a new Audi quattro that will be launched in the summer. Most of you will already have caught a glance of it yesterday evening. Today the RS4 is with us here in the hall. A car that sets a new benchmark for sportiness in its class, as well as for safety and practical suitability.

We will be presenting the RS4 to a wider public in a few days' time at the Geneva Motor Show. Its market launch will commence in the late summer.

Unfortunately we can't yet show you this new Audi fully unveiled because we won't be presenting it officially until the end of this year. The Audi Q7 is part of the extended product range that I announced to you here one year ago.

This car is Audi's first SUV. It has been developed in close cooperation with our American dealers and test customers in the USA. The Q7 and other vehicles of this kind will enable us to enter a further interesting and lucrative market segment in which we have not previously

been represented and which – particularly last year – has enjoyed growth in the premium segment.

Ladies and Gentlemen,

Let me summarise:

- We concluded the year 2004 with record figures for vehicle sales, production, revenue and profit after tax.
- We laid the foundations last year for continued market success with a renewed and attractive model range.
- This year we want to continue to push ahead with our strategy of tapping new markets and exhausting the potential of existing ones. To this end, we are purposely taking over sales responsibility on new markets.
- Thanks to the fact that our young product range will be fully available to customers, we expect 2005 to be another record year for Audi.

Ladies and Gentlemen,

Our success wouldn't be possible without the people who work for Audi and without those who are fascinated by Audi products. On behalf of the entire Board of Management, I would therefore like to thank all of our employees worldwide. And, of course, we would also like to thank our customers for their loyalty.

And to all of you here with us today, thank you for your attention.