

116th Annual General Meeting
AUDI AG
on May 11, 2005

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

Part 1

Dear Shareholders,
Ladies and Gentlemen,

We are very happy indeed to welcome you today for the first time to the new Audi Forum in Neckarsulm. After five years of preparation, this is the youngest and certainly the most attractive Forum we currently have. This Audi Forum has one fundamental purpose – to serve as a meeting place for people and the brand. And at the same time this Forum is a clear pledge to our Neckarsulm plant and our activities here.

In future, up to 20,000 customers annually will take receipt of their new Audi here at this Forum with its fascinating architecture. They will get to know the town of Neckarsulm and, in particular, Audi's facilities here – in other words, the home of the Audi A8, the car which in recent years has catapulted Audi into the premium class. This is also the place where we build the new Audi A6, the car which so far has won the largest number of prizes for Audi.

In addition, Neckarsulm is the competence centre for aluminium technology and lightweight construction for the entire Group. And: Neckarsulm also stands for an in-depth knowledge of and extensive experience in engine development.

It goes without saying that this Forum is also a meeting point for people in the region. And we are confident that it will prove to be a very attractive place also for people far beyond this “Unterland” area – and not just because of the top-quality food we offer here, or the car exhibitions we will be presenting at this Forum.

The Audi Forum in Neckarsulm will therefore become an attraction powerful enough to stimulate the entire region.

Personally, I am confident that many interested visitors will come here from all over the state of Baden-Württemberg. And all of those visitors will experience the very special spirit of Audi here at this Forum: progressive ideas, fascinating design, supreme quality, and customer orientation – “Vorsprung durch Technik” to be exact.

Before referring to last year and our course of business, I wish to take this opportunity to mention a special Audi anniversary: we are celebrating this year the 25th anniversary of quattro technology, which has made a very significant contribution to the success of our brand. This is why we put a particular focus on quattro models in our exhibition of cars here.

Ladies and Gentlemen,

As usual, I will focus in the first part of my speech on the development of the company in 2004.

The overall revenue of the Audi Group increased in 2004 by 4.7 percent to a new record of approximately EUR 24.5 billion.

Despite the significant burden caused by the weak dollar, the pre-tax profits of the company have improved once again over the previous year, to more than EUR 1.1 billion.

Growing by 1.2 percent, sales of Audi brand cars to customers increased to a new record of approximately 780,000 units in the year under report.

This again proves the consistency of Audi’s success – even in the difficult car market last year. In 2004 the sales total was up for the 11th time in a row. In the process, we achieved

new record sales in no less than 21 of our 50 largest markets. This was the case both in mature and well-established markets such as Great Britain and Spain, and in dynamic growth markets such as Russia, Poland and Hungary.

Europe remains the most important pillar of our success. Despite very different economic conditions and situations in the various markets, our sales in Europe in the year under report were up by 2.6 percent overall.

Western Europe outside Germany showed a 4.7 percent increase in vehicle sales to more than 324,000 units.

The trend in Eastern Europe is also very positive: in this emerging region, Audi sales were up more than 19 percent over the previous year! In countries such the Czech Republic or Slovenia, Audi is the absolute market leader in the premium segment. And while our volume figures in these countries are still relatively small in absolute terms, we see positive growth in every respect.

The economic outlook this year indicates that the growth of the German economy will be very small indeed. And as in previous years, this growth – should it materialise – will be driven not by domestic demand, but rather by exports.

Even this, however, will not hurt us that badly, since Audi has for a long time established its focus as a global enterprise, placing our success to an increasing extent on an international foundation.

We see this development very clearly indeed when looking back 10 years: back in 1994 we sold 43 percent of our cars in Germany. By the year 2004 this figure had dropped to just 30 percent.

Our deliveries in America and Asia alone have risen during this period from 12 to 23 percent. And this year we will continue to promote the development of new markets, for example in Eastern Europe, the Gulf States, India, Korea, and Australia. Precisely for this purpose, we have already established our own subsidiaries in most of these countries, thus setting the foundation for ongoing growth and success.

But I return to our vehicle sales in 2004. At our subsidiary Lamborghini, above all the success of the Gallardo has enabled us to once again significantly outperform our previous sales record.

In the course of 2004 we delivered no fewer than 1,592 Lamborghini super sports cars to customers, particularly in Germany, the USA and Western Europe.

This takes us to further important figures of the Audi Group: the volume of car production by Audi and Lamborghini was up in 2004 by well over 3 percent to almost 785,000 units. Engine production at our Hungarian plant in Győr rose by an even more significant figure of almost 11 percent to approximately 1.5 million units.

The number of Audi Group employees as at the end of December was approximately 53,000, which is roughly the same figure as last year. In Germany alone, Audi currently offers some 45,000 secure and long-term jobs.

Ladies and Gentlemen,

Audi is the lead brand within the Volkswagen Group's sporty brand group. So let me refer briefly to the current activities within this group, which comprises not only Audi, but also Lamborghini and SEAT.

In the year under report we further intensified the cooperation between SEAT and Audi, focusing in particular on Design, Technical Development and Logistics.

The Lamborghini brand has a particularly close link with Neckarsulm, where the aluminium spaceframe featured in the successful Gallardo model series was developed under the leadership of the specialists at the Neckarsulm Aluminium and Lightweight Construction Centre.

By skilfully spreading out our competences and capacities, we were able last year to further increase the efficiency of our Development Divisions. And this year, too, we will further increase our own contribution to core development within the brand group.

I thank you for your attention so far and now hand over to our Board Member for Finance and Organisation, Mr Rupert Stadler.

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

Part 2

Dear Shareholders,

As already announced, we are able in 2005 to reap the benefits of our hard work in recent months and years.

Pursuing a consistent product strategy, we have renewed Audi's range of models and have given our core model series a new face. A face, incidentally, very warmly accepted by journalists and by our customers, as we see from the high level of current sales figures.

Our products in general and the new Audi A6 from Neckarsulm in particular have won just about all prizes and awards in the car industry. And a particularly important point for an international company such as Audi is that these prizes and awards come not just from Germany, where, for example, we have won the Golden Steering Wheel or numerous awards from auto motor sport, the leading car journal in our country. On the contrary – we have also won many prizes in the USA, Italy, and Japan, and even in young Audi markets such as Australia and India.

Together with our product drive, we have consistently put all our corporate processes to the test, optimising them to an even higher standard. And through our new “The future of Audi” plant agreement, we have ensured that Audi will be able to develop and build cars here in Germany at very competitive terms and conditions also in future.

Apart from working on our products, our process and cost structures, we have also focused as a third highlight on the areas of Customer Orientation and Sales.

We already started last year to take over responsibility for sales in emerging markets ourselves: we have established our own sales companies in Australia, South Korea and Dubai, and further examples will follow this year.

Our objective in all our markets is to increase our performance in sales. And at the same time we are entering and developing new sales regions such as India. While the market for premium cars is only beginning to develop there, there is a great potential particularly for saloons in the executive and luxury range.

It goes without saying that our service organisation must keep up with the ongoing development of our customer base and our cars. Hence, customer satisfaction and service are particularly important issues for.

Market surveys on customer satisfaction clearly prove the success of Audi Customer Care, with Audi ranking No. 1 throughout the entire car industry in a public enquiry carried out throughout Germany.

We are preparing the market launch of the Audi Q7 in a long-term campaign to ensure a lasting, sustained impact in the market. A few days ago we tested some pre-series models of the Q7 in the USA – on highways, on rough tracks and in sandy deserts. The American dealers who accompanied us on the occasion all agreed that no other sports utility in the market offers the same standard of sophisticated quality, the same sporting performance and fascinating thrill.

Some people have claimed from time to time that Audi is coming rather late with its SUV, that for a long time we did not have the right model reflecting the general trend towards vehicles of this kind.

I disagree entirely: creating the Q7, Audi has once again succeeded in occupying a new niche as the first manufacturer, simply because none of our competitors has such a sporty, dynamic, spacious and versatile multi-function vehicle able to handle even rough terrain. Indeed, as we read in the motor press only recently, one of our most significant competitors will probably be following our example soon with a similar product of this kind.

Currently we have some 60,000 prospects who have already visited the Audi website, contacting us about the Q7 and asking us to keep in touch.

Since 60 percent of these prospects do not drive an Audi at the moment, we are looking at a very high conquest rate with the Q7. At the moment not only Germany are participating in this customer campaign, but also 34 other countries the world over.

Ladies and Gentlemen,

Let me now move on from these preparatory steps building up sales in the future to our current corporate figures: Audi has made a very good start into the year 2005.

The Audi Group revenue for the months from January to April amounts to EUR 8.6 billion, more than 4 percent above the previous year's figure.

From January until April alone, our vehicle sales were up worldwide by 4.2 percent compared with the same period last year.

Selling some 270,000 units to customers in these four months, we have set up a new record for the first third of the year.

This success comes above all from other European countries outside Germany, with deliveries of Audi models up by 15 percent over last year.

Particularly the large markets of Great Britain and Spain showed very positive growth in Western Europe.

France and Belgium also show very high growth rates.

Markets in Eastern Europe are also becoming increasingly important, with particularly the A6 and the A8 strengthening our position and now showing a growth rate of roughly 32 percent.

Being a German car maker, we naturally attach great significance to our home market, too. Here in Germany the overall market has not grown for five years. Many people in Germany feel very uncertain about the future.

And this I can certainly understand: Opening up the newspaper in the morning, you read about the latest economic slump and ongoing failure in our country to achieve economic growth.

Driving to work in the morning, you hear on the radio that Germany's political parties are obstructing each other, blaming each other of their inability to introduce the reforms so essential for our country. And watching the news in the evening, you will definitely hear about the weaknesses of our social system, the tax problems we have in our country and the diesel soot claimed to be killing people all over the place.

In a situation like this, we are obviously all the more happy about an increase in vehicle sales by 3.6 percent here in Germany in the first four months of this year alone. This figure clearly proves the great strength and appeal of our brand.

It is interesting to note that every other car we sell in Germany is a diesel. And as one of the pioneers of diesel technology, we hope that this will stay this way in future – not least because diesel technology and the diesel drive system is crucial to the reduction of carbon dioxide emissions.

We have been preparing our models for the diesel particulate filter ever since autumn of last year: from new cars equipped with a filter and the preparation of new cars for subsequent installation of a filter, from the retrofitting of the diesel particulate filter in old cars all the way to particularly rapid service for customers living in cities exposed to an aggravated risk of fine dust. This wide range of activities is part of our cooperation with the Bavarian State Government for a sustained reduction in emissions. And we are currently discussing precisely the same matter with the State Government of Baden-Württemberg.

We are doing this to make our contribution to the reduction of fine dust.

Naturally we are also doing this to give our customers the reassuring feeling that they will receive a high residual value when re-selling their Audi one day. Only a few months ago, an independent institute gave us the title of the “Champion of Residual Values” for no fewer than three of our diesel models, as a major car magazine reported only recently.

Ladies and Gentlemen,

It is interesting to note how quickly the subject of fine dust and diesel fuel has left behind the hard facts and figures. And the blame for this state of affairs goes to several parties in the worlds of politics, the environment, and industry – they are the reason why we now have this highly irrational situation.

The debate on fine dust and particles is typical of Germany and the Germans. That, at least is exactly what my colleague Louis Schweitzer of Renault said only a few days ago, adding that in France fine dust is just as much a non-issue as the diesel particulate filter.

It is however interesting to consider that this debate was initiated in the first place by a French car maker who needed the filter in order to meet current emission standards in the first place! We fulfil the Euro 4 emission standard without a filter, meaning that we prevent the generation of many emissions right from the start.

Yet another interesting point is that according to calculations by the German Technical Inspection Association TÜV Süd, the exposure to fine dust on our roads, even if all diesel passenger cars on our roads were fitted with a filter, would be reduced by a mere 2.5 percent.

Scientists agree that the exposure of human beings to fine dust inside rooms and buildings is often several times as great as outside. And this applies not just to pubs and bars full of smoke, but also and, in particular, to offices with laser printers or copiers.

In a couple of months or years we will be in a position to calculate and work out the economic damage this debate has caused. Connoisseurs of the car business state already today that the debate has prompted several ten thousand potential purchasers to reverse their decision and not to buy a car.

Even without knowing the exact loss caused in this way, we do know for sure that the debate on fine dust is an own goal for Germany.

An entrepreneur in our country said recently that we Germans have a kind of genetic defect: as soon as we see light at the end of the tunnel, we immediately make the tunnel longer.

We at Audi, in turn, have felt a very different deficit in Germany for a number of years: the shortage of skilled labour. The shortage of young, up-and-coming engineers.

Particularly the world of engineering, a field of specialisation that has helped to give German industry and technology global fame, seems to be less and less attractive for many a student setting out on his or her studies.

Do we really want our scientists to emigrate to our neighbouring countries or the USA, just because working conditions are better there?

Precisely to avoid just such a brain drain, we at Audi cooperate closely with Technical Universities in Bavaria and Baden-Württemberg in order to find young and qualified employees in research and development.

We cooperate with colleges in Saxony and Hungary, and we sponsor numerous diploma studies and doctor's theses. We have training schemes for young, up-and-coming employees serving to meet our demand for skilled workers also in future. And we have boosted our training capacity by 40 percent.

In the last few weeks we have heard politicians crying out loud time and again about the responsibility of companies. Politicians using loud and fierce words about capitalism, without knowing and realising what this so-called capitalism is doing for our country. I know myself that many companies – such as Audi – started living out this responsibility a long time ago. I know that the plant agreement we signed four weeks ago with the Works Council and the Trade Union is the best argument we can have against such criticism.

Capitalism does not guarantee jobs. Audi does.

I also know that politicians could make a significant contribution to the ongoing development of our country: they could – and I very consciously say “could” – ensure stability, a world in which one could plan the future. And they could create a positive sentiment, even if that might be demanding too much.

Precisely those two points – a positive attitude and a high level of motivation – are two fundamental factors crucial to success in society. And naturally they are also crucial to our success at Audi.

This I experience time and again, at all levels of our company. I saw this around two months ago at the Employees Day in Ingolstadt, and it will be just the same at the Neckarsulm Employees Day in June. For their enthusiasm, motivation and commitment, I would like to thank publicly all Audi employees. I see how Audi employees stand by their products and the company they work for. And I wish to thank all our employees for this great commitment.

And I believe this enthusiasm will grow even more when I announce a very recent production decision here today: the new Audi sports car will be built here in Neckarsulm from 2007!

This is the production version of the Le Mans quattro concept study which caused such a sensation at the last Frankfurt Motor Show. Incidentally, the study is also on display here in the building, on the second floor.

The decision to build this new sports car is a clear commitment to Neckarsulm and to Germany as a centre of technology. With this Audi sports car we are demonstrating once again that technologically sophisticated cars can also be built economically here in this country.

I also wish at this point to thank our suppliers, who also contribute to Audi’s success and obviously have a positive influence on the regions around Ingolstadt and Neckarsulm. Thank you also to our dealers and importers worldwide.

And last, but certainly not least, I wish to thank all our customers for the good faith and trust they consistently give us and our brand. This trust marks the very foundation of our business,

and we will not disappoint our customers in 2005, just as we have never disappointed them before. On the contrary.

We intend to maintain this positive trend up until the end of the year. We wish to further intensify the customer orientation of our company. And we plan to make 2005 another record year following the record year we already experienced in 2004.

Ladies and Gentlemen, thank you very much for your attention.