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**Finance and Organization**

# Speech at the Annual Press Conference
**Ingolstadt, March 11, 2014**

– Check against delivery –

Ladies and gentlemen,
I also would like to welcome you to today's annual press conference.

How feels tomorrow? That's a question that drives us forwards, keeps us from standing still, and inspires us to continually develop new solutions: innovations for people, innovations for our customers. That is why we have focused on the question about the future as the leitmotif of the Annual Report 2013. In addition to the printed Annual Report in the languages German, English and Chinese, this year, we are once again offering you a multimedia experience with exciting audio and video features for various types of hardware.

Ladies and gentlemen,
let us now turn to the financial developments of 2013. As you all know, the general conditions for the automotive industry – and thus also for Audi – remained challenging last year. Growth of the world economy of 2.5 percent was slightly below the moderate rate of the previous year. However, the economies of important regions developed very disparately once again. While the economic situation in the industrialized countries improved only slightly as the year progressed, most of the emerging markets achieved above-average growth also in 2013.

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The economic development of Western Europe stagnated, primarily due to the sovereign-debt crisis and ongoing structural challenges. The southern countries in particular suffered a fall in their economic output – despite some initial signs of stabilization in the second half of the year.

Economic growth in Germany of 0.5 percent was once again lower than in the previous year. Above all, the low levels of demand from abroad had a dampening effect on the export-oriented German economy. Russia also developed less dynamically than in 2012, with economic growth of 1.6 percent. Despite the positive consumer climate and an improved situation on the labor market, economic growth in the United States slowed down to 1.9 percent, due to government budget cuts and tax increases. The Chinese economy lived up to its role as the engine of the world economy also in 2013. With GDP growth of 7.7 percent, it once again surpassed the government's target. Japan's economic growth rate increased to 1.7 percent – mainly due to state stimulus actions and the depreciation of the yen.

Despite only moderate economic growth, global demand for automobiles reached a new record in 2013. The world car market expanded by 5.0 percent to 70.1 million newly registered vehicles. The development of the sales regions of North America and Asia-Pacific was especially dynamic. Developments in South America stagnated, however, while the overall European market actually contracted.

I would like to underline a very important point for us: The Audi brand developed better than the total market in all sales regions! Now I would like to explain to you how this development is reflected in our financial figures.

I will begin with the key figures of the income statement. Last year, we increased the revenue of the Audi Group to 49.9 billion euros, mostly due to the high demand on our new models of the compact premium line A3*. Compared with the high level of the previous year, this represents further growth of 2.3 percent, although currency effects had a negative impact on our revenue in 2013. As of July 2012, the revenue of the Audi Group also includes the motorcycle business of the Ducati brand. In 2013, this segment generated revenue of approximately 570 million euros.

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Let us look at our cost of sales. Due to the expansion of our production volumes and international manufacturing structures, cost of sales increased to approximately 40.7 billion euros. When cost of sales is compared with revenue adjusted for currency effects, the rates of increase are almost identical. Last year, gross profit decreased to 9.2 billion euros and the gross margin was 18.4 percent. The Audi Group's distribution costs were only slightly higher than in the previous year at 4.6 billion euros, despite the dynamic growth in unit sales. Administrative expenses increased to about 570 million euros last year. The increase of 7.5 percent is due not only to the Audi Group's general growth, but primarily also to consolidation effects. Other operating income increased to approximately 1 billion euros. The significant rise compared with 2012 is mainly the result of improved gains on the settlement of currency hedging transactions. The Audi Group achieved total operating profit of more than 5 billion euros.

In addition to more intense competition, the development of earnings also reflects our efforts to systematically prepare the Audi Group for the global growth and the requirements of the future. Consequently, the significant advance expenditure that we made in 2013 for future issues had the biggest negative impact on earnings:
One focus of our investment was the expansion of our international production capacities. We expanded our site in Győr, Hungary, into an automobile plant with a full process chain. And with the new factory in Mexico, we are strengthening our position in North America. As of 2016, the successor generation of the Q5* will drive off the assembly lines there. Last year, we also worked hard on the development of new models and pioneering technologies.

At the same time, our earnings were affected by intense competition in some key markets. We cannot always avoid this development, which is accompanied by a corresponding pressure on prices – for example when it's a matter of protecting our strategic market positioning. In this context, I would like to emphasize once again: As a premium manufacturer, Audi stands for price stability and does not participate in discounting battles. The product mix also impacted our operating profit – especially in connection with falling demand in the markets of Western Europe affected by the sovereign-debt crisis.


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Now let us turn to the drivers of earnings: The biggest positive effect came from the increase in unit sales. And here we profited on the dynamic growth of Audi’s unit sales in the premium compact segment. The new models of the A3 family* such as the A3 Sportback* and the A3 Sedan* were responsible for substantial sales impetus. Our SUV models Q3*, Q5* and Q7* also made significant gains. Furthermore, we once again improved our production costs by means of ongoing product-cost optimizations and productivity progress.

I would now like to inform you also about the development of earnings in the “Motorcycles” segment: In accordance with IFRS, systematic depreciation in view of the revaluation of assets for purchase-price allocation had to be considered. Taking this amortization into account, operating profit in 2013 amounted to 33 million euros. Adjusted for these effects, Ducati achieved operating profit of 59 million euros.

The Audi Group’s financial income amounted to 293 million euros, which is significantly lower than in 2012. This primarily reflects burdening fair-value changes of derivative financial instruments. Another factor is that the ongoing low level of market interest rates led to reduced earnings from the investment of liquid funds. The main positive impact came from the equity-method earnings of our Chinese joint venture business. The profit before tax of the Audi Group therefore amounted to 5.3 billion euros.

Ladies and gentlemen,
our strong profitability is also reflected by our financial ratios, making us once again one of the most profitable carmakers in the premium segment. In 2013, we achieved an operating return on sales of 10.1 percent. This means that despite numerous challenges, our margin was even slightly above our strategic target corridor of 8 to 10 percent. The development of return on sales before taxes was just as successful, reaching 10.7 percent in the reporting period. Our return on investment, which is the yield on the average invested assets, was 26.4 percent in 2013.

Let me now comment on the development of the main cash-flow figures and net liquidity. In the past financial year, we increased our cash inflow from operating activities to 6.8 billion euros.

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At the same time, the outflow from investing activities in current operations increased due to the substantial advance expenditure by about 10 percent to 3.6 billion euros. We fully financed all the investments in the expansion of our international sites and in new models and technologies out of our own resources once again in 2013. We achieved a positive net cash flow of just over 3.2 billion euros, despite high investments, which actually improved on the high figure for the previous year by 10.9 percent. As a result, net liquidity at the end of the year increased to more than 14.7 billion euros.

Ladies and gentlemen,
I would now like to turn to the forecast for 2014: The volume target originally set for 2015 of 1.5 million Audi cars delivered was already comfortably surpassed in 2013 – two years earlier than planned. Although we anticipate only slight growth for the global car market overall, we intend to continue our dynamic volume growth in 2014 with our attractive product portfolio. We have ambitious growth targets also for the motorcycle segment. As a result, we aim to further increase the revenue of the Audi Group – for the first time in the company's history – to more than 50 billion euros.

In 2014, we will continue the systematic expansion of our international production structures. In addition to the plants in Hungary, Mexico and Brazil, we will continue to invest heavily in our German sites Ingolstadt and Neckarsulm. At the same time, we will invest even more intensively in new products and technologies – and thus in our future. 70 percent of our investments is intended for the modernization and expansion of the model range and for our portfolio of technologies. Investment in property, plant and equipment in relation to revenue is likely to be at a high level between 5 and 5.5 percent.

Despite this high expenditure for our future, we aim to achieve an operating return on sales in 2014 that is within our strategic target corridor of 8 to 10 percent.
By doing so, we continue to stay on our qualitative growth path. With this robust profitability level, we also lay the foundations for important investments in our future in the following years. At the end of last year, we approved the biggest investment program so far in the history of our company.


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By 2018, we plan to invest a total of approximately 22 billion euros – with a clear focus on innovations and technologies. Mr. Hackenberg will now give you some details of what we are planning exactly. Thank you for your attention!

– End –

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**Fuel consumption of the models named above:**

**Audi A1/S1:**
Combined fuel consumption in l/100 km: 7.2 - 3.8;
Combined $CO_2$-emissions in g/km: 166 - 99

**Audi A1/S1 Sportback:**
Combined fuel consumption in l/100 km: 7.3 - 3.8;
Combined $CO_2$-emissions in g/km: 168 - 99

**Audi A3/S3:**
Combined fuel consumption in l/100 km: 7.0 - 3.2;
Combined $CO_2$-emissions in g/km: 162 - 85

**Audi A3/S3 Sportback:**
Combined fuel consumption in l/100 km: 7.0 - 3.3;
Combined $CO_2$-emissions in g/km: 162 - 88

**Audi A3/S6 Limousine:**
Combined fuel consumption in l/100 km: 7.0 - 3.8;
Combined $CO_2$-emissions in g/km: 162 - 99

**Audi A3/S3 Cabriolet:**
Combined fuel consumption in l/100 km: 7.1 - 4.2;
Combined $CO_2$-emissions in g/km: 165 - 110

**Audi A3 Sportback e-tron:**
Combined fuel consumption in l/100 km: 1.5;
Combined $CO_2$-emissions in g/km: 35

**Audi A3 Sportback g-tron:**
Combined fuel consumption: CNG 3.3 - 3.2 kg/100 km, petrol 5.2 - 5.0 l/100 km
Combined $CO_2$-emissions : CNG 92 - 88 g/km, petrol 120 - 115 g/km

**A4/S4**
Combined fuel consumption in l/100 km: 8.1 – 4.0;
Combined $CO_2$-emissions in g/km: 190 - 104

**A4/S4/RS46 Avant**
Combined fuel consumption in l/100 km: 10.7 - 4.2;
Combined $CO_2$-emissions in g/km: 249 - 109

**A4 allroad quattro**
Combined fuel consumption in l/100 km: 7.1 - 5.8;
Combined $CO_2$-emissions in g/km: 164 - 153

**A6/S6**
Combined fuel consumption in l/100 km: 9.6 - 4.4;
Combined $CO_2$-emissions in g/km: 225 - 114

**A6/S6/RS6 Avant**
Combined fuel consumption in l/100 km: 9.8 - 4.6;
Combined $CO_2$-emissions in g/km: 229 - 119

**A6 allroad quattro**
Combined fuel consumption in l/100 km: 8.9 - 6.1;
Combined $CO_2$-emissions in g/km: 206 - 159

**A8/S8**
Combined fuel consumption in l/100 km: 11.3 - 5.9;
Combined $CO_2$-emissions in g/km: 264 - 155

**Audi Q3/RS Q3**
Combined fuel consumption in l/100 km: 8.8 - 3.2;
Combined $CO_2$-emissions in g/km: 206 - 137

**Audi Q5/SQ5**
Combined fuel consumption in l/100 km: 8.5 - 5.3;
Combined $CO_2$-emissions in g/km: 199 - 139

**Audi Q7**
Combined fuel consumption in l/100 km: 10.7 - 7.2;
Combined $CO_2$-emissions in g/km: 249 - 189

**Audi TT/TTS:**
This car is not yet on sale. It has not yet been homologated and is therefore not subject to the 1999/94/EG guideline.
Provisional data:
Combined fuel consumption in l/100 km: 7.1 - 4.2;
Combined $CO_2$-emissions in g/km: 164 - 110

**Lamborghini Huracán LP 610-4:**
Combined fuel consumption in l/100 km: 12.5;
Combined $CO_2$-emissions in g/km: 290

**Ducati Diavel:**
Combined fuel consumption in l/100 km: 7.1;
Combined $CO_2$-emissions in g/km: 169

**Ducati Monster 1200:**
Combined fuel consumption in l/100 km: 6.4;
Combined $CO_2$-emissions in g/km: 150