Audi

THE MARKET

Even as car and light truck sales in the United States have experienced steady year-over-year growth since 1995, the market for premium and luxury cars has grown even more. Within this segment, no brand has achieved faster growth than Audi. With consecutive double-digit sales gains every year since 1995, Audi has rapidly established an influential position in one of the market's most competitive segments.

The lucrative premium segment continues to attract new entries and spawn new products, assuring that the level of competition will remain intense. In this environment, Audi's well-engineered automobiles led the company to best-ever sales in 2000 with the prospect of greater success in years to come.

ACHIEVEMENTS

Audi's history is one of pioneering innovations and breakthrough products. This continues today with such cars as the much-coveted TT Coupe and Roadster, the high-performance S4 sedan and the Audi allroad quattro, a vehicle that will set new standards for on- and off-road performance and versatility.

From the beginning, Audi built cars to succeed in motor sports. August Horch, founder of the company, was at the wheel when his Audi won the prestigious Austrian Alpine Run in 1911. In the thirties the innovative Auto Union Silver Arrow race cars thundered to scores of victories in events ranging from Grand Prix races to hill climbs and land speed records. More recently, the revolutionary quattro® all-wheel drive system was so successful in international rallying and touring car racing through the 80s and 90s that it was eventually banned, ostensibly as an "unfair advantage." And most recently, in June 2000, Audi's R8 sports cars swept to a dominating 1-2-3 finish at the world-famous Le Mans 24-hour endurance race in France.

Audi continues to pioneer concepts that set new standards for innovation and customer acceptance. Its production cars benefit directly from technology originally engineered for motor sports. The quattro all-wheel drive system, while banned from racing, is available on the full range of Audi models. The engines in all U.S. Audi models employ a unique five-valve technology first tested in Audi race cars built for long-distance endurance record setting.

HISTORY

August Horch started an automobile business under his own name in 1899, but 10 years later, the gifted but headstrong founder was forced out by company directors who objected, among other things, to the time he spent on the company's racing cars.

Horch immediately established a second company, eventually calling it Audi, a Latin derivation of his own surname. True to his original concept, the firm produced well-equipped cars that proved quite successful in the market and in competitive events.

The Horch and Audi firms joined forces in 1932 with DKW and Wanderer to form Auto Union, which later became today's Audi AG. The 1969 merger with NSU, a respected innovator in its own right, brought the company to its current state. In 1999, Audi celebrated 100 years of automotive tradition in the headquarters city of Ingolstadt, Germany.

Audi exports to the U.S. market began in 1970 with two models and the sale of some 7,600 cars. Over one million cars later, Audi of America has

grown to become a leader in the luxury segment and a company recognized for performance, advanced technology, and attractive designs.

As a global producer of premium automobiles, Audi operates worldwide with production facilities on four continents. In 2000, sales amounted to approximately 650,000 cars and over 1.1 million engines. Additional capacity and favorable acceptance in over 100 countries around the world bode well for more growth.

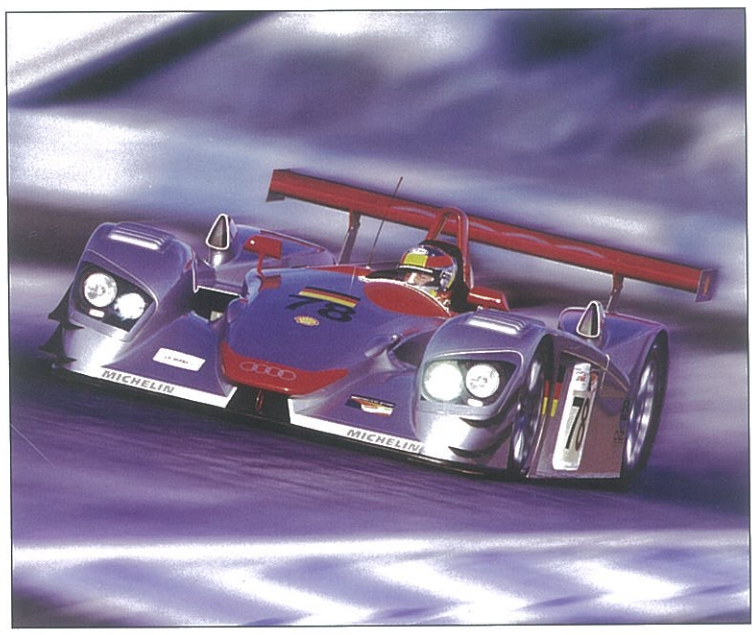
THE PRODUCT

In recent years, Audi introduced a broad range of luxurious and high-performance cars and, most recently, the allroad quattro, an on- and off-road performer with unparalleled capability.

Audi's return to prominence in America was anchored by the A4 range. Now comprised of two sedans and two Avant models—Audi's term for its wagons—the A4s combine sporting dynamics with a level of refinement unexpected in this class. These are the most accessible Audi models and have introduced tens of thousands of new owners to the brand.

The sporting capabilities of the A4 range received a pronounced boost with the quattro-equipped S4 biturbo model. This powerful sports sedan has been joined by an Avant companion to offer driving enthusiasts a healthy dose of power and dynamic capability with a choice of two body styles.

Audi's award-winning designs frequently lead the industry in new directions. The A6 could be the signature model for this positioning. With a sleek Avant model and three power trains for the sedans, the A6 offers arguably the most expressive and attractive range of premium automobiles.



A good part of the attraction in a prestige car lies in its exclusivity, a high level of performance, and generous equipment. The groundbreaking Audi A8 sedan adds an unprecedented level of technology and safety to that established formula. Its high-tech all-aluminum Audi Space Frame construction (ASF®) has proven its merit with best-in-class crash test results. In 2001 Audi added an S8 version to crown the range with both high-performance and outstanding equipment.

The now available TT Coupe and Roadster have created a sensation of design purity.

Finally, Audi is about to change the rules for those who might consider a sport utility vehicle. The allroad is a new cross-over concept that brings together the best of both worlds. Luxury and high-performance on-the-road manners are combined with the kind of off-road capability previously reserved for truck-based SUVs.

RECENT DEVELOPMENTS

Audi's renaissance over the past half-dozen years is due in equal part to exciting, attractive products and a dedication to the needs of its clients. Even before the current range achieved its acclaim, Audi was the first car-maker to introduce a vehicle warranty so comprehensive that it even covered the cost of all required service during the warranty term. This level of customer care is now widely imitated but rarely so comprehensively applied as by Audi.

After securely establishing a product range and progressive customer treatment policies that have been met with wide acclaim, Audi is moving on to integrate its brand values into all aspects of the ownership experience. This will manifest itself in many ways: new retail facilities that express a New World of Audi, personal client contacts and experiences that build strong relationships, a high degree of consistency in the brand's messages and new ways of reaching owners and those who aspire to the brand.

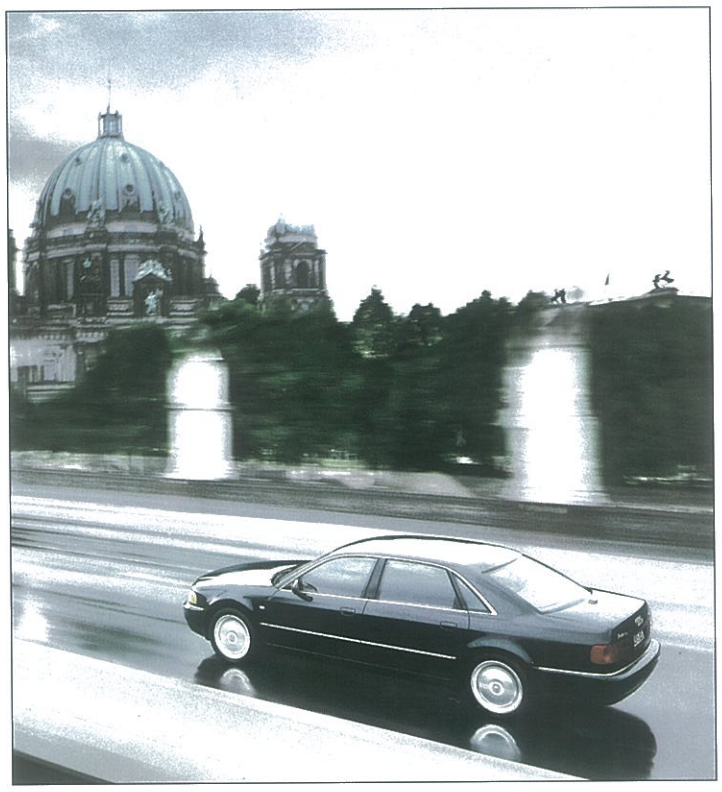
PROMOTION

Communicating Audi's message is a multi-faceted task that takes in traditional media, new media and other forms of communication and sponsorship. In the belief that any of these experiences represents the brand, Audi's goal is to make the message consistent across all media, all materials and all markets.

Within its message Audi regularly challenges conventional thinking and employs the value of understatement to make a stronger presentation. The promise of surpassing performance and surpassed expectations is delivered with charm—perhaps a twinkle in the eye —rather than with superlatives or claims.

Audi's advertising partner is the Raleigh, N.C., based agency McKinney & Silver. With stylish and sophisticated executions, the materials developed form an integrated whole, including television work as well as print for a range of magazines and newspapers. The television tonality conveys the essence of the automobile and brand while print executions often take a more direct tack in presenting specific details and offers.

In a less traditional medium, the company's web site—www.audiusa.com—provides a place for interested parties to linger over rich information and to explore specific cars, financing options, and competitive information.



BRAND VALUES

Defining those things that are the essence of Audi's products — Advanced Technology, Design, Performance, Emotion—leads to greater clarity in establishing the values of the Audi brand. This requires going beyond the hardware side of the equation and leads to the conclusion that it is actually people who give life to the brand. At its core, the Audi brand is characterized by the words human, passionate, leading and visionary. More than simply words, these terms give definition to the character and practices of Audi—and of its people—in interactions with clients and others who are attracted to the brand. The ability to experience the brand in this way determines how people think and feel when interacting in everyday situations.

THINGS YOU DIDN'T KNOW ABOUT AUDI

- The well-recognized Audi four rings logo symbolizes the four distinct brands that merged in 1932 to form Auto Union, predecessor to today's Audi AG. The companies are Audi, DKW, Horch, and Wanderer.
- Audi is one of only a handful of automotive firms able to draw upon more than a century of tradition. Founder August Horch established his first automobile company in Germany in 1899.
- Audi subsidiaries Lamborghini S.p.A. in Italy and Cosworth Technology Ltd. in the UK are world renowned for, respectively, exotic sports cars and advanced vehicle powertrains and research.
- Audi draws on over two decades of experience in all-wheel drive cars. In the U.S. market, about 80 percent of today's Audis are equipped with quattro® all-wheel drive.