

Prof. Rupert Stadler



Axel Strotbek

## **Speeches**

# **Annual Press Conference**

March 15, 2017 | AUDI AG, Ingolstadt



**Prof. Rupert Stadler**  
**Chairman of the Board of Management of AUDI AG**

**Speech at the Annual Press Conference**  
**March 15, 2017**

**Review**

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Ladies and gentlemen,  
Welcome to all of you from my Board of Management colleagues and myself!

Without a doubt, 2016 was one of the most challenging years in Audi's history. Just think of the diesel issue, some turbulent markets and exchange rates and the global political conditions. All of that demanded a lot of our company and our employees.

But 2016 was not a lost year for us. We made great progress with clearing up the diesel issue. We set the right strategic course for 2025, with new technologies and products for digitization, sustainability and urbanization. And we demonstrated continuity in our business operations, with an operating profit before special items of 4.8 billion euros. After special items, we achieved an operating profit of 3 billion euros.

The diesel issue was by far the biggest special item. It has had a serious impact on us – both financially and in terms of management attention. I would therefore like to begin by reporting to you on the current status. A task force on the diesel issue headed by Dr. Bernd Martens is working worldwide literally day and night together with colleagues from Volkswagen:

This task force is driving solutions for our customers. And it is working on settlements with the authorities. We have already made very good progress on solutions for our diesel customers. We have different situations with the four- and six-cylinder TDI engines.

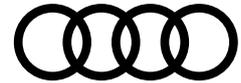
First, the four-cylinder engine. In Europe, we have recalled 2.3 million cars of the Audi brand with the four-cylinder TDI. About a million of them have already been in the workshops. In the United States, about 14,000 Audi A3 models are affected. Customers there can choose between several options: a buyback or early return of a leased car, or a field fix. The authorities have already approved such a field fix for model-year 2015 cars with this engine.

Now to the six-cylinder TDI engine. In Europe, there have been no objections to our 3-liter V6 TDI engine. Nonetheless – like some other manufacturers – we are carrying out a voluntary service action for selected models. We have submitted a plan for the service action to Germany's Federal Motor Transport Authority for about 4,700 Audi A6 models with the 3.0 TDI\* with the Euro 5 emission standard, and for about

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65,000 Audi Q5, Audi A6 and Audi A8 models with Euro 6.

When this plan is approved, we will make use of the latest technical possibilities to optimize the cars' emissions with a software update. In the United States, we agreed with the authorities early this year on the procedure for 83,000 cars with the 3-liter TDI engine. These are cars of the Audi, Volkswagen and Porsche brands.

Nearly a quarter of them – about 20,000 cars – are equipped with the first generation of that engine: those of model years 2009 to 2012. We offer to buy back those cars from their owners, or to accept early returns if the cars are leased. They will also be offered the alternative of a technical modification as soon as that is approved by the authorities. The customers will then be able to choose.

More than 75 percent of the affected automobiles with six-cylinder diesel engines in the United States are from the second generation. Those cars are to be given a software update. The US authorities still have to review and approve this technical solution. After the software update, the cars will comply with the emission regulations in force at the time of registration.

Under civil law, we have reached a settlement with all parties in the United States that received the preliminary consent of Federal Judge Breyer in San Francisco on February 14. The settlement meets the demands of the Environmental Protection Agency (EPA), the State of California and the California Air Resources Board (CARB), the Department of Justice (DoJ), the Federal Trade Commission (FTC) and the private plaintiffs in the court-appointed steering committee. When the period for entering an objection expires, this settlement will probably take effect on May 11. Ideally, we will then be able to recall the 3-liter models as of July.

As a consequence of this diesel issue, we are carrying out far-reaching reviews at Audi. Above all, this involves improving processes, reallocating responsibilities and adjusting our organization. We are establishing a new and expanded compliance structure with new reporting and control systems. We have strengthened the position of Chief Compliance Officer. In addition to his regular compliance tasks, he is also responsible for risk management and a central project-management office, especially for attending to the requirements of the US Department of Justice. In addition, an external monitor will support the VW Group and thus also the Audi brand with this task for a period of three years.

We have also made an important organizational change in the Technical Development division. We have strictly separated the functions of product development, homologation and type approval. We are now setting up a new department for conformity of type-approval procedure in the markets. We will organize the processes together with Dr. Peter Mertens, our new Board of Management Member for Development, who will soon be with us.

Ladies and gentlemen,

the process of clearing up is not yet completed. We will continue until the job is done – with the tenacity that our company is well known for.

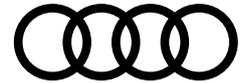
We at Audi are acting with absolute determination to make sure that nothing like the diesel issue ever happens again. We therefore undertake to regain the trust of the authorities and our customers and place it on a firm foundation, make the law and ethics into the ultimate benchmark for our actions, and show that we stand for transparency, honesty and dependability.

In a few minutes, my colleague Axel Strotbek will tell you about the year 2016 from the financial perspective. He will also talk about the company's other key metrics, based on our sales success last year.

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The Audi brand delivered nearly 1.9 million automobiles to our customers. That represents an increase of 3.6 percent. So we have had the seventh year of growth in succession since 2010: We do nearly half of our business in Europe. We sell every tenth car in the United States. And every third Audi is sold in China. There, we have had a significant decrease in sales since December. This is continuing with an impact on the start of this year. In our current phase of a comprehensive strategic realignment, the Audi dealers in China are unfortunately rather cautious with their business at present.

As you know, we will take the new approach of a two-partner strategy in China. We have negotiated and signed a memorandum of understanding on the key points with Shanghai Automotive Industry Corporation, the existing partner for the VW Group in SAIC/SVW.

What is our motivation for a two-partner strategy? We want to secure our market leadership in a growing premium market for the long term. And for that reason, we want to place our business onto two pillars in our most important single market. Our sister-brand Volkswagen has operated in a similar way with two partners in production and sales for many years. Another reason for our repositioning is that we want to accelerate the implementation of innovative business models in the future: new sales formats, mobility services and digital services.

We anticipated that our existing partner would first have to get used to this idea. So we have just set up and signed a ten-year plan with our longstanding joint-venture partner FAW-VW. In this way, we are affirming our commitment to more cooperation on electric mobility, more local production in China, and thus more growth, and more activities to enhance our image and prestige. We are convinced that the Chinese market is big enough and is continuing to grow. That guarantees stable growth for all our partners. Current volume implications will not affect this strategically important step.

I would now like to talk about the models of 2016: We launched more than 20 new or updated Audi models worldwide. Our sporty spearhead, the Audi R8, is now available as a convertible version: the Spyder\*. The Audi TT is available in the third generation as an RS model again. The Audi TT RS Coupe\* and the Audi TT RS Roadster\* with their five-cylinder engine stand firmly in the tradition of our legendary rally models.

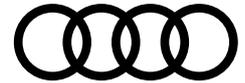
We completely renewed our successful Audi A4/A5 core model series last year. The Audi A4 is now available as the Sedan\*, Avant\* and allroad quattro\*. The Audi S4 sporty version is available as the Sedan\* and Avant\*. In Europe, the new A4 is selling very well and is the premium market leader. We offer the second generation of the Audi A5 and S5 as Coupe\*, Sportback\* and Cabriolet\* models. The Audi A5 Coupe\* has won the Golden Steering Wheel as the best sports car.

The Audi Q2 won our second Golden Steering Wheel. Since its market introduction in fall 2016, our order books have been well filled – this car addresses the spirit of our times. Meanwhile, every third Audi customer buys a Q model: a 16-percent increase in demand for our sport utility vehicles. The second-generation Audi Q7 convinced more than 100,000 customers in its first full year. That's twice as many as its predecessor achieved on average. The Q7 has just won the "Best Luxury SUV" accolade from Consumer Reports in the United States. Furthermore, Audi was placed as the best brand in this consumer ranking. Back to the Audi Q7: Demand is particularly strong for the most powerful model version, the Audi SQ7 TDI\*. We launched a new generation of our bestselling Q model – the Audi Q5 – in 2016. For the first time, we are producing a model for the world market outside the European continent – in San José Chiapa, Mexico.

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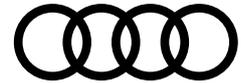
Anyone who has seen these products – from the Audi A5 to the Audi R8 Spyder\* to the Audi Q7 – understands the passion of our Audi employees. 88,000 people stand for our brand and for our success. 88,000 people are suffering from the disrepute that the diesel issue has brought us. With these 88,000 people, we are tackling our future and will steer through the crisis.

Despite all of last year's difficulties, we will pay the employees of AUDI AG a profit participation of 3,510 euros. So we are offering an attractive bonus despite the high level of financial burdens. The other Audi employees outside AUDI AG will also participate in the company's success.

We intend to conclude a far-reaching agreement on job security under the name *Audi.Future*, extending into the next decade. And we continue to recruit in a targeted manner. Already in 2016, we increased the number of apprentices and trainees at Audi by 10 percent.

Electrification and digitization are core competencies with which we are systematically strengthening our strategic resources. Internally, we have massively expanded our program of further training: on electric drive systems and high-voltage safety for example, and on creative methods of the digital world such as design thinking. In this way, we are preparing our workforce for the future. I will talk about that more in the second part of my speech.

Thank you.



**Axel Strotbek**  
**Member of the Board of Management of AUDI AG,**  
**Finance and IT**

**Speech at the Annual Press Conference**  
**March 15, 2017**

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Ladies and gentlemen,

I also would like to cordially welcome you to the 2017 Annual Press Conference.

Many things are different this year – as you will already have noticed. For example, we are holding the conference for the first time here in the Audi museum mobile, a place that documents Audi’s history and achievements. But today isn’t only about what we achieved; it’s also about our performance tomorrow. Audi’s transformation has begun and is tangible. *turning.moment*, that’s also the title of our Annual Report 2016, and it’s perfectly appropriate.

As Mr. Stadler has already mentioned, last year was very challenging. However, we are looking ahead towards the future – the transformation of the automotive industry. Driven by the three megatrends: digitalization, urbanization, sustainability.

The pressure to change is enormous. Last year, we set the course for our future and initiated the transformation. And yes, that all had an impact on our earnings. Nevertheless, we posted a solid operating performance and generated a strong cash flow in 2016. We are resilient, we are facing the challenges, and we are ready for the future.

That’s why we are consequently reorganizing and have launched our new strategy Audi 2025, as well as a package of measures under the heading *SPEED UP!*. It helps us to rethink our processes, to utilize opportunities, to benefit from synergies, and to optimize cost structures. This way, we manage the transformation with our own resources – and we will manage it profitably and successfully.

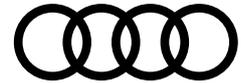
And despite all the challenges, we have been successful also in the markets. We increased deliveries of the Audi brand by 3.6 percent in 2016. We achieved balanced growth and increased unit sales in all three of our core regions. In the United States for example, our growth of 4 percent was significantly stronger than the halted overall market. In fact, we were the only OEM to achieve growth among the top six in the US premium market.

In addition to the new Audi A4, the new Audi Q7 also developed very positively. Following the US launch in spring 2016, we increased the sales of our top-end SUV by about 60 percent to more than 30,000

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units. Across all our Q models, we increased our unit sales by about 19 percent to more than 100,000 vehicles.

And we were particularly pleased to receive the award from the US magazine Consumer Reports: “best car brand” 2016 and, as Mr. Stadler has already mentioned, 2017 as well.

Also in the Europe region, we posted strong growth once again, despite numerous political and economic uncertainty. Especially the new Audi A4 has been successful. It’s the European market leader in its segment. With a total of 857,000 cars delivered, we grew in Europe by more than 7 percent. Our performance in four of that region’s markets was especially pleasing: Germany, with nearly 300,000 automobiles, or plus 8.6 percent. The United Kingdom, despite the BREXIT vote, was at the record level of approximately 177,500 cars. And we had double-digit growth in both Spain and Italy.

Let’s now turn to China, our biggest single market. China continues to be one of the world’s fastest-growing economies – and the Chinese car market expanded once again in 2016. We increased our car sales in China from an already high level by another 3.6 percent: We delivered 590,000 automobiles. Demand is high also in the premium compact segment. Compared with the previous year, sales of the Audi A3 were up by 30 percent. And with an increase of about 28 percent, significantly more Chinese customers decided in favor of the Audi Q3. Since last fall, the new Audi A4 with a longer wheelbase has been available at the dealerships. In addition, at the end of 2016, we set an important milestone in the electrification of our Chinese model range with the start of production of the long-wheelbase version of the Audi A6 L e-tron\*\*, a plug-in hybrid. Already this year, the Audi Q7 e-tron\* will follow as an import model.

Ladies and gentlemen, conditions remain challenging. But our core business is robust. This is an achievement of our effective ramp-up management in the production area and last but not least of our strong sales team. The Audi brand continues to have very strong appeal. Attractive products and volume growth form the foundation of our financial success.

On the revenue side, thanks to our strong unit sales, we reached the new record of 59 billion euros. Also, the other automotive business contributed to our positive revenue trend. That includes the delivery of parts for local production in China.

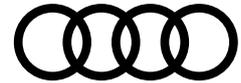
Currency effects were disadvantageous, due to the depreciation of the British pound in particular. Also, the launch of new models led temporarily to slightly lower revenue. In the year 2016, we launched the new generation of the Audi A5 Coupe\*. And at our new plant in San José Chiapa, Mexico, we started production of the new-generation Audi Q5.

So let’s have a look at the most important cost positions. The Audi Group’s cost of goods sold increased by 5 percent to 49 billion euros due to the growth in sales and also because of the diesel issue. However, improved product costs and productivity had a positive impact. Selling expenses of 5.8 billion euros in 2016 were at the prior-year level. With our growth in unit sales and despite special items due to the diesel issue that’s quite an achievement. We have good brand and price positioning, and that strengthens our profitability.

Now let’s have a close look at our other operating result: minus 405 million euros compared with minus 119 million euros in 2015. There is an impact on our figures here from risk provisions relating to

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the diesel issue. There was a positive effect, however, from the result of the settlement of currency hedges.

So what's the bottom line? The Audi Group's operating profit of 3 billion euros is significantly lower than in the previous year.

Ladies and gentlemen,  
despite a good operating performance, our earnings were reduced in 2016 by special items totaling 1.8 billion euros. Special items connected with airbags from the supplier Takata amount to 162 million euros. We had expenses of 1.6 billion euros in the context of the diesel issue. They relate to technical measures, sales measures and legal risks in connection with the settlement agreements in the United States. That is certainly a high financial burden. But the current progress allows us to focus more intensely on our core business again.

Excluding the special items, operating profit in 2016 amounts to 4.8 billion euros. On that basis, our operating return on sales of 8.2 percent remains within our strategic target corridor of 8 to 10 percent. The main drivers of this earnings development include above all the strong demand for automobiles of the Audi brand. Furthermore, with our *SPEED UP!* program, we have initiated optimizations of processes and costs with an additional positive impact.

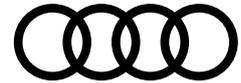
There were negative effects last year from the growth-related increase in fixed costs and higher advance expenditure for future topics. That is because we further expanded our model and technology portfolio. Earnings were also affected by increased costs for our new, ultramodern plant in Mexico. And currency effects had a negative impact all in all.

To sum up, I can say that we achieved solid earnings in 2016 despite difficult conditions and in a phase of strategic investment. Also, our two Italian brands Lamborghini and Ducati developed well in 2016: with further growth and positive value-added contributions to the Audi Group.

Our business operations are performing well, as you can see. This is also demonstrated by the continuation of our very good cash flow. As before, this is one of our company's strengths, even in times of strong headwinds. Like in the previous years, we financed all operating and strategic investments completely out of our own resources. With a net cash inflow of 2.1 billion euros, we once again had a substantial positive cash flow.

This means we have net liquidity of 17 billion euros at our disposal. But we have not only the resources; we also have the plan. We are increasing our focus on return and cost discipline. We are performing a balancing act between cost discipline and bold investment in the future. We are gradually implementing our strategic program of measures, *SPEED UP!* A large part of the financial resources that this program will free up will be in the medium and long term. Nevertheless, the initial positive effects of these additional efficiency measures were already apparent in the past financial year. This is a clear sign of the atmosphere of change in the entire organization.

Our plan is ready: We are systematically streamlining our portfolio and prioritizing our products and powertrains. We are using more shared parts and reducing the complexity of our products as well as throughout the whole company. And, last but not least, we are redefining our processes and digitalizing them.



Let me give you a few examples from the business units: We are making Audi's production process fit for the future aiming at fully connected and intelligent manufacturing – the Smart Factory. In our technical development, we are increasingly applying virtual methods such as the launch of digital prototypes. We are recognizing globalization with the Group-wide introduction of video chats directly at the workplace, which avoids unnecessary business trips and costs. So in 2016, despite major projects worldwide, we reduced our traveling expenses by 15 percent.

Our goal is to grow profitably. This is also a clear commitment to our promise of premium: Premium products with premium margins.

Our technology portfolio is full of innovations offering our customers genuine value added. And that allows us to achieve even better product and price positioning. In addition to targeted innovation management, we will systematically expand our conventional business with new business models. We have a clear focus on the customer. Instead of being the number one by volume, the future will be more about customer contacts and the quality of customer relations. Our automobiles are and will remain the core of our business. New business models will be added all around our customers' automotive needs.

Let me give you an example: In the near future, customers will be able to receive an upgrade electronically, such as the matrix function for LED headlights. These new services will be paid for quickly and easily with the new AudiPay system. For our customers, this means: more flexibility, more individuality and more comfort. And for us, it is an opportunity to profitably expand our business model. This naturally means that our controlling metrics will also change. Of course, return per vehicle sold will continue to be an essential performance measure. And we will measure the financial quality of our customer relations with a new metric: return per customer.

We started a lot of projects in 2016, and we did our homework. And we have big plans for 2017, as well. Our guidance for this year remains ambitious despite the challenges. We intend to achieve further growth in unit sales. This will be helped by the significantly rejuvenated product and technology portfolio. To give just a few examples: our completely new entry-level SUV, the Audi Q2, the new generation of the Audi Q5, the successive launch of the new Audi A5 models, and we are also launching the new Audi A8\*\*. Our pipeline is really full!

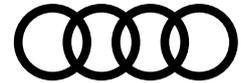
At this point, let me say a few words about our current sales development in China. Mr. Stadler has already talked about it in detail. Despite the current risks and temporary volume effects, we continue to see great potential in China. And we want to utilize that potential to maximum effect, not in the short term, but in the medium and long term.

In terms of revenue, we anticipate a slight increase this year. We remain ambitious also for our operating return on sales and aim once again to achieve a result within our strategic target corridor of 8 to 10 percent. Our return on investment is likely to be between 15 and 18 percent.

Just like in the previous years, we will finance all investments and spending ourselves. This year, that will also include cash outflows caused by the diesel issue. We therefore anticipate a net cash flow that will be significantly lower than in 2016, but it will clearly continue to be positive. Excluding the effects of the diesel issue, we should actually be above the level of 2016. With our ratio of capex, we plan for an amount within the strategic target corridor of 5 to 5.5 percent.

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As part of our new Audi 2025 strategy, this year we have defined a new controlling metric as a so-called “key performance indicator”: the research and development ratio. It is calculated as the ratio of research and development spending to revenue. This metric is an indicator of the innovative strength of our company, but it also helps us to develop efficiently. For this metric, we have set ourselves a strategic target corridor of 6 to 6.5 percent. In 2017, we will probably slightly surpass that target. Beside future topics this will be due to the planned model launches and the expansion of our product portfolio – especially in the upper and high-margin car segment.

Ladies and gentlemen,  
times are changing in our organization, and we will make use of this positive mood as motivation to guide our company into a successful future.

We are realigning the company with the Audi 2025 strategy. Ambitious long-term financial targets provide the framework. We aim to achieve an operating return on sales of 8 to 10 percent and a return on investment of 21 percent. Also, we plan to reach an R&D ratio of 6 to 6.5 percent, and a capex ratio of 5 to 5.5 percent. All of that along with a positive net cash flow.

Clear goals, clear responsibilities and clear measurability are our premises. In this context, we have prioritized numerous projects, and are systematically implementing them. One example is the product line management that we introduced in 2016. We are placing the entire vehicle responsibility, from A to Z, in the hands of five product-line managers. That shortens our consultation and decision processes, and links up the models more effectively.

Also, we are enhancing the involvement of our employees; we are encouraging the entrepreneurs within the company. This will also help us to accelerate our decisions, so that we can act quickly and flexibly at all times. Agility is the key to be successful and profitable in a world that is changing faster and faster. We are therefore making agility into an Audi core competence.

We are open for new developments and encourage entrepreneurial thoughts and actions. This is the only way to make opportunities into targets. And it allows us to create additional added value for both our customers and our company.

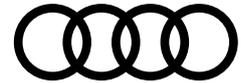
Dear guests,

*Vorsprung* has always been our promise. The history of our company, which now goes back over one hundred years, has shown that we can do what not everyone can do: We are capable of change. We have developed from a volume carmaker into a worldwide premium brand. Today, we are on equal footing with the top competitors in our industry.

Our products set benchmarks, among other things in terms of quality, design and innovative technologies. And our strategy has worked out well – also in terms of finance.

Here at the Audi museum mobile, you may take a look at our successful past. Now, it’s time to look forward to new goals. The course is set; the strategy is clear. We are advancing at full speed, with very high *turning.moment*.

Thank you.



**Prof. Rupert Stadler**  
**Chairman of the Board of Management of AUDI AG**

**Speech at the Annual Press Conference**  
**March 15, 2017**

**Outlook**

-Check against delivery-

Ladies and gentlemen,

I will now give you an outlook on our new models, technologies and other strategic plans.

Our Audi brand is rejuvenating its product range. By mid-2018, we will renew five core model series. Here are just three examples: On July 11, at our first Audi Summit in Barcelona, we will have the world premiere of our high-end sedan, the Audi A8\*\*, with a completely new operating concept – generously dimensioned and intuitive.

As soon as legislation is passed in our core markets allowing highly automated driving on the highway, and when that is legally safe, we will offer the new key technology in the A8\*\*.

At this point, I would like to emphasize the German government's commitment to piloted driving. With its latest resolution, the cabinet has prepared the way for modern road traffic laws. This will make Germany into a pioneer for automated driving. In the first application stage, the car takes over the task of driving. The driver can then do other things as long as he or she remains alert. In slowly moving traffic on the highway at speeds up to 60 km/h, it will be possible to take one's hands from the steering wheel and switch over to the data highway, where our information and entertainment services will be available. Artificial intelligence has made this development possible. You will hear more about that at the Audi Summit, where we will present *Vorsprung durch Technik* at its best.

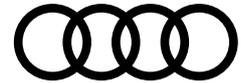
Now let's look at the second model series that we will renew. The new Audi A7\*\* will continue to be the most progressive large five-door top-segment coupe. It will have its world premiere in the fourth quarter. And like the first generation, the design of the new Audi A7\*\* makes a striking statement for our brand. And in 2018, we will launch the second generation of the Audi Q3\*\*. It will be produced at our plant in Győr, Hungary.

But we are not only fundamentally renewing five core model series. We will also supplement our product portfolio with some completely new models. As you know, the Audi Q2 was our newcomer of the year 2016 and met with a tremendous response as our first crossover between sport utility vehicle and coupe. We will now supplement our successful Q family with two new crossover concepts with very sporty styling.

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The first new model will be launched in 2018: The Audi Q8\*\* will combine the elegance of a coupe with the functionality of an SUV. In Detroit, we presented a plug-in hybrid show car that shows its muscles even at first glance. You will recognize the Q8\*\* from its low roof line and its extremely sporty stance.

In 2019, we will then launch the Audi Q4\*\*, entering the segment of compact utility vehicles, or CUVs. We offered a preview of this type of vehicle with the Audi TT offroad concept study three years ago. The very sporty Audi Q4\*\* with a typical coupe silhouette will be positioned between the Q3 and the Q5.

In addition to the two new Q-models, we will electrify our customers with the launch of numerous environmentally friendly e-tron models. Between 2020 and 2023, we anticipate strong demand for purely electric automobiles. Starting then, we will have significantly more sales stimulus from electric cars in markets all over the world.

We will launch the Audi e-tron\*\* in 2018. You heard me correctly: It's called quite simply e-tron. With this car, we will make a break from our nomenclature, because it marks a turning point for us: like the Audi quattro in the nineteen-eighties, which already revolutionized the drive concept. The battery-electric Audi e-tron is an SUV: In our core competition, it is the first electric car with everyday usability. With a range of more than 500 kilometers, a unique driving experience and fantastic design, we will make the electric car into a "must have" in the coming decade.

The Audi e-tron Sportback\*\* will follow in 2019. We have designed it as a fastback model with an elevated sitting position. Not an SUV, but higher than a standard sedan. And in the following year, 2020, we will offer a premium electric car also in the compact segment. This will be based on the VW Group's modular electrification platform (MEB).

Starting in 2021, we will successively electrify one Audi model in each core series. All electric cars from Audi will be clearly recognizable as such with a progressive design. We will differentiate our product offering according to customers' preferences and market requirements. In the next five years in China, we will localize four more plug-in hybrids, following the Audi A6 L e-tron\*\*.

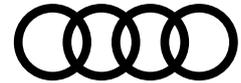
We take the target of zero emissions seriously. Our mobility of the future will be emission-free in the long term. That's why we venture the following prediction: By the middle of the next decade, every third Audi delivered to a customer will be either partially or fully electric. That means we will make the models we offer so attractive that at least one in three customers will make the change.

How are we preparing for this transformation internally? Focus is important. In the long run, we will reduce up to 40 percent of the current drive versions. We take complexity off the system and will hereby free up resources for the electric drive systems of the future. At the same time, we are creating a convincing system offering. This means that as well as a charging solution for at home, the possibility to charge batteries is required when on long journeys. We are therefore taking on an infrastructure task – something unusual for a manufacturer – to provide starting assistance for electric mobility.

In Europe, the Volkswagen Group with Porsche and Audi plans to establish a joint venture in cooperation with BMW, Daimler and Ford. Together, we want to set up high-performance charging points with up to 350 kilowatts for fast charging when on long journeys on the main highway routes in Europe. In the United States, Volkswagen Group of America will start a similar project called "Electrify America." So from the e-tron models and the related system offering, I will now turn to production. Our Audi plants are the cornerstones of our brand in the transformation process towards electric mobility.

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Brussels is the production site of our first electric car. Such a car requires a sustainable value chain. We therefore plan to make the energy supply for the Audi e-tron\*\* plant CO<sub>2</sub>-neutral in the coming years. We will also set up our first battery production in this pioneering plant of our electrification.

The Audi plant in Neckarsulm is the competence center for the development of fuel-cell technology for the Volkswagen Group. Hydrogen as the energy source is the next major milestone on our electrification roadmap. For customers who require cars with a very long range, the fuel cell will be a genuine alternative: lighter, quick to refuel and highly economical in the future.

The Ingolstadt plant, as the biggest production facility in the Audi Group, has experience with integrating plug-in hybrids very efficiently into the existing production infrastructure.

As the world's biggest engine factory, the facility in Győr, Hungary, will take the lead with the industrialization of electric-motor production. The logistics center close by is supplied with CO<sub>2</sub>-neutral energy, thanks to Hungary's biggest photovoltaic installation for industrial use.

And following its successful start, our youngest car plant – in North America – is now preparing for production of the plug-in hybrid version. The Audi Q5 e-tron\*\* will soon drive off the same assembly lines in Mexico as its gasoline and diesel siblings.

Sustainability doesn't stop at the factory gates. Our supply partners are firmly integrated into this strategy. We are therefore introducing sustainability checks and examining our suppliers' facilities before we place orders with them. A company can only become an Audi supplier if it meets twelve sustainability criteria, which include environmental protection, human rights and working conditions.

Back to climate protection. As well as e-tron, we have also developed the g-tron technology. So "stepping on the gas" now takes on a completely new dimension for Audi customers. With our synthetic Audi e-gas, g-tron models reduce the emission of fossil carbon dioxide by 80 percent. To help persuade as many drivers as possible to switch over to clean gas, we now have a new offer for buyers of the Audi A3 Sportback g-tron\* and soon also the new Audi A4 Avant g-tron\* and Audi A5 g-tron\*\* models. We will give our customers the additional cost of this clean fuel from the date of purchase of a g-tron for a period of three years. Because we want this innovation for climate-friendly driving to succeed.

My message for politicians is: Manufacturers that offer e-fuels should be able to take this into account in the calculation of their CO<sub>2</sub> fleet average. So far, only the CO<sub>2</sub> emissions from the car have been taken into consideration when calculating emissions. When running on Audi e-gas, the g-tron emits only the CO<sub>2</sub> that we have used when producing the fuel. This materials cycle alone would actually be CO<sub>2</sub>-neutral. But when we take the complete energy-generation process into account, the result is 80 percent less fossil carbon dioxide. So Audi e-gas is a pioneering fuel.

With e-tron and g-tron, we are making our customers an offer to switch over. We know that any change takes time. So in this transformation phase, we will continue to need the conventional combustion engine in our portfolio also into the next decade. We continue to develop our successful TFSI and TDI engines; because revolution and evolution in drive-system development go hand in hand. For this reason, we will have at least one model in each series with a combustion engine also as a mild hybrid until 2025. Thanks to our 48-volt electric system, it will recuperate braking energy better than ever before. That will reduce fuel consumption by up to one liter per 100 kilometers. And in the transitional phase, we have the

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plug-in hybrids I previously mentioned to serve as a bridge technology: emission-free driving for day-to-day situations – and a range suitable for long journeys.

Society's value system has changed. This is resulting in a sustainable and digital lifestyle. Our customers want to take their modern lives with them in their cars. That's why we will make Audi connect into standard equipment in the foreseeable future. Each Audi will be part of the Internets of things in the future. Its sensors will deliver valuable data for the new swarm intelligence.

The next step will be to gather together our customers and fans online and to create added value for them: By 2025, we expect to have ten million users on our digital platform. Together with new partners, we will offer entertainment, shopping, convenience and lots more on this platform.

In connection with digitization, I would like to point out how our traditional hardware business model is also changing. Function on demand is a revolutionary concept in the car industry. Customers pay for some of the functions only when they need them. Whether hardware or software: Mr. Strotbek has already given you some examples. This means more flexibility and individuality for our customers. Their Audi will surprise them again and again. And the next owner will also be pleased with the updates and upgrades: downloaded via mobile telephony "over the air."

As representatives of the international business press, you will also be interested in our work behind the scenes. We are developing our worldwide production network into a large, cross-border smart factory. I would just like to say: Welcome to the Fourth Industrial Revolution! We are using the power of electronics and big data and analyzing complex production interdependencies in real time. We are digitally connecting all of the separate industrial processes and thinking beyond today's assembly lines. One day, we will have modular assembly by which people will set the pace again, and the car bodies will only drive themselves to those stations where they are needed. I am talking about intensive human-robot cooperation. At Audi, the firm focus is on the human. And I am talking about self-learning machines. Artificial intelligence marks the birth of a new, exciting way of working in factories.

Ladies and gentlemen,  
in addition to sustainability and digitization, we are following a third important megatrend: urbanization. For ten years now, more people worldwide have lived in cities than in the country. By 2050, the ratio is expected to be 70 to 30. Cities are getting bigger and bigger. Their essential backbone is mobility. Space is becoming scarce, traffic jams are getting worse – intelligent solutions are required. In this decade, we will create innovative mobility services for people living in cities in more than 15 markets.

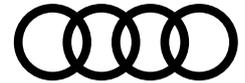
Pilot projects of recent years under the leadership of Audi Business Innovation such as Audi on demand, Audi shared fleet, Audi at home or Audi select are scalable projects. And we are developing technologies for the city of the future: piloted parking and driving, detailed digital maps from our investment in HERE, which is producing the world's biggest real-time reality index, connected stoplights, parking spaces and parking garages, and the swarm intelligence of objects in the Internet of things. We are the first car brand to advise metropolitan regions on several continents on the way towards the smart city. By 2020, we will implement three lighthouse projects for urban mobility in Asia, North America and Europe.

We see potential for highly automated driving also in the city, where traffic is highly complex; this is the ultimate test for us. In the next decade, we will also have robot taxis. They will close the gap in urban public transport. We will first experience cars without a steering wheel and pedals on predefined short journeys.

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Self-driving systems are the basis. In this context, we have just founded a separate company called Autonomous Intelligent Driving GmbH, which works for the entire Volkswagen Group. We have set up this company as an open platform. Like with our investment in the digital map company, HERE, partners in the automotive and IT industries are welcome!

Ladies and gentlemen,  
in the past few minutes, I have sketched out how Audi is on its way into the year 2025. I will now summarize.

First: We are rejuvenating and broadening our product range, with five core model series renewed by mid-2018 and two new Q models.

Second: We are digitizing our products and our production, with potential for connectivity in every Audi, added value on our digital platform and the smart factory as a vision of connected manufacturing.

Third: We are creating sustainable offers for the mobility of the future, with the Audi e-tron with convincing charging concepts and more electric cars being planned, a strong g-tron family with innovative fuels, mild hybrids in each core model series by 2025 and new rules for sustainable supply relations.

And fourth: We are applying our expertise and our technologies as an answer to the megatrend of urbanization, with attractive offers for mobility in the city of the future and the technology of piloted driving including the founding of Autonomous Intelligent Driving GmbH.

So you see, we know where we want to get to and we are positioning ourselves with a maximum focus on the future.

We are cautiously optimistic for this year. The diesel crisis has not yet been overcome and calls for our attention. But new products and technologies are on their way. The automotive industry is in its biggest transformation of recent decades. Disruption is accompanying this transformation.

For us, the diesel crisis was probably the worst disruption of all time. And nonetheless, I am convinced that it's giving us the strength to leave behind things we had grown to like and accept. We are doing this so that something new can arise. So we will reinvent ourselves by thinking from the customer's perspective, by having the right products, by daring to make a far-reaching transformation, and by standing united as a strong team behind this brand.

Thank you.

– End –



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

The fuel consumption and the CO<sub>2</sub> 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 g-tron**

CNG consumption in kg/100 km: 3.6 – 3.3

Combined fuel consumption in l/100 km: 5.5 – 5.1 (*42.8 – 46.1 US mpg*)

Combined CO<sub>2</sub> emissions in g/km (CNG): 98 – 89 (*157.7 – 143.2 g/mi*)

Combined CO<sub>2</sub> emissions in g/km: 128 – 117 (*206.0 – 188.3 g/mi*)

### **Audi A4 Sedan**

Combined fuel consumption in l/100 km: 7.5 – 3.7 (*31.4 – 63.6 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 170 – 95 (*273.6 – 152.9 g/mi*)

### **Audi A4 Avant**

Combined fuel consumption in l/100 km: 7.6 – 3.8 (*30.9 – 61.9 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 175 – 99 (*281.6 – 159.3 g/mi*)

### **Audi A4 Avant g-tron**

CNG consumption in kg/100 km: 4.4 – 3.8

Combined fuel consumption in l/100 km: 6.5 – 5.4 (*36.2 – 43.6 US mpg*)

Combined CO<sub>2</sub> emissions in g/km (CNG): 117 – 100 (*188.3 – 160.9*)

Combined CO<sub>2</sub> emissions in g/km: 147 – 124 (*236.6 – 199.6 g/mi*)

### **Audi A4 allroad quattro**

Combined fuel consumption in l/100 km: 6.7 – 4.9 (*35.1 – 48.0 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 154 – 127 (*247.8 – 204.4 g/mi*)

### **Audi S4 Sedan**

Combined fuel consumption in l/100 km: 7.5 – 7.3 (*31.4 – 32.2 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 170 – 166 (*273.6 – 267.2 g/mi*)

### **Audi S4 Avant**

Combined fuel consumption in l/100 km: 7.6 – 7.5 (*30.9 – 31.4 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 175 – 171 (*281.6 – 275.2 g/mi*)

### **Audi A5 Coupé.**

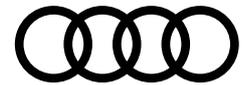
Combined fuel consumption in l/100 km: 7.4 – 4 (*31.8 – 58.8 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 170 – 105 (*273.6 – 169.0 g/mi*)

### **Audi A5 Sportback**

Combined fuel consumption in l/100 km: 7.5 – 4.1 (*31.4 – 57.4 US mpg*)

Combined CO<sub>2</sub> emissions in g/km: 170 – 106 (*273.6 – 170.6 g/mi*)



**Audi A5 Cabriolet**

Combined fuel consumption in l/100 km: 7.8 – 4.5 (30.2 – 52.3 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 177 – 118 (284.9 – 189.9 g/mi)

**Audi S5 Coupé**

Combined fuel consumption in l/100 km: 7.4 – 7.3 (31.8 – 32.2 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 170 – 166 (273.6 – 267.2 g/mi)

**Audi S5 Sportback**

Combined fuel consumption in l/100 km: 7.5 – 7.3 (31.4 – 32.2 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 170 – 166 (273.6 – 267.2 g/mi)

**Audi S5 Cabriolet**

Combined fuel consumption in l/100 km: 7.8 – 7.7 (30.2 – 30.5 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 177 – 175 (284.9 – 281.6 g/mi)

**Audi A6 3.0 TDI**

Combined fuel consumption in l/100 km: 6.2 – 4.4 (37.9 – 53.5 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 164 – 115 (263.9 – 185.1 g/mi)

**Audi TT RS Coupé**

Combined fuel consumption in l/100 km: 8.4 – 8.2 (28.0 – 28.7 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 192 – 187 (309.0 – 300.9 US mpg)

**Audi TT RS Roadster**

Combined fuel consumption in l/100 km: 8.5 – 8.3 (27.7 – 28.3 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 194 – 189 (312.2 – 304.2 g/mi)

**Audi R8 Spyder**

Combined fuel consumption in l/100 km: 11.7 (20.1 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 277 (445.8 g/mi)

**Audi Q7 3.0 TDI e-tron quattro**

Combined fuel consumption in l/100 km: 1.9 – 1.8 (123.8 – 130.7 US mpg)  
Combined electrical consumption in kWh/100 km: 19.0 – 18.1  
Combined CO<sub>2</sub> emissions in g/km: 50 – 48 (80.5 – 77.2 g/mi)

**Audi SQ7 4.0 TDI**

Combined fuel consumption in l/100 km: 7.6 – 7.2 (30.9 – 32.7 US mpg)  
Combined CO<sub>2</sub> emissions in g/km: 199 – 189 (320.3 – 304.2 g/mi)