

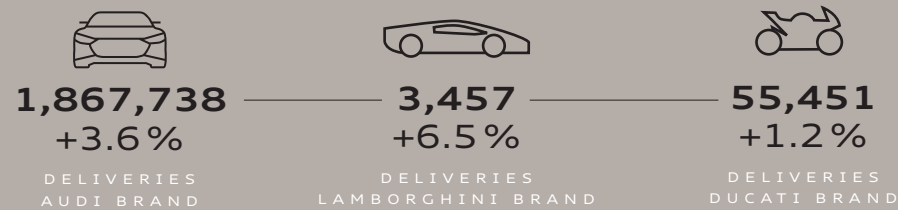
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## Audi Group: three strong brands with further growth



› 2016 was a fiscal year of many challenges for Audi, but also brought important decisions about the future.

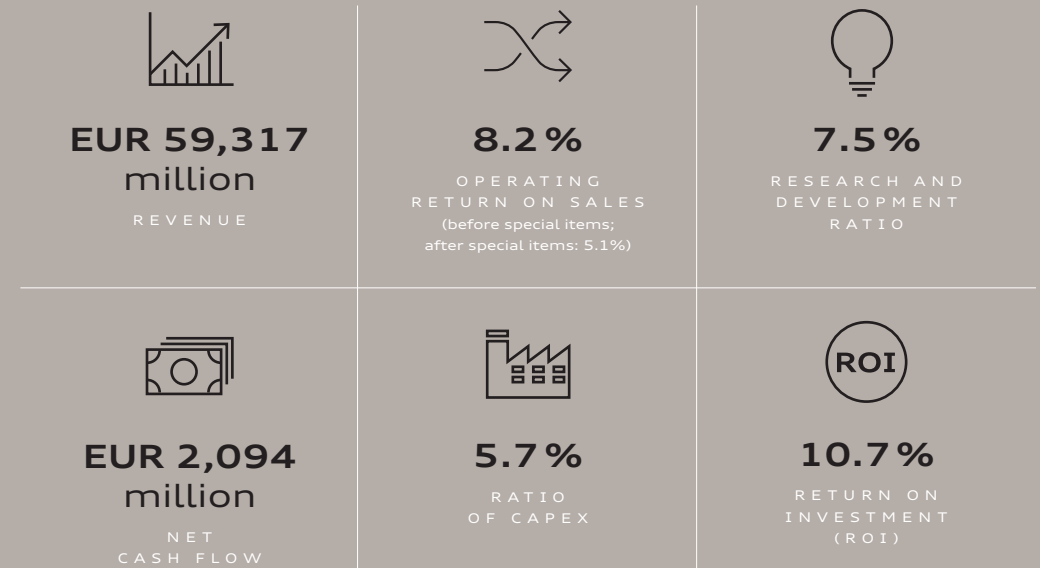
› As a provider of sustainable, individual premium mobility, Audi will also continue to delight customers worldwide in the future. To this end, the new strategy Audi 2025 was launched and accompanied by various measures. For example, the SPEED UP! program of measures provides the necessary resources and the financial basis for the rapid and competitive transformation of the Audi business model.

› As well as the strategic focus on the future and the many new models introduced – such as the Audi Q2 entry-level SUV and the new Audi A5 family – we opened our first own automotive plant on the North American continent in San José Chiapa (Mexico). There we are producing the new, second-generation Audi Q5 for the world market. The new site is symbolic of the vision of the Smart Factory – of digital, connected production.

› Challenges in the 2016 fiscal year above all took the form of market restrictions, increased regulatory requirements and the effects of the diesel issue.

› Overall, Audi was able to hold its ground with a robust operating performance. Totalling 1,867,738 (2015: 1,803,246) cars, Audi deliveries to customers exceeded the previous year's high figure by 3.6%. At 8.2% (2015: 8.8%), the operating return on sales before special items was within the target corridor of 8 to 10%.

## Audi Group: financial highlights



› In the 2016 fiscal year, Audi delivered 1,867,738 cars to customers worldwide – an increase of 3.6% compared with the previous year.

› A new record was therefore achieved, despite the challenging conditions that Audi faced in individual markets.

› As well as the A4 family (+7%), which made its debut in further important markets in 2016, above all the SUV models Q3 (+16%) and Q7 (+43%) as well as the new R8 (+31%) recorded high growth rates.

› At the same time, dynamic development was seen especially in the region of Western Europe (+8%), where there were increases in all Audi top 5 markets, and in the United States (+4%). The high level of the previous year was also surpassed in China – the largest single market for Audi (+4%).

## +16%

The SUV models of the Audi brand were popular with customers again in 2016 and enjoyed dynamic rates of growth. The Q car lines achieved growth in deliveries of 16% overall.

### Deliveries to customers by model

	2016	+/- (% versus 2015)
Audi A1	114,446	+2.7
Audi Q2	8,797	n/a
Audi A3	369,871	-0.8
Audi Q3	232,045	+16.1
Audi TT	31,067	+3.7
Audi A4	336,862	+7.4
Audi A5	67,587	-14.1
Audi Q5	278,968	+4.5
Audi A6	273,381	-7.8
Audi A7	25,399	-11.7
Audi Q7	102,038	+43.4
Audi A8	24,399	-21.7
Audi R8	2,878	+31.4
Audi brand	1,867,738	+3.6
Lamborghini brand	3,457	+6.5
Ducati brand	55,451	+1.2

### Selected product highlights



#### Audi Q2

MARKET INTRODUCTION:  
STARTING 11/2016



#### Audi A4 allroad quattro

MARKET INTRODUCTION:  
STARTING 6/2016



#### Audi S5 Coupé

MARKET INTRODUCTION:  
STARTING 11/2016



#### Audi Q7 e-tron quattro

MARKET INTRODUCTION:  
STARTING MID-2016



#### Lamborghini Huracán RWD Spyder

MARKET INTRODUCTION:  
2017



#### Ducati XDiavel S

MARKET INTRODUCTION:  
Q1/2016

**Audi S5 Coupé:** Fuel consumption\* in l/100 km urban/extra-urban/combined: 9.9-9.8/6.0-5.8/7.4-7.3; combined CO<sub>2</sub> emissions\* in g/km: 170-166 | **Audi Q7 e-tron quattro:** Combined fuel consumption\* in l/100 km: 1.9-1.8; combined CO<sub>2</sub> emissions\* in g/km: 50-48. Combined electrical consumption\* in kWh/100 km: 19.0-18.1 | **Lamborghini Huracán LP 580-2 Spyder:** Fuel consumption\* in l/100 km urban/extra-urban/combined: 17.5/9.1/12.1; combined CO<sub>2</sub> emissions\* in g/km: 283

\* Fuel consumption and CO<sub>2</sub> emission figures given in ranges depend on the tire/wheel sets used.



Read more about the Audi SUV strategy at [www.audi-reports.com/versatile\\_tb](http://www.audi-reports.com/versatile_tb)

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Read more in the section "Deliveries and distribution" in the Audi 2016 Annual Report starting on page 114.



› In the 2016 fiscal year, the Audi Group generated revenue of EUR 59.3 (2015: 58.4) billion – an increase of 1.5% on the previous year. A key driver here, among others, was the positive volume development in the automotive business. By contrast, an unfavorable currency environment and challenging conditions for Audi in individual segments and markets had a negative impact.

› Before special items, the company achieved an operating profit of EUR 4.8 (2015: 5.1) billion. At 8.2% (2015: 8.8%), the operating return on sales before special items was within the target corridor of 8 to 10%.

› Negatively impacted by special items in connection with the diesel issue and airbags made by Takata, the operating profit declined to EUR 3.1 (2015: 4.8) billion, representing an operating return on sales of 5.1% (2015: 8.3%).

› Furthermore, the profit performance was influenced again in 2016 by extensive upfront spending on future topics. By contrast, Audi benefited above all from process and cost optimization measures as well as from growth in revenue.

## EUR 4.8 billion

Before special items, the operating profit of the Audi Group totaled EUR 4.8 billion. The operating return on sales before special items was correspondingly 8.2% and therefore within the strategic target corridor of 8 to 10%.

### Condensed Income Statement Audi Group

EUR million	2016	2015
Revenue	59,317	58,420
Cost of goods sold	-49,390	-47,043
<b>Gross profit</b>	<b>9,927</b>	<b>11,376</b>
Distribution costs	-5,807	-5,782
Administrative expenses	-663	-640
Other operating result	-405	-119
<b>Operating profit</b>	<b>3,052</b>	<b>4,836</b>
Financial result	-5	448
<b>Profit before tax</b>	<b>3,047</b>	<b>5,284</b>
Income tax expense	-980	-987
<b>Profit after tax</b>	<b>2,066</b>	<b>4,297</b>

### Operating profit Audi Group

EUR million	2016	2015
<b>Operating profit before special items</b>	<b>4,846</b>	<b>5,134</b>
Special items	-1,794	-298
<i>of which diesel issue</i>	<i>-1,632</i>	<i>-228</i>
<i>of which Takata</i>	<i>-162</i>	<i>-70</i>
<b>Operating profit</b>	<b>3,052</b>	<b>4,836</b>

### Condensed Balance Sheet Audi Group

EUR million	12/31/16	12/31/15
Non-current assets	28,599	25,963
Current assets	32,403	30,800
Available-for-sale assets	87	-
<b>Balance sheet total</b>	<b>61,090</b>	<b>56,763</b>
Equity	25,321	21,779
Liabilities	35,685	34,985
<i>of which non-current liabilities</i>	<i>14,980</i>	<i>13,431</i>
<i>of which current liabilities</i>	<i>20,705</i>	<i>21,554</i>
Liabilities classified as held for sale	84	-
<b>Balance sheet total</b>	<b>61,090</b>	<b>56,763</b>

› The increase in the balance sheet total of the Audi Group to EUR 61.1 (2015: 56.8) billion can be attributed, among other things, to the investment-led increase in property, plant and equipment.

› Total capital investments in the fiscal year amounted to EUR 5.5 (2015: 5.7) billion.

› As of December 31, 2016, the equity ratio reached 41.4% (2015: 38.4%).

### Selected items Cash Flow Statement Audi Group

EUR million	2016	2015
Cash flow from operating activities	7,517	7,203
Investing activities attributable to operating activities	-5,423	-5,576
<i>of which investments in property, plant and equipment, investment property and other intangible assets</i>	<i>-3,409</i>	<i>-3,534</i>
<i>of which capitalized development costs</i>	<i>-1,676</i>	<i>-1,262</i>
<i>of which acquisition and sale of participations</i>	<i>-366</i>	<i>-856</i>
Net cash flow	2,094	1,627
Cash flow from financing activities	-2,454	-1,575
<b>Net liquidity (Dec. 31)</b>	<b>17,232</b>	<b>16,420</b>

› Once again in the 2016 fiscal year, Audi financed all capital investments from its own resources and achieved a positive net cash flow of EUR 2.1 (2015: 1.6) billion.

› Net liquidity as of December 31, 2016, reached EUR 17.2 (2015: EUR 16.4) billion.



- › For the 2017 fiscal year, Audi is expecting to face challenging conditions in car markets worldwide. As a result, a slight increase in deliveries of the core brand Audi is anticipated.
- › One driver is the attractive product portfolio of the brand with the Four Rings, which is to be strengthened again in 2017 with new and revised models. Alongside the increasing availability of the A5 and Q5 car lines in important markets, the new Audi Q2 in particular will provide substantial momentum for growth. In addition, 2017 is the debut year for the new generation of the Audi A8 luxury sedan.
- › The company also expects positive momentum for the Lamborghini and Ducati brands from the introduction or full availability of new models.
- › Against the backdrop of projected volume growth, the Audi Group expects a slight increase in revenue – despite anticipated unfavorable exchange rates.
- › The operating return on sales should lie within the strategic target corridor of 8 to 10%.
- › At the same time, the development in profit and return should benefit from the expected increase in revenue and from further improved cost structures. In addition to the ongoing process and cost optimization measures, improvements in connection with the SPEED UP! program of measures launched in 2016 are taking effect here.
- › By contrast, substantial upfront spending to ensure the future viability of our company will also play a prominent role in the 2017 fiscal year.



### slight increase

Deliveries of cars of the  
Audi brand to customers



### slight increase

Revenue



### within the strategic target corridor of 8 to 10%

Operating profit/  
operating return on sales



### positive, significantly below previous year

Net cash flow

- › As well as the continued updating and expansion of the model portfolio, particularly in the upper vehicle segments, Audi is working intensively on advancing alternative drive concepts.
- › One example is the all-electric-drive sport SUV based on the Audi e-tron quattro concept, which will roll out to customers starting in 2018.
- › Audi anticipates net cash flow to be positive again in 2017, although expected outflows related to the diesel issue should cause it to be significantly below the prior-year figure.
- › In the 2017 fiscal year, the research and development ratio should be slightly above the strategic target corridor of 6.0 to 6.5%.
- › The company is planning a ratio of capex within the strategic target corridor of 5.0 to 5.5%.
- › The return on investment (ROI) for the Audi Group should be within the range of 15 to 18% in the coming fiscal year.



### slightly above the strategic target corridor of 6.0 to 6.5%

Research and development ratio



### within the strategic target corridor of 5.0 to 5.5%

Ratio of capex



### within a range of 15 to 18%

Return on investment (ROI)



Audi with  
new strategic  
momentum

## Digitalization

We are digitalizing our processes and creating a platform for integrated, connected premium mobility and digital services.

## Sustainability

We stand for sustainability in our vehicles and services throughout the entire value chain.

## Urbanization

By working together with cities worldwide we ensure access to individual, city-friendly premium mobility.

- › The megatrends digitalization, sustainability and urbanization are changing the automotive industry. With its 2025 strategy, the Audi Group is making itself fit for the future.
- › We have anchored our overriding strategic goal in the new vision: We want to become a provider of sustainable, individual premium mobility and to use that role to delight customers worldwide. Our premium vehicles will remain the basis of what we do – so our core business will continue to be fundamentally important for our future success.
- › We view the transformation as an opportunity for continuous improvement. And we have now set new goals for ourselves.

Our goals.  
Audi. Vorsprung.  
2025.

## Return

- › The automotive industry is undergoing a transformation. High upfront spending is necessary in order to address future topics. In order to finance this from its own resources in the future too, Audi wants to achieve qualitative growth and is targeting an operating return on sales within the strategic target corridor of 8 to 10% in the long term.

## Profitable market penetration

- › Growth is important – yet seen in isolation it does not tell you anything. For Audi as a premium manufacturer that means: The key indicator in the core business is primarily the return and not the volume.
- › New products, services and business models – especially in the digital world – only become profitable above a significant volume. Rapid upscaling of new digital services is a crucial factor in this.

## Agility

- › Audi wants to play a leading role in shaping the transformation of the automotive industry. This includes speed in decision-making and discipline in implementation. Audi is therefore gradually realigning itself in order to be able to act even more quickly and flexibly, and with an even higher level of adaptability.

## Corporate image

- › The goal is an image superior to that of our competitors as the main driver of the Audi premium business model. In the interests of its stakeholders, Audi also sponsors projects that make life better for people inside and outside the company. Audi is targeting a top corporate image. To this end, we rely on our brand, quality, innovation and design. At the same time, we promote employer attractiveness and continue to develop our corporate culture step by step. We want to secure integrity and adopt social responsibility.





The automotive industry is experiencing the biggest transformation in its history. A challenge we are facing full of confidence – while remaining **open, agile and positive**. From the revolutionary quattro drive to piloted driving: Change is in our DNA. We view it as an opportunity for continuous improvement. And we have now set new goals for ourselves:

### **turning.moment**

With this mindset, we live the concept of “Vorsprung” for our customers each day. And look forward to the future.

**[www.audi-reports.com](http://www.audi-reports.com)**

## **AUDI AG**

Auto-Union-Straße 1  
85045 Ingolstadt  
Germany  
Phone +49 841 89-0  
Fax +49 841 89-32524  
email [service@audi.de](mailto:service@audi.de)  
[www.audi.com](http://www.audi.com)

Financial Communication/  
Financial Analysis  
I/FF-3  
Phone +49 841 89-40300  
Fax +49 841 89-30900  
email [ir@audi.de](mailto:ir@audi.de)  
[www.audi.com/investor-relations](http://www.audi.com/investor-relations)