

Audi 2016 1st half

Investor and Analyst Day

July 29, 2016



Axel Strotbek

Member of the Board for Finance and IT, AUDI AG

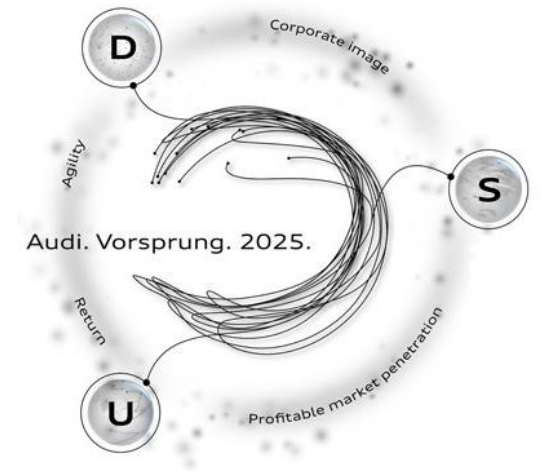
Markets



Financials

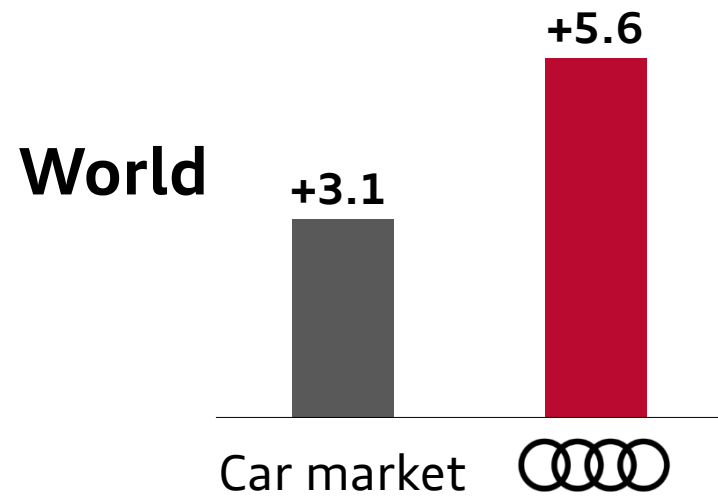


Strategy



Continuous growth based on our global strategy

Car markets vs. Audi deliveries to customers in percent (1-6/2016 vs. 1-6/2015)



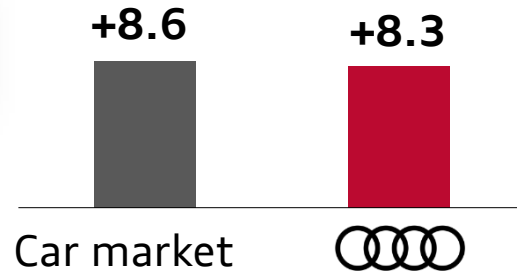
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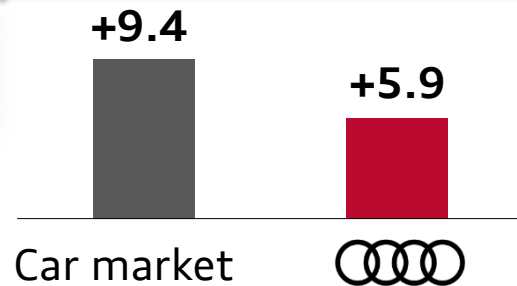
USA



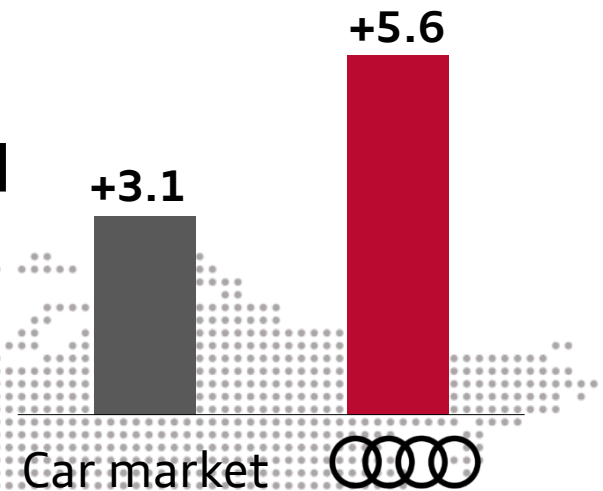
Western Europe



China

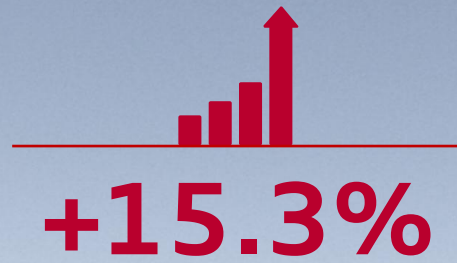


World



Audi A4

Sedan & Avant



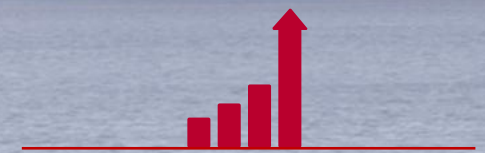
170,790 (148,100) cars

VS

January – June 2016



Audi Q7



+73.6%

50,352 (29,007) cars

VS

January – June 2016



Lamborghini



+7.0%

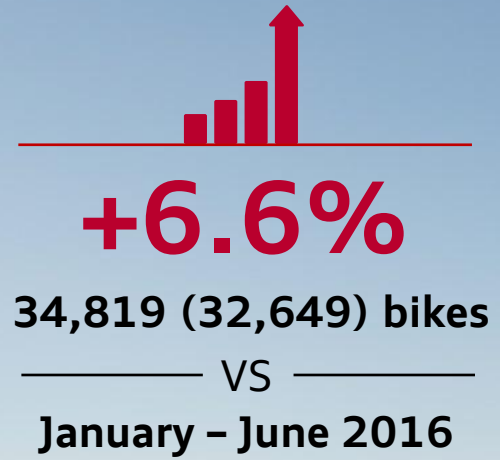
2,013 (1,882) cars

VS

January – June 2016



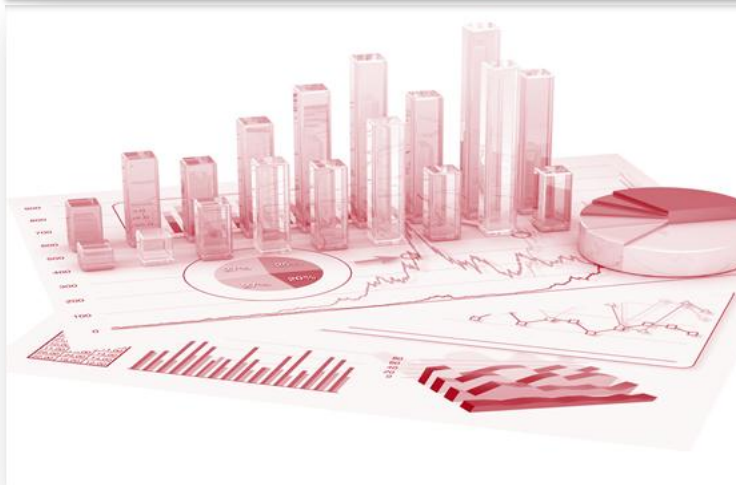
Ducati



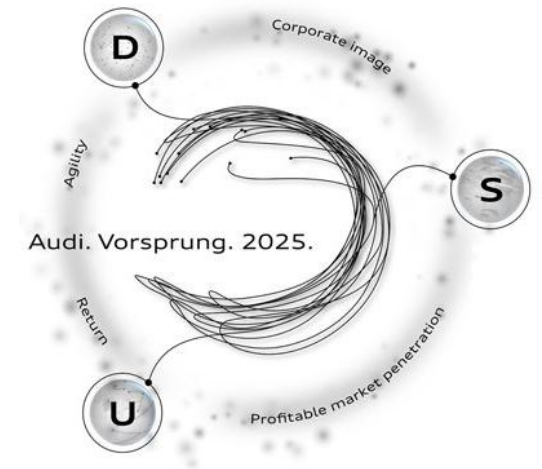
Markets



Financials

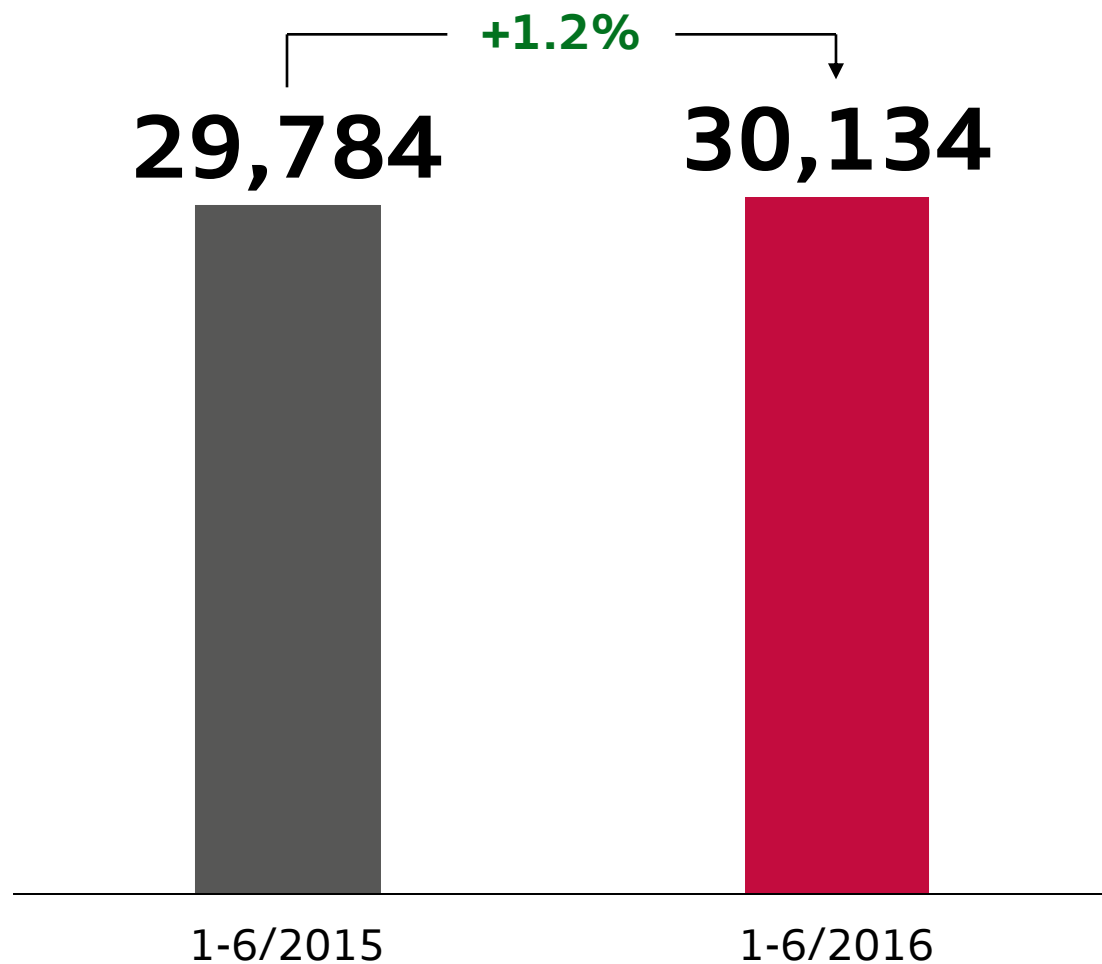


Strategy



Audi Group revenue (IFRS)

EUR million



Automotive segment



EUR 29,648 million

Motorcycles segment



EUR 486 million



Income Statement of the Audi Group (IFRS)

EUR million

	1-6/2016	1-6/2015
Revenue	30,134	29,784
Cost of goods sold	-24,431	-23,636
Gross profit	5,703	6,148
Distribution costs	-2,921	-2,592
Administrative expenses	-318	-312
Other operating result	-63	-331
Operating profit	2,401	2,914
Special items	265	-
Operating profit adjusted for special items	2,666	2,914



Wave of investments in the second half of the year – Audi with strong ability to generate funds internally

Investments in capital expenditure

1-6/2016 vs. 1-6/2015

1,238
(1,296)

EUR million



Complexity

Efficiency

Synergies



Capital expenditure (capex):

> EUR 3 billion

2016

Net cash flow

1-6/2016 vs. 1-6/2015

2,085
(1,747)

EUR million

Net liquidity

June 30, 2016 vs. June 30, 2015

17,150
(16,668)

EUR million



Forecast 2016

Deliveries of cars of the Audi brand to customers	Revenue	Operating profit/ operating return on sales
moderate increase	moderate increase	within the strategic target corridor of 8 to 10 percent *

Outlook

* adjusted for special items

Return on investment (ROI)	Net cash flow	Ratio of capex
between 16 and 18 percent and thus significantly above our minimum required rate of return of 9 percent	between EUR 2.0 and 2.5 billion	slightly above the strategic target corridor of 5.0 to 5.5 percent



Markets



Financials



Strategy



Goal achievement strategy 2020 – Audi can draw up a positive balance sheet



Perception: gaps in product program have been reduced

2016: **55** models

	Hatchback 3-door	Avant / Hatch- back 5-door	Sedan	Coupé	SUV	Roadster / Cabriolet	Sport Coupé
D							
C							
B							
A							
A0							



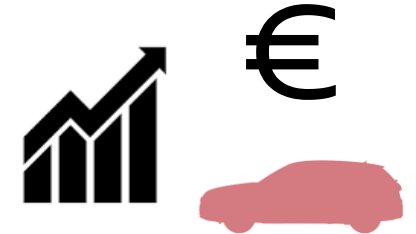
Delighted customers

Strong brand

Attractive
product portfolio

Leading in innovation

Worldwide production
& sales network



But... increasing complexity impacts agility and efficiency





Digitalization

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



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



Sustainability

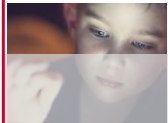
Urbanization

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

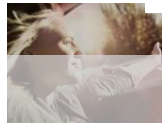


Strategy 2025 – Clear goals, clear responsibility and clear measurability

Strategic goals



Digitalization



Sustainability



Urbanization

More than **40** lighthouse projects consequently controlled and directly reported to the board of management

Return

%

Profitable market
penetration



Agility



Corporate image



Corporate long-term goals are the framework

1 Operating
return
on sales:
8 – 10%

2 Return on
investment:
21%

3 Ratio of R&D:
6.0 – 6.5%

4 Ratio of capex:
5.0 – 5.5%

5 Net cash flow
positive

Focus on profitability!



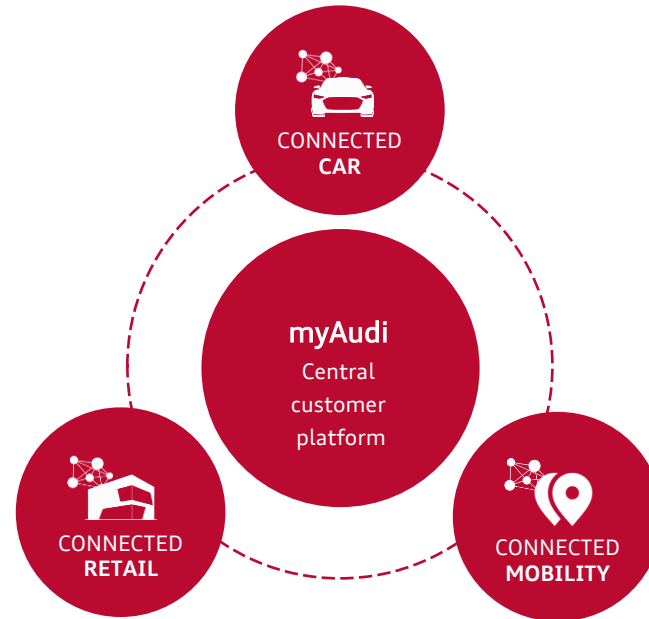
Strategy 2025 – Profitable market penetration

Only through **digitalization** will we be
profitable in the future!

CORE BUSINESS



NEW BUSINESS MODELS



» Premium **business & premium return**

» **Digitalization** of core processes

» Profit contribution of **EUR 1 billion from digitalization** in 2025

Return
before
Volume

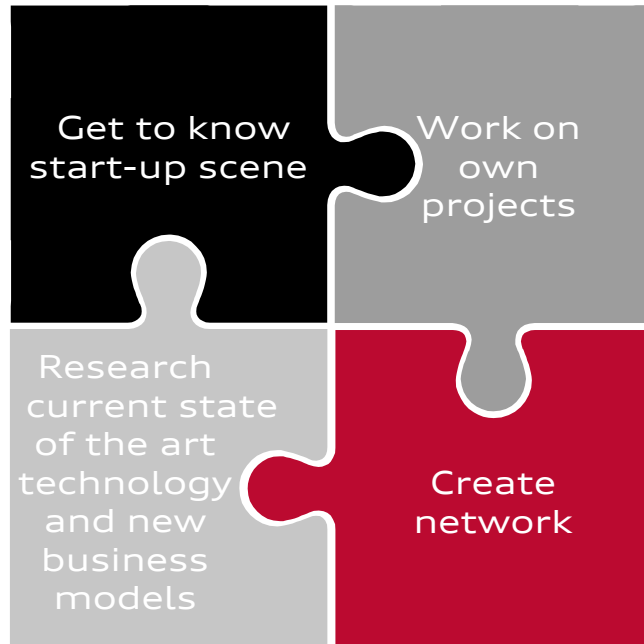
Rapidly **scaling up**
– substantial
number of **users**



Strategy 2025 – Agility

fast and
flexible

START-UP MENTALITY



- » Higher **speed** of strategic **decisions**
- » **Product line** management and transformation of **competences**
- » **Lean** and **digital** processes
- » **Virtual** development
- » **Smart** factory

PROCESS OPTIMIZATION



Reduce

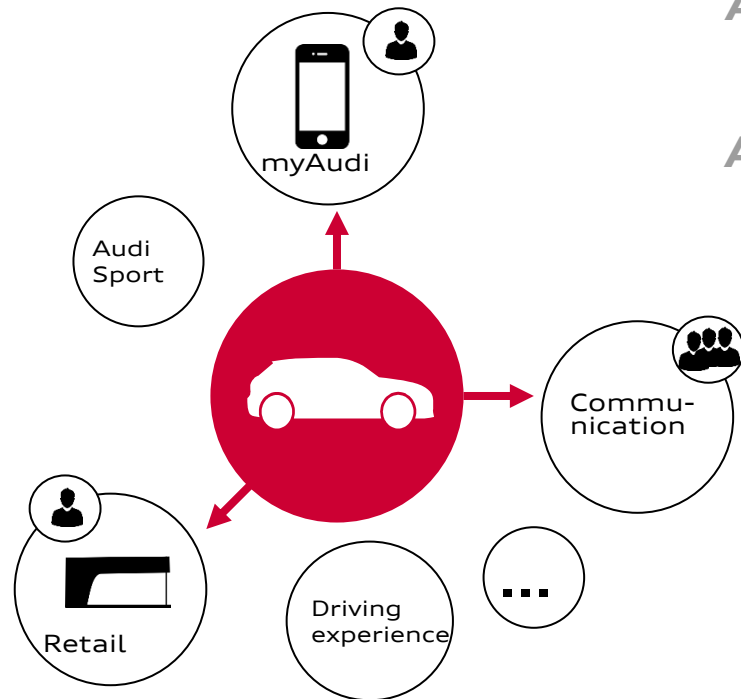
complexity !



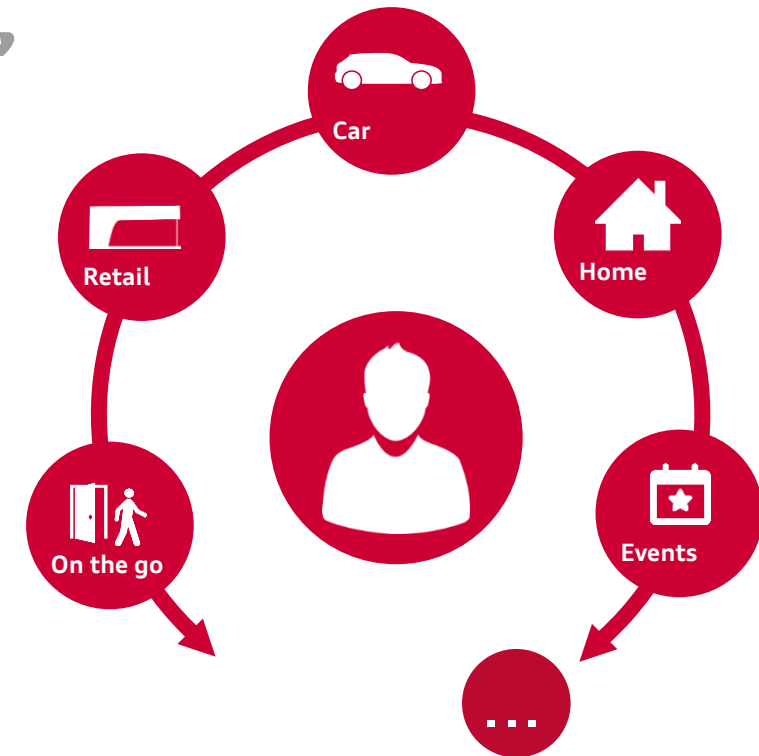
Strategy 2025 – Corporate image

Audi **surprises**,
Audi **simplifies**,
Audi **connects**

...



Until now:
Singular optimized
customer **touchpoints**



From now on:
Consistent Audi Experience
integrated in the world of our **customers**

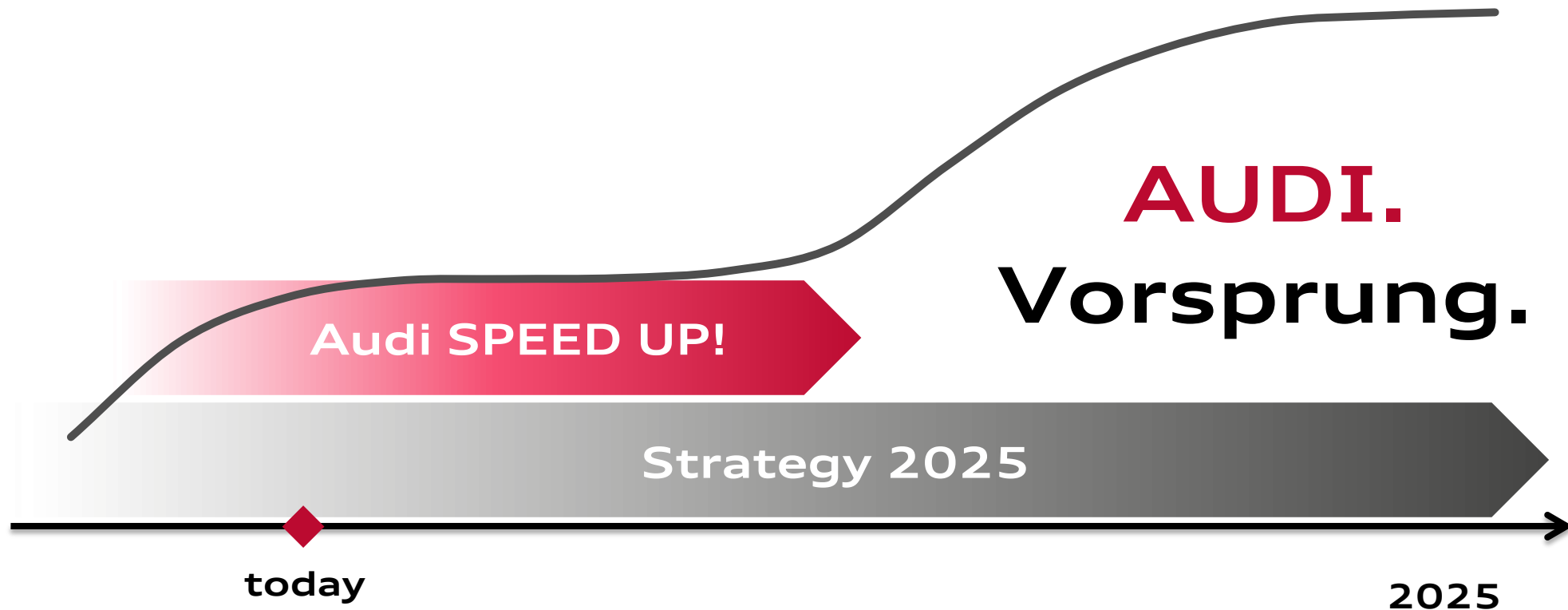


SPEED UP! – enabler for a quick start

SPEED UP!

is the **first step**

of the **long-term transformation** program



SPEED UP!



stop



strengthen



start





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Dr.-Ing. Stefan Knirsch

Member of the Board for Technical Development, AUDI AG

Top innovation drivers of the automotive industry



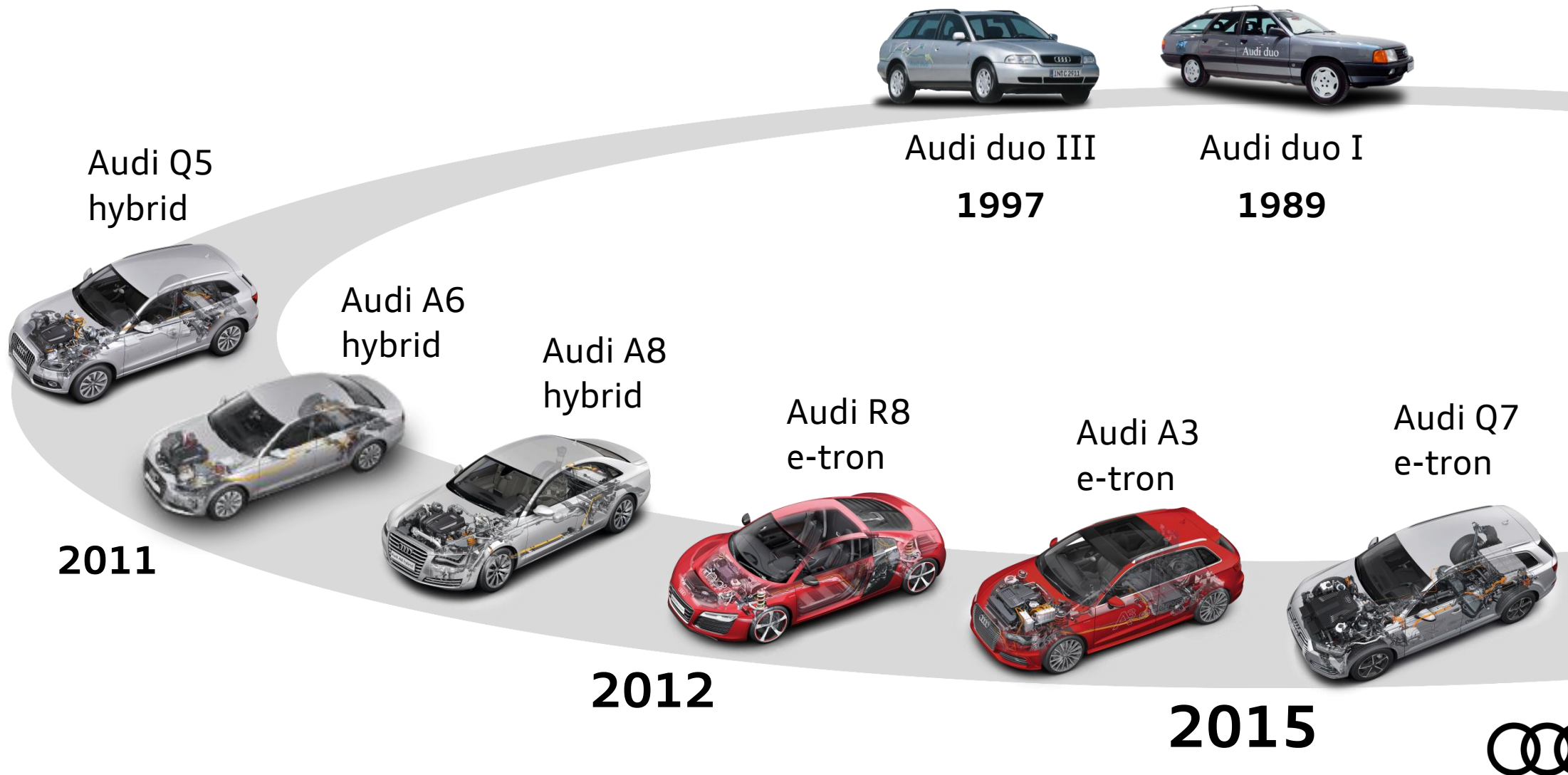
Efficiency / Electrification



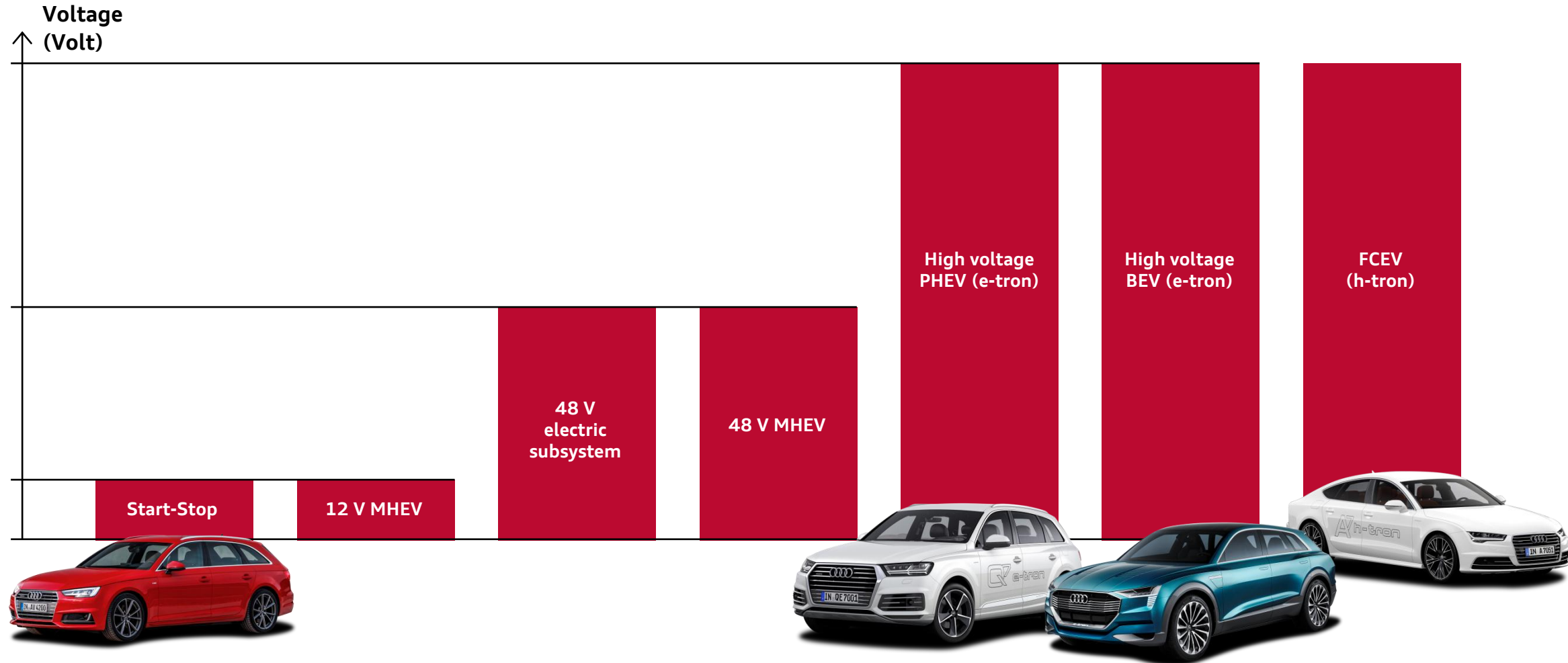
Piloted driving and parking



History of Audi electrification



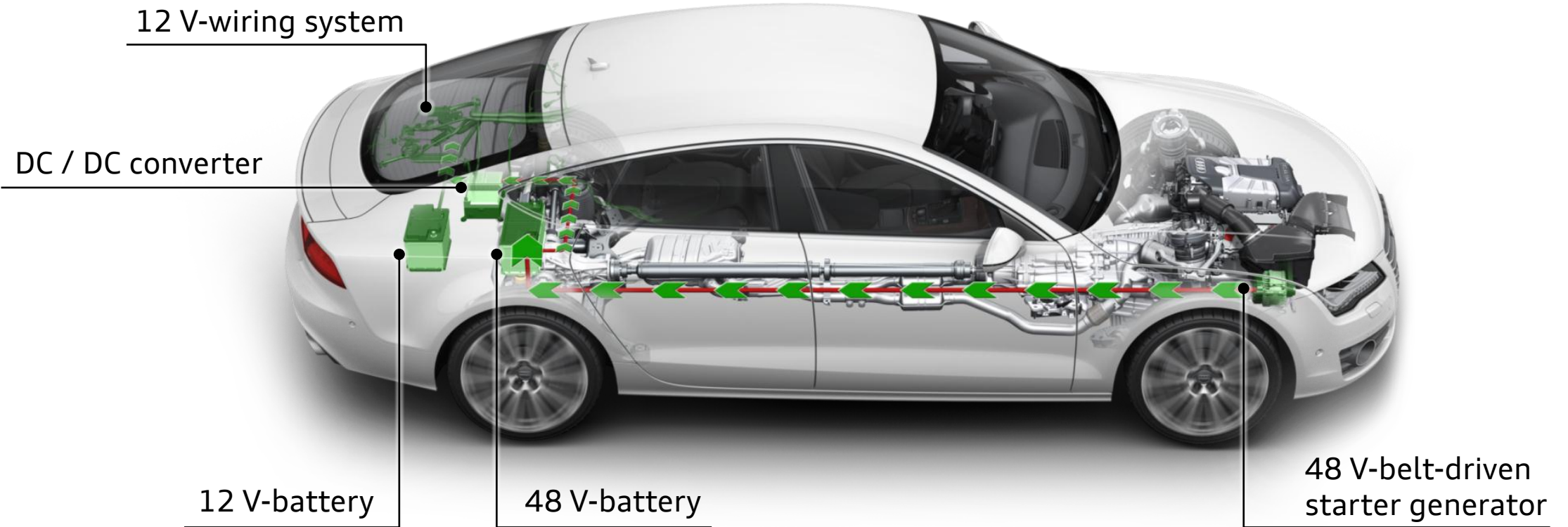
Roadmap to battery-electric vehicles (BEV): Electrification of Audi product portfolio



» Until 2021, nearly every vehicle will be electrified.



Audi Mild-Hybrid 48 V: 48 V-energy networks



Extended
start / stop
< 25^{km/h}

Change
of mind

Start acoustics &
comfort

48 V-electric
powered
compressor

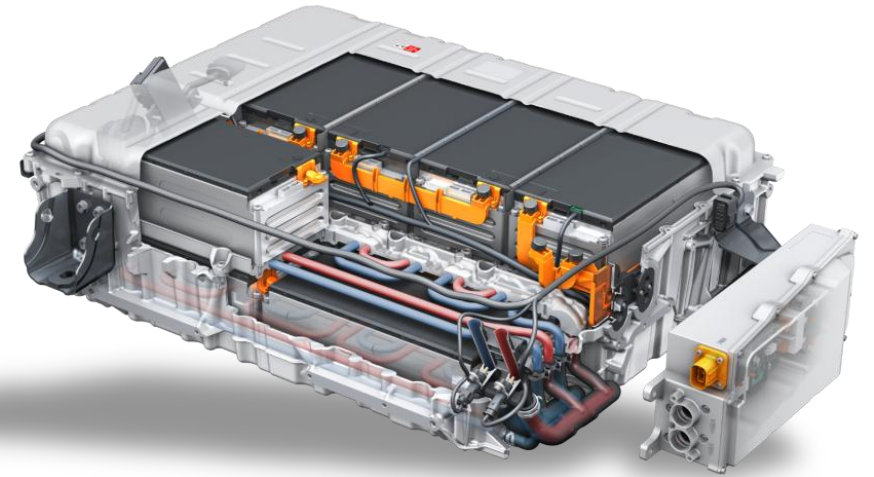
Free-wheel
motor off
“sailing”

48 V-
eAWS

Recuperation



Audi Q7 e-tron 3.0 TDI quattro



56 km range in the cycle

Electric drive power up to **94 kW**

Liquid-cooled Lithium-Ion battery with **17,3 kWh**

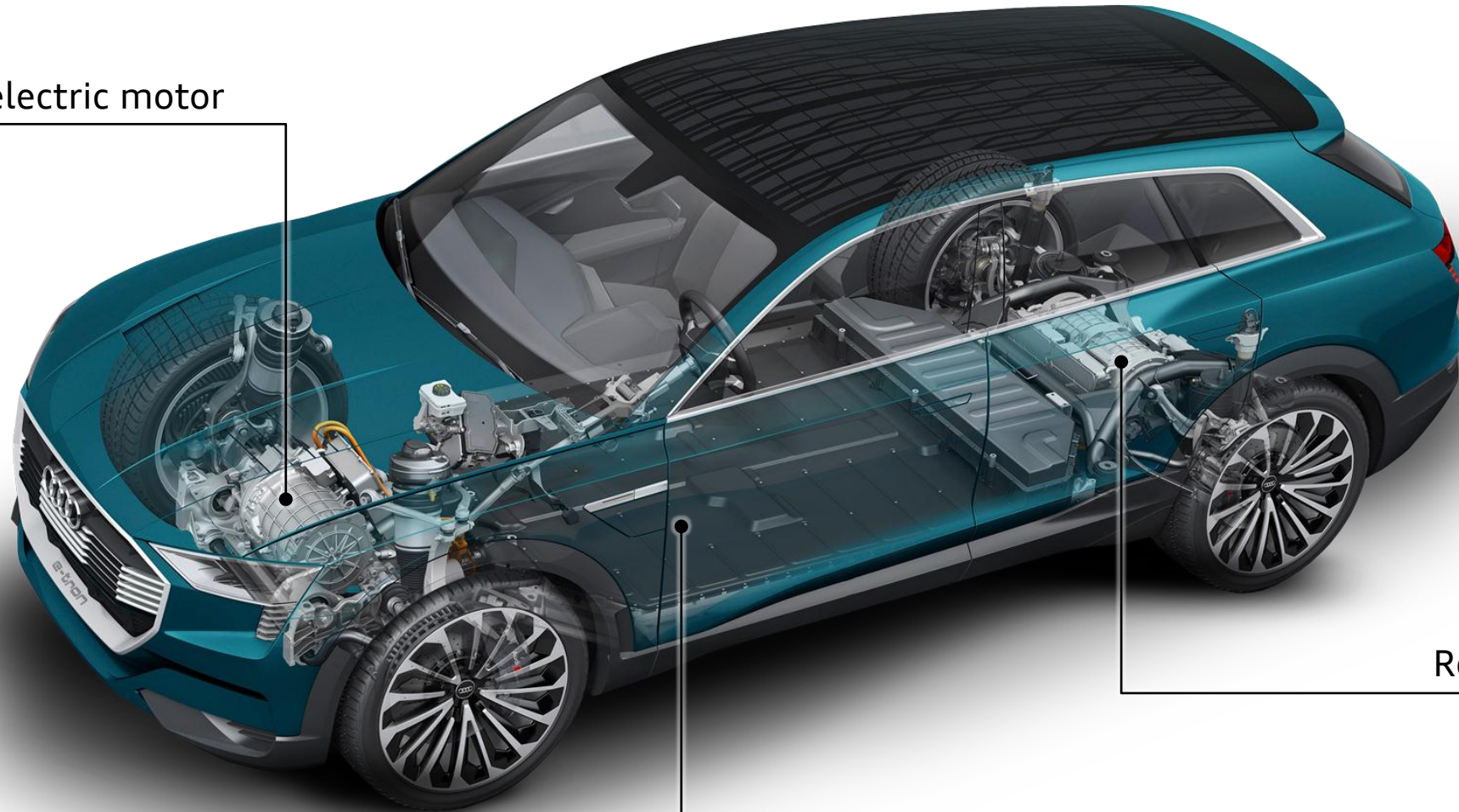
202 kg battery weight



Audi e-tron quattro concept:

Modular toolkit for electric powertrain components

Front-electric motor



Rear-electric motor

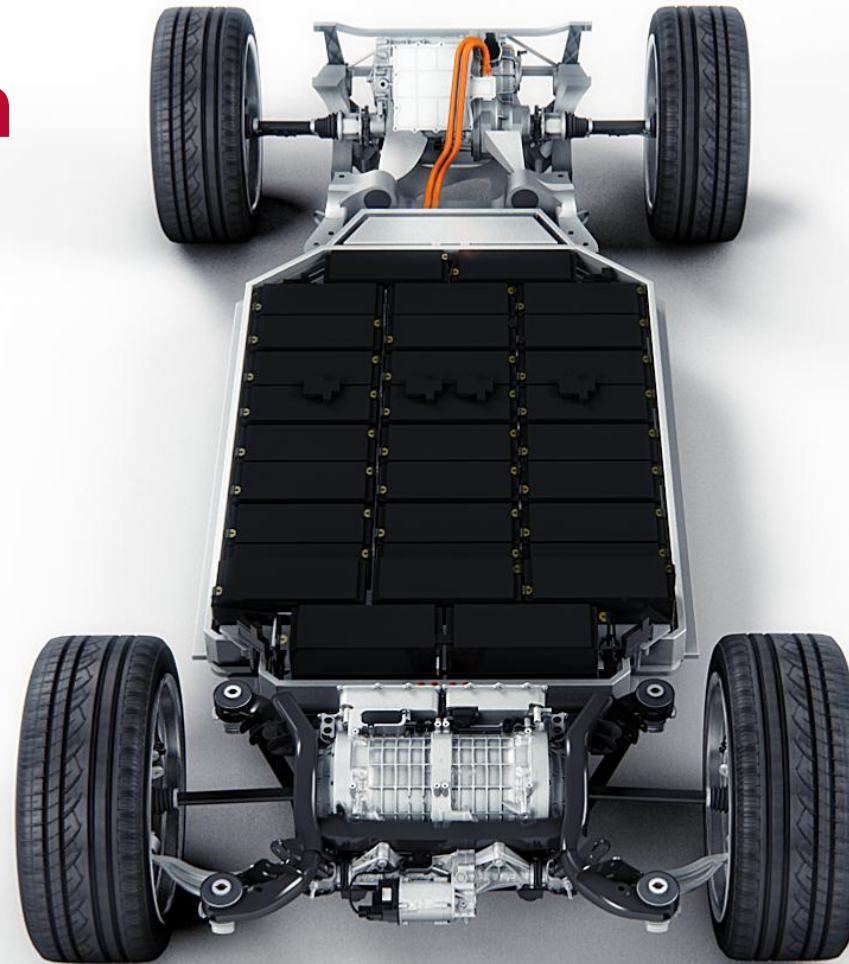
Liquid-cooled lithium-Ion battery with 95 kWh



Roadmap to battery-electric vehicles: Electrification of Audi product portfolio

500 km
range in the cycle

~700 kg
battery weight



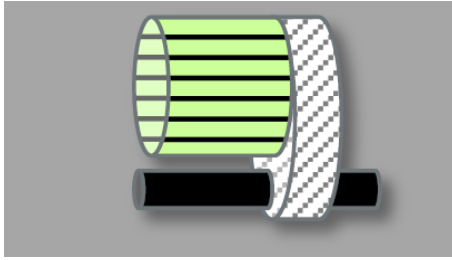
Electric drive power up to
370 kW

Liquid-cooled Lithium-Ion
battery with **95 kWh**

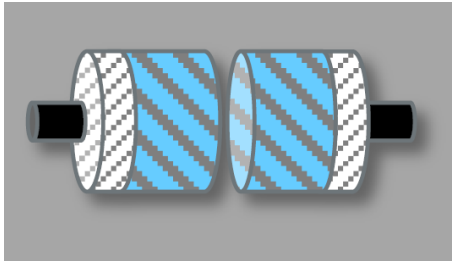


Three electric machines:

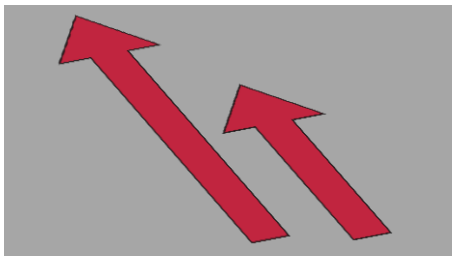
USP: Outstanding dynamics with torque control management



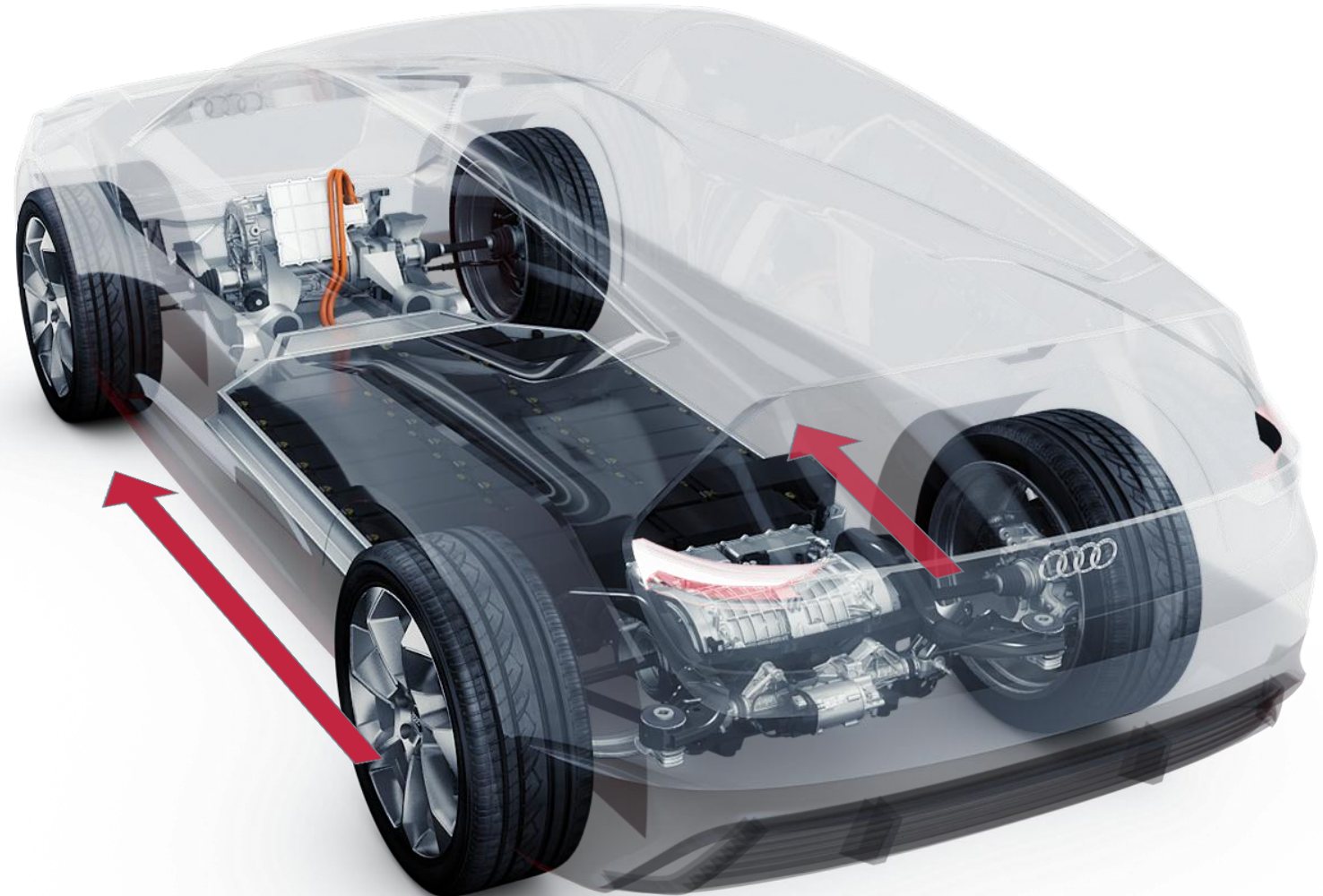
One electric machine in front



Two electric machines in rear



Intelligent torque vectoring
for outstanding dynamics



Fuel-cell electric vehicles: Emission-free sportiness

Audi h-tron quattro concept



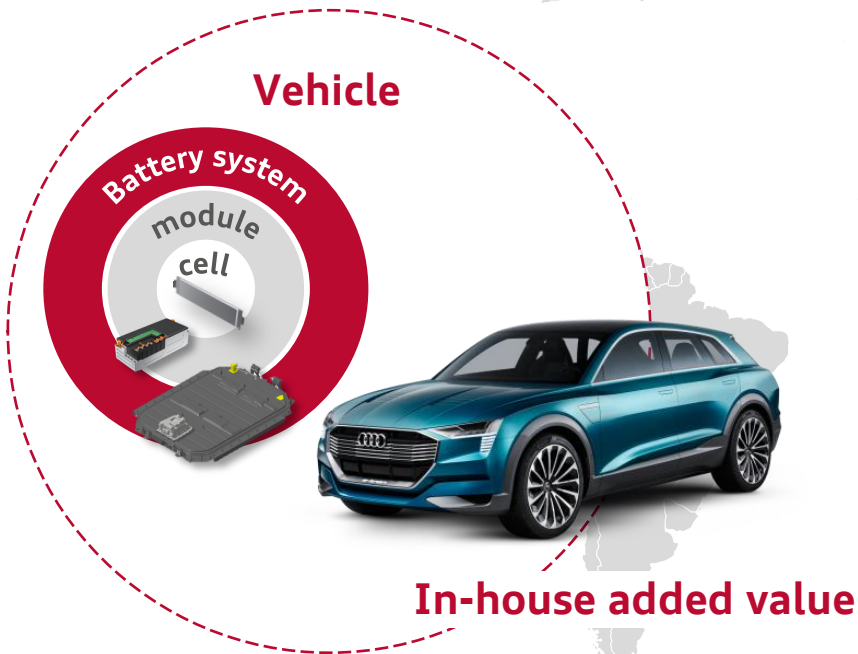
Audi A7 Sportback h-tron quattro



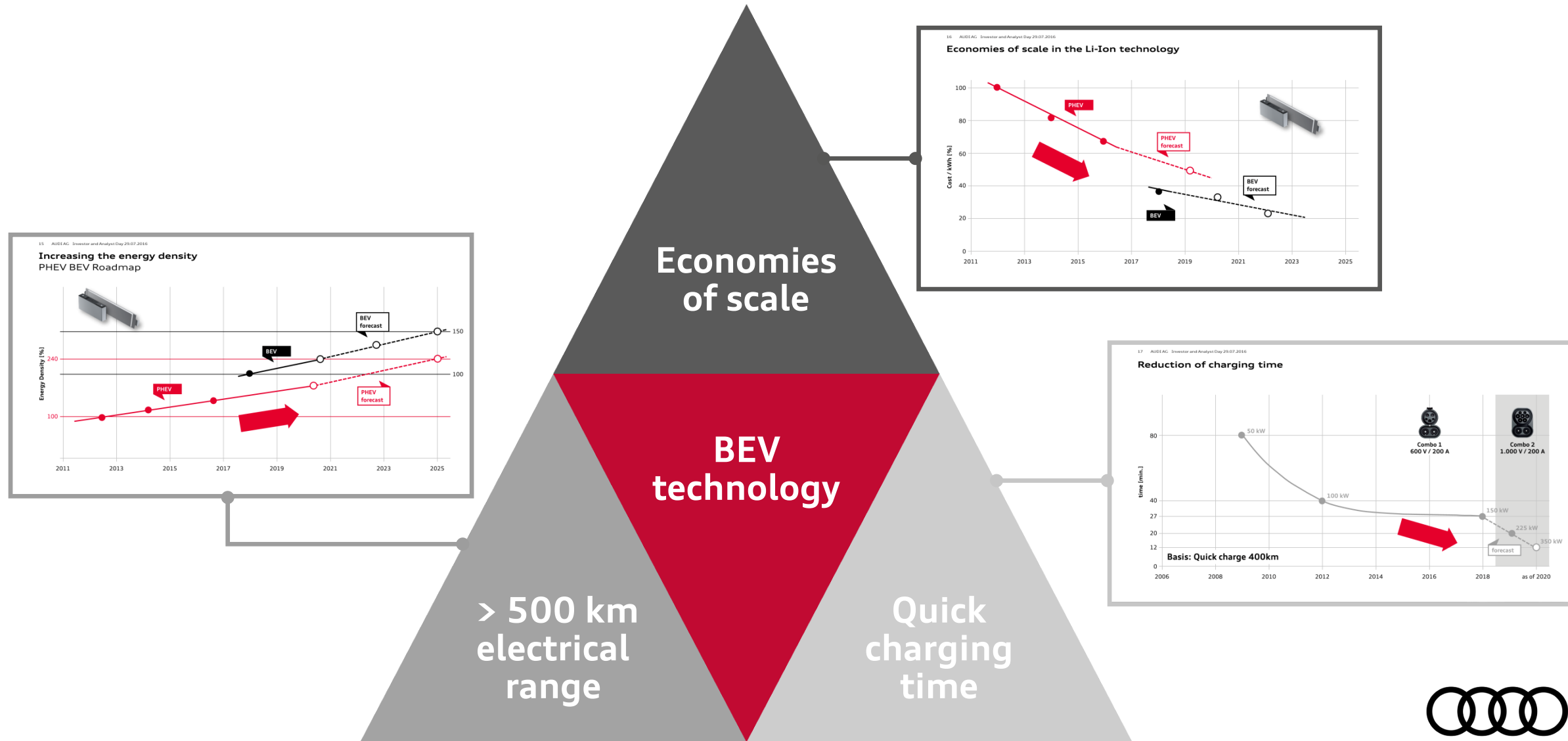
Start of in-house development and production for BEV

HV battery in-house production
Brussels

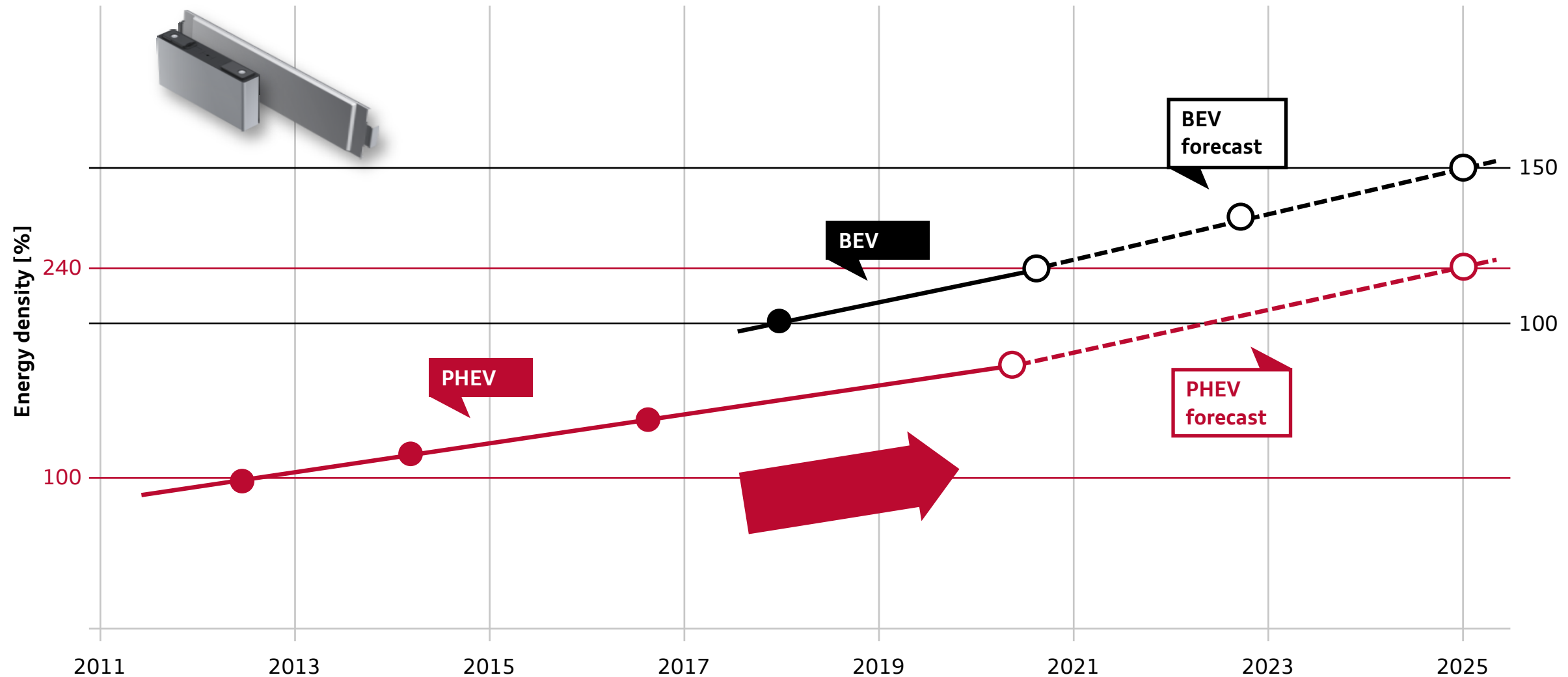
**In-house development
and prototype building**
Project house HV battery in
Gaimersheim / Ingolstadt



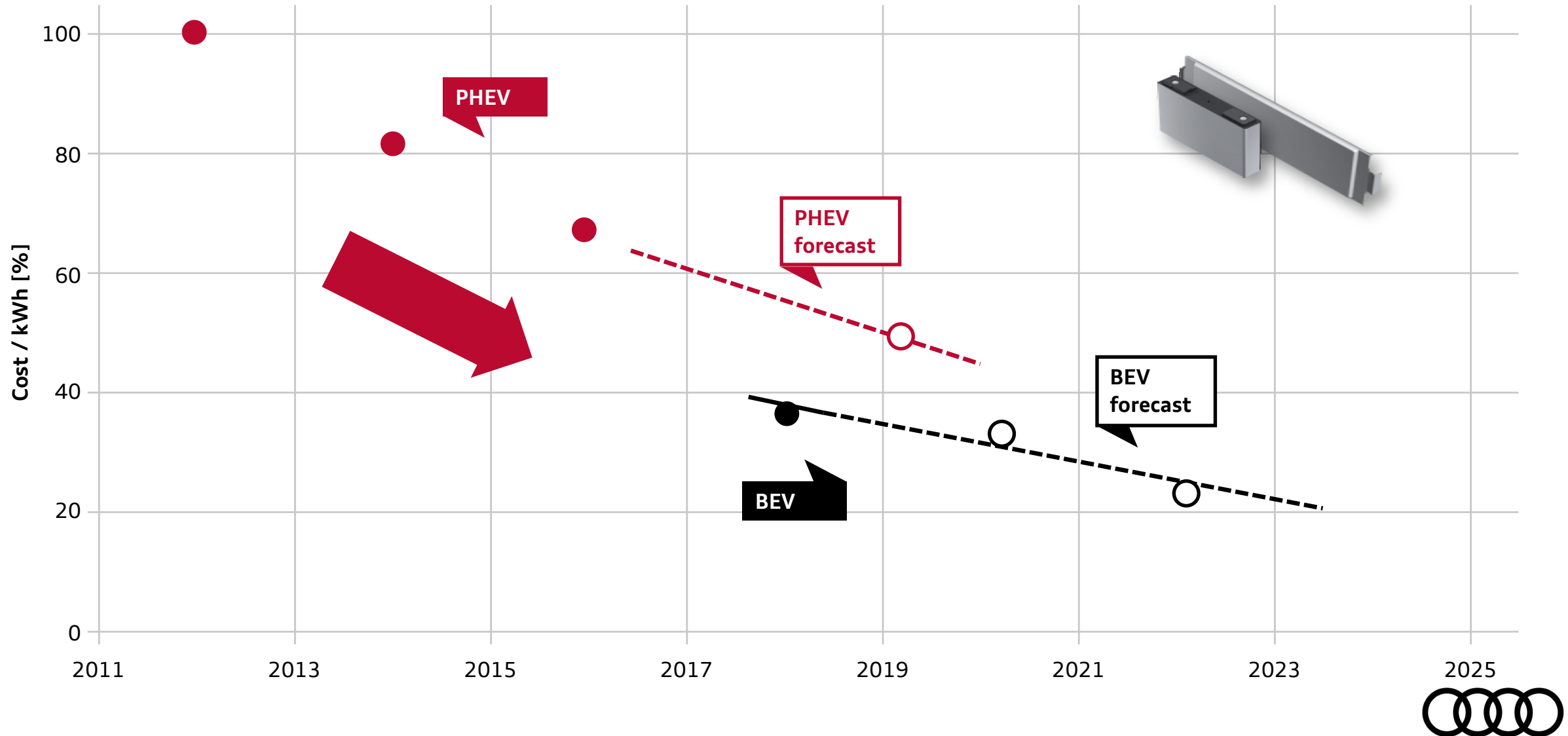
Electrification: Key success factors



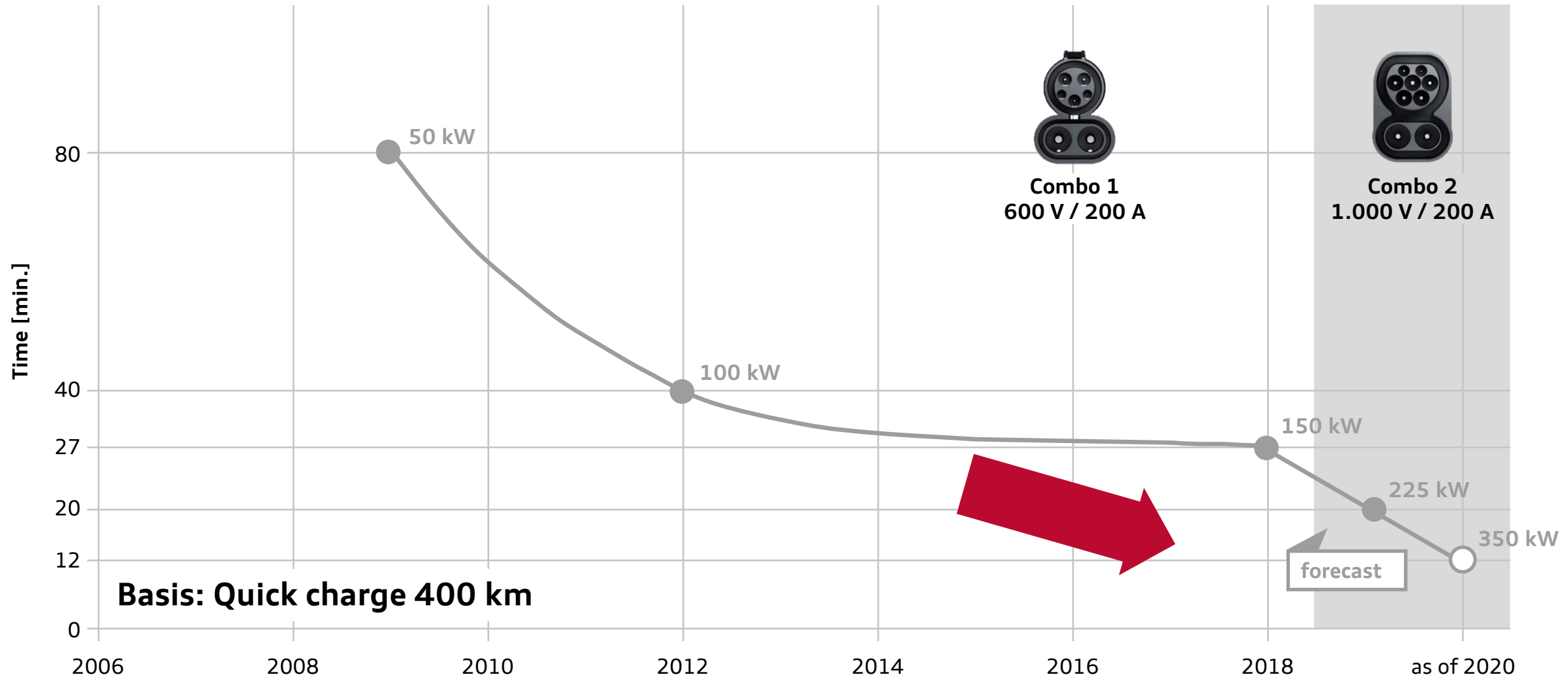
Increasing energy density: PHEV BEV Roadmap



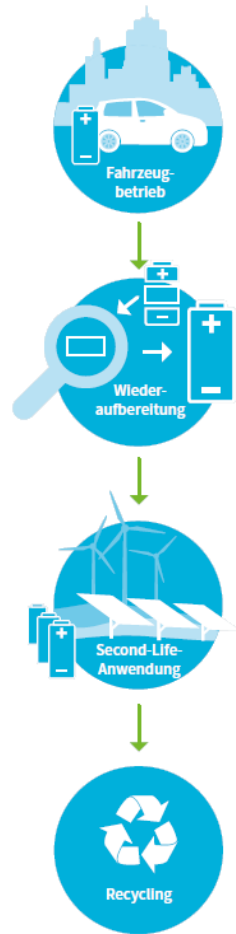
Economies of scale in Li-Ion technology



Reduction of charging time



2nd life for battery systems: Lifecycle of Li-Ion batteries



Vorsprung is our promise

Digitization



Sustainability



Urbanization



Technical development strategy:

Action fields with 9-bullets program

AF1 Technologies / Products / Business models

Exciting & high-yielding premium automobiles

Fully automated driving & urban concepts

Digital platform, mobility concepts & business models

Drivetrain strategies 2025 & sustainability technologies

Audi Sport strategy

AF2 Organization / Processes / Resources / Competencies/ Development network

Organization & resources/competencies

Stability and digitization of TD processes

Development network

AF3 Culture / Attitude of Technical Development management & employees

Culture change

Cost and efficiency measures



Central work shop & Testing management

Testing management TD

Vehicle update

Metrology

Process management

Service functions

Operations management



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Thomas Müller

Head of Development Braking, Steering and Driver Assistance Systems, AUDI AG

Piloted driving as an influence on megatrends

1 Enhanced safety



Eco-friendly driving 2



3 More comfort for the customer



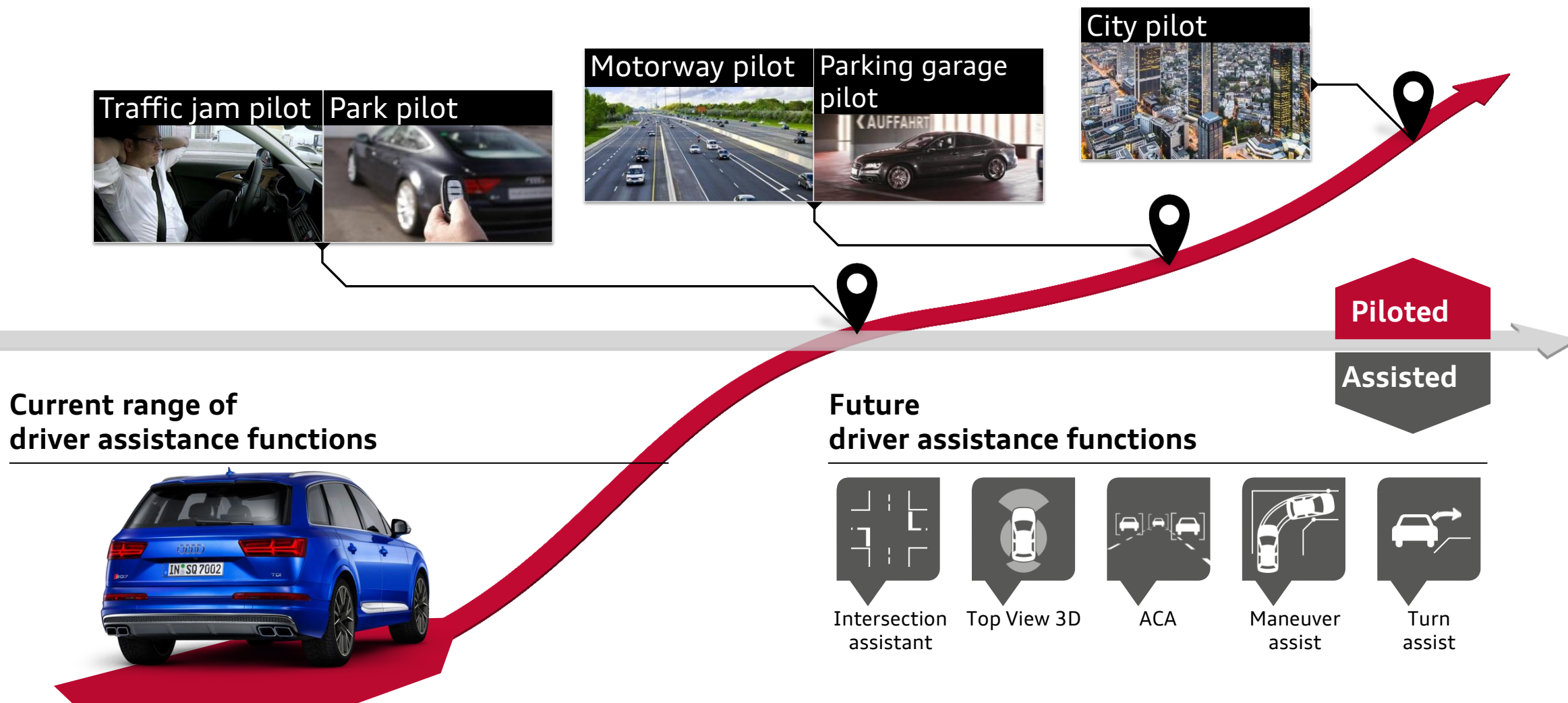
Efficient use of the transportation infrastructure 4



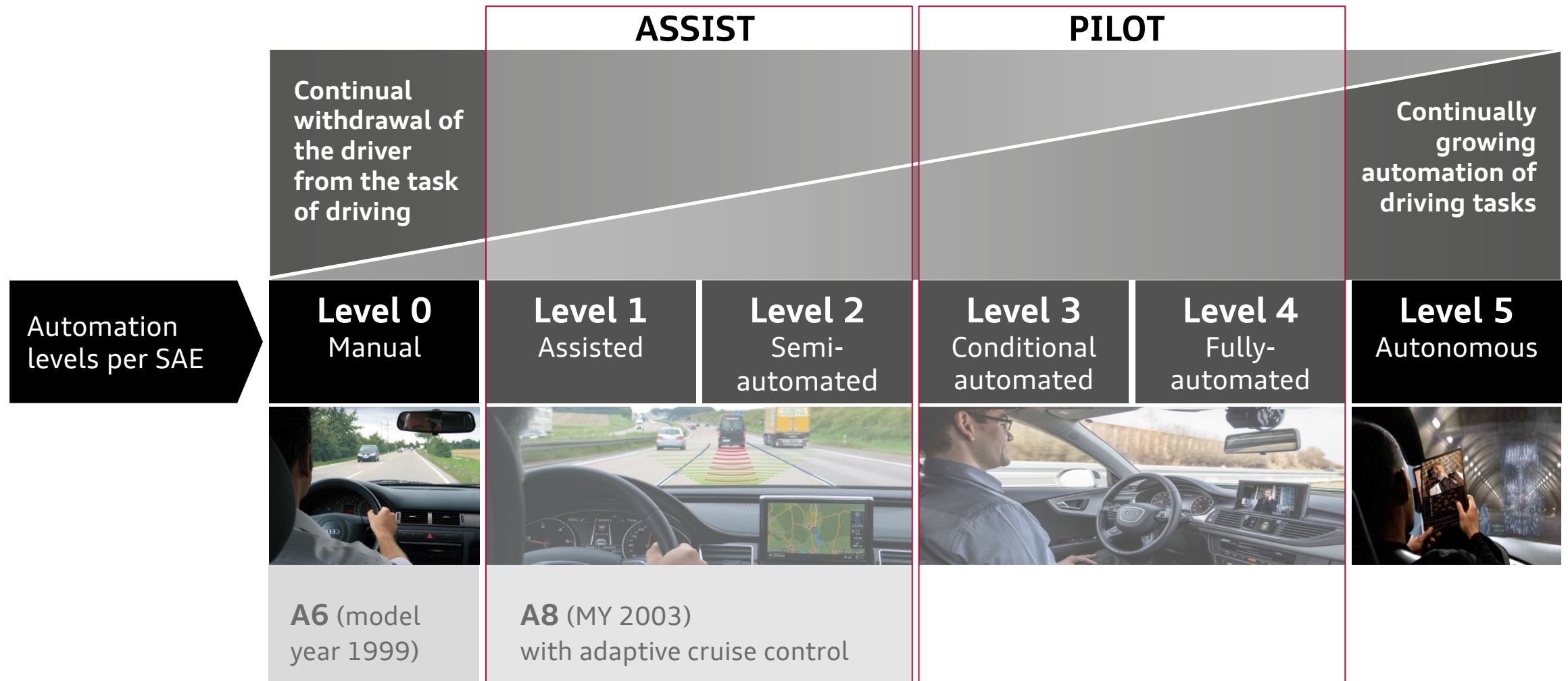
Piloted
driving



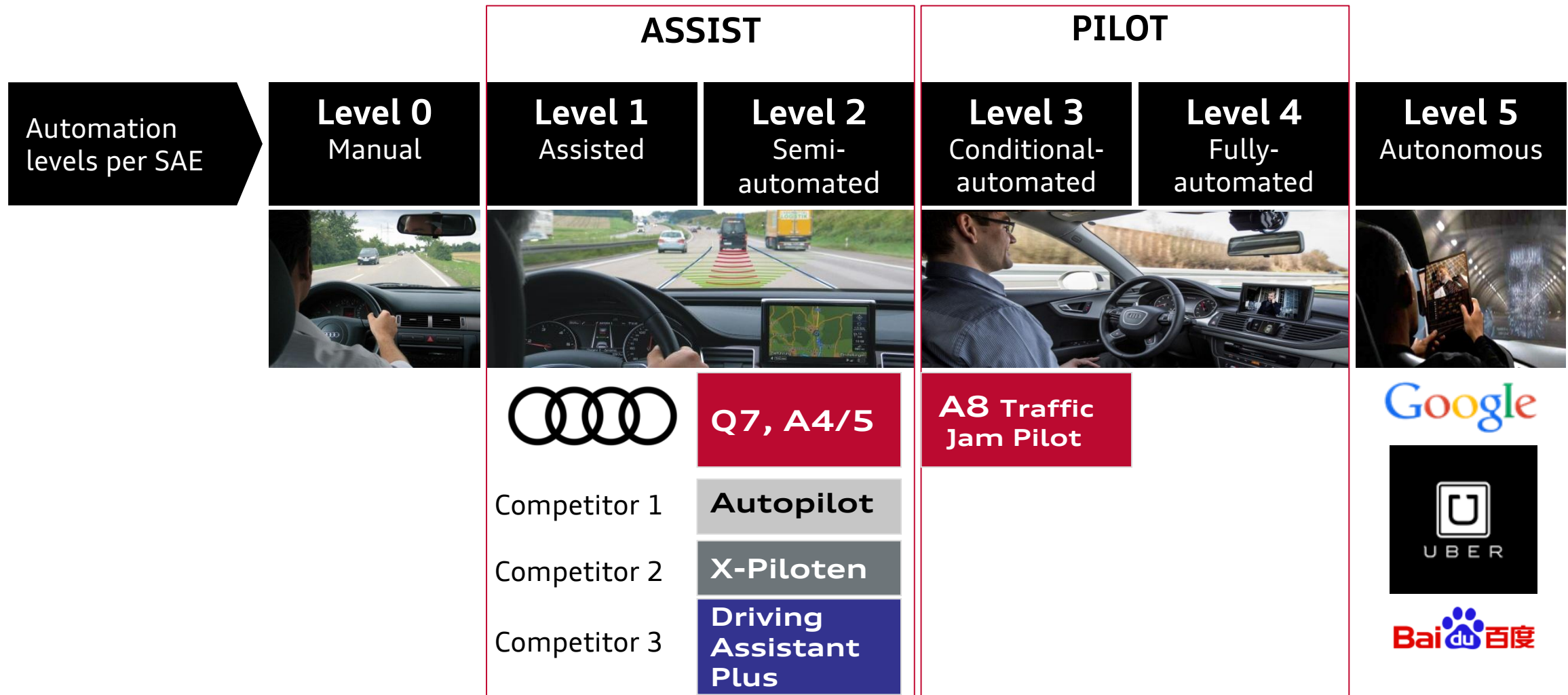
Evolutionary advanced development driver assistance & piloted functions



Each evolutionary stage will relieve the driver more



Each evolutionary stage will relieve the driver more



In piloted driving, a technical fallback level assumes the primary monitoring function in the task of driving

System concept

- Assisted driving

(Schematic)

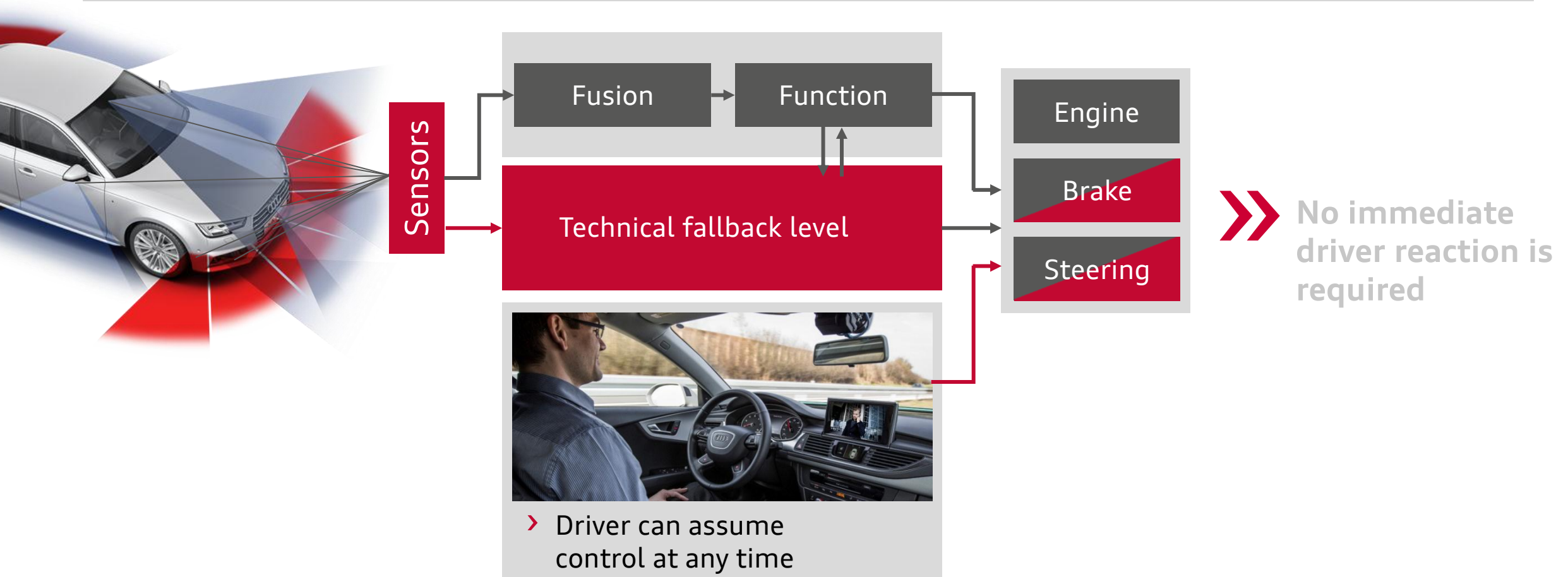


In piloted driving, a technical fallback level assumes the primary monitoring function in the task of driving

System concept

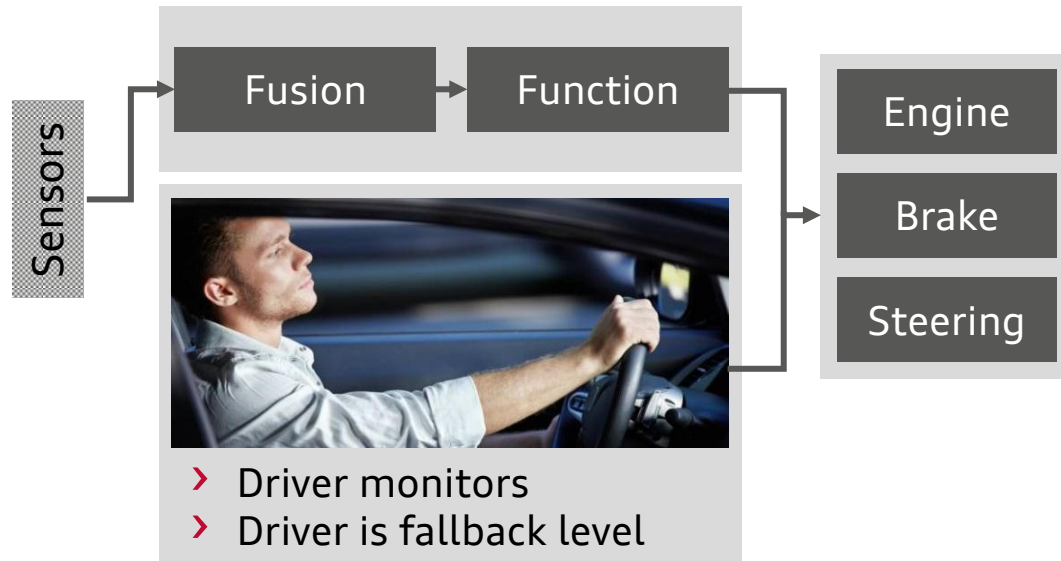
- Piloted driving

(Schematic)



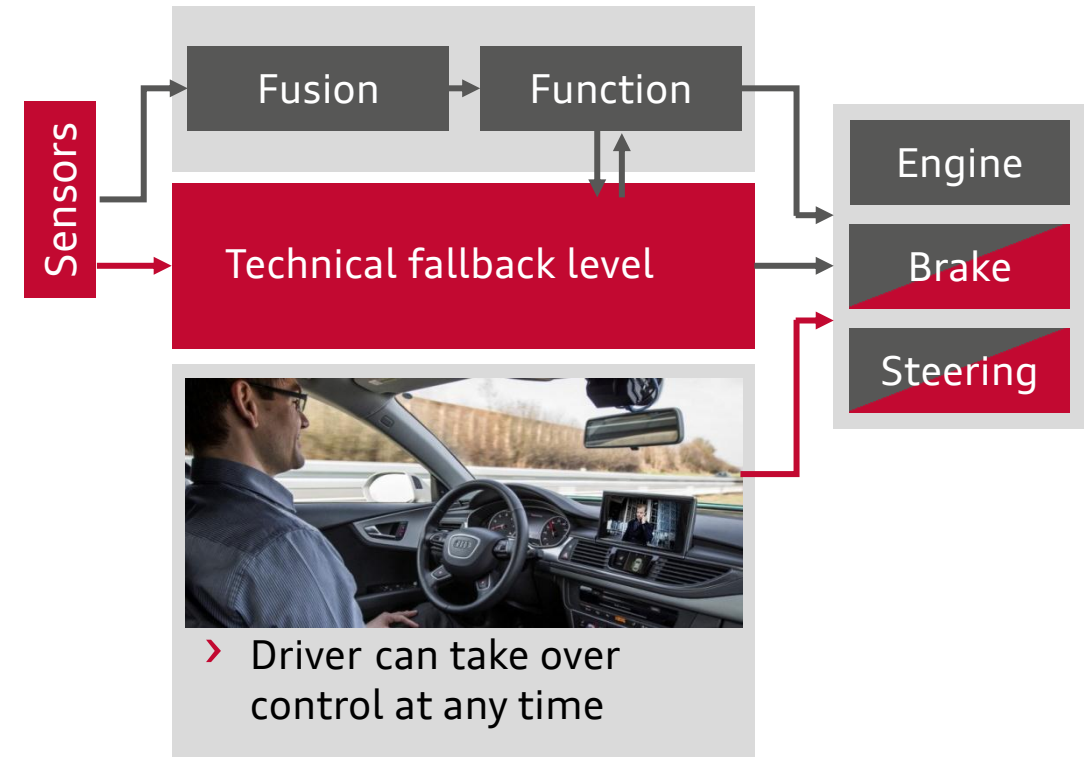
Piloted driving – comfortable and safe on the road

Assisted driving



>> In critical situations, immediate driver reaction is required

Piloted driving



>> No immediate driver reaction required



Cooperative driving behaviour that fits every situation



Harmonious accelerating and braking



Intelligent lane changes



Maintaining distances (lateral)



Recognising the intentions of other road users



Allowing merging



**Route guidance
with high proportion of route driven by piloted driving**



Digital A9 Motorway Testing Area

Testing in the infrastructure of the future



Idea:

- › **Vehicle testing** of the networked and highly automated driving in interplay **with the infrastructure**
- › **Joint testing** and sharing **between various automotive OEMs, suppliers** to the automotive industry and the **German Federal Ministry of Transport and Digital Infrastructure**
- › **Joint effort to work out** requirements for the **infrastructure of the future**

Goals:

Experience the functions of tomorrow today:



Predictive actions



Cooperative behaviour



More efficiency and comfort



Resource-conserving driving



Disclaimer

This presentation contains forward-looking statements and information on the business development of the Audi Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast.

Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in China or the USA, will have a corresponding impact on the development of our business.

The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen and Chinese renminbi.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

