Audi
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Audi sets strategic path in challenging year 2016

- **Robust core business: growth in car deliveries and revenue, operating return on sales before special items within target corridor at 8.2 percent**
- **Diesel issue and Takata airbags: after special items of €1.8 billion, operating profit of €3.1 billion and operating return on sales of 5.1 percent**
- **High self-financing strength: net cash flow of €2.1 billion, net liquidity rises to €17.2 billion**
- **Model initiative: two new SUVs by 2019, three electric cars by 2020, successors for important model series by 2018**
- **New subsidiary: Autonomous Intelligent Driving GmbH is developing technologies for robot cars**

Ingolstadt, March 15, 2017 – In the coming years, Audi will significantly rejuvenate its product range, will launch several electric cars and will enter new digital business areas. The robust core business forms the basis for the required advance expenditure. The Audi Group's revenue increased to €59.3 billion in 2016 and its operating return on sales before special items was 8.2 percent. The company recognized provisions totaling €1.8 billion for the resolution of the V6 3.0 TDI diesel issue and in connection with Takata airbags. After these special items, operating profit amounted to €3.1 billion, resulting in an operating return on sales of 5.1 percent.

"2016 was a very challenging year for our company," stated Rupert Stadler, Chairman of the Board of Management of AUDI AG, at the Annual Press Conference this Wednesday, "but we completed it with robust earnings from our core business and set our course for the future." The brand plans to launch three battery-electric models by the year 2020 and to electrify additional model series after that. As part of its electric initiative, Audi has already trained more than 6,000 employees to work with high-voltage technology over the past three years. Audi is also involved in the development of a public fast-charging infrastructure.

Audi, as the lead developer in the Volkswagen Group, is also accelerating with the technology for self-driving cars. A newly founded subsidiary, Autonomous Intelligent Driving GmbH in Munich, is working on a system for autonomous vehicles in cities. The technology is to be applicable in the models of various brands and is also a key component of mobility services conceivable for the future, such as robot taxis. The company is open to cooperation with further strong partners in the automotive and IT sectors.

At the same time, Audi is further developing assisted and piloted systems for other traffic situations, such as on highways or country roads. In the new Audi A8, customers will for the first time be able to use Level 3 automated driving functions in traffic jams at speeds up to 60 km/h.

Audi will significantly rejuvenate its model portfolio in the coming years. In addition to the launch of the Audi A8, new generations of important volume models such as the Q5 and A5 will successively be launched into the markets in 2017. Furthermore, the Audi Q2 will become available in additional international markets. In 2018, Audi will strengthen its top-end lineup with the second generation of the Audi A7. In the same year, the Audi Q8 will supplement the successful SUV family. And another new model is planned for 2019: the Audi Q4, a sporty compact utility vehicle.

Last year, Audi increased its worldwide deliveries by 3.6 percent to the new record of 1,867,738 automobiles (2015: 1,803,246). Unit sales benefited above all from strong demand for the Audi Q7 and A4 models. The revenue of the Audi Group increased in 2016 – despite an unfavorable currency environment – by 1.5 percent to €59,317 million (2015: €58,420 million).

“The quality of our ongoing business is apparent from the operating return on sales before special items,” stated Axel Strotbek, Member of the Board of Management of AUDI AG for Finance and IT. “With a result of 8.2 percent, we are within our target corridor of 8 to 10 percent despite challenging conditions and higher advance expenditure.” The result for the previous year was 8.8 percent. Operating profit before special items amounted to €4,846 million in 2016 (2015: €5,134 million).

As a special item, the Audi Group recognized provisions of €1,632 million in 2016 to resolve the V6 3.0 TDI diesel issue in the United States (2015: €228 million). It also reported a special item of €162 million (2015: €70 million) in connection with possibly defective Takata airbags. The bottom line shows operating profit for the year 2016 of €3,052 million (2015: €4,836 million) and an operating return on sales of 5.1 percent (2015: 8.3 percent).

The Audi Group earned profit before income taxes of €3,047 million (2015: €5,284 million). The decrease compared with the previous year reflects not only the special items, but also the lower financial result.

The Audi employees will participate in the company’s success once again this year. In consultation with the General Works Council, employees paid according to wage-tariff agreements at the sites in Ingolstadt and Neckarsulm will receive an average bonus of €3,510 (2015: €5,420). For Audi subsidiaries, respective arrangements for bonus payments have been established.

The Audi Group financed advance expenditure for the future out of its own resources. In 2016, the company had capital expenditure of €3.4 billion (2015: €3.5 billion) while generating a significantly positive net cash flow of €2.1 billion (2015: €1.6 billion). Net liquidity at December 31, 2016 amounted to €17.2 billion (December 31, 2015: €16.4 billion), providing further evidence of the company's high self-financing capability.

To support the new corporate strategy announced last summer, Audi also started its SPEED UP! package of measures in 2016. "In this way, we will continue systematically increasing our process and cost efficiency in 2017," said Strotbek. "This will help us to achieve our profitability targets and to generate the funds required for our path of innovation and investment."

The Audi Group plans capital expenditure in a volume equivalent to 5.0 to 5.5 percent of total revenue this year. The ratio of R&D expenditure to revenue is expected to be slightly above the company's strategic target corridor of 6.0 to 6.5 percent. The net cash flow should be positive once again, but is likely to be significantly below the prior-year level due to the cash flows expected in connection with the diesel issue. The Audi Group anticipates slight growth in the number of cars delivered as well as in revenue this year. With regard to operating return on sales, the company aims to achieve a result between 8 and 10 percent once again. The forecast for return on investment is between 15 and 18 percent.

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