Corporate Communications
Moritz Drechsel
Spokesman Finance, China and Legal Affairs
Phone: +49 841 89 39914
E-mail: moritz.drechsel@audi.de
www.audi-mediacenter.com

After a challenging first half of the year: Audi Group confirms earnings forecast for 2019

- **Audi Group after six months of year: revenue of €28.8 billion; operating profit of €2.3 billion; operating return on sales of 8.0 percent**
- **Ongoing high level of net cash flow of €2.3 billion due to spending discipline**
- **CFO Alexander Seitz: "With the Audi Transformation Plan, we are taking consistent action against numerous adverse factors"**
- **All-electric Audi e-tron to be launched also in China in second half of this year**

Ingolstadt, July 26, 2019 – As forecasted, the year 2019 is proving to be challenging for the Audi Group: In the first half of this year, deliveries, revenue and operating profit were lower than in the same period of 2018, partially reflecting effects from the deconsolidation of several multi-brand import companies. Operating performance was adversely affected in particular by the repercussions of the WLTP changeover, the implementation of the model initiative and the downturn in the global passenger car market. At the same time, Audi is making high advance expenditure in the mobility of the future. As a result, the operating return on sales of 8.0 percent for the first half of the year was below the long-term target corridor of 9 to 11 percent, but within the bandwidth of 7 to 8.5 percent that had been forecasted for 2019. Despite strong headwinds, the Audi Group also affirmed its earnings target for the full year.

"As expected, 2019 is a real test. We are operating in a very difficult market environment with many adverse factors and are taking consistent action against this trend with our Audi Transformation Plan," says Alexander Seitz, Member of the Board of Management for Finance, China and Legal Affairs at AUDI AG. "At the same time, we – like our competitors – must renew the future viability of our business model and work hard on our long-term competitiveness. With the new 'Consistently Audi' strategy, we have defined the roadmap into the future. What counts now is consistent implementation. Together with the employee representatives, we want to agree on sound solutions to finance this change."

The strategic realignment presented by the Audi Board of Management at the Annual General Meeting in late May puts Group-wide decarbonization center stage including the substantially expanded electrification of the model range. Profitability and corporate value are to increase significantly in the long term with “Consistently Audi.” Audi's planned advance expenditures will total approximately €40 billion solely until the end of 2023.

In the first half of 2019, the company handed over to customers 906,180 automobiles of the Audi brand and thus fewer than in the previous year (2018: 949,233). The global car market contracted at a similar rate, so the Four Rings’ market share remained stable. Adverse factors for Audi also resulted from aftereffects of the transition to the WLTP test cycle and from the ramp-up of numerous model changes. The company expects the model initiative to deliver increasing growth stimulus during the second half of the year. The upgraded A4 and Q7 volume models will be launched, as well as the Q3 Sportback – a new model without a predecessor. Especially in the full-size segment, Audi is expanding its portfolio of plug-in hybrids – in the A7 and A8 model series for example – and with especially sporty automobiles such as the SQ8* and the most dynamic member of the A8 family. In China, the all-electric Audi e-tron* and the Q8 will become available for the first time, and in the United States, the new generation of the important Q3 will be launched.

First-half revenue amounted to €28,761 million (2018: €31,183 million) and reflects the adjusted reporting structure of the Audi Group. Due to the previous inclusion of several multi-brand import companies, Audi’s consolidated financial statements also included revenue from the sale of cars of other Volkswagen Group brands in previous years. This revenue has now been reported at Volkswagen Group level since the beginning of 2019. Adjusted for these effects, revenue in the first six months of the year was slightly higher than the prior-year level. Positive effects resulted from the model mix, primarily from the launch of the Audi e-tron and the Q8. At Lamborghini, revenue increased by 75.6 percent along with the success of the Urus* super SUV.

For the first half of this year, the Audi Group posted operating profit of €2,300 million (2018: €2,761 million). The decrease is attributable among others things to higher depreciation of the production network expanded in the previous years and increased personnel costs. Higher advance expenditure for future technologies also had an adverse impact and led to an increase in the ratio of research and development expenditure to revenue to 7.7 percent (2018: 6.5 percent). On the contrary, lower distribution costs had a positive effect and the company made further progress with the Audi Transformation Plan. In the context of this program for earnings improvement, Audi took measures in the first half of the year that will have a positive impact on full-year 2019 operating profit in an amount of more than €1 billion.

The operating return on sales decreased to 8.0 percent in the first half of the year (2018: 8.9 percent). The revenue-reducing effects from the deconsolidation of the multi-brand importers had a positive effect on the return ratio and dampened its decrease.

The Audi Group reports profit before tax of €2,580 million for the first half of this year (2018: €3,211 million). This includes the financial result, which decreased to €280 million (2018: €450 million), partially due to measurement effects.

At €2,253 million (2018: €2,672 million), the net cash flow yet again reached a high level also in the difficult first half of this year, thus confirming the Audi Group's first-class solvency. Compared with the prior-year figure, decreased profit before tax and one-time effects from the deconsolidation of the multi-brand importers had a negative impact. Positive factors were increased spending discipline and the sharpened strategic focus of investment activities, which led to a decrease in the ratio of capital expenditure to revenue to 3.0 percent (2018: 3.4 percent).

"In the second half of the year, we will vigorously push ahead with our restructuring. We intend to further stabilize Audi's performance in a turbulent environment," says Alexander Seitz. "The upcoming introduction of the second stage of the WLTP test cycle will also challenge us again. We have prepared for this intensively in recent months and as the next step will focus on the reduction of the related inventories."

For the full year, the Audi Group affirms its earnings forecast and anticipates an operating return on sales of between 7.0 und 8.5 percent. Along with moderately rising deliveries of the Audi brand, revenue should slightly exceed the prior-year figure adjusted for the deconsolidated import companies. The company forecasts a net cash flow of €2.5 billion to €3.0 billion. Audi now assumes that its ratio of research and development expenditure will be moderately above the target corridor of 6.5 to 7.0 percent; at the beginning of the year, the company had anticipated a ratio just slightly above the target corridor. On the other hand, the Audi Group now anticipates a lower capital-expenditure ratio which is to be slightly below instead of within its target corridor of 5.5 to 6.0 percent.

Selected key figures of the Audi Group

	H1 2019	H1 2018
Car deliveries Audi brand	906,180	949,233
Revenue Audi Group in EUR million	28,761	31,183
Operating profit Audi Group in EUR million	2,300	2,761
Operating return on sales Audi Group in percent	8.0	8.9
Net cash flow Audi Group in EUR million	2,253	2,672

Download Audi Group Interim Financial Report:
http://www.audi.com/interim-financial-report2019

– End –

***Fuel consumption of the models named**
Audi e-tron
Electricity consumption combined in kWh/100 km: 26.2 – 22.6 (WLTP); 24.6 – 23.7 (NEDC);
CO_2 emissions combined in g/km: 0
(Information on fuel/electricity consumption and CO_2 emissions in ranges depending on the equipment and accessories of the car.)

Audi SQ8 TDI
Fuel consumption combined in l/100 km: 7.8 – 7.8;
CO_2 emissions combined in g/km: 205 – 204
(Information on fuel consumption and CO_2 emissions as well as efficiency classes in ranges depending on the tires and alloy wheel rims used.)

Lamborghini Urus
Fuel consumption combined in l/100 km: 12.7;
CO_2 emissions combined in g/km: 325
(Information on fuel consumption and CO_2 emissions as well as efficiency classes in ranges depending on the tires and alloy wheel rims used.)

The indicated consumption and emissions values were determined according to the legally specified measuring methods. Since September 1, 2017, type approval for certain new vehicles has been performed in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a more realistic test procedure for measuring fuel consumption and CO_2 emissions. Beginning September 1, 2018, the WLTP will gradually replace the New European Driving Cycle (NEDC). Due to the realistic test conditions, the fuel consumption and CO_2 emission values measured are in many cases higher than the values measured according to the NEDC. Vehicle taxation could change accordingly as of September 1, 2018. Additional information about the differences between WLTP and NEDC is available at www.audi.de/wltp.

At the moment, it is still mandatory to communicate the NEDC values. In the case of new vehicles for which type approval was performed using WLTP, the NEDC values are derived from the WLTP values. WLTP values can be provided voluntarily until their use becomes mandatory. If NEDC values are indicated as a range, they do not refer to one, specific vehicle and are not an integral element of the offer. They are provided only for the purpose of comparison between the various vehicle types. Additional equipment and accessories (attachment parts, tire size, etc.) can change relevant vehicle parameters, such as weight, rolling resistance and aerodynamics and, like weather and traffic conditions as well as individual driving style, influence a vehicle's electrical consumption, CO2 emissions and performance figures. Fuel consumption and CO2 emissions figures given in ranges depend on the tires/wheels used and chosen equipment level.

Further information on official fuel consumption figures and the official specific CO_2 emissions of new passenger cars can be found in the "Guide on the fuel economy, CO_2 emissions and power consumption of all new passenger car models," which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany (www.dat.de).

The Audi Group, with its brands Audi, Ducati and Lamborghini, is one of the most successful manufacturers of automobiles and motorcycles in the premium segment. It is present in more than 100 markets worldwide and produces at 18 locations in 13 countries. 100 percent subsidiaries of AUDI AG include Audi Sport GmbH (Neckarsulm), Automobili Lamborghini S.p.A. (Sant'Agata Bolognese, Italy) and Ducati Motor Holding S.p.A. (Bologna, Italy).

In 2018, the Audi Group delivered to customers about 1.812 million automobiles of the Audi brand, 5,750 sports cars of the Lamborghini brand and 53,004 motorcycles of the Ducati brand. In the 2018 fiscal year, AUDI AG achieved total revenue of €59.2 billion and an operating profit before special items of €4.7 billion. At present, approximately 90,000 people work for the company all over the world, more than 60,000 of them in Germany. Audi focuses on sustainable products and technologies for the future of mobility.
