Statements
on the AUDI AG Annual Results 2019 and Outlook 2020

March 19, 2020 | AUDI AG, Ingolstadt
At present, we are all occupied with just one topic: The corona pandemic is affecting the global economy, international stock markets – and above all, the lives of billions of people all over the world. We are in an exceptional situation for which there are no tried-and-tested solutions or simple recipes. In our crisis team, we are holding continuous discussions on the next steps. But one thing is clear: We are flying by sight.

The number of corona infections is rising rapidly. That’s why it’s so important that we all contribute to containing the virus and help keep the infection curve as flat as possible with consistent and clear actions. In this way, we will give our health system enough time to care for and heal the sick.

Politicians are taking resolute action on the virus. In Bavaria, the state government has declared a state of emergency. The EU has closed its external borders. And we will see further significant restrictions in our day-to-day lives.

The corona crisis presents great challenges for us as a company. Because the economy is the backbone of our prosperity – here in Europe and all over the world. Maintaining it will be a major task for us all. We at Audi and at the entire Volkswagen Group are aware of our great responsibility for our employees.

Fighting the virus and the health of all of us now take priority. At our plants in Ingolstadt, Neckarsulm, Brussels, San José Chiapa and Győr, we will close down production in a controlled manner by the end of this week. This is taking place in close consultation with the Works Council and the Volkswagen Group. Suspending production is a drastic but necessary step. In situations like this, economic considerations must take a back seat.

At the same time, we also have to protect our company so that Audi remains viable in the long term and is able to take quick and effective action after the crisis. This all requires drastic measures. In Ingolstadt and Neckarsulm, we intend to apply for short-time working due to the global demand situation and imminent supply bottlenecks. These decisions were not easy for us. They involve considerable impacts on our business operations, as well as difficulties for our employees and also for our customers. We are aware that these steps demand a lot of flexibility and solidarity.

I am convinced: If we now combine our strengths and hold together with our Audi spirit, we can overcome this crisis together.
Despite the challenges of the present, let’s have a look at last year at Audi: In 2019, we managed to achieve our targets and stabilize our business model in a difficult environment. Our operating profit amounted to 4.5 billion euros and the operating return on sales was 8.1 percent. Last year, we delivered 1.85 million vehicles to our customers – an increase of nearly 2 percent as compared to 2018.

In 2019, we set an important course for the transformation of our company. We took many small steps, but also some large ones in the right direction. At the 2019 Annual General Meeting, we presented our “Consistently Audi” strategy. We have worked hard to systematically anchor our strategy within the company – with focused decisions.

With the Audi.Zukunft agreement, we have laid the foundation for future competitiveness and secure jobs - on an economically forward-looking basis. The Audi Transformation Plan, ATP, creates the financial scope for our future viability: by cushioning the high level of up-front investment in future technologies. Audi.Zukunft and the ATP together form the basis for the implementation of our strategy.

Last year, we also reorganized our production and completed that transformation in good time and successfully. Central functions and our production plants have been working in a matrix organization since October. This enables us to relieve the plants of many processes, which allows them to concentrate fully on their core competence: building the best cars in the competitive arena.

We further reduced the complexity and variety of our engine-transmission combinations. This enabled us to master the second stage of the WLTP emissions test cycle much better. Today, we offer about 30 percent fewer combinations and are eliminating equipment options that are less in demand.

Another milestone on the road to new strength: Volkswagen AG announced on February 28 that it intends to acquire all Audi shares. This is an important and forward-looking step that will enable us to systematically leverage the advantages of our Group. Audi will remain independent as a company and as a brand.

At the beginning of this year, we brought together the Group’s software expertise in the new Car.Software organization. Audi is contributing significant expertise here. So it is only logical that the new Car.Software organization will have one organizational focus in Ingolstadt. We are also very proud that, with Markus Duesmann’s start as CEO of Audi, we are taking the lead for research and development for the entire Volkswagen Group.

We successfully continued our electric initiative in 2019. The e-tron*, our first fully electric model, has won more comparative tests than any other Audi model thanks to its sophisticated technology. In Germany, the e-tron* was the best-selling electric car in the premium segment in January and February. To date, we have sold approximately 32,000 of the e-tron* worldwide.

Plug-in hybrid models are another key component of our electric initiative. In 2020, we will further expand our portfolio and plan to offer four completely new plug-in hybrid models.
This will enable our customers to opt for a hybrid model in more than half of our model series for the first time. The range of all-electric and plug-in hybrid models will grow significantly this year: We will then have five all-electric and twelve hybrid models.

We will present a total of about 20 new models this year, including highlights such as the new A3*, the product upgrade of the compact Q2*, and also completely new models such as the Q5 Sportback**.

To ensure that electric mobility is ramped up quickly, we are also investing at the Ingolstadt site: Preparations are already underway for our own battery assembly facility close to the plant.

We are clearly committed to the Paris Climate Convention. And we want to make our contribution, for example, with CO₂-neutral production in our plants. Our Audi plant in Brussels is already CO₂-neutral on balance, and we aim to make the plant in Györ CO₂-neutral by 2020. What we have already achieved is that all Audi plants around the world already use only green electricity.

Sustainability means more than just environmental protection; we have also firmly anchored compliance and integrity in our corporate strategy under the heading “Consistently sustainable”. And with Together4Integrity – we have a Group-wide program for all compliance and integrity activities. U.S. monitor Larry D. Thompson’s team is helping us to make lasting changes to our corporate culture – also beyond the period of the monitorship. Last year, we also launched important initiatives for a new understanding of leadership and cooperation. For example, the #oneTeamAudi management workshops, in which we jointly redefine our leadership principles.

2019 was the year to take action, to change and to improve. We all did that tirelessly at Audi. On behalf of the entire Board of Management, I would like to thank all the Audi employees for their efforts and commitment last year. This year, Audi will once again pay out a profit-sharing bonus. It will amount to 3,880 euros for a skilled worker at the German plants.

A Dutch proverb says: A good start is half the work. This start has been made.

I am convinced that with our strategy, we have found many answers to the challenges of our time. I will leave Audi at the end of March. I am very happy that I have been able to make a contribution to Audi’s future together with my colleagues of the Board of Management and the Audi team.

I wish the whole Audi team much strength and good health for the – certainly exhausting – weeks ahead.

– End –
Dr. Arno Antlitz  
Member of the Board of Management of AUDI AG  
Finance, China and Legal Affairs  

Statement on the AUDI AG  
Annual Results 2019 and Outlook 2020  
March 19, 2020

I've been with Audi since the beginning of March in my new function as CFO. I have already met many highly committed people and I am impressed by the substance and potential embodied in the brand and the company.

This statement is about Audi's financial results for the 2019 fiscal year and our outlook for 2020. In light of the current spread of the coronavirus, however, it is understandable that these figures will now play a less important role. We are taking the current situation very seriously. Audi will do its part to minimize the effects on the people in our country and at our sites worldwide. To achieve this goal, we will continue taking all necessary measures.

In addition, it is our responsibility to secure the liquidity and thus the stability of our company and despite all necessary restrictions – to stabilize our core processes. The appropriate task forces have been put into place and are working hard to address the issues. We will complete the controlled shutdown of production activities in our plants in Ingolstadt, Neckarsulm, Brussels, San José Chiapa and Győr by the end of this week. Our company has a solid footing, and we are confident that we can steer Audi through this crisis.

Regarding financial results\(^1\): 2019 was an eventful year for our industry and for Audi. The markets were volatile and the economic conditions posed major challenges. These factors were accompanied by stricter regulatory standards resulting in high pressure to innovate. The entire industry is in the midst of one of the biggest transformations – towards electric mobility and the digitalization of vehicles and business models.

Audi posted solid results and achieved the targets we set for ourselves. We were among the few carmakers to meet our guidance. This is a clear demonstration of the strength of our brand.

In an overall declining market, our sales showed a slight increase. Our deliveries to customers increased by 2 percent to 1.85 million. We owe this to our young model portfolio. Our model initiative is bearing fruit especially with SUVs and in the high-end segments.

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\(^1\) Figures for 2018 excluding multi-brand sales companies. See pages 8 ff of the Financial Report for more information on the deconsolidation of the multi-brand sales companies.

* The fuel consumption of all models mentioned and available in the German market is listed at the end of these statements.  
** These models are not yet offered for sale. They have not yet received type approval and are therefore not subject to Directive 1999/94/EC.
From a standing start, we sold over 26,000 units of Audi e-tron*. That proves: Premium SUVs and sustainability are not a contradiction in terms.

As we announced last year, we have deconsolidated our multi-brand sales companies. Adjusted for those effects, sales revenues increased slightly to 55.7 billion euros. Our operating profit reached 4.5 billion euros – approximately 4 percent lower than the previous year’s figure after adjusting for special items. The operating return on sales was 8.1 percent – and was thus within our guidance range.

An improved model mix provided important impetus to our operating result. However, our results were weighed down by the intense competition in some key markets. On balance, the volume / mix / price section shows a slightly positive impact of approximately 100 million euros. Exchange rate effects had a negative effect of 100 million euros. The product costs showed a year-on-year improvement of approximately 200 million euros. The 400 million euro increase in fixed costs and other effects resulted mainly from up-front expenditures for future technologies. The change in the capitalization of vehicle development projects had a positive impact, pushing up profits by an amount in the low nine figures.

Across all cost and revenue positions, the Audi Transformation Plan is delivering a vital boost. In 2019, measures amounting to around 2.5 billion euros were implemented on the revenue and cost side. Consequently, the program has yielded approximately 4.4 billion euros since its start in the beginning of 2018.

In 2019, the ratio of capex at 4.9 percent was significantly below prior period. This is benchmark for the premium segment. Research and development ratio, at 7.9 percent, was slightly higher than in 2018 – mainly due to our model initiative, efficiency measures to ensure CO₂ emissions compliance and upfront expenditures for important future technologies. I am certain that, with this important KPI, we still have room for further optimization.

Cash generation is still one of Audi’s strengths. We gradually reduced the WLTP stock from the previous year, lowering our inventories by more than half a billion euros. And we did so despite challenging markets. Alongside the healthy profit development, this effect resulted in a positive net cash flow of 3.2 billion euros. Combined with the high net liquidity, this is an excellent basis to fund the transformation with our own resources. And as expected, with a return on investment of 12.7 percent, we have exceeded our minimum target of 9 percent.

With the “Consistently Audi” strategy, the company addressed the right issues in 2019. The Audi Transformation Plan is in place. It provides the financial backbone of this strategy. And Audi.Zukunft is an important initiative for ensuring long-term competitiveness. As a result, the right levers are in position. For that I would like to thank my predecessor Alexander Seitz. We need to keep pushing hard to implement these initiatives in 2020. The electric mobility and digitalization will fundamentally transform the car as a product. Achieving returns on scale with regard to these future priorities is perhaps one of the most complex challenges that Audi has ever faced.

By 2025 our portfolio should include around 30 electrified models, around 20 thereof fully electric. Approximately 40 percent of all vehicles rolling off our assembly lines will then be either all-electric or plug-in hybrid cars. To implement this Roadmap E, we will invest around 12 billion euros by 2024.
Today our electric cars do not yet match combustion engine models in terms of returns. However, we still intend to at least maintain our profitability – preferably to increase it. To achieve that goal, we are dedicating all of our resources in order to make profitable electric mobility a reality, focusing on three areas.

First: We will strengthen the revenue side. With an attractive electric portfolio we will convince customers and enhance the prestige of our “Vorsprung durch Technik” motto. This will also strengthen our future pricing position.

Second: We will reduce complexity wherever we can. I am firmly convinced that the unique characteristics of electric vehicles will enable us to meet customer expectations with fewer models. We will also reduce complexity with regard to the individual options in our product range. Moreover: in the future, many customer functions will be implemented digitally.

Third: We will make the greatest possible use of synergy effects. We are the only premium manufacturer competing in the premium segment capable of capturing synergies on this scale through group-level cooperation in the interests of customers. We are teaming up with Porsche to cover the extensive development costs and investments for the Premium Platform Electric (PPE). For compact and mid-class models, we will use the modular electrification platform (MEB). Approximately 20 million vehicles will be based on MEB. The resulting economies of scale will enable us to offer our customers a superior product, traditionally identified with the Audi name, at an attractive price point.

This also applies to the onboard software. All VW Group activities in this area are bundled in the new Car.Software organization. The goal is a uniform software architecture. In the medium term, vw.OS will become the new operating system for all vehicles manufactured by the group. This will open up the necessary scope for us to develop exceptional applications for our customers – and install them quickly in our vehicles.

At the same time, we will need to continue improving our cost and investment discipline. In the mid-term, the Research and development ratio should lie between 5 and 6 percent. For the ratio of capex, we want to continue the positive trend of 2019. Here, too, the strategic target is in the 5 to 6 percent range. We remain committed to our medium-term goal of an operating margin between 9 and 11 percent and a return on investment (ROI) above 21 percent.

We are expecting major challenges for the 2020 fiscal year. Tighter CO₂ standards are coming into effect, the situation in important markets remains challenging and the competition is still intense. In addition, we face macroeconomic headwinds such as trade disputes. We also anticipate high upfront investments in future priorities as we continue our push to invest in the electrification and digitalization of our fleet.

The issue that overshadows every other concern, however, is the spread of the coronavirus. For example, the economic effects are difficult to assess at present and it is uncertain how seriously and for how long Audi will be impacted. Against that backdrop it is almost impossible to make reliable projections for 2020 at this time. We will be doing everything in our power in the coming weeks to stabilize our core processes and thus to secure the liquidity of our company. Our top priority at all times will be the health of our employees.
With our “Consistently Audi” strategy, the Audi Transformation Plan, and the Audi.Zukunft initiative, we have put important levers in position as we address the challenges facing our industry. But the coming years will not be easy. We will need to continue earning comfortable returns from our established core business while driving ahead the transformation of our industry.

We want to regain the trust of our customers. We want to continue reinforcing our corporate culture. And we want once again to be seen as a role model for a modern, transparent and value-based company. We want to play an active role in shaping the transformation of our industry, offer our customers highly attractive vehicles and services, while protecting the environment and conserving resources.

I'm looking forward to playing my part in guiding the Audi brand along this path. However, right now our focus is on stabilization of our business and wellbeing of our employees and their families worldwide.

- End -
Fuel consumption of the models mentioned
The fuel consumption and CO₂ emissions of each car vary depending on the wheels and tires fitted, and are influenced not only by the car’s efficient use of fuel, but also by the driver’s behavior and other non-technical factors.

**Audi Q2**
Fuel consumption combined in l/100 km: 6.7 – 4.4  
CO₂ emissions combined in g/km: 153 – 115

**Audi A3 Sportback**
Fuel consumption combined in l/100 km: 5.1 – 3.5  
CO₂ emissions combined in g/km: 116 – 92

**Audi A3 Limousine**
Fuel consumption combined in l/100 km: 6.5 – 4.2  
CO₂ emissions combined in g/km: 148 – 109

**Audi A3 Cabriolet**
Fuel consumption combined in l/100 km: 6.8 – 5.2  
CO₂ emissions combined in g/km: 155 – 119

**Audi e-tron**
Combined electric energy consumption in kWh/100 km: 21.0 – 24.3  
Combined CO₂-emissions in g/km: 0