Audi firms up strategy and remains on track in exceptional year 2018

2018 is an exceptional year for Audi: The company is bringing more models onto the market than ever before and launching the age of fully electric mobility with the e-tron. Six core car lines are being updated, with a new model going into production on average every three weeks.

In this phase of upheaval, the Audi Group remained on track in the first half of 2018: The core brand Audi increased its deliveries by 4.5% to 949,282 cars. Revenue reached EUR 31.2 billion, and operating profit EUR 2.8 billion. The operating return on sales of 8.9% was clearly within the strategic target corridor of 8 to 10%.

The systematic implementation of the Audi Transformation Plan is increasingly benefiting the robust performance. The aim of this plan is to unlock new sources of income, improve cost structures and advance the transformation with new business models. Mid-way through 2018, the company has already implemented initial measures that will add more than EUR 0.5 billion to profit over the year as a whole. By 2022, the overall impact on profit achieved through the Audi Transformation Plan should reach EUR 10 billion.

The program of measures is the basis for implementing the refined strategy Audi.Vorsprung.2025, which was unveiled at the Annual General Meeting on May 9, 2018.

Audi Group: financial highlights

The forecast for the Audi key performance indicators for the full year 2018, which are explained in detail in the 2017 Annual Report on pages 141 ff., fundamentally remain valid.

The second half will be dominated by the model and technology initiative, which continues to gather momentum. Additional challenges arise mainly from new rules on emissions and consumption measurement (WLTP), which could temporarily limit the availability of individual model versions.
The Audi Q models again proved hugely popular with customers in the first half of 2018 – unit sales increased by 7%. More than one in three Audi cars sold is now an SUV. In the first half of the year, the segment received a further lift from the new Audi Q8 and a long-wheelbase version of the Audi Q5 for the Chinese market.

With an operating return on sales of 8.9%, the strategic target corridor of 8 to 10% was clearly achieved.
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The company’s operating performance in the second half of the year is likely to be defined mainly by the following developments:

- Audi’s model and technology initiative continues to gather momentum. For example, the market introduction of the A7 Sportback has been a success and the new A6 models will be arriving at dealers shortly. Other product highlights in the 2018 fiscal year are the new Audi Q8, the new A1 and the new Q3.
- In fall, the fully electric Audi e-tron will be presented to the public – series production will commence before the year is out.
- Audi has embarked on the comprehensive restructuring of its production network. The aim is clear: to utilize Group synergies to the full.
- The changeover to new rules for emissions and consumption measurement (WLTP) may temporarily limit the availability of individual model versions.
- The bottom line for Audi, as forecast at the start of the year, is that it aims to achieve a delivery volume approximately on a par with the record level of the 2017 fiscal year – despite the challenges indicated.
- Full-year revenue is expected to show a slight rise.
- In addition, the Audi Group stands by its expectation of an operating return on sales within the strategic target corridor of 8 to 10 %.
- The company expects the research and development ratio to be slightly above the long-term target corridor of 6.0 to 6.5 %.
- Audi equally forecasts a ratio of capex slightly above the target mark of 5.0 to 5.5 %.
- Overall, the Board of Management considers the Audi Group to be well equipped to handle both current and future challenges.