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## **“Consistently Audi”: Board of Management presents corporate realignment to shareholders**

- CEO Bram Schot: “We want to lead the change in the premium segment with the most attractive form of sustainable mobility”
- CFO Alexander Seitz “The basis is further efficiency progress from the successfully started Transformation Plan”
- Accelerated e-roadmap: sales target of 40% volume share for electrified models by 2025
- Planned upscaling of “Audi on demand” premium mobility service with strong partner; further cooperations targeted in strategic areas
- Customer advisory committee for a consistently customer-focused approach
- Challenging transitional year 2019 with more than 20 market launches, repercussions of WLTP changeover and macroeconomic slowdown

Neckarsulm, May 23, 2019 – Audi will become a provider of holistic CO<sub>2</sub>-neutral premium mobility, with the aim of assuming a leading role among its competitors. The manufacturer is therefore accelerating its electrification roadmap and company-wide decarbonization. By 2025, the vehicle fleet’s CO<sub>2</sub> footprint is to be reduced as a first step by 30 percent over its entire lifecycle compared with 2015. In the future, return on investment as a key financial steering parameter will also reflect the CO<sub>2</sub> performance of the Four Rings and is to rise to more than 21 percent through sustainable management. The Board of Management is presenting the realignment at the 130th Annual General Meeting in Neckarsulm and providing information on current business developments. While Audi is mastering a challenging year 2019 with substantial operationally adverse factors, the premium manufacturer is pressing ahead with its transformation and aims for a significant increase in corporate value in the long term. The Four Rings will focus strictly on customer-relevant innovations, will further develop its business model profitably and will realize synergies within the Volkswagen Group and in external partnerships. The guiding principle of the far-reaching transformation is “Consistently Audi.”

“Audi offers the most attractive form of sustainable mobility: Our vision stands for a new consistency in the strategic alignment and its implementation. We want to create the strongest customer experiences in our industry and thus lead Audi to the forefront of change in the premium segment,” says Bram Schot, Chairman of the Board of Management of AUDI AG. “For me, it is crucial that we become a customer-oriented company through and through. Our



key topics therefore include comprehensive connectivity, a convincing digital ecosystem and highly automated driving with a focus on interurban long distances.”

By 2025, the Audi portfolio will already include more than 30 models with electric drive, of which 20 will be all-electric. For the entry into the premium electric world, the company will by then have launched at least three models based on the modular electric-drive kit (MEB) for more compact vehicles. The first models on the PPE architecture developed together with Porsche will be available in the upper segments at the beginning of the next decade. Audi has raised its forecast for sales of all-electric cars and plug-in hybrids, and now expects electrified automobiles to account for about 40 percent of worldwide unit sales by 2025.

As part of the Volkswagen Group’s consistent focus on electric mobility, the Four Rings are developing their drive-system portfolio in strict alignment with the specific requirement profiles of premium customers. With a high proportion of large automobile segments, corresponding performance requirements and regular use over long distances, Audi will rely on plug-in hybrids in addition to all-electric vehicles. Moreover, the brand is already looking further to the future and is pressing ahead with the development of fuel-cell drive for the Volkswagen Group.

With its company-wide sustainability roadmap, Audi has set itself the goal of successively making the entire vehicle lifecycle CO<sub>2</sub>-neutral: from production to the use and recycling of Audi models. By consistently reducing CO<sub>2</sub> emissions and switching to renewable energy sources, unavoidable emissions will be offset. With company-wide decarbonization, the CO<sub>2</sub> footprint of the vehicle fleet is to be reduced as a first step by 30 percent by 2025 compared with 2015. To this end, the company is pushing forward with the implementation of its own target of making all Audi production locations worldwide CO<sub>2</sub>-neutral by 2025. Audi intends to achieve CO<sub>2</sub>-neutrality for the entire company by 2050 at the latest. For sustainable corporate management, the impact of vehicle projects on average CO<sub>2</sub> emissions will in the future be included in the return-on-investment ratio. This key performance indicator is to rise to over 21 percent.

For its course for the future, the company has earmarked a total of approximately €40 billion until the end of 2023, comprising investments in property, plant and equipment as well as research and development expenditure. Of that amount, around €14 billion will be assigned to electric mobility, digitalization and highly automated driving. In order to finance its high upfront expenditure, Audi will systematically utilize available earnings potential, for example by expanding its market position in the upper premium segments. Together with the Lamborghini brand, Audi’s new top-end models already accounted for a significantly higher proportion of the Audi Group’s revenue in the first quarter of 2019. The new plug-in hybrid models in the Audi A6, A7 and A8 series will soon further expand the full-size range. At its Annual General Meeting, the company is announcing the future expansion of the A8 model family to include a new, especially luxurious and prestigious derivative. For Audi Sport’s



business with high-performance models, the company plans a significant increase in sales volumes and earnings.

“A prerequisite for the success of our strategic realignment is that we position Audi in a structurally efficient manner and lead it back to financial top performance. Already in 2018, we established a clearly defined program for this in the form of the Audi Transformation Plan,” says Alexander Seitz, Member of the Board of Management for Finance, China and Legal Affairs. “Recent months have shown that our measures are taking effect and that we can at least partially offset the current extraordinarily high adverse factors. We will build on this in a highly disciplined manner, because our environment and future course will continue to challenge us enormously.” Following the successful launch of the Transformation Plan, Audi has increased the program’s target to a total of €15 billion between 2018 and 2022.

In recent months, the Audi Board of Management has initiated the company’s organizational enhancement; the transformation process has begun in all divisions. The aim is to streamline structures and processes, align them to key areas and increase the speed of implementation. The Integrity, Compliance, Risk Management department now reports directly to the Chairman of the Board of Management. With the establishment of an international customer advisory committee, intended to be closely involved in the product development process, Audi is strengthening its focus on customer-relevant offerings throughout the entire company.

Audi will increasingly accelerate innovations with high customer relevance through strategically attractive partnerships. The Four Rings plan to significantly expand the “Audi on demand” flexible premium mobility service in a far-reaching cooperation with mobility service provider SIXT. As of the fourth quarter, customers in ten European countries will successively be able to access up to 10,000 Audi cars and use them flexibly. In parallel, the company will intensify the integration of its own retail partners into this digital business segment. Audi on demand will thus be the umbrella brand for all mobility solutions from short-term bookings to long-term vehicle use. Within the framework of another digital initiative, the company is developing “myAudi” as an ecosystem for interested parties, owners and users to become a platform open to third parties. Together with its retail partners, Audi will start selling new cars on the Internet next month – a special edition of the Audi TT\* will be available online as a pilot model.

With a view to current business developments, the Audi Group affirmed its forecast for its key figures for 2019 at the end of the first quarter. The financial year will feature the continuation of the broadest model initiative in Audi’s history. In 2019, the company is organizing the market launch of more than 20 models, including the redesigned A4, the world’s best-selling Audi. In the rapidly growing SUV segment, Audi will present seven completely new SUV variants without predecessors in 2019, such as two particularly sporty versions of the Audi Q8, the Four Rings’ top SUV model. And with the Q3 Sportback and the e-tron Sportback, Audi will for the first time launch the design-oriented Sportback concept in its SUV family.



While the model initiative will strengthen Audi's future competitive position, the phase-out and ramp-up situation for numerous models in 2019 will initially have a dampening impact. In an increasingly challenging economic environment, the company anticipates moderate growth in Audi deliveries until the end of the year. This will also reflect the reduction of inventories in the sales and retail organization, which were specifically built up for the WLTP transition. The Audi Group therefore anticipates a slight increase in revenue. In view of managing the repercussions of the WLTP changeover and high upfront expenditure for the future, the operating return on sales in transition year 2019 is expected to be between 7.0 and 8.5 percent, and thus still below the long-term target corridor of 9.0 to 11.0 percent. Audi forecasts a net cash flow of €2.5 billion to €3.0 billion for 2019.

In the first quarter of 2019, deliveries of the Audi brand decreased by 3.6 percent compared with the prior-year period to 447,247 vehicles (2018: 463,750). This resulted from the previously very restricted availability of the model range caused by the WLTP changeover. Mainly attributable to the new reporting structure that the Audi Group implemented in January 2019, revenue decreased to €13,812 million (2018: €15,320 million). Without this change in the reporting structure, revenue would have been almost at the prior-year level thanks to the significant shift towards the top-end segments. First-quarter operating profit amounted to €1,100 million (2018: €1,300 million) and the operating return on sales was 8.0 percent (2018: 8.5 percent). From January through March, the Audi Group generated a net cash flow of €1,207 million (2018: €1,919 million).

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**\*Audi TT Quantum Gray Edition**

Fuel consumption combined in l/100 km: 7.0

CO<sub>2</sub> emissions combined in g/km: 161

**Fuel consumption**

The indicated consumption and emissions values were determined according to the legally proscribed measuring methods. Since September 1, 2017, the type approval for certain new vehicles has already been performed in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a more realistic test procedure for measuring fuel consumption and CO<sub>2</sub> 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<sub>2</sub> emission values measured are in many cases higher than the values measured according to the NEDC. Additional information about the differences between WLTP and NEDC is available at [www.audi.de/wltp](http://www.audi.de/wltp).

At the moment, it is still mandatory to communicate the NEDC values. In the case of new vehicles for which the 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, CO<sub>2</sub> emissions and performance figures.



Further information on official fuel consumption figures and the official specific CO2 emissions of new passenger cars can be found in the “Guide on the fuel economy, CO2 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](http://www.dat.de)).

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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 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.

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