H1 2021

Quarterly Update Audi Group

Audi Q4 Sportback 50 e-tron quattro: combined electric power consumption in kWh/100 km: 17.9 – 16.4 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

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Further publications

PDF Audi Report 2020

Insight into strategy, sustainability topics and financial development in FY2020

XLSX Audi Fact Pack H1/2021

H1 and quarterly figures, glossary

FINANCIAL HIGHLIGHTS & KPI OVERVIEW

2021

1st HALF-YEAR

↗ **Extraordinary deliveries:** 39% increase in deliveries to customers compared with prior-year period resulted in the best first half in the history of the Audi Group despite semiconductor supply shortages – strong performance across all regions.

↗ **Revenue** rose by 43% supported by higher sales as well as positive mix and price effects.

↗ **Operating profit** reached €3.1bn and the operating margin 10.7% – supported by positive valuation effects of raw material hedges.

↗ **Net cash flow strong** with €5.5bn, due to high profit, favorable working capital effects and capex discipline. Also supported by strong Q4/2020 as well as seasonal and deferred effects.

↗ Audi **outlook for 2021** remains mainly unchanged: **cautiously optimistic**, however ongoing uncertainty regarding the supply of semiconductors complicates forecast. Increased guidance for net cash flow: €4.5 to €5.5bn.

(numbers in brackets represent prior-year figures)

Deliveries to customers ↗

of the Audi brand amounted to

981,681

(707,225)

39% increase ahead of the global automotive market, which rose by 29%.

Deliveries of fully electric models increased by 69% to

32,775

(19,359)

Operating profit/margin ↗

ROS

increased to **€3.1bn**

(–€0.8bn)

Corresponding margin up to **10.7%**

(–3.7%)

Revenue ↗

rose to **€29.2bn**

(€20.5bn)

Net cash flow/ net liquidity ↗

NCF

NCF increased to **€5.5bn**

(€2.0bn)

Net liquidity fell to **€20.4bn**

(€22.4bn as of Dec 31, 2020)

R&D ratio ↘

R&D

declined to **6.7%**

(8.5%)

Capex ratio ↘

CAPEX

declined to **2.1%**

(2.4%)

FINANCIAL HIGHLIGHTS & KPI OVERVIEW

2021

2nd QUARTER

↗ **Best quarterly deliveries in company history:** 46% increase in deliveries to customers compared with prior-year period despite semiconductor supply shortages – strong performance across all regions.

↗ **Revenue** rose by 89% supported by positive mix and price effects compared with the heavily corona-virus-impacted prior year period.

↗ **Operating profit** reached €1.7bn and the operating margin 11.3% – tailwind as a result of positive valuation effects of raw material hedges.

↗ **Net cash flow strong** at €2.4bn, supported by high profit, favorable working capital effects and capex discipline. Also supported by seasonal and deferred effects.

(numbers in brackets represent prior-year figures)

Deliveries to customers ↗

of the Audi brand amounted to

518,853

(354,232)

46% increase ahead of the global automotive market, which rose by 40%.

Deliveries of fully electric models increased by 130% to

18,192

(7,901)

ROS Operating profit/margin ↗

increased to **€1.7bn**

(–€0.8bn)

Corresponding margin up to **11.3%**

(–9.5%)

Revenue ↗

rose to **€15.1bn**

(€8.0bn)

NCF Net cash flow/ net liquidity ↗

NCF increased to **€2.4bn**

(€1.0bn)

Net liquidity fell to **€20.4bn**

(€22.4bn as of Dec 31, 2020)

R&D R&D ratio ↘

declined to **6.2%**

(11.1%)

CAPEX Capex ratio ↘

declined to **2.2%**

(2.8%)

1. Highlights of the reporting period – Selected model presentations

Beginning of a new era: the Audi RS e-tron GT[1] and Audi e-tron GT quattro[2]

1 Audi RS e-tron GT:
combined electric power consumption in kWh/100 km: 20.2–19.3 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

Electric mobility is becoming dynamic and fascinating, as proven by the Audi e-tron GT. The four-door coupé, which was introduced in the market with the RS model at the same time, reinterprets the classic idea of the gran turismo: Its design is highly emotive, its technology is revolutionary. Two powerful electric motors provide dynamic driving performance and confident all-wheel drive. The high-voltage battery with a net energy content of 84 kWh enables ranges of up to 488 kilometers (WLTP, for the Audi e-tron GT quattro[2]) and can be recharged extremely quickly thanks to its 800-volt technology. Suspension, lights, controls, connectivity or e-tron sport sound: The Audi e-tron GT quattro[2] and the RS e-tron GT[1] demonstrate accumulated technical expertise and the Audi brand's passion for details.

2 Audi e-tron GT quattro:
combined electric power consumption in kWh/100 km: 19.6–18.8 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

1. Highlights of the reporting period – Selected model presentations

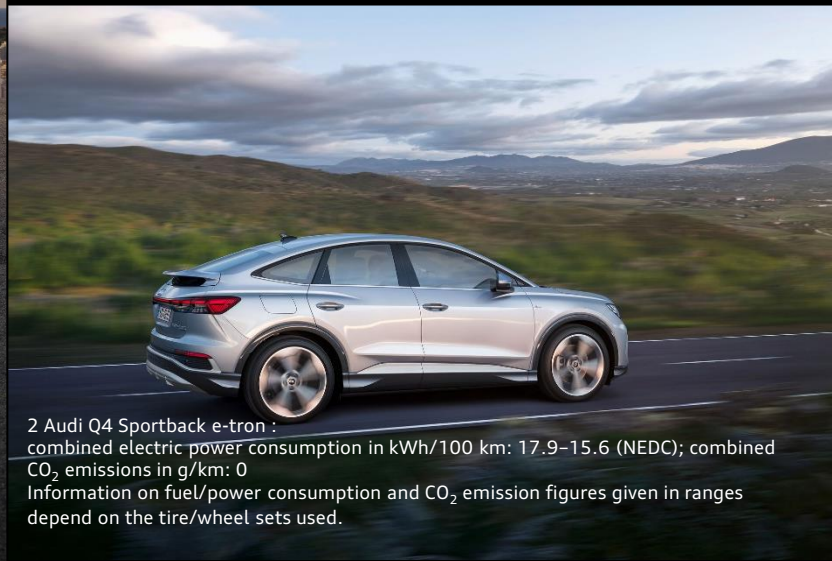
Electric, efficient & emotional: Audi Q4 e-tron[1] & Audi Q4 Sportback e-tron[2]

1 Audi Q4 e-tron:
combined electric power consumption in kWh/100 km: 17.8–15.8 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

The Audi Q4 e-tron[1] and the Q4 Sportback e-tron[2] are the first compact fully electric SUVs from the brand with the Four Rings.

Both of them impress with a new spacious dimension in the interior and pioneering solutions when it comes to operation, display and assist systems. The optional augmented reality head-up display connects the virtual and the real worlds in a totally new way.

The Audi Q4 e-tron[1] achieves a maximum range of up to 520 kilometers in the WLTP cycle. It went on sale in Europe in June 2021.



2 Audi Q4 Sportback e-tron :
combined electric power consumption in kWh/100 km: 17.9–15.6 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

1. Highlights of the reporting period – Selected model presentations

Audi A6 e-tron concept – the next step in the e-volution

Audi is resolutely pushing ahead with its “e-volution” towards electric mobility and unveiled the forerunner of an innovative family of fully electric, production cars – the four-door Audi A6 e-tron concept – at the Auto Shanghai 2021 show. The concept car is capable of 800 V charging technology with up to 270 kW. Just 10 minutes are enough to charge the battery to a level sufficient to power the car more than 300 kilometers. The Audi A6 e-tron concept is equipped with a power output of up to 350 kW and a torque of 800 Nm.

A completely new technology architecture, the “Premium Platform Electric (PPE),” will serve as the technology platform in the future. Beginning in late 2022, the first production cars will be relaunched with PPE technology, including both SUVs with a high ground clearance and dynamically styled models with a lower ride height.

Audi A6 e-tron concept: The vehicle shown here is a concept car that is not available as a production model.

1. Highlights of the reporting period – Milestones

The course has been set – Audi takes further action towards future mobility

Accelerated transition to e-mobility

Production of Audi's final completely newly developed combustion engine model will start in just four years. And beginning in 2026, the premium brand will only release new models onto the global market that are powered purely by electricity.

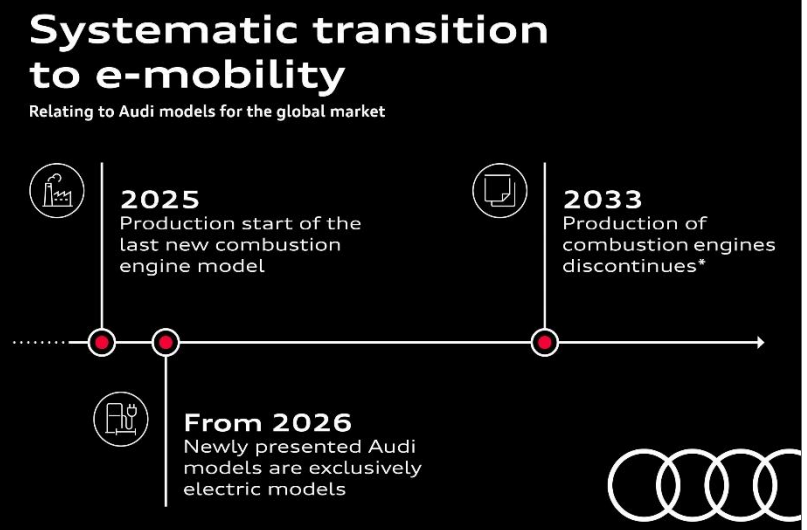
As part of its strategic realignment, the company is accelerating the transition to e-mobility. The manufacturer will be gradually phasing out the production of internal combustion engines by 2033*. Audi aims to achieve net-zero emissions by 2050 at the latest.

* China is an exception

Volkswagen Group Strategy NEW AUTO

Volkswagen presented its plan for transforming the Group into a software-driven mobility company with a strong focus on its powerful brands and global technology platforms, providing synergies and scale as well as opening up new profit pools.

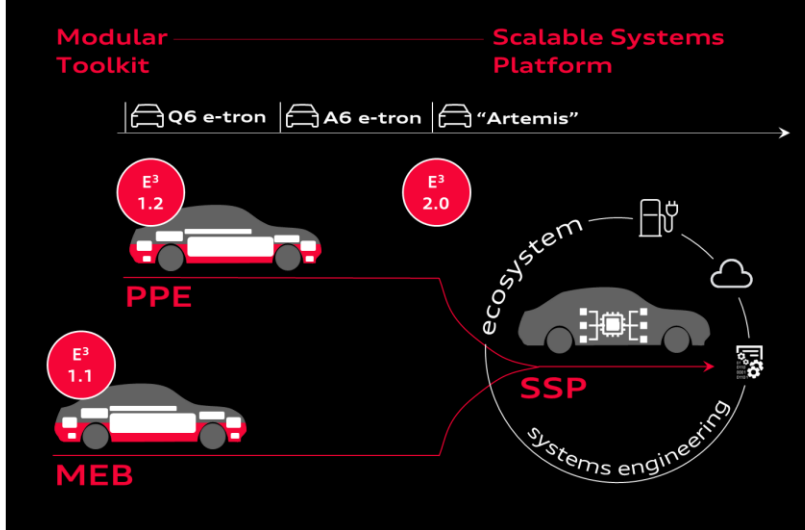
One important aspect is the SSP (Scalable Systems Platform) as the Volkswagen Group's next-generation mechatronics platform, which will significantly reduce complexity over time. From 2026 onwards, the Group plans to start the production of all-electric vehicles on the SSP. This next generation will be all-electric, fully digital and highly scalable.



Audi marks 50 years of "Vorsprung durch Technik"

The Audi slogan "Vorsprung durch Technik" is marking its 50-year anniversary this year. Even half a century after its inception, the world-famous slogan of the Four Rings has not lost any of its appeal. And each year, there is a little bit more history behind it.

On this momentous occasion, the company is looking back at a plethora of innovations over five decades that demonstrate why "Vorsprung durch Technik" is not just a slogan for Audi – it is also an expression of the company's future-oriented approach.

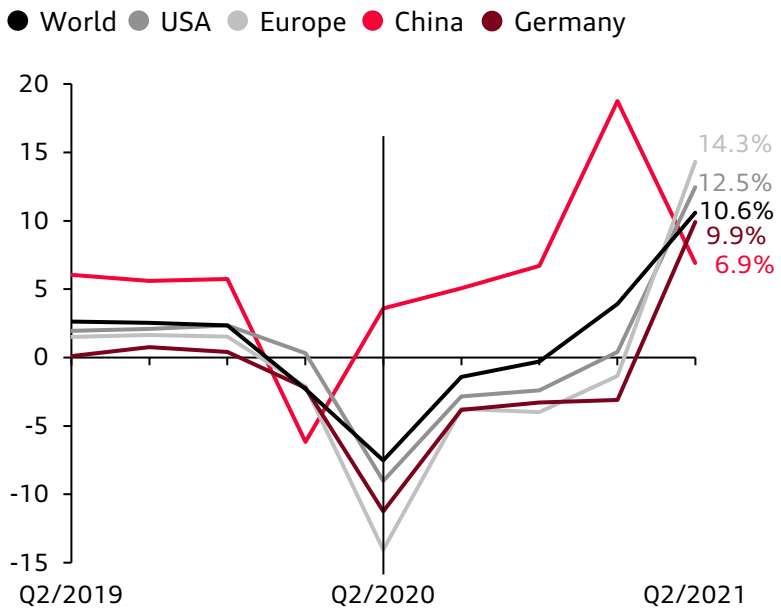


2. Finance and key figures – Economic environment

Worldwide strong growth of both economy and automotive markets in H1/21

Real GDP growth, quarterly

by % change from a year earlier (Data: IHS Markit)

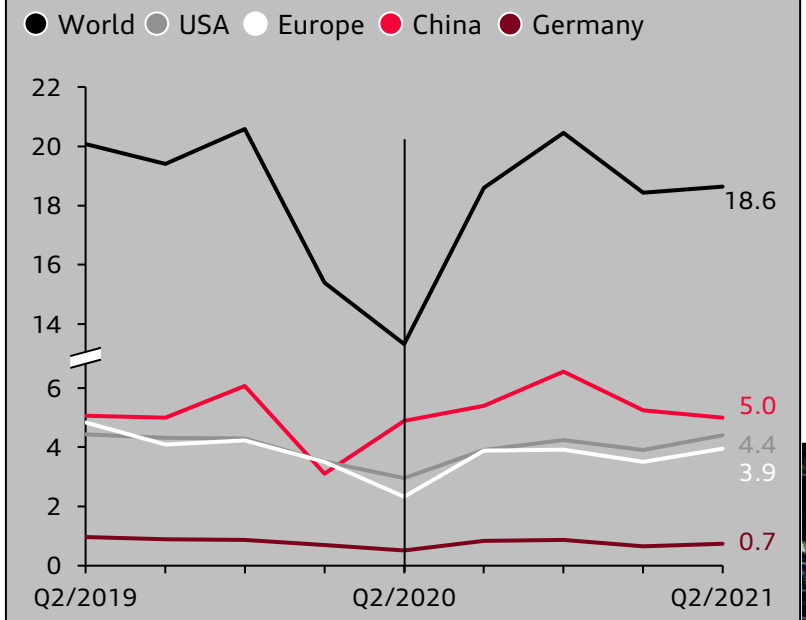


The world economy recorded **positive growth** compared with the prior-year period. For the advanced economies and the emerging markets, the average rate of expansion of **gross domestic product** (GDP) was far **above the negative level of the first half year of 2020.**

National developments in the reporting period depended on the negative impact of the coronavirus pandemic and the actions taken for its containment.

Automotive markets

by region in million units



From January to June 2021, global **demand for passenger cars significantly increased** compared with the weak level of the prior-year period. However, different growth patterns across regions were mainly caused by the timing effect of the spreading pandemic in the course of the year 2020.

The rise in demand for passenger cars in the reporting period was attributable to a **favorable development in all three key regions.**

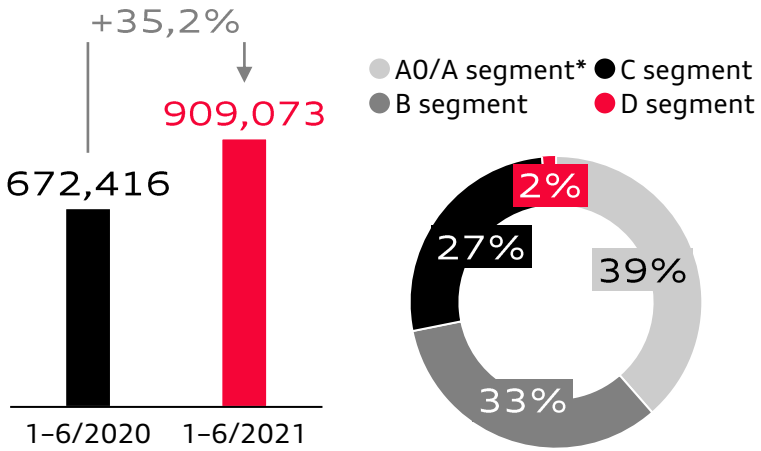
	Real GDP growth in %		Automotive markets in units		
	Q2/ 2021	Q2/ 2020	1–6/ 2021	1–6/ 2020	Δ %
Europe	14.3	–14.1	7,450,420	5,824,821	27.9
of which Germany	9.9	–11.2	1,391,127	1,210,622	14.9
USA	12.5	–9.0	8,311,490	6,462,579	28.6
China[1]	6.9	3.6	10,240,057	7,985,352	28.2
Worldwide	**10.6**	**–7.5**	**37,072,474**	**28,725,340**	**29.1**

1 Chinese car market including Hong Kong

2. Finance and key figures – Production, Audi brand

Production growth driven by strong demand – NEV share increased to 9.3%

Production
Audi brand, in units/by segment in % of total



Between January and June 2021, the **Audi brand produced** a total of **909,073** (672,416) **cars**. This figure includes 334,029 (278,596) Audi vehicles built locally by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

The **35.2% increase** in production volume compared with the coronavirus-impacted prior-year period is mainly attributable to a strong demand. This increase is reflected at all production sites.

At the same time, **semiconductor supply shortages** led to production adjustments and influenced the output. Nevertheless, **comprehensive management** of semiconductor shortages **limited production losses** and supported a strong H1 performance. However, uncertainty for H2 remains.

The **New Energy Vehicle (NEV) share** – in other words, battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) as a proportion of total Audi production – **reached 9.3% (5.0%)** in the first six months of the year.

In the first quarter of 2021, series production of the **new Audi Q4 e-tron family** started at the Volkswagen multi-brand plant in Zwickau. In total, a volume of 4,888 cars was produced in the reporting period.

* Detailed information on car segments can be found in the Audi Fact Pack

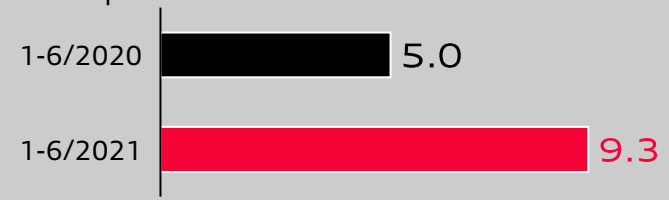
Production
Audi brand, by site in units

	1–6/2021	1–6/2020	Δ %
Ingolstadt (GER)	180,329	136,281	32.3
Neckarsulm (GER)	92,043	68,458	34.5
Zwickau (GER)	4,888	79	X
Győr (HUN)	95,794	65,613	46.0
San José Chiapa (MEX)	76,964	36,174	112.8
Brussels (BEL)	21,445	15,751	36.2
China (all sites)	334,029	278,596	19.9
Other sites	103,581	71,464	44.9
Total	**909,073**	**672,416**	**35.2**

of which electrified vehicles in units

	1–6/2021	1–6/2020	Δ %
BEV production	32,404	16,500	96.4
PHEV production	52,426	17,347	X
Total	**84,830**	**33,847**	**X**

NEV share
in % of total production

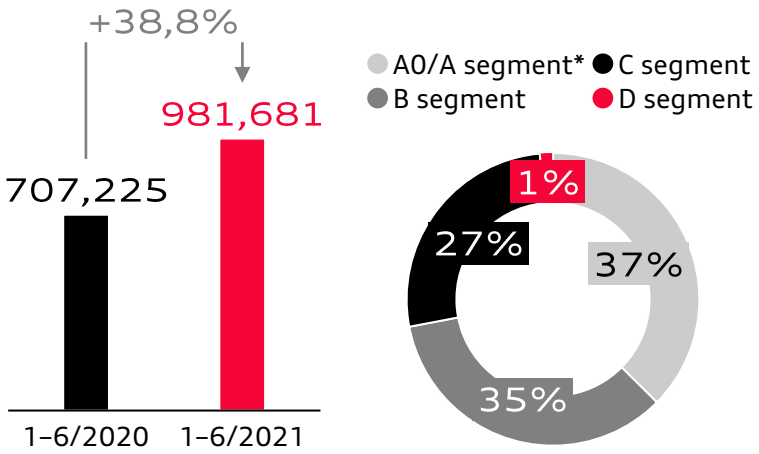


2. Finance and key figures – Deliveries to customers, Audi brand

Strong H1 2021: attractive product portfolio & good global market performance

Deliveries to customers

Audi brand, in units/in % by region



The **Audi brand** delivered **981,681** (707,225) cars to customers worldwide in the first half of 2021, a new best-ever value for this period. Audi managed to continue the momentum of the strong previous quarters. Thanks to a strong demand and an attractive product portfolio, Audi **delivered 38.8% more** cars to customers in the first six months than in the coronavirus-impacted prior-year period. Audi is thus outpacing the development of the automotive market.

The Four Rings delivered **121,835** (76,210) **cars** to customers in the **United States** in the first six months – an increase of 59.9% compared with the prior-year period and an all-time high in deliveries for H1.

The **European market** also showed good momentum. With a total of **351,588** (265,020) cars, Audi succeeded in increasing deliveries by 32.7%.

In the first half of the year, deliveries of the Audi brand on the **Chinese market** grew significantly compared with H1/2020. A total of **418,749** (302,512) **units** represents an increase of 38.4%. Since Q3/2020, deliveries have remained at a high level of over 200,000 units per quarter.

H1 deliveries increased throughout all segments. The SUV segment went up by **48.3%, amounting to** 463,585 (312,519) units. In addition, fully electric vehicles (BEV) recorded a significant growth of **69.3%**.

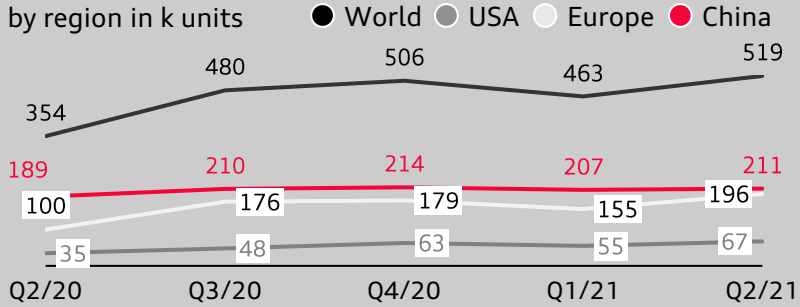
* Detailed information on car segments can be found in the Audi Fact Pack

Deliveries to customers

Audi brand, by region in units

	1–6/2021	1–6/2020	Δ %
Europe	351,588	265,020	32.7
of which Germany	*104,031*	98,381	*5.7*
China incl. Hong Kong	418,749	302,512	38.4
USA	121,835	76,210	59.9
Other markets	89,509	63,483	41.0
Total	**981,681**	**707,225**	**38.8**

by region in k units



in units/in % of total	1–6/2021	1–6/2020	Δ %
BEV deliveries	32,775	19,359	69.3
BEV share	*3.3*	*2.7*	*+0.6 ppt*
SUV deliveries	463,585	312,519	48.3
SUV share	*47.2*	*44.2*	*+3.0 ppt*
Locally produced in China	373,388	283,821	31.6
locally produced in China share	*38.0*	*40.1*	*-2.1 ppt*

2. Finance and key figures – Income statement

ROS with 10.7% due to strong market performance & positive valuation effects

Income statement

Audi Group, in €m/in % of revenue

	1-6/2021	1-6/2020	Δ %
Revenue	29,212	20,476	42.7
Cost of goods sold	–25,068	–19,596	27.9
Gross profit	**4,144**	**880**	**X**
Distribution expenses	–1,454	–1,365	6.5
Administrative expenses	–317	–321	–1.3
Other operating result	739	56	X
Operating profit	**3,113**	**–750**	**X**
Return on sales (ROS)	*10.7*	*–3.7*	*+14.4 ppt*
of which Automotive segment	3,054	–757	X
ROS Automotive segment	*10.6*	*–3.8*	*+14.4 ppt*
of which Motorcycles segment	59	7	X
ROS Motorcycles segment	*11.5*	*2.0*	*+9.5 ppt*
Financial result	762	836	–8.8
of which China business	565	398	42.0
Profit before tax	**3,875**	**86**	**X**
Income tax expense	–488	3	X
Profit after tax	**3,386**	**88**	**X**

↗ The Audi Group generated **revenue** of €29,212m (€20,476m) in the first six months of 2021. The year-on-year increase was mainly attributable to higher sales of our vehicles, accompanied by a favorable product and regional mix with a strong price position. In particular, the SUV and C/D segments made a strong contribution.

↗ **Cost of goods sold** and **distribution expenses** increased due to the higher sales volume. **Administrative expenses** remained mainly constant.

↗ The **other operating result** included a significant positive valuation effect from raw material hedges driven by higher prices as well as positive currency effects compared with the prior year period. The previous year was positively influenced by the sale of the Autonomous Intelligent Driving GmbH (€495m). Furthermore, special items relating to the diesel issue amounted to –€108m in 2020.

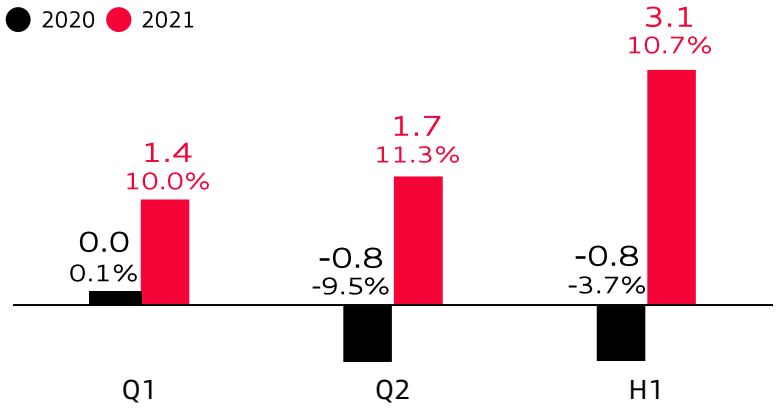
↗ The **operating profit** of the Audi Group reached €3,113m (–€750m) and the corresponding **operating margin** came in at 10.7% (–3.7%).

↘ The **financial result decreased** as the prior-year period was positively influenced by the sale of participations. Nevertheless, **China business was strong** and increased by 42% to €565m.

↗ **Profit before tax** amounted to **€3,875m** (€86m).

Operating profit

in €bn/in % of revenue



Audi A1 S line competition plus

2. Finance and key figures – Balance sheet

Balance sheet influenced by investment discipline among other things

Balance sheet

Audi Group, in €m

	June 30, 2021	Dec. 31, 2020	Δ %
Non-current assets	31,573	32,443	–2.7
Current assets	32,183	34,785	–7.5
Assets held for distribution to owners	1,449	–	X
Total assets	**65,205**	**67,229**	**–3.0**
Equity	26,775	24,253	10.4
Liabilities	37,780	42,975	–12.1
of which non-current liabilities	*17,330*	*17,638*	*–1.7*
of which current liabilities	*20,450*	*25,337*	*–19.3*
Liabilities held for distribution to owners	649	–	X
Total equity and liabilities	**65,205**	**67,229**	**–3.0**

↘ **Non-current assets** were down slightly compared with December 31, 2020, mostly as a result of lower property, plant and equipment, which is in line with our ongoing investment discipline.

↘ **Current assets** decreased mainly due to lower cash and cash equivalents as a consequence of the profit transfer from 2020 to Volkswagen AG, Wolfsburg. Furthermore, inventories were slightly down.

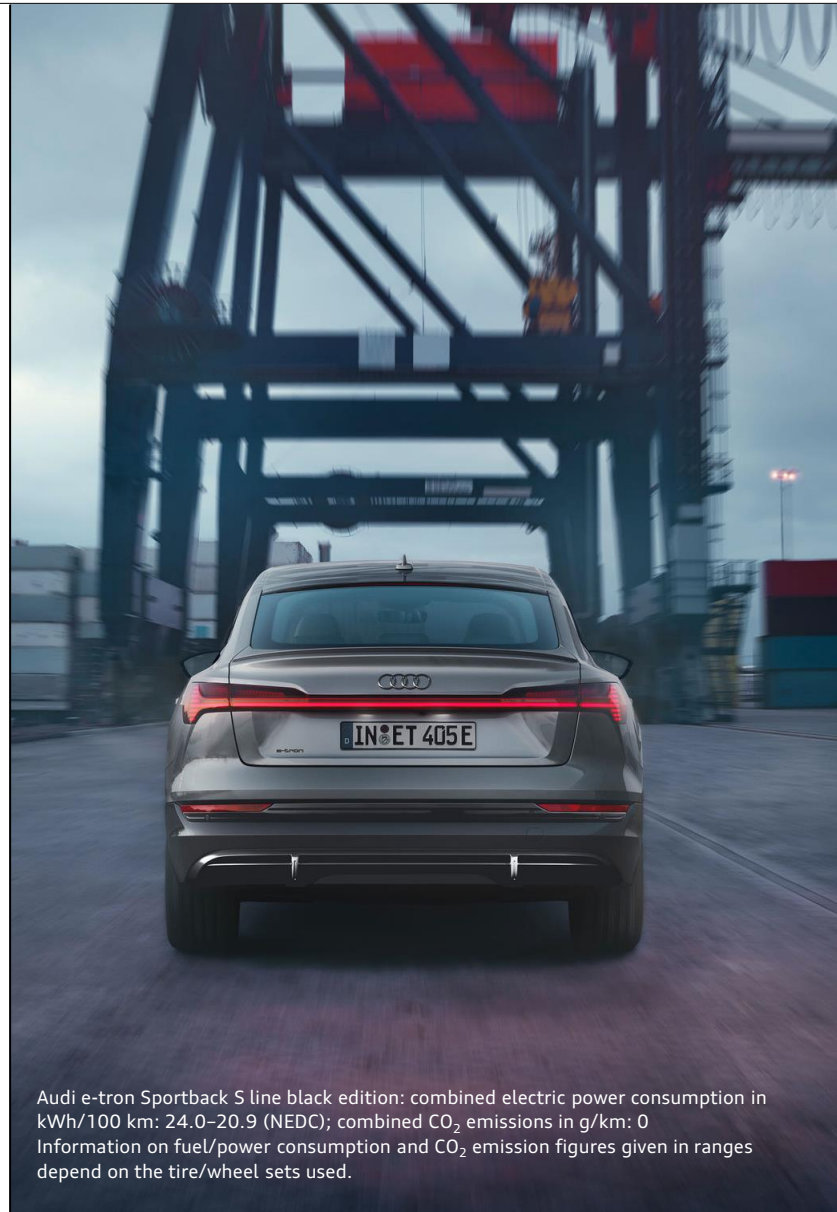
↗ **Assets** classified as **held for distribution to owners** are in connection with the agreed transfer of national sales companies within the Volkswagen Group.

↗ **Equity** increased significantly, affected by higher retained earnings; the **equity ratio** amounted to **41.1%** (36.1%).

↘ **Non-current liabilities** declined due to lower provisions for pensions driven by increased interest rates, among other things.

↘ The reduction of **current liabilities** was primarily caused by the payment of the profit transfer from 2020 to Volkswagen AG. Furthermore, trade payables decreased compared with December 31, 2020.

↗ **Liabilities held for distribution to owners** are also in connection with the agreed transfer of national sales companies within the Volkswagen Group.



Audi e-tron Sportback S line black edition: combined electric power consumption in kWh/100 km: 24.0–20.9 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

2. Finance and key figures – Cash flow statement and net liquidity

Strong operating performance & working capital development lift cash flow

Cash flow statement

XLSX

Audi Group, in €m	1-6/21	1-6/20	Δ %
Cash and cash equivalents at beginning of period	11,152	8,550	30.4
Gross cash flow	4,895	1,109	X
Working capital	2,144	328	X
Cash flow from operating activities	**7,039**	**1,437**	**X**
Investing activities attributable to operating activities	**-1,527**	**516**	**X**
of which capital expenditure	*-608*	*-490*	*24.1*
of which cap. development costs	*–920*	*-578*	*59.2*
of which change in participations	*-10*	*1,561*	*X*
Net cash flow	**5,512**	**1,953**	**X**
Change in cash deposits and loans extended	-110	-755	-85.5
Capital contribution	191	-	X
Profit transfer to Volkswagen AG	-7,830	-3,752	X
Lease payments, change in other financial liabilities	-74	-95	21.3
Change in cash & cash equivalents due to changes in exchange rates	114	18	X
Change in cash and cash equivalents	-2,197	-2,631	-16.5
Cash and cash equivalents at the end of period	8,955	5,919	51.3
Net liquidity (June 30, 2021, compared to Dec 31, 2020)	**20,415**	**22,377**	**-8.8**
Cash flow from investing activities	**-1,637**	**-239**	**X**
Cash flow from financing activities	**-7,713**	**-3,847**	**X**

↗ The **cash flow from operating activities** of the Audi Group amounted to €7,039m (€1,437m) in the first half of the year 2021. Compared to the previous year, the higher profit in particular and the favorable working capital development (see also chart 17) influenced by seasonal and deferred effects – such as cash inflows from the strong Q4/2020 – had a huge impact on growth.

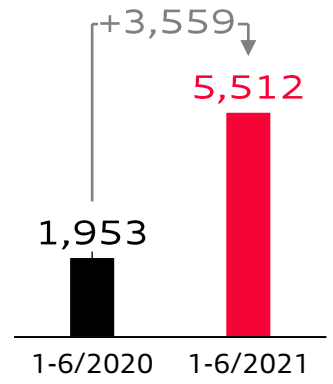
↘ In the same period, **investing activities attributable to operating activities** resulted in –€1,527m (€516m). The main drivers for this development were higher capitalized R&D costs as well as one-time effects due to the disposal of subsidiaries and participations in the prior-year period. The **ratio of capex** was **2.1%** (2.4%).

↗ The **net cash flow** of the Audi Group totaled €5,512m (€1,953m) in the reporting period.

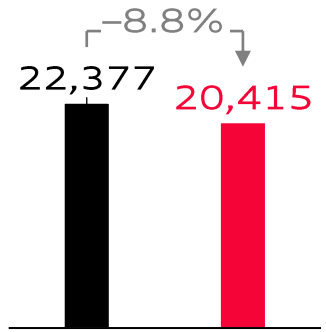
↘ **Cash flow from financing activities** came in at –€7,713m (–€3,847m). It mainly included the profit transfer to Volkswagen AG for 2020.

↘ The **net liquidity** of the Audi Group as of June 30, 2021, amounted to a total of €20,415m (Dec 31, 2020: €22,377m).

Net cash flow
in €m



Net liquidity
in €m



Audi Q8

2. Finance and key figures – R&D and capex

R&D ratio within strategic target – capex ratio reflects investment discipline

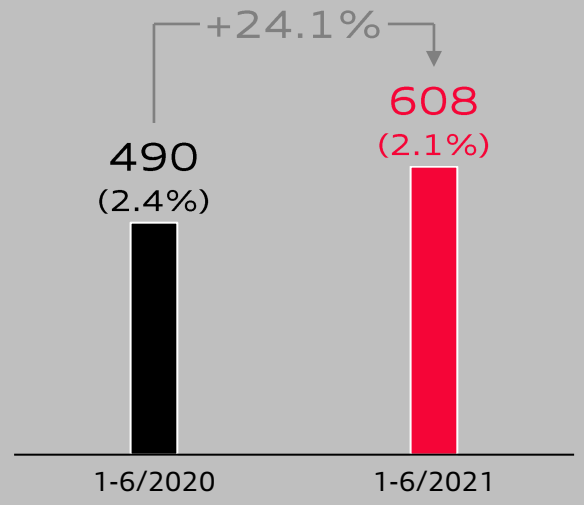
Research & development

Audi Group, in €m

	1-6/2021	1-6/2020	Δ %
R&D activities	1,945	1,732	12.3
R&D ratio	*6.7%*	*8.5%*	*–1.8 ppt.*
Capitalized R&D	920	578	59.2
Capitalization ratio	*47.3%*	*33.4%*	*13.9 ppt.*
Amortization and reversals of capitalized R&D	680	594	14.5
R&D expenses	**1,705**	**1,748**	**–2.4**

Capital expenditure

in €m/(in % of revenues)



↗ In the first half of 2021, **R&D activities increased to €1,945m.** The increase is based on additional costs for future topics such as electrification and digitalization. Due to higher revenues, the **R&D ratio decreased** and **amounted to 6.7%,** which is in line with our strategic target corridor of 6 to 7%.

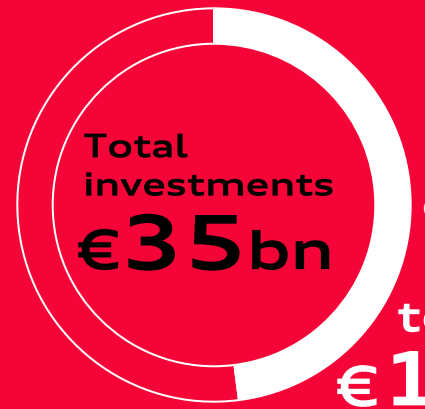
↗ While the **capitalization ratio increased to 47.3%** – reflecting the current product lifecycle – **R&D expenses** reached **€1,705m**.

↗ **Capital expenditure** went up by **24.1% to €608m. The capex ratio reached 2.1%** and therefore reflects the ongoing investment discipline of the Audi Group.


Audi A8

Investment in the future

R&D activities & capex, in €bn, Σ 2021-2025[1)]



of which **future topics €17bn**

Electrification €10bn

Hybridization €5bn

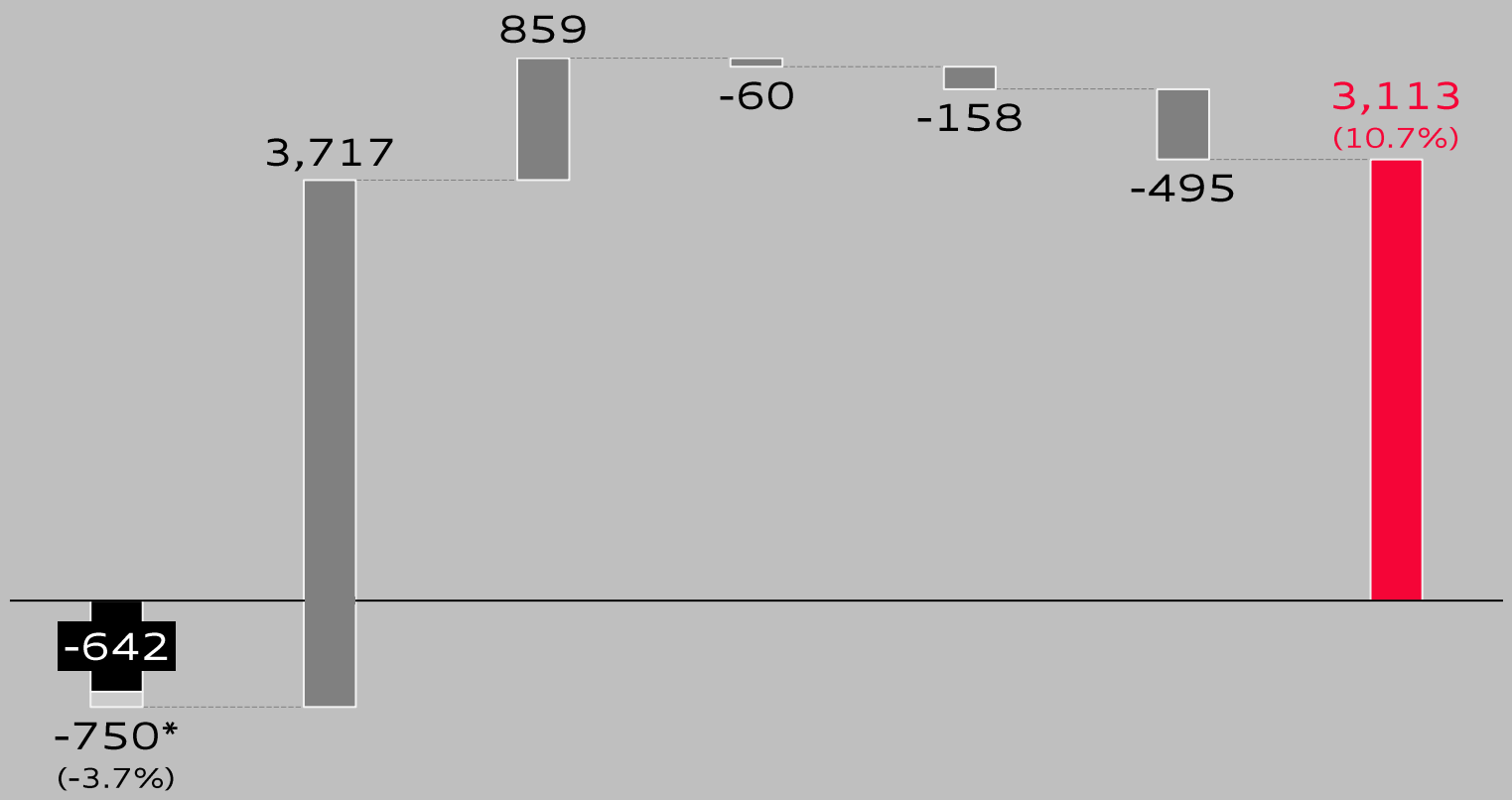
Digitalization[2)] €3bn

1) All figures rounded to the nearest billion; discrepancies may arise when figures are added together individually.
2) Including other future topics, not including CARIAD budget.

2. Finance and key figures – Value drivers: operating profit H1/2021

Volume/market effects and valuation of raw material hedges lift profit

Operating profit bridge
in €m/(in % of revenue)



Prior year:						
2,300	-3,594	-456	-195	+700*	+495	-750

*incl. –€108m special items

↗ **Volume/market**: Higher volumes – both FBU and supply for local production in China, better model and country mix as well as better pricing led to strong growth in the first half of 2021. This was supplemented by a better performance by Lamborghini and Ducati as well as of the original parts business.

↗ **FX/raw materials**: Positive valuation effects from raw material hedges due to higher prices and a slightly favorable development of currencies influenced the operating profit positively in a year-on-year comparison.

↘ **Product costs** developed negatively compared to the prior year, mainly due to increased raw material prices (e.g. precious metals).

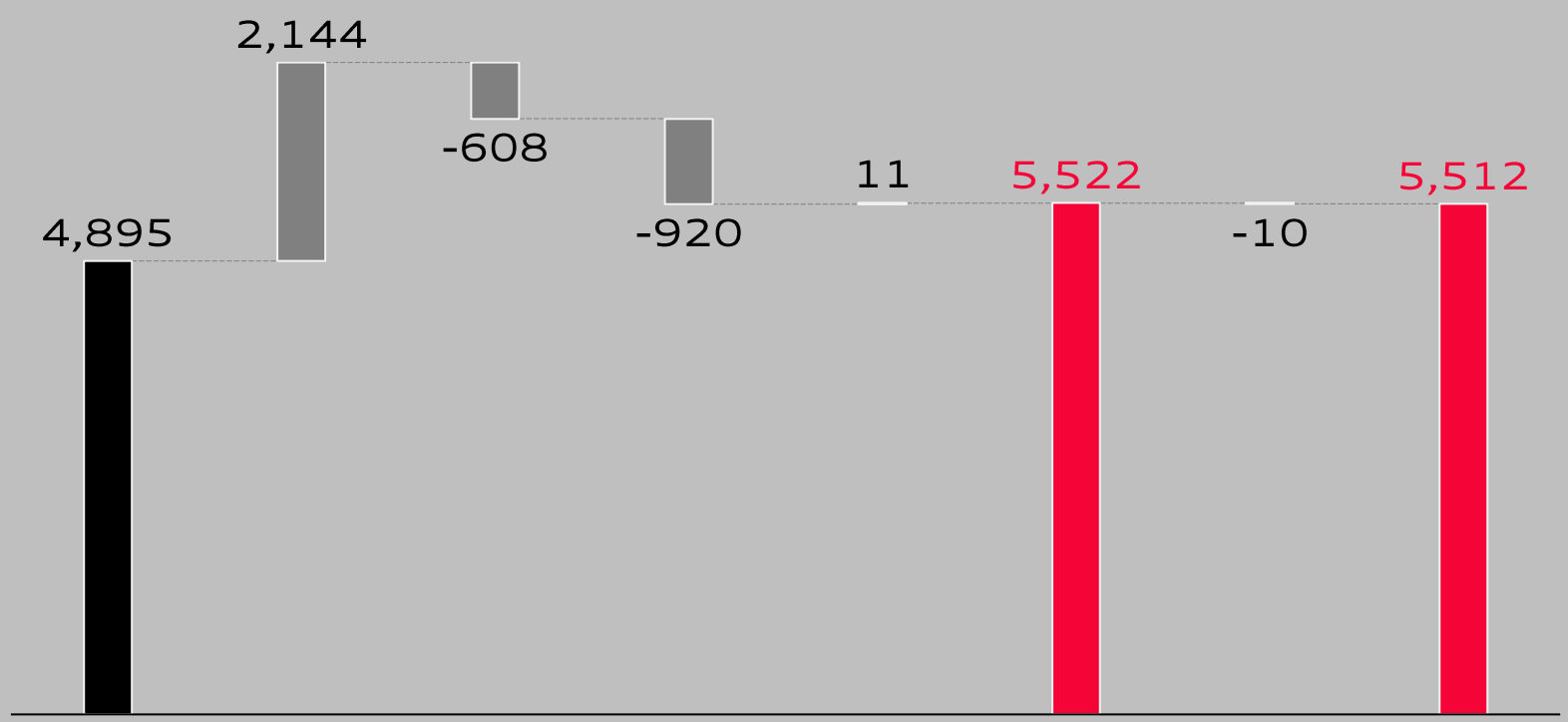
↘ **Fixed costs/other**: Year-on-year difference in fixed costs and other items is mainly driven by pandemic-related and higher performance-based personnel costs. At the same time, the Audi overhead costs have declined.

↘ **The sale of** the former Audi subsidiary **AID** (Autonomous Intelligent Driving GmbH) within the Volkswagen Group influenced the operating profit positively in the prior-year period as a one-time effect.

2. Finance and key figures – Value drivers: net cash flow H1/2021

High profit and favorable working capital development support net cash flow

Net cash flow bridge
in €m



1-6/2020:							
1,109	328	-490	-578	23	392	1,561	1,953

↗ **Gross cash flow** was mainly affected by the high profit.

↗ **The change in working capital** reflects especially higher trade payables in connection with increased liabilities for R&D spending as well as higher performance-based personnel liabilities. Additionally, increased provisions had a positive impact on the working capital development, while the inventories decreased slightly. New and used cars inventories were reduced to a very low level. At the same time, unfinished goods, raw and auxiliary materials were built up. This reflects a high market demand and a lower production as a result of bottlenecks in the semiconductor supply chain.

↘ **Capital expenditure** of the Audi Group went up. However, the capex ratio remained at a constant level as a result of our investment discipline.

↘ The increase in **capitalized development costs** mainly reflects the current product lifecycle.

2. Finance and key figures – Value drivers: workforce

Workforce at Audi Group decreased in accordance with Audi.Zukunft

In the first half of the 2021 financial year, the **Audi Group workforce** totaled **86,073** (89,084) **employees**, a reduction of 3,011.

Besides a restrictive handling of new hiring, this reduction was largely based on the **Audi.Zukunft** fundamental agreement concluded in 2019.

The number of employees at **Audi Hungaria Zrt.** was also reduced as a result of fluctuation and adaptation of the production program. The deconsolidation of **Autonomous Intelligent Driving GmbH**, Munich, in 2020 also brought a reduction in the workforce.

Audi.Zukunft

Consistent realization of Audi.Zukunft, in short:

- focus in 2021 is necessary transformation of competencies & retraining in future job profiles
- **optimization of strategic production capacity** at the two German sites
- **socially acceptable adaptation of up to 9,500 jobs** along the basis of demographic developments by employment of **additional 2,000 employees for future topics**
- at the same time extending **job guarantees until the end of 2029**

Goal: maintain the long-term competitiveness of the German sites, secure the strategic target corridor for ROS of 9 to 11%

Workforce Audi Group

average for the year

XLSX

	6/2021	6/2020	Δ %
Domestic companies[1]	57,064	59,486	–4.1
Foreign companies	26,375	26,753	–1.4
Employees	**83,439**	**86,239**	**–3.2**
Apprentices	2,167	2,382	–9.0
Employees of Audi Group companies	85,606	88,621	–3.4
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	453	463	–2.2
Workforce Audi Group	**86,059**	**89,084**	–3.4

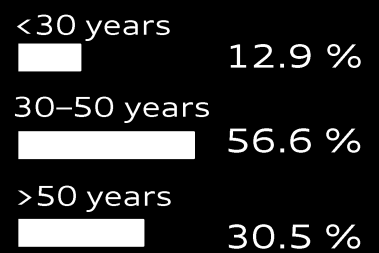
[1] Of these employees, 2,176 (2,046) were in the passive stage of their partial retirement.

Structural data

FY 2020 (as of Dec. 31)

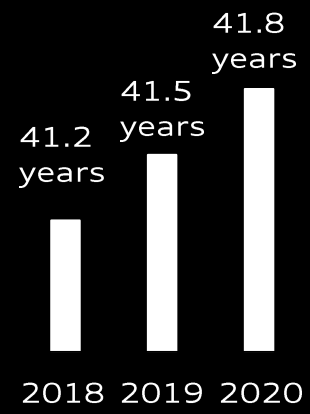
Age structure

(AUDI AG, excl. apprentices)



Average age

(AUDI AG, excl. apprentices and fixed-term employees)



Proportion of women (in percent, Audi Group)	15.2
Turnover rate (in percent, excl. apprentices, average figure for the year)	0.6
Average length of service (in years, excl. apprentices)	18.3
Average training time per employee (in hours, indirect employees)	9.0

2. Finance and key figures – Lamborghini

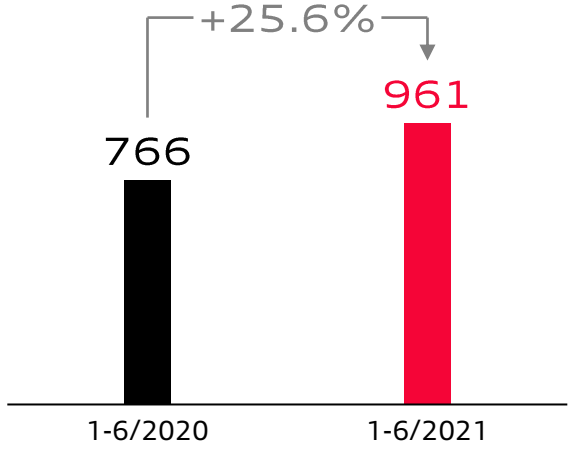
Lamborghini with best-ever H1 deliveries – Electrification roadmap announced

Lamborghini Sián Roadster:
combined fuel consumption in l/100 km: 19.8 (NEDC);
combined CO_2 emissions in g/km: 449

The luxury brand Lamborghini showed a strong performance in the first six months of 2021. Deliveries recorded **the best first half-year ever, increasing by 36.8%** versus the prior-year period and exceeding the 2019 pre-pandemic level. The increase in deliveries was coupled **with a significant 25.6% growth in revenue** in H1/2021. With the announcement of its roadmap for electrification "Direzione Cor Tauri" the brand presented precise steps towards decarbonization of future Lamborghini models and of the Sant'Agata Bolognese site.

Revenue from the sale of cars

in €m

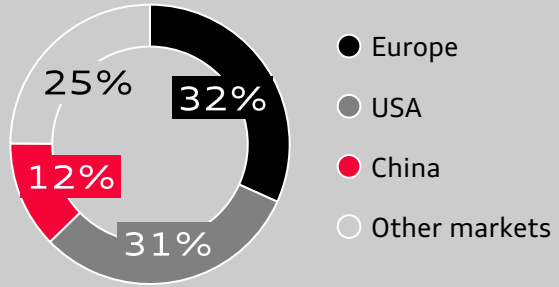


Deliveries to customers

in units

	1–6/2021	1–6/2020	Δ %
Urus	2,796	2,064	35.5
Huracán	1,532	1,052	45.6
Aventador	524	432	21.3
Lamborghini brand	**4,852**	**3,548**	**36.8**

by region



Production

in units

	1–6/2021	1–6/2020	Δ %
Urus	2,704	1,967	37.5
Huracán	1,220	871	40.1
Aventador	362	393	-7.9
Lamborghini brand	**4,286**	**3,231**	**32.7**

2. Finance and key figures – Ducati

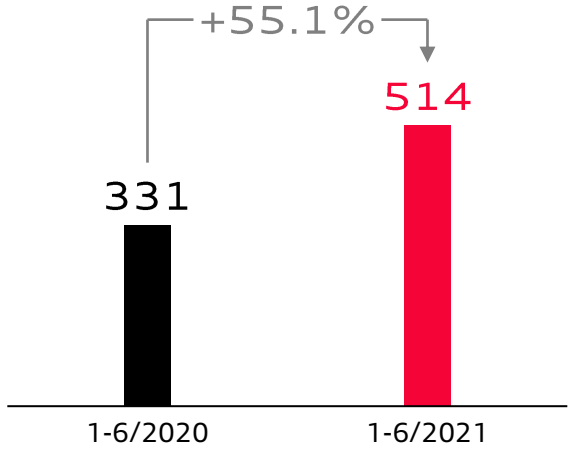
Ducati delivers convincing financial figures in H1/2021

The Ducati brand delivered **34,557 (24,093)** motorcycles to customers worldwide in the first half of 2021.

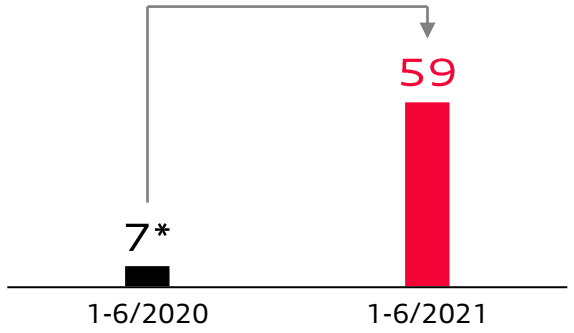
Driven by this sharp **increase of 43.4%** in deliveries, but also due to an attractive product portfolio and a strong price position, Ducati significantly increased its revenue and operating profit in the first six months of the year. Both items not only surpassed the prior-year figures, but were even **above the pre-pandemic level** of 2019.

Ducati Superleggera V4

Revenue
in €m



Operating profit
in €m

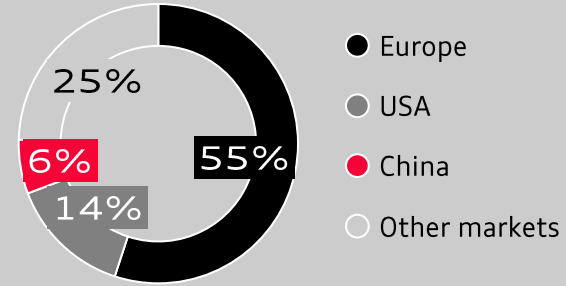


*after purchase price allocation (ppa)
Operating profit before ppa 2020: €18m

Deliveries to customers
in units

	1–6/2021	1–6/2020	Δ %
Scrambler	6,967	4,731	47.3
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	10,621	7,419	43.2
Dual/Hyper (Hypermotard, Multistrada)	10,224	6,498	57.3
Sport (SuperSport, Panigale)	6,745	5,445	23.9
Ducati brand	**34,557**	**24,093**	**43.4**

by region



Production
in units

	1–6/2021	1–6/2020	Δ %
Scrambler	6,835	4,706	45.2
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	11,486	8,731	31.6
Dual/Hyper (Hypermotard, Multistrada)	11,344	5,321	113.2
Sport (SuperSport, Panigale)	7,319	5,399	35.6
Ducati brand	**36,984**	**24,157**	**53.1**

2. Finance and key figures – Guidance 2021

Supply of semiconductors still risk for KPIs – guidance for net cash flow raised

In general, **Audi is still looking at the remainder of 2021 with cautious optimism**.

However, the **insufficient supply of semiconductors** will have a substantial impact on production volumes. We are working intensively on keeping the operating impacts of the current undersupply as low as possible to reach our ambitious financial goals.

In addition, further windfall profits regarding the valuation of raw material hedges might not occur in the second half. Therefore, **Audi expects the operating profit to be lower in the second half compared to the first half of 2021.**

A strong Q4/2020, seasonal and deferred effects supported the favorable development of the net cash flow in the first half-year. Therefore, and due to the anticipated semiconductor supply shortages in H2/2021, Audi does not expect that much tailwind in the remainder of the year.

However, due to the positive development in the first six months, **Audi increased the guidance for net cash flow to €4.5bn to €5.5bn.**

Guidance 2021

	2020	2021 guidance	2021 guidance adjustment	strategic target
Deliveries to customers in units	1,692,773	significantly above 2020		
Revenue in €m	49,973	significantly above 2020		
Operating return on sales in %	5.1%	between 7 and 9%		between 9 and 11%
Capex ratio in %	3.8%	within the strategic target corridor		between 4 and 5%
R&D ratio in %	7.3%	within the strategic target corridor		between 6 and 7%
Net cash flow in €m	4,589	between €3.5bn and €4.5bn	**between €4.5bn and €5.5bn**	
Return on investment in %	7.4%	between 12 and 15%		above 21%

Audi e-tron GT quattro:
combined electric power consumption in kWh/100 km: 19.6–18.8 (NEDC); combined CO_2 emissions in g/km: 0
Audi RS e-tron GT:
combined electric power consumption in kWh/100 km: 20.2–19.3 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

3. ESG – Environment – Social – Governance

Supplementing Audi's financial communication with ESG-relevant information

The aspect of sustainability plays a key role for Audi. The three factors **Environment, Social and Governance (ESG)** are **repeatedly addressed** and are one important focus of communication. Audi's aim is to **convey a transparent and credible picture** regularly. This is offered in a compact form once a year in the Audi Report, but will also **serve as an integral** part of the **Quarterly Update Audi Group**. Therefore, this section includes information and proof-points on **how Audi acts** with **integrity and sustainability**, what **synergies are exploited** in the process, in which areas Audi is involved and what measures are implemented.

Audi takes the issue of **climate protection** seriously and wants to play an **active role** in shaping the **cross-industry transformation** – together with employees and suppliers. The goal is to offer **highly attractive products** and **services** while **protecting the environment** and **conserving resources**.

Additionally, Audi takes on **responsibility for providing good working conditions**, as well as **ensuring high quality and sustainability standards** within the whole **supply chain.**

Making corporate decisions **holistically, responsibly, transparently** and **with integrity**: Audi believes that operating with **integrity** means taking its **responsibility** to society **seriously**. The aim is to achieve an **optimum for all participants:** employees, suppliers, customers and society.

3. ESG – Environment (E)

“Vorsprung durch Technik” – today, tomorrow and beyond

The vision? CO_2-neutral mobility

The goal: achieving carbon neutrality by 2050.

Audi aims to reduce the CO_2 footprint of its vehicles across the entire value chain **by 30 percent by 2025 compared with 2015.** To achieve this goal, Audi is initiating measures throughout the company and is taking its products’ entire value chain, from manufacturing to the utilization stage to recycling, into account.

The life cycle assessment Audi Q4 e-tron

The **production** of the Q4 e-tron **family is based on a net zero CO_2 approach.** Especially the manufacturing of battery cells is energy-intensive, which is why Audi has required its cell suppliers to use green electricity only in their production processes. The plant in Zwickau uses eco-electricity. All CO_2 emissions that cannot be avoided are offset by climate protection measures with carbon credits. The objective is that the car should achieve net zero carbon emissions when handed over to the customer. **During the life cycle,** Audi offers green power solutions. When the car has reached the **end of its life cycle**, its battery is to be reused in second-life concepts or recycled in a sustainable way as a source of raw materials.

Read more here.

>> Markus Duesmann
Chairman of the Board of Management, Member of the Board of Management for Product Lines at AUDI AG

Partnership with energy providers:

Electric cars can be absolutely carbon neutral – as long as they are always charged with green power. Audi has set out to make this mathematically possible for all its electric cars and is backing the expansion of renewable energy sources in Europe.

By 2025, an additional **five-terawatt hours of green power will be fed into the grid.** Together with several partners from the energy industry, the company plans to build new wind and solar farms on the European mainland. **This will make Audi a provider of carbon-neutral mobility.**

Read more here.

A new lease on life: recycling automotive plastics

The aim of the “Chemical Recycling of plastics from the automotive industry” pilot project was to test intelligent cycles for plastics by means of Chemical Recycling and to evaluate this method as a supplement to mechanical recycling and as a substitute for energy recovery. Now that the research has proven its technical feasibility, Audi intends to scale up the process together with its partners. “We want to establish intelligent cycles in our supply chains and use resources efficiently,” says Marco Philippi, Head of Procurement Strategy at Audi. “Chemical Recycling harbors tremendous potential in this regard, because if plastic components can be manufactured from pyrolysis oil instead of petroleum without any loss of quality, it would be possible to significantly increase the percentage of sustainably manufactured components in cars. Over the long term, this process may also play a role in end-of-life vehicle recycling.”

In short, Chemical Recycling of plastic waste could make Audi products more sustainable and eliminate greenhouse gas emissions along the value chain.

Read more here.

3. ESG – Social (S)

How digitalization is improving sustainability in the supply chain

Digitization makes even more sustainability possible

Sustainability means more than reducing carbon emissions. In addition to the environmental aspects, Audi also assumes social responsibility and is committed to sustainable and transparent corporate governance.
Acting with entrepreneurial spirit inevitably involves risk, and it is essential to identify this risk early on and to always act in a way that ideally prevents it from arising or at least keeps it to a minimum. Audi has made risk-conscious conduct an integral part of its corporate philosophy and regularly reviews its in-house monitoring and inspection mechanisms. **The company also considers sustainability risks in its global supply chain.**

Audi uses artificial intelligence to monitor risk in its supply chain

Audi is increasingly using digital tools for automated, proactive monitoring. For example, Audi has joined Porsche and Volkswagen in using technology from Austrian start-up Prewave. This system aggregates publicly accessible news in more than 50 languages from around 150 countries. **Artificial intelligence then semantically analyzes the information and consolidates the various sources.**

The AI understands the content of the reports and classifies them based on any suspicion of potential sustainability violations. And because the AI is constantly learning, the system is constantly improving its ability to recognize emerging risks in reports. **This covers a broad spectrum. In the case of criteria from the "Social" category, for example, the focus is on labor law developments, unrest among the workforce, child labor and discrimination in the workplace.** Relevant criteria from the "Environment" category use public data for aspects such as air pollution, water pollution and consumption or waste problems. Audi is automatically informed whenever a potential sustainability risk begins to develop.

"When it comes to tackling the complexity in our supply chains in a responsible manner, digital solutions are important enablers for sustainability."

- Susanne Lenz, strategist for sustainability in the supply chain at Audi

In its Code of Conduct for Business Partners, Audi has defined sustainability requirements for more than 14,000 direct suppliers in more than 60 countries and tasked them with passing these requirements on to their upstream partners as well. **The environmental, social and compliance guidelines that the Code of Conduct contains are a basis for collaboration and an established element of the risk assessment process.** One example of this is the Sustainability Rating. Audi uses this procedure to check whether its contractual partners are complying with the Code of Conduct and to determine its suppliers' performance in terms of sustainability. Audi will only consider working with the companies that receive a positive outcome.

3. ESG – Governance (G)

Win-win-win-situation for humankind, society and the environment

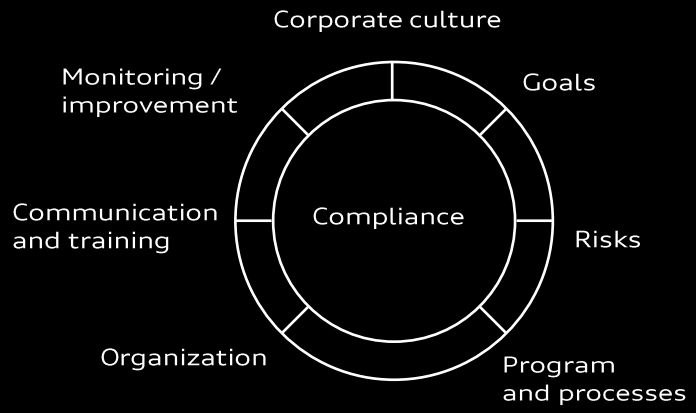
Responsible and **value-oriented corporate governance** means making all decisions **holistically, transparently** and with **integrity**. Audi has implemented several programs and tools to ensure this goal.

Monitorship

The program is designed to **prevent** and **detect violations** of **anti-fraud** and **environmental laws**. The **successful completion of the Monitorship** was certified by **Larry D. Thompson** in **September 2020** and applies to **Volkswagen AG** and its **subsidiaries** and **affiliates** – including AUDI AG.

Audi Q5

Audi Compliance Management System (CMS)



As part of its organizational duty, the Audi Board of Management has established a **compliance management system** and a **compliance organization**, which is **divided into seven core elements** (graph).

A Compliance Management System (CMS) refers to the **principles, measures, processes and structures** of the company for permanent compliance with **laws and internal regulations** by corporate bodies, employees and third parties. The Audi CMS **also covers 44 subsidiaries and participations** worldwide with predominantly **local compliance officers** acting as multipliers.

Anti-corruption and prevention

Effective **anti-corruption and prevention of corruption** are regulated by Audi's own specialist department **Integrity, Compliance and Risk Management.**

The **Code of Conduct** provides employees with a concrete guideline on how to behave with integrity, thus also continuing the **cultural change** at Audi.

In 2020, the **Compliance Organization** of Audi supported 44 national and international affiliated companies with regard to the **compliance focus topic of anti-corruption** as well as **implementing guidelines** and holding training courses.

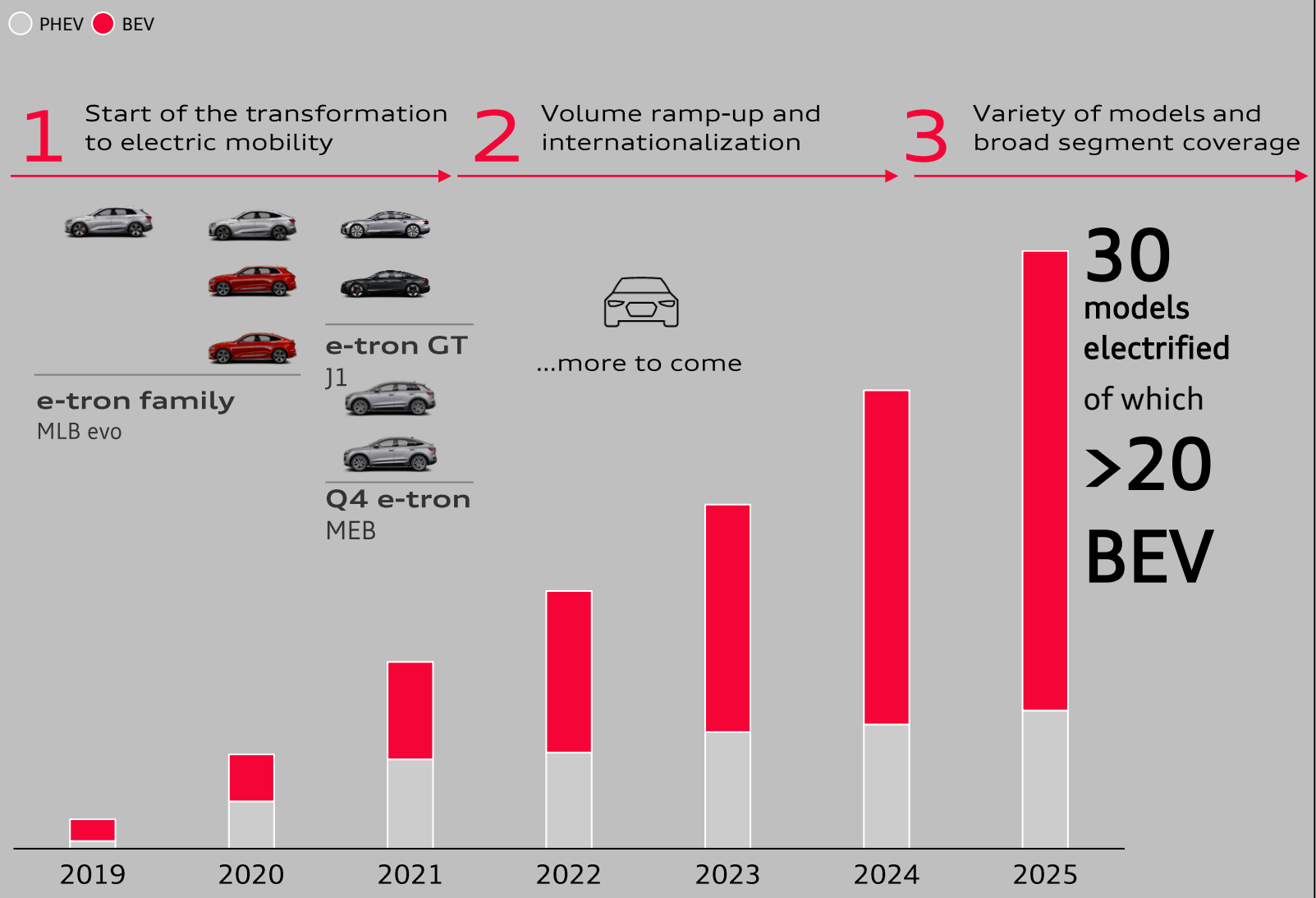
Together4Integrity (T4I)

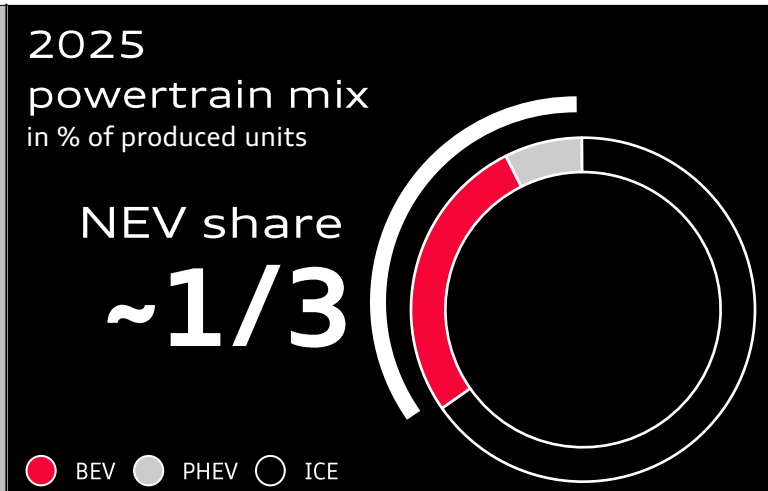
This is the **integrity and compliance program of the Volkswagen Group** and was introduced at AUDI AG back **in 2018**. The program is based on the principles of the **Ethics & Compliance Initiative (ECI)**, a globally recognized standard for ethical corporate principles.

A large number of the T4I measures have already been **implemented** at the German sites of AUDI AG. At the same time, AUDI AG is responsible for **rolling out** the T4I program at **its subsidiaries and participations.**

4. Audi Facts – Roadmap E

E-Roadmap is on track – from 2026, Audi will only launch new all-electric models





Audi is **committed to the electrification of its fleet as this is the most** efficient way to reduce CO_2 emissions. Sales success is the testimony to precise positioning and competitive performance.

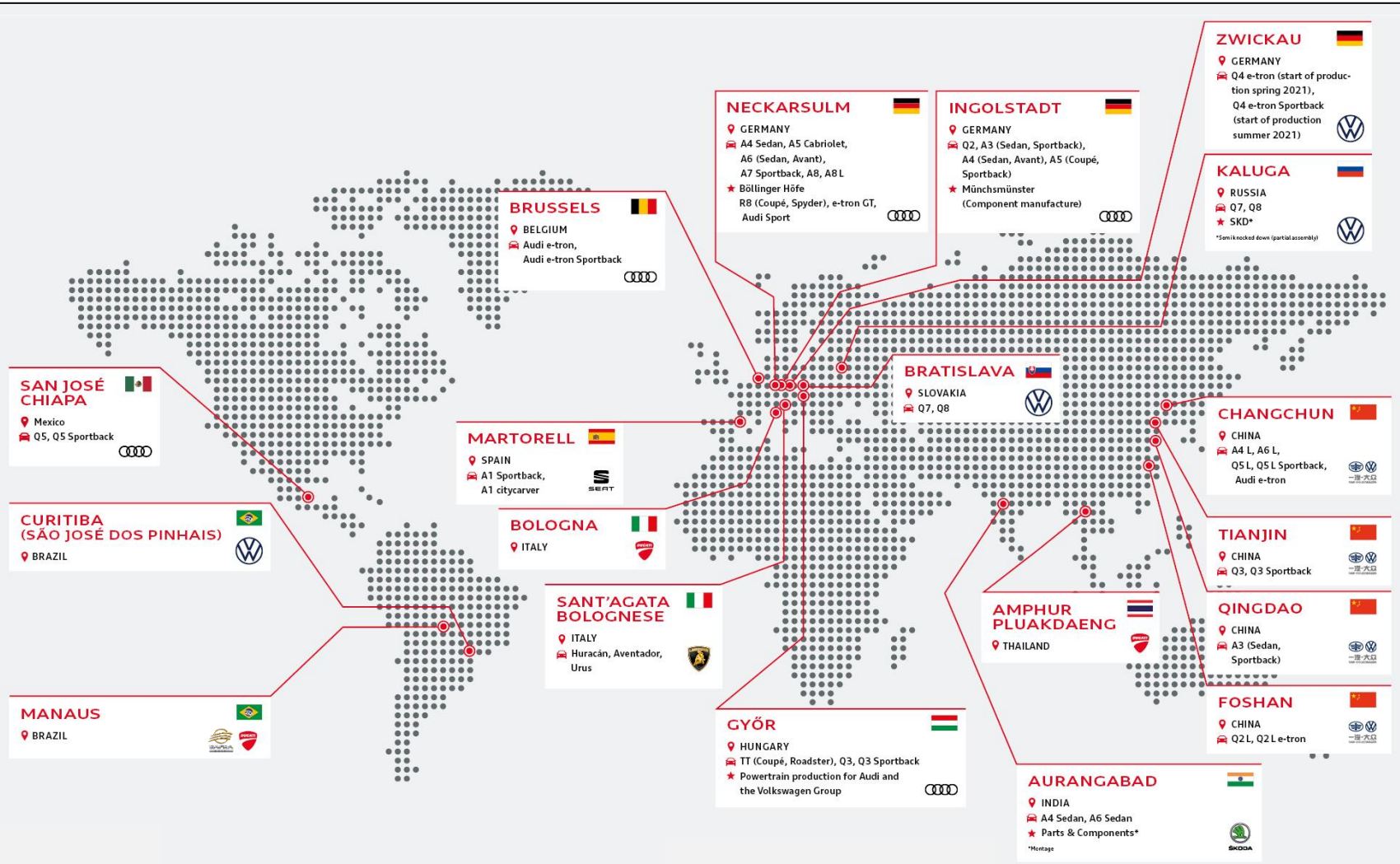
Synergies within the Volkswagen Group play a pivotal role in scaling electric vehicles with attractive margins. Shared platforms enable Audi to benefit from R&D, production and process synergies.

In 2021, with the market introduction of the Q4 e-tron family, Audi will benefit from the **modular electric drive matrix** (MEB), developed by Volkswagen Passenger Cars. **Premium Platform Electric** (PPE) jointly developed by Audi and Porsche will be the basis for full-size class vehicles from 2022 onwards.

Starting in 2026, Audi will only launch new all-electric models on the global market and phase out production of the last internal combustion engines by 2033.

4. Audi Facts – Structures/locations of Audi production sites

In Q1, production of Q4 e-tron family started at the VW multi-brand site Zwickau



The Audi Group, with its brands **Audi, Lamborghini and Ducati,** is one of the most successful manufacturers of automobiles and motorcycles in the premium and supercar segment.

Audi stands for sporty vehicles, high build quality and progressive design – for "**Vorsprung durch Technik**."

To play an instrumental role in shaping the transformation as we head into a new age of mobility, the company is implementing its strategy step by step.

Audi is present in more than 100 markets worldwide and produces at 19 locations in 12 countries.

4. Audi Facts – Audi model range

Overview of Audi models (German market)

ICE PHEV BEV

A1

A3

1

A4

A5

A6

2

A7

1

A8

2

TT

R8

e-tron

2

e-tron GT

2

Q4 e-tron

2

Q2

Q3

2

Q5

2

Q7

1

Q8

1

NEV

6x

12x

4. Audi Facts – Financial calendar

Upcoming events

Audi Q4 Sportback 50 e-tron quattro: combined electric power consumption in kWh/100 km: 17.9 – 16.4 (NEDC); combined CO_2 emissions in g/km: 0
Information on fuel/power consumption and CO_2 emission figures given in ranges depend on the tire/wheel sets used.

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