



Audi

2006 Interim Report



Audi Group Key Figures

		1-6/2006	1-6/2005	Change in %
Production	Cars	457,806	413,574	10.7
	Engines	995,679	840,483	18.5
Vehicle sales	Cars	585,526	529,504	10.6
Audi		463,494	421,965	9.8
Germany		127,498	126,093	1.1
Outside Germany		335,996	295,872	13.6
Lamborghini		952	655	45.3
Other Volkswagen Group brands		121,080	106,884	13.3
Employees	Average	52,068	52,232	- 0.3
Revenue	EUR million	15,454	13,226	16.8
Profit from operating activities	EUR million	733	599	22.4
Profit before tax	EUR million	661	510	29.6
Profit after tax	EUR million	407	300	35.7
Rate of return before tax	Percent	4.3	3.9	
Capital investments	EUR million	832	784	6.1
Development expenditure recognised as an intangible asset		368	361	1.9
Depreciation and amortisation	EUR million	1,165	984	18.4
Cash flow from operating activities	EUR million	2,329	2,071	12.5

		June 30, 2006	Dec. 31, 2005	Change in %
Balance sheet total	EUR million	17,901	16,112	11.1
Equity ratio	Percent	39.6	37.9	

Foreword by the Board of Management

Ladies and Gentlemen,



In the first half of this year, our new Audi Q7 accomplished a quite unprecedented feat: even before the vehicle had appeared in showrooms in mid-March, 16,000 customers from all over Europe had placed orders for our SUV.

Within a few weeks of its market launch, it became clear that the production capacity originally earmarked for this model would not suffice. We thus increased the daily capacity from 200 to 300 at the end of March – with the goal of selling more than 60,000 of the Audi Q7 in the course of this year. We are particularly pleased at the positive response in the USA. The Audi SUV will decisively strengthen our brand's position in North America.

We have very similar expectations of the new Audi TT: we unveiled it in front of an international audience at Berlin's Brandenburg Gate in April. The experts who have already driven it have confirmed to us that the new TT is even better than its successful predecessor in every respect. We therefore eagerly await the market launch of the TT Coupé, starting in September.

In the early part of this year, a market research institute supplied us with hard evidence that no other brand is set to enjoy such pronounced growth over the next few years as Audi. We are already in front in the important executive saloon segment, with our A6.

And with the historic victory of an Audi R10 with TDI engine in the toughest car race in the world at Le Mans, we have demonstrated that Audi exemplifies supreme expertise in drive technology. What only few people know is that this achievement is the realisation of a vision that the present Supervisory Board Chairman of Volkswagen AG and former Audi boss Dr. Ferdinand Piëch announced over ten years ago. The names of the racing drivers Frank Biela, Emanuele Pirro and Marco Werner, together with the letters TDI, have become the embodiment of ability and daring – and of "Vorsprung durch Technik".

Audi continues to grow. Both in quality and quantity, even in the difficult German market. We are making good progress towards securing profitable growth. After this best six-month period in Audi's history, we look forward to concluding the eleventh record-breaking year in a row in six months' time.

Kind regards

Dr. Winterkorn

Prof. Dr. rer. nat. Martin Winterkorn

Economic situation

General economy

The global economy continued to strengthen in the first half of 2006 compared with the end of the previous year. With sustained dynamic development in Asia's developing countries and in South America, economic activity in industrial nations likewise steadily rose. Continuing high energy and raw materials prices remained a burden on economic development.

The US economy enjoyed vigorous expansion in the period under review. The principal driving forces behind growth were higher private consumer spending and corporate investment. The economic upswing in Latin American countries continued.

The Chinese economy maintained its high rate of growth. There was substantial growth in investment spending in particular. Japan's economic upswing gained in strength. In addition to exports, rising domestic demand was a factor in this.

The economy in Western Europe gained considerable momentum in the first half of 2006. The economic mood in the eurozone brightened considerably, principally as a result of the very positive trend in exports and the rise in internal demand. In Central and Eastern Europe, the lively economic development of the previous year continued.

Likewise in Germany, the economy experienced an upward trend by virtue of substantial investment activity by companies and higher spending by private consumers. Despite this noticeable turning of the tide in private consumption, however, unemployment levels remained unsatisfactory and real disposable incomes continued to stagnate.

The car market

The upward trend in car markets worldwide continued in the first half of 2006. The Asia-Pacific and Latin American regions enjoyed above-average growth rates. There was also a mildly positive trend in demand in the Western European car market.

In the USA, the far-reaching sales incentives offered particularly by domestic suppliers have meanwhile lost their effect. At the year's half-way mark, sales in the USA of passenger cars and light commercial vehicles totalled 8.4 million units, and were consequently down 2.4 percent on the prior-year figure.

The Chinese car market continued to gather pace during the period under review. With 32.2 percent growth to 2.0 million cars, China surpassed Germany in the first half of 2006 to become the third-largest car market in the world, behind the USA and Japan. By contrast, registrations of new cars in Japan yielded by 1.7 percent to 2.5 million cars.

Car markets in Western Europe enjoyed mixed fortunes in the first half of the year. In Great Britain and France, car sales fell by 4.2 and 1.6 percent respectively. Spain, too, failed to equal the previous year's high level, with sales down 1.2 percent. On the other hand, Italy enjoyed comparatively high growth of 8.1 percent. Overall, registrations of new cars in Western Europe (excluding Germany) totalled 6.2 million vehicles, representing an increase of 1.3 percent on the prior-year period.

Despite considerable fluctuation in month-by-month new registrations, the overall position in the German car market mid-way through the year was positive. 1.7 million passenger cars were registered for the first time, an increase of 1.4 percent on the previous year. Vehicles registered for business use were responsible for this growth, whereas registrations of new vehicles by private customers continued to fall during this period.

Situation of the company

Production figures easily beat previous year's record

The Audi Group built 457,806 vehicles in the first six months of the current year. This represents an increase of 10.7 percent on the prior-year period. The group consequently set its fifth successive first-half record.

The number of Audi A3 and Audi A4 models built at Ingolstadt was increased by 4.4 percent compared with the previous year, to 275,457 units.

At the Neckarsulm plant, a total of 132,409 vehicles of the Audi A6, A6 allroad quattro, A8 and RS 4 were built. This represents a further 14.6 percent increase on the previous year.

The rise in production output of the Lamborghini models was particularly impressive. Production was stepped up by 61.1 percent, to 902 of the Murciélago and Gallardo.

Engine production, too, reached a new record level in the first half of the year. With 995,679 engines built, the Audi Group bettered the production total of the prior-year period by 18.5 percent.

Vehicle production	1-6/2006	1-6/2005
Audi cars	456,904	413,014
of which:		
Audi A3	117,637	108,036
Audi TT	5,197	7,058
Audi A4 / RS 4	160,588	168,188
Audi A4 Cabriolet / RS 4 Cabriolet	17,367	14,069
Audi A6	114,549	91,865
Audi A6 allroad quattro	3,016	4,220
Audi Q7	26,474	120
Audi A8	12,076	10,001
of which:		
TDI	246,471	225,962
quattro	142,561	106,610
Lamborghini cars	902	560
of which:		
Lamborghini Gallardo	749	369
Lamborghini Murciélago	153	191
Total, group	457,806	413,574

Engine production	1-6/2006	1-6/2005
Audi Group	995,679	840,483
of which:		
AUDI HUNGARIA MOTOR Kft.	994,777	839,923
Automobili Lamborghini S.p.A.	902	560

New sales record in first half of year

The Audi Group once again increased its vehicle sales by a considerable degree in the first six months of this year and set a new record. With 463,494 Audi vehicles sold worldwide, the prior-year figure was bettered by 9.8 percent.

Vehicle sales in the USA bucked the market trend in rising by 7.3 percent to 40,455 units. The Audi Q7, which was launched in North America in June, is expected to provide added impetus.

Audi achieved impressive growth in the Chinese market. Vehicle sales virtually doubled there, rising by 94.2 percent to 38,838 vehicles. As well as the successful launches of the

new Audi A4 and Audi A6 models, the exclusive dealer network with 120 dealers contributed towards the positive effect.

In Western European countries excluding Germany, growth was likewise marked. Vehicle sales in the region were up 5.6 percent, reaching a total of 205,399 units. The markets enjoying the most dynamic growth included Italy (up 9.7 percent), France (up 10.6 percent) and Belgium (up 22.4 percent).

In Central and Eastern Europe, vehicle sales rose 29.7 percent compared with the previous year. In the markets enjoying the highest growth, which included Russia, the Audi Group achieved growth rates in excess of 40 percent.

Sales of Audi vehicles totalled 127,498 in the home market Germany. With sales growth of 1.1 percent, the company consequently succeeded in increasing its market share to 7.5 percent in a difficult market environment.

Vehicle sales by market (Audi vehicles)	1-6/2006	1-6/2005
Germany	127,498	126,093
Great Britain	46,560	45,107
USA	40,455	37,701
China (including Hong Kong)	38,838	19,996
Italy	30,218	27,534
Spain (including Canary Islands)	30,188	28,673
France	24,961	22,571
Belgium	18,893	15,430
Netherlands	9,564	8,984
Austria	9,208	9,754
Japan	7,586	7,534
Sweden	7,258	6,538
Switzerland	6,633	6,614
South Africa	6,617	5,814
Russia	4,124	2,717
Other	54,893	50,905
Audi cars worldwide	463,494	421,965

High demand for entire model range

The Audi A3 is enjoying a high level of demand; sales of this model rose by around 16.3 percent in the first half of the year, to 126,991 units.

Sales worldwide of models from the A4 car line remained high, at 163,933 units. Following the model changeover at the start of this year, sales of the Audi A4 Cabriolet rose by almost 14 percent by June 2006 to 16,789 units. The Audi A4 car line is consequently one of the mainstays of the Audi Group.

Sales of the A6 car line leapt by 32.0 percent to 118,958 units. This is especially due to the fact that the Avant version is now universally available.

Demand for the Audi A8 models made distinctly positive progress, with 11,642 of this model handed over to their new owners. The launch of the new sporty top model, the Audi S8, should stimulate sales further.

Fewer of the Audi allroad quattro and Audi TT were sold in the first half of the year due to the stage that these models had reached in their lifecycle. The new versions of both models made their public debut in the first half of the year, meeting with a very positive reception. The Audi Group delivered the first of the new A6 allroad quattro in mid-June; the market launch of the Audi TT Coupé will be taking place in the third quarter of this year.

There was remarkably high demand for the recently unveiled Lamborghini Gallardo Spyder, the entire annual production of which has already been sold out.

Vehicle sales by model	1-6/2006	1-6/2005
Audi cars	463,494	421,965
of which:		
Audi A3	126,991	109,225
Audi TT	6,773	9,764
Audi A4 / RS 4	163,933	171,424
Audi A4 Cabriolet / RS 4 Cabriolet	16,789	14,736
Audi A6 / RS 6	118,958	90,132
Audi A6 allroad quattro	1,398	5,034
Audi Q7	16,774	3
Audi A8	11,642	10,603
Lamborghini cars	952	655
Other Volkswagen Group brands	121,080	106,884
Total, group	585,526	529,504

Model initiative continues successfully

The Audi Group has already successfully launched four new models in the first six months: the Audi Q7, the Audi A6 allroad quattro, and the Avant and Cabriolet versions of the Audi RS 4. With the appearance of the Audi Q7 in March, Audi introduced a new generation of sports utility vehicle. Thanks to the high level of demand it is enjoying, the production total of 60,000 units originally envisaged for the Audi Q7's first full year on the market will already be exceeded this year.

Audi R10 TDI becomes first diesel racing car to win Le Mans 24 Hours

Audi has added a significant chapter to the history of motor racing with a very special victory in the Le Mans 24 Hours. The new R10 TDI became the first diesel-powered vehicle to win what is generally considered to be the toughest motor race in the world.

In front of a record number of 235,000 spectators, the Audi drivers Frank Biela, Emanuele Pirro and Marco Werner captured Audi's sixth and hitherto most important victory at Le Mans. Their team colleagues Dindo Capello, Tom Kristensen and Allan McNish likewise secured a place on the winner's rostrum by finishing in third place.

The fans at the racetrack and millions of television viewers witnessed a memorable demonstration of Audi TDI power and the high performance of modern Audi diesel engines. The two R10 TDI racing cars, with around 650 bhp on tap, were easily the fastest and most economical contenders.

Course of profitable growth systematically maintained

In the first six months of the current year, the Audi Group boosted its revenue by 16.8 percent to EUR 15,454 million. The main factors behind this development were the higher sales figures and a renewed improvement in the product mix.

The disproportionately low rise in the cost of sales meant that the gross profit rose by 25.8 percent and thus clearly out-performed revenue.

The continuing model initiative and the associated model launches in the first half of the year pushed up distribution costs by around EUR 180 million. By contrast, administrative expenses remained virtually constant in the first six months of this year.

At EUR 733 million, the profit from operating activities was 22.4 percent up on the prior-year figure.

The financial result, which is substantially influenced by expenses from the total interest on medium and long-term provisions in accordance with the IFRS standards, improved by

almost 20 percent to minus EUR 72 million above all as a result of higher interest income from the investment of net liquidity, which showed a further rise.

The Audi Group improved its profit before tax by 29.6 percent to EUR 661 million, thus systematically maintaining its course of profitable growth in the first half of 2006.

Development in liquidity

The positive progress of the Audi Group is also reflected in the cash flow statement. The cash flow from operating activities was improved by 12.5 percent to EUR 2,329 million. This boosted net liquidity to EUR 4,693 million, a figure that reflects the company's financial strength and provides it with a sound basis for future development.

Employees

With 52,062 employees, the total workforce at the end of the first six months was virtually unchanged from the previous year. Taking into account the fact that Audi Synko GmbH and Audi Zentrum Hannover GmbH are no longer included in consolidation, the adjusted figures show a slight increase in the total number of employees.

Employees	June 30, 2006	June 30, 2005
Total, group	52,062	52,158
of which:		
AUDI AG	44,494	44,667
Ingolstadt	31,108	31,048
Neckarsulm	13,386	13,619
AUDI HUNGARIA MOTOR Kft.	5,158	5,030
Lamborghini Group ¹	741	720
AUTOGERMA S.p.A.	877	831

¹ excluding AUTOGERMA S.p.A.

Outlook for the car market

With the general economic situation remaining favourable, the worldwide car market is expected to make further progress in the second half of 2006. China will remain the driving force behind this growth.

By contrast, vehicle sales will remain flat or ease off in the major markets in Western Europe as well as in the USA and Japan.

In Germany the market environment will remain difficult, though the increase in value-added tax announced for the end of the year ought to exercise a positive influence on the overall car market. Due to continuing consumer unease, however, private demand will continue to fall short of its potential.

Overall assessment by the management

By methodically extending its product range, this year Audi will again be able to build on the sales successes of recent years and is targeting a new sales record for the eleventh year in a row.

The Audi Group has already established an excellent position in Europe and China. In order to continue growing on a broad basis over the next few years, the company will also specifically target new markets and further increase its market penetration in existing markets.

Income statement of the Audi Group

from January 1 to June 30, 2006

EUR million	1-6/2006	1-6/2005
Revenue	15,454	13,226
Cost of sales	13,710	11,840
Gross profit	1,744	1,386
Distribution costs	1,043	862
Administrative expenses	109	107
Other operating result	+ 141	+ 182*
Profit from operating activities	733	599*
Financial result	- 72	- 89*
Profit before tax	661	510
Income tax expense	254	210
Profit after tax	407	300

* figures adjusted, explanatory notes under "Primary accounting basis"

EUR	1-6/2006	1-6/2005
Earnings per share	9.46	6.97
Diluted earnings per share	9.46	6.97

Balance sheet of the Audi Group

at June 30, 2006

Assets, EUR million	June 30, 2006	Dec. 31, 2005
Non-current assets	8,306	8,597
Current assets	9,595	7,515
	17,901	16,112

Equity and liabilities, EUR million	June 30, 2006	Dec. 31, 2005
Equity	7,094	6,104
Liabilities	10,807	10,008
Non-current liabilities	4,335	4,202
Current liabilities	6,472	5,806
	17,901	16,112

Cash flow statement of the Audi Group

from January 1 to June 30, 2006

EUR million	1-6/2006	1-6/2005
Cash flow from operating activities	2,329	2,071
Cash flow from investing activities	- 787	- 735
Net cash flow	1,542	1,336
Change in securities	- 531	1
Cash flow from financing activities	- 144	- 216
Cash flows from changes in exchange rates and to the scope of consolidation	- 3	9
Change in cash and cash equivalents¹	864	1,130
Cash and cash equivalents at start of period	3,105	1,759
Cash and cash equivalents at end of period	3,969	2,889

EUR million	June 30, 2006	June 30, 2005
Cash and cash equivalents	3,969	2,889
Securities and credit extended	1,006	467
Gross liquidity	4,975	3,356
Credit outstanding	- 282	- 294
Net liquidity	4,693	3,062

¹ Cash and cash equivalents comprises balances with banks and affiliated companies, as well as cheques and cash in hand.

Statement of changes in equity

from January 1 to June 30, 2006

EUR million	1-6/2006	1-6/2005
Securities available for sale		
Fair value changes recognised directly in equity	1	27
Cash flow hedges		
Fair value changes recognised directly in equity	388	- 104
Income and expense recognised from the settlement of cash flow hedges	- 23	- 14
Currency translation differences	- 13	32
Tax items credited directly to equity	- 217	36
Reduction in actuarial losses on defined benefit obligations	216	-
Income and expense recognised directly in equity	352	- 23
Profit after tax	407	300
Total expense and income recognised in the financial year	759	277
Allocable to the shareholders of AUDI AG	759	277

Explanatory notes

Primary accounting basis

AUDI AG prepares its consolidated financial statements on the basis of the International Financial Reporting Standards (IFRS). The Interim Report at June 30, 2006 takes account of the bases of IAS 34 "Interim Financial Reporting".

The consolidated financial statements for the first half of 2006 fundamentally use the same accounting policies as the consolidated financial statements for the 2005 financial year. A detailed description of those methods is published in the 2005 Annual Report.

Since the 2005 consolidated financial statements, the market fluctuations of currency option transactions used for hedging the operating result have been reported under the other operating result and are no longer included in the financial result. Where the hedging transactions moreover satisfy the criteria of IAS 39, the changes in value of the effective portion of these derivatives are initially booked with no effect on income to a special reserve within equity, and only recognised in the other operating result once the hedged item is due. The prior-year figures have been adjusted for ease of comparison.

This Interim Report has not been subjected to any auditing scrutiny.

The Group

The consolidated financial statements include AUDI AG as well as all key domestic and foreign companies where AUDI AG directly or indirectly has scope for determining the financial and business policy in such a way as to benefit from the activities of these subsidiaries.

There have been the following changes to the Audi Group since December 31, 2005: the fully consolidated companies Audi Synko GmbH and Audi Zentrum Hannover GmbH as well as Audi Zentrum Stuttgart GmbH & Co. KG, which was included using the equity method, have been withdrawn from the group of consolidated companies.

Segment information

EUR million	1-6/2006	1-6/2005	1-6/2006	1-6/2005	1-6/2006	1-6/2005	1-6/2006	1-6/2005
	External revenue		Internal revenue		Total revenue		Profit before tax	
Germany	10,671	9,164	1,459	1,270	12,130	10,434	467	379
Rest of Europe	4,161	3,693	1,192	1,131	5,353	4,824	215	174
Rest of world	622	369	1	-	623	369	5	- 12
Consolidation measures	-	-	- 2,652	- 2,401	- 2,652	- 2,401	- 26	- 31
Audi Group	15,454	13,226	0	0	15,454	13,226	661	510

The Audi Group is structured into the segments Germany, Rest of Europe and Rest of world on the basis of the regional locations of its assets.

Events occurring after the first-half reporting date

No events which must be reported occurred after June 30, 2006.

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