

Audi Interim Financial Report 2014



January 1
to
June 30,
2014



Audi Group Key Figures

		1-6/2014	1-6/2013	Change in %
Production				
Automotive segment	Cars ¹⁾	922,048	816,033	13.0
	Engines	1,066,789	1,020,166	4.6
Motorcycles segment	Motorcycles	30,507	30,496	0
Deliveries to customers				
Automotive segment	Cars	971,528	874,335	11.1
Audi brand	Cars	869,355	780,467	11.4
Germany	Cars	140,003	128,345	9.1
Outside Germany	Cars	729,352	652,122	11.8
Lamborghini brand	Cars	956	1,166	- 18.0
Other Volkswagen Group brands	Cars	101,217	92,702	9.2
Motorcycles segment ²⁾	Motorcycles	26,740	25,982	2.9
Ducati brand ²⁾	Motorcycles	26,740	25,982	2.9
Workforce	Average	75,592	70,413	7.4
Revenue	EUR million	26,690	25,234	5.8
EBITDA ³⁾	EUR million	3,800	3,613	5.2
Operating profit	EUR million	2,671	2,644	1.0
Profit before tax	EUR million	3,102	2,974	4.3
Profit after tax	EUR million	2,323	2,178	6.6
Operating return on sales	Percent	10.0	10.5	
Return on sales before tax	Percent	11.6	11.8	
Cash flow from operating activities	EUR million	3,712	3,236	14.7
Net cash flow ⁴⁾	EUR million	2,259	2,006	12.7

		June 30, 2014	Dec. 31, 2013	Change in %
Balance sheet total	EUR million	47,812	45,156	5.9
Equity ratio	Percent	42.2	41.1	

1) Including vehicles built in China by the joint venture FAW-Volkswagen Automotive Company, Ltd.

2) Figures for the prior-year period have been marginally adjusted

3) EBITDA = operating profit + balance from depreciation/amortization, impairment losses (reversals) on property, plant and equipment and intangible assets, capitalized development costs, financial assets, leasing and rental assets and investment property as per the Cash Flow Statement

4) Net cash flow before changes in participations

Note:

All figures are rounded off, which may lead to minor deviations when added up.
Internet sources refer to the status as of July 17, 2014.



Prof. Rupert Stadler,
Chairman of the Board of Management of AUDI AG

*Dear Readers,
Dear Shareholders,*

It may be mere chance that 2014 is both the 25th anniversary of TDI and the year in which we are putting our pioneering solution to electric driving, the Audi A3 Sportback e-tron, onto the road. Yet the coinciding of these two events reflects the maxim that we at Audi follow in striving to shape the future of mobility: Keep exploring new paths and make what you do well even better.

Our TDI technology is a case in point. In relation to displacement, engine power has more than doubled over the past two and a half decades, while pollutant emissions have fallen by over 90 percent. Audi has built over 7.5 million cars with TDI engines during that period; in the first half of 2014 alone, we produced around 340,000 units. We can proudly declare that the TDI is now the most successful efficiency technology in the automotive world.

In parallel, we are paving the way for our customers to enter the age of electric mobility with the Audi A3 Sportback e-tron. Compared with the advent of TDI engines, the move into electric driving represents a fundamentally new direction. It is all the more important to prepare this new change for customers in such a way that it involves neither a major adjustment nor the need to forgo anything. Only then will the electric car achieve the breakthrough. That is why we chose to make the Audi A3 Sportback e-tron a plug-in hybrid. Its driver will be able to cover most everyday journeys on the electric motor, but also have the necessary operating range for longer vacation or business trips.

The customer is the benchmark – that is what Audi has built its success on. Both in the past and the present. Between January and June 2014 we maintained an admirable growth rate: During this period, around 869,350 customers worldwide chose a car with the four rings, equivalent to 11.4 percent growth compared with the same period of last year.



Sporty and efficient – the Audi A3 Sportback e-tron, our pioneering solution to electric driving.

Audi is in demand worldwide; in the first six months of 2014 we gained customers in every sales region. Even though the market conditions remained difficult in a number of European countries, we still achieved the best first half in the history of our Company on our home continent. Our highly efficient ultra models are playing a pivotal role in this advance: In Germany, currently one in three of the Audi A6 currently on order bears the ultra badge.

We have also made dynamic progress in Audi's two other major international markets: With 268,666 deliveries, we are half-way to our annual target of well over half a million units sold in China. The production start of the Audi A3 Sedan in Foshan in the second half of the year will give us an important boost. And in the United States, where this model is already providing an extra lift, we increased our deliveries by 13.6 percent to 84,349. We are confident of taking annual sales of Audi models there past the 200,000 mark before the end of this decade.

The Ducati brand also achieved higher total deliveries. It sold 26,740 motorcycles in the period January through June of this year, a year-on-year increase of 2.9 percent. Because of a model changeover, the supercar manufacturer Lamborghini saw its deliveries decline to 956, but can already look forward to healthy sales of the new Lamborghini Huracán: The model is very much in demand and over 1,500 are already on order.

On top of this market success, an array of awards reflects the high regard for our products and technologies among customers and in the trade. Eight awards at the "Best Cars 2014," a reader poll staged by the Chinese edition of the magazine auto motor und sport, the choosing of the Audi virtual cockpit as "Interior Innovation of the Year for Production Vehicles" at the Automotive Interiors Expo or two first places for Ducati at the German "Motorcycle of the Year 2014" event are typical of our success. We are especially proud that leading trade journalists from 22 countries voted the Audi A3 "World Car of the Year."

As a rule, you win awards for what you have already achieved. Sometimes awards also spur you on to a new level, such as the accolade given to Audi as Germany's "Best Employer 2014" by around 19,000 employees in a joint study carried out by the magazine FOCUS and XING, the social network for professionals. By impressing the top experts today, we know we will be at the top of our game tomorrow.

In April, we welcomed Dr.-Ing. Hubert Walzl as a new member of the Board of Management of AUDI AG. He has been closely associated with our Company since starting his career, and he now returns to Ingolstadt to head the Production Division. On behalf of everyone at Audi, I would like to thank his predecessor Dr.-Ing. Frank Dreyes for his outstanding achievements, especially the development of our global production network.

This year, for the first time, we will build more cars internationally than at home. That is one indication of our global success. And we are working hard on the next internationalization steps – above all in Mexico. Construction work on our plant in San José Chiapa is in full swing. We will be opening a training center there later on this year to familiarize the first employees with the Audi Production System. Most of the suppliers for production of the Audi Q5 from 2016 have also been chosen.

This means we have already met the local content requirement that enables us to profit from Mexico's international free-trade agreements.

We now have almost 76,000 people around the globe working for AUDI AG and its subsidiaries. They all share the burning ambition to make Audi the leading premium brand worldwide. Their ranks include our racing drivers, who fan the flames of enthusiasm for the four rings with victories such as recently at the 24 Hours of Le Mans. Or our engineers, who display the ardent zeal to make good concepts even better. Or our young apprentices, who fervently prepare to leave their personal imprint on the shape of future mobility.

Such passion in everyone at Audi inspires in me the confidence that our journey to the top will feature many more successes.

*Kind regards,
B. Dreyes*

The Audi R18 e-tron quattro triumphed at Le Mans for the third time in a row – the result of an outstanding performance by the entire Audi team.



INTERIM MANAGEMENT REPORT OF THE AUDI GROUP FROM JANUARY 1 TO JUNE 30, 2014

BUSINESS AND UNDERLYING SITUATION

/ GLOBAL ECONOMIC SITUATION

Global economic growth continued in the first six months of the year, displaying varying degrees of dynamism by region. Industrialized nations increasingly provided the key impetus for growth, despite the structural challenges that they continue to face. By contrast, economic development in a number of emerging economies was hampered by exchange rate fluctuations and structural shortcomings.

In Western Europe, the economy continued to recover throughout the first half of 2014. Northern European countries achieved steady growth in gross domestic product, while most countries on the southern fringe of Western Europe drew closer to pulling out of recession. The German economy consolidated its upward trend thanks to the stable labor market and positive consumer sentiment.

In Central Europe, too, economic activity took a positive direction. On the other hand, the economic situation in Eastern

Europe deteriorated as a result of the political tension between Russia and Ukraine.

Economic growth in the United States gained momentum in the year to date. The consistently positive mood among consumers and falling unemployment had a beneficial impact.

The low growth rate of the Brazilian economy and recessionary tendencies in Argentina weighed upon Latin America's economic development.

The Asia region achieved high rates of growth in gross domestic product compared with other regions. The Chinese economy again delivered very robust growth, even if the rate was down slightly. In Japan, economic policy measures served to further stabilize the chosen path of economic growth.

/ INTERNATIONAL CAR MARKET

Demand for cars worldwide continued to grow in the first half of 2014. The patterns in demand varied from region to region. While the overall markets in Western Europe, Central Europe, North America and the Asia-Pacific region achieved growth, new registrations in Latin America and Eastern Europe were down.

In Germany, the country's healthy overall economic development had a positive impact on the car market, which enjoyed a 2.4 percent increase in demand to 1.5 million vehicles. Demand for passenger cars also made good progress in most Western European export markets. The major markets France and Italy achieved slight growth in new registrations, while the

growth rate in the United Kingdom even reached double figures on the back of the continuing economic upturn.

Demand in Central Europe developed positively. By contrast, sales of passenger cars in Eastern Europe were driven down by lower demand in Russia and Ukraine, where the crisis undermined sales. In Russia, for example, 1.2 million new units were registered from January through June 2014 – 7.2 percent fewer than in the prior-year period.

Driven by an increasingly thriving economy along with continuing high replacement demand and the availability of attractive financing terms, the upward trend in new registrations in the U.S. car market was maintained. In the period January through



Audi RS7 Sportback

June, customers took delivery of 8.2 million passenger cars and light commercial vehicles – an increase of 4.4 percent. On the other hand, sales of passenger cars in Latin America were well down on the figure for the same period of the previous year. The weak overall economic development and higher vehicle prices in Brazil caused demand to slip by 10.2 percent to 1.2 million units. In Argentina, new car registrations even fell by more than 20 percent due to declining real incomes.

/ INTERNATIONAL MOTORCYCLE MARKET

Worldwide demand for motorcycles in the displacement segment above 500 cc showed a positive development in the first half of 2014. A rise of 6.6 percent in overall demand was registered in the established markets.

The Asia-Pacific region was again the key driver of growth for the global car market in the first six months of 2014. The Chinese market alone achieved 13.3 percent growth to 8.5 million vehicles.

In Japan, sales of passenger cars rose by 11.0 percent to 2.6 million units. However, growth was slowed during the period under review by an increase in the rate of value-added tax on April 1, 2014.

The healthier overall economic situation boosted the main motorcycle markets in Western Europe. In the United States, sales of motorcycles were only marginally up on the previous year's level, while Japan saw substantial growth in new registrations.

PRODUCTION

The Audi Group increased its production of cars to 922,048 (816,033) vehicles from January through June 2014. The new record total includes 240,928 (196,071) Audi vehicles made by the Chinese joint venture FAW-Volkswagen Automotive Company, Ltd. A total of 921,343 (814,876) cars of the Audi premium brand and, due to a model changeover, 705 (1,157) supercars of the Lamborghini brand were built worldwide in the first six months of the current fiscal year. 30,507 (30,496) motorcycles of the Ducati brand were built up until the end of June.

In the first half of 2014, we built 311,931 (305,783) cars at the Group headquarters in Ingolstadt. 142,138 (143,002) Audi vehicles were produced at Neckarsulm. AUDI HUNGARIA MOTOR Kft. built a total of 66,640 (13,416) cars of the TT car line and A3 family at Győr (Hungary) in the

period under review. This figure was boosted in particular by strong demand for our new A3 Sedan.

In addition, AUDI BRUSSELS S.A./N.V., Brussels (Belgium), produced 65,296 (65,558) cars of the Audi A1 line.

The Volkswagen Group locations Martorell (Spain) and Bratislava (Slovakia) built a total of 61,752 (59,284) of the Audi Q3 and 32,658 (31,762) of the Audi Q7 in the first half of 2014.

The Chinese joint venture FAW-Volkswagen Automotive Company, Ltd. manufactured a total of 240,928 (196,071) Audi vehicles of the A4 L, A6 L, Q3 and Q5 models and of the A3 family at its plants in Changchun and Foshan.

To supply the assembly plant in Aurangabad (India), 4,330 (3,872) parts and components were produced at the Ingolstadt, Neckarsulm, Bratislava and Martorell locations up until the end of June.

Car production by model ¹⁾

	1-6/2014	1-6/2013
Audi A1	20,591	21,637
Audi A1 Sportback	44,705	43,921
Audi A3	14,629	18,056
Audi A3 Sportback	94,739	80,970
Audi A3 Sedan	45,750	402
Audi A3 Cabriolet	10,756	2,633
Audi Q3	98,188	73,599
Audi TT Coupé	7,895	7,925
Audi TT Roadster	2,411	2,456
Audi A4 Sedan	119,585	121,543
Audi A4 Avant	47,186	46,336
Audi A4 allroad quattro	9,832	9,355
Audi A5 Sportback	25,801	28,003
Audi A5 Coupé	14,529	16,674
Audi A5 Cabriolet	10,716	12,394
Audi Q5	133,432	115,841
Audi A6 Sedan	118,343	114,960
Audi A6 Avant	27,676	25,675
Audi A6 allroad quattro	5,674	4,093
Audi A7 Sportback	13,928	15,422
Audi Q7	32,658	31,762
Audi A8	21,070	19,793
Audi R8 Coupé	775	864
Audi R8 Spyder	474	562
Audi brand	921,343	814,876
Lamborghini Gallardo	-	558
Lamborghini Huracán	146	11
Lamborghini Aventador	559	588
Lamborghini brand	705	1,157
Automotive segment	922,048	816,033

1) The table includes the vehicles built in China by the joint venture FAW-Volkswagen Automotive Company, Ltd.





Ducati Monster 821

Car engine production

	1-6/2014	1-6/2013
AUDI HUNGARIA MOTOR Kft.	1,066,236	1,019,595
Automobili Lamborghini S.p.A.	553	553
Car engine production	1,066,789	1,020,166

In the first half of 2014, the Audi Group manufactured 1,066,789 (1,020,166) engines for the Automotive segment.

7

Motorcycle production

	1-6/2014	1-6/2013
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	16,777	14,632
Dual/Hyper (Hypermotard, Multistrada)	7,564	11,278
Sport (Superbike)	6,166	4,586
Ducati brand	30,507	30,496
Motorcycle segment	30,507	30,496

The Ducati brand produced 30,507 (30,496) motorcycles worldwide between January and June 2014. The figure includes 27,749 (28,138) motorcycles built at the company headquarters in Bologna (Italy). A total of 2,257 (2,051) of the Diavel, Hypermotard, Monster, Multistrada and Superbike models were made at the Amphur Pluakdaeng plant (Thailand) in the first half of 2014. In addition, 501 (307) motorcycles of the Diavel, Monster and Multistrada model lines were produced in Manaus (Brazil) on a contract manufacturing basis.

DELIVERIES ¹⁾

The first half of 2014 saw the Audi Group step up deliveries to customers worldwide by 11.1 percent to 971,528 (874,335) cars. The core brand Audi performed especially well and supplied 869,355 (780,467) vehicles to customers worldwide – an increase of 11.4 percent compared with the same period of the previous year. The Lamborghini brand handed over 956 (1,166) supercars to customers in the period under review. The deliveries total also includes 101,217 (92,702) cars of other Volkswagen Group brands.

In addition, the Ducati brand delivered 26,740 (25,982) motorcycles to customers worldwide in the first half of 2014.

Audi brand vehicles again proved hugely popular in our home market Germany. We thus succeeded in boosting deliveries to customers by a substantial 9.1 percent to 140,003 (128,345) cars in the first six months of 2014.

In the same period, we increased deliveries in other Western European countries by 6.1 percent to 238,943 (225,223) Audi vehicles. The Audi brand continued to develop especially well in the United Kingdom. We stepped up deliveries to customers there by 12.6 percent to 83,357 (74,051) cars.

In Central and Eastern Europe, we handed over a total of 31,087 (30,094) Audi vehicles to customers by the end of June 2014.

In the United States, there was a further very pleasing rise in demand for vehicles with the four rings. We increased our total deliveries there to 84,349 (74,277) cars – a rise of 13.6 percent.

In the Asia-Pacific region, too, the Audi brand maintained its good progress in the first half of 2014. With 318,727 (270,823) cars delivered overall, we achieved a significant increase of 17.7 percent in the region compared with the same

1) Figures for the prior-year period have been marginally adjusted

period of 2013. In China (including Hong Kong), the largest sales market in the region, we increased deliveries to customers to 268,666 (228,139) Audi vehicles. Demand for cars with the four rings also developed very pleasingly in Japan and South Korea. The number of Audi vehicles handed over to customers in those markets between January and June of the current fiscal year reached 16,010 (14,456) and 13,360 (9,355) respectively.

Alongside the increase in overall market demand worldwide, the successful performance of the Audi brand can be attri-

buted in particular to our attractive product portfolio. Demand especially for the new A3 models was very positive. Overall we delivered 144,734 (96,866) cars of the popular premium compact car line to customers in the period under review. Our SUV models, too, served as a major driver of growth. From January to June of the current year, we handed over a total of 247,090 (209,940) SUV models to customers. In the full-size and luxury segments, the A6, A7 and A8 car lines were again hugely popular in the first six months of the fiscal year.

Car deliveries to customers by model ¹⁾

	1-6/2014	1-6/2013
Audi A1	19,979	20,233
Audi A1 Sportback	43,048	45,110
Audi A3	15,428	20,855
Audi A3 Sportback	86,086	72,007
Audi A3 Sedan	37,175	329
Audi A3 Cabriolet	6,045	3,675
Audi Q3	93,920	68,543
Audi TT Coupé	7,635	7,769
Audi TT Roadster	2,458	2,693
Audi A4 Sedan	113,058	116,141
Audi A4 Avant	44,056	46,388
Audi A4 allroad quattro	9,276	9,482
Audi A5 Sportback	25,921	24,780
Audi A5 Coupé	12,952	15,856
Audi A5 Cabriolet	10,092	10,649
Audi Q5	121,451	115,145
Audi A6 Sedan	119,047	112,766
Audi A6 Avant	27,297	24,368
Audi A6 allroad quattro	5,225	4,612
Audi A7 Sportback	15,709	13,999
Audi Q7	31,719	26,252
Audi A8	20,461	17,360
Audi R8 Coupé	805	880
Audi R8 Spyder	512	575
Audi brand	869,355	780,467
Lamborghini Gallardo	247	640
Lamborghini Huracán	54	-
Lamborghini Aventador	655	526
Lamborghini brand	956	1,166
Other Volkswagen Group brands	101,217	92,702
Automotive segment	971,528	874,335

1) Figures for the prior-year period have been marginally adjusted

Motorcycle deliveries to customers ¹⁾

	1-6/2014	1-6/2013
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	13,734	13,048
Dual/Hyper (Hypermotard, Multistrada)	7,016	7,997
Sport (Superbike)	5,990	4,937
Ducati brand	26,740	25,982
Motorcycles segment	26,740	25,982

1) Figures for the prior-year period have been marginally adjusted

Worldwide, the traditional Italian brand Ducati presented 26,740 (25,982) motorcycles to their new owners in the first six months of the fiscal year. Positive demand for motorcycles of the Ducati brand was sustained, especially in the United Kingdom. In the United States, too, there was a further increase in deliveries. More motorcycles were also handed over to customers in the Asia region compared with the prior-year period.

ADDITIONS TO THE PRODUCT RANGE

Further models of the A3 family have been available since the start of the year. These include the sporty S3 Sedan, which went on sale this February and is equipped with a powerful 2.0 TFSI engine developing 221 kW (300 hp). The new A3 Sportback g-tron appeared on the German market in March 2014. This CNG vehicle can run on natural gas, biomethane or Audi e-gas, a fuel that is produced at Audi's own e-gas plant in Werlte from eco-electricity, water and CO₂. As the world's first industrial-scale power-to-gas plant, it is a way of converting power from fluctuating sources such as wind and solar and storing it in the natural gas network. Thanks to Audi e-gas, the A3 Sportback g-tron can run almost CO₂-neutrally because it only releases as much CO₂ into the atmosphere as was previously captured in the production process for the gas. The new A3 Cabriolet is the open-top version of our versatile premium compact model and has also been rolled out in the markets since March this year. It was joined by the sporty top model – the S3 Cabriolet – in the German market in June 2014. We will be gradually launching the model in other markets, too.

The third generation of our design icon, the Audi TT, celebrated its debut at the Geneva Motor Show in March 2014. It has a sharper design that picks up on the unique formal idiom of characteristic TT features and accentuates it. It is given an added note of convenience by the innovative Audi virtual cockpit – a fully digital instrument cluster that offers precision graphics and various individually adjustable displays for the dial-type instruments and the MMI. The new Audi TT is also available optionally with innovative Matrix LED headlights. Upon its market introduction this fall, it will be available with a choice of two four-cylinder engines with turbocharging and direct injection. The Audi TT with 2.0 TDI engine develops 135 kW (184 hp). The 2.0 TFSI engine has a power output of 169 kW (230 hp). We will be introducing the extra-sporty Audi TTS developing 228 kW (310 hp) onto markets at the start of 2015. As well as the Audi TT quattro sport concept showcar that we exhibited in Geneva in March 2014, the Audi TT offroad concept showcar attracted a huge amount of attention at its unveiling at Auto China 2014 in Beijing. It blends the sports



Audi S3 Sedan and Audi A3 clubsport quattro concept

appeal of a coupe with the versatility of an SUV and provides a foretaste of the direction that future TT models might take. The concept car is equipped with plug-in hybrid drive with two electric motors and achieves a dynamic system output of 300 kW (408 hp) on fuel consumption averaging 1.6 liters of premium-grade fuel per 100 kilometers according to the European standard driving cycle. The Audi TT offroad concept achieves average emissions of 45 g of CO₂/km. In addition, the showcar is equipped with Audi wireless charging technology, which is intended to enable contactless charging by induction.

10 Deliveries of the new Audi S1 and S1 Sportback models commenced in the second quarter of this year. They are equipped with permanent all-wheel drive and a powerful 2.0 TFSI engine developing 170 kW (231 hp). This high-performance four-cylinder engine propels the compact sports models from 0 to 100 km/h in 5.8 and 5.9 seconds respectively; their top speed is 250 km/h.

In an effort to keep reducing CO₂ emissions during our vehicles' phase of use, we are systematically improving the fuel efficiency of our engines and reducing the weight of the materials used. The term "Audi ultra" is reserved for the most fuel-efficient model in each car line – it indicates sustainable mobility that is fit for everyday driving. Audi currently offers a total of 23 ultra models in the A3, A4, A5, A6 and A7 car lines – 15 of them are equipped with TDI engines. With average fuel consumption of up to 4.9 liters per 100 kilometers and CO₂ emis-

sions of 85 to 122 g/km, the Audi ultra models are currently among the most efficient cars in their respective classes, yet do not compromise on driving dynamics or comfort in any way.

The Lamborghini brand presented the newly developed Huracán LP 610-4 in Geneva as the follow-up model to the successful Gallardo. Its main assets are a particularly sharp-edged design and extremely sporty handling characteristics. Its V10 engine produces 449 kW (610 hp) of power. The supercar accelerates from 0 to 100 km/h in 3.2 seconds and reaches a top speed of 325 km/h.

In the Motorcycles segment, the Ducati brand also methodically expanded its product portfolio in the first half of 2014. As well as the new 1199 Superleggera – a lightweight superbike limited to 500 units – it presented what is now the third model generation of the popular Monster 1200 and 1200 S. The new models offer substantially more power, more comfort and notable versatility. Ducati is also offering its customers a new midsize motorcycle in the shape of the Monster 821. The new Diavel has also been revised from the ground up, taking the distinctive, sporty design of the model family to a new level. In addition, it is equipped with the latest generation of the Testastretta 11° Dual Spark engine. The new Diavel Carbon also incorporates sophisticated lightweight components. These help to reduce the sporty bike's weight even further, while adding to its performance.

AWARDS

The first half of 2014 again saw the Audi Group receive a large number of national and international awards.

For example, the Audi brand captured a total of eight top placings in the "Quality" category in the renowned AUTO BILD reader poll "The best brands in all classes." For this poll, over 70,000 readers of the trade magazine were surveyed for their opinion on quality, design and value for money in a total of 13 vehicle categories. The Audi brand also received two further awards for its motorsport achievements and the high resale value of its vehicles (AUTO BILD, issue 9/2014, p. 62–72).

AUTO ZEITUNG elected the Audi brand as the winner of its annual Image Report for the tenth time in a row. For this poll, over 20,000 readers gave their ratings to 45 different car

brands. The Audi brand was their choice in such categories as "Cars with good build quality," "Builds progressive cars," "Successful in motorsports," "Appealing brand" and "Quality of cars has improved" (AUTO ZEITUNG, issue 6/2014, p. 98–104).

In the "AUTO BILD DESIGN AWARD 2014," the Audi A3 came out on top in the "Small/Compact Cars" category. The readers of AUTO BILD and its European sister publications cast their votes among 80 different models, giving top placings to the Company's premium compact car (AUTO BILD, issue 23/2014, p. 66–67).

Internationally, too, the Audi brand received recognition with several awards in the first half of this year.

In the “World Car of the Year 2014” award, the new Audi A3 brought Audi its second overall win in the ten-year history of this prestigious award. Adding to the success of the Audi A6 in 2005, the award’s inaugural year, this was now a second victory for the brand with the four rings. The Audi A3 convinced the jury of 69 international trade journalists. In the “World Green Car” category, the new Audi A3 Sportback g-tron also achieved an outstanding top-three placing (www.wcoty.com/web/).

The brand with the four rings performed outstandingly in the “Best Cars 2014” reader poll of the Chinese edition of the magazine *auto motor und sport*, coming away with eight awards in total – more than any other brand. In the “Upper Midsize” and “Local Upper Midsize” categories, the Audi A6 L impressed the magazine’s readers. The Audi Q5 topped the poll as best “Local SUV & Offroader.” Audi also picked up top places in the brand ratings, winning the “Reliable cars,” “Environmentally friendly cars,” “Good customer service,” “Good value for

money” and “High resale value” categories (www.philstar.com/motoring/2014/03/12/1299715/audi-wins-multiple-awards-february).

The Ducati brand also won several awards over the past six months. The traditional Italian manufacturer came away from this year’s “Motorcycle of the Year 2014” event with five awards. The results were based on a poll conducted among more than 45,000 readers of the trade publication *MOTORRAD*. The Ducati Multistrada and Ducati Diavel topped their respective categories in the “Motorcycle of the Year” competition. The Ducati 1199 and 899 Panigale came second and third respectively in the “Sportbike” category. The Ducati Hypermotard achieved an excellent third place among the “Enduros/Supermotors” ([www.motorbiketimes.com/news/makes/ducati/ducati-wins-german-motorcycle-of-the-year-awards-for-multistrada-and-diavel-\\$21383555.htm](http://www.motorbiketimes.com/news/makes/ducati/ducati-wins-german-motorcycle-of-the-year-awards-for-multistrada-and-diavel-$21383555.htm)).



Audi R18 e-tron quattro

ONE-TWO WIN FOR THE AUDI R18 E-TRON QUATTRO AT LE MANS

12

The Audi R18 e-tron quattro triumphed at Le Mans for the third year in a row, extending its winning streak with an outstanding one-two win. In the 82nd meeting of the world's most prestigious endurance event, the two Audi R18 e-tron quattro cars

fended off strong challengers in a tough race, the outcome of which was impossible to predict for some time. This brings the total number of Le Mans wins for the Audi brand to 13, out of 16 starts.

EMPLOYEES

As a result of the growth strategy, the workforce of the Audi Group as of the end of June 2014 grew to an average of 75,592 (70,413) employees. In Germany alone, we plan to recruit some 3,000 new employees at AUDI AG throughout 2014 as a whole. In addition, around 750 young people will embark on vocational training at the Ingolstadt and Neckarsulm locations.

We continue to pursue our strategic goal of being an "attractive employer worldwide" consistently. Several independent studies conducted both in Germany and internationally have already confirmed our Company's high attractiveness as an employer.

In a survey carried out by the news magazine FOCUS in cooperation with the social network for professionals XING, Audi emerged as Germany's "Best Employer 2014." This result was based on the responses of around 19,000 employees. The outcome was determined in particular by their readiness to recommend their company (FOCUS-SPEZIAL special issue Employees, 2/2014, January 28, 2014).

In addition, this year saw us yet again achieve top placings in the prestigious employer rankings compiled by the consultancy institutes trendence and Universum. Audi consequently remains the employer of choice for engineers starting their career. We once more topped both the trendence and Universum surveys. A career

at Audi also holds great appeal among future economists. 12.3 percent of those interviewed in the trendence study quote Audi as their top employer, and Audi achieved its fifth successive first place in Universum's rankings (manager magazin issue 5/2014, p. 112; WirtschaftsWoche, issue 18/2014, p. 70–76).

AUDI HUNGARIA MOTOR Kft., Győr, has again been voted Hungary's most attractive employer this year – for the sixth time in succession. The reputation analysis was carried out by the international student organization AIESEC in collaboration with the management consultants Aon Hewitt, which interviewed some 7,700 participants from 13 different industries and over 240 Hungarian companies (www.budapester.hu/2014/03/17/fuer-deutsche-firmen-zu-arbeiten-ist-in/ – link only available in the German language).

In Italy, Automobili Lamborghini S.p.A., Sant'Agata Bolognese, topped the prestigious "Employer of Choice" study by the Fondazione Emblema foundation for the first time ever. The manufacturer of luxury sports cars is thus the top choice for young Italian academics (http://article.wn.com/view/2014/05/05/Audi_subsidary_Lamborghini_is_the_Employer_of_Choice_Volksw/). The company also received the accolade of "Top Employer Italia 2014" from the Top Employers Institute (www.conceptcarz.com/a6125/AUTOMOBILI-LAMBORGHINI-EARNS-TOP-EMPLOYER-ITALIA-2014-CERTIFICATION.aspx).

/ **WORKFORCE**

Average	1-6/2014	1-6/2013
Domestic companies	52,917	50,358
<i>of which AUDI AG</i>	<i>51,210</i>	<i>48,721</i>
<i>Ingolstadt plant</i>	<i>36,479</i>	<i>34,726</i>
<i>Neckarsulm plant</i>	<i>14,731</i>	<i>13,995</i>
Foreign companies	20,121	17,568
<i>of which AUDI BRUSSELS S.A./N.V.</i>	<i>2,530</i>	<i>2,540</i>
<i>of which AUDI HUNGARIA MOTOR Kft.</i>	<i>10,697</i>	<i>9,200</i>
<i>of which Automobili Lamborghini S.p.A.</i>	<i>1,039</i>	<i>945</i>
<i>of which VOLKSWAGEN GROUP ITALIA S.p.A.</i>	<i>846</i>	<i>891</i>
<i>of which Ducati Motor Holding S.p.A.</i>	<i>1,136</i>	<i>1,074</i>
Employees	73,038	67,926
Apprentices	2,201	2,149
Employees of Audi Group companies	75,239	70,075
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	353	338
Workforce of the Audi Group	75,592	70,413

PERSONNEL CHANGES

After seven years in total as the head of Audi Production, Dr.-Ing. Frank Dreves retired at the close of March 31, 2014. He was succeeded by Dr.-Ing. Hubert Walzl, who was a member

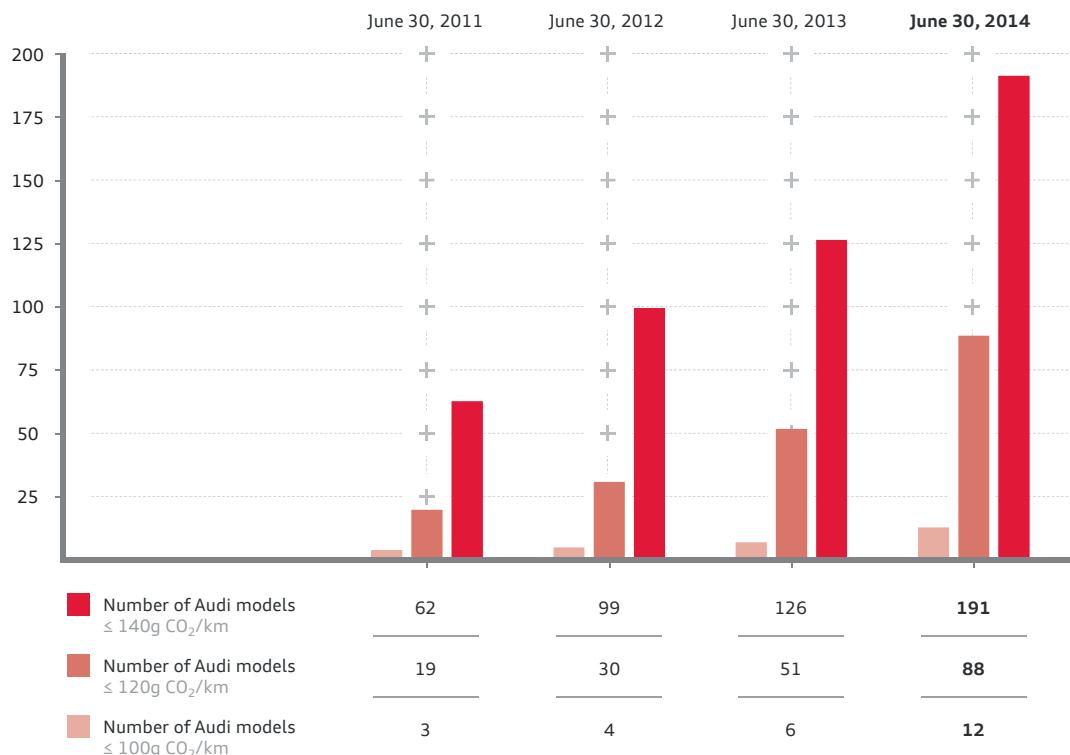
of the Volkswagen Passenger Cars brand Board of Management with responsibility for Production and Logistics from October 2009.

ENVIRONMENTAL ASPECTS

As part of our entrepreneurial activity, it is our ambition to make our products and processes sustainable along the entire value chain. As well as developing sophisticated, high-performance vehicles, it is particularly important to us to steadily reduce CO₂ emissions over the entire product life cycle and to handle finite resources in a responsible manner. With our innovative FSI, TFSI and TDI engine concepts, as well as Audi lightweight construction, the brand with the four rings has been influencing efficiency standards in the automotive industry for many years.

At the end of the first half of 2014, for example, it already had 191 models with CO₂ emissions averaging 140 g/km or less. Of these, 88 drive versions achieved average CO₂ emissions of 120 g/km or less, and 12 Audi models even averaged the remarkable figure of 100 g CO₂/km or less. Alongside the alternative drive concepts such as the A3 Sportback e-tron and A3 Sportback g-tron, the gradual introduction of high-efficiency ultra models in particular is helping to bring about a further reduction in our product portfolio's CO₂ emissions.

Audi models with CO₂ emissions up to an average of 140 g/km, 120 g/km and 100 g/km



At Audi, we package our innovative, efficiency-boosting technologies as the modular efficiency platform. These help to steadily reduce fuel consumption and CO₂ emissions.

Electrified drive concepts represent a focal area within our technology matrix. We are giving particular priority to plug-in hybrid technology as a bridge to all-electric driving. One example of such a model is the Audi A3 Sportback e-tron, which will become available in Germany and Central Europe from the second half of 2014, and eventually also in the United States. It comes with a parallel-hybrid high-efficiency engine concept that combines the virtues of the combustion engine and electric drive. The modified 1.4 TFSI engine with an output of 110 kW (150 hp) and the electric motor devel-

oping 75 kW achieve a combined system output of 150 kW (204 hp). The Audi A3 Sportback e-tron achieves a top speed of 222 km/h. In the all-electric mode the top speed of the premium compact car is 130 km/h, and its maximum electric range is 50 kilometers. With the combination of electric motor and combustion engine, an overall operating range of up to 940 kilometers is possible. The A3 Sportback e-tron achieves average consumption of a mere 1.5 liters of premium-grade fuel per 100 kilometers over the European standard driving cycle, with average CO₂ emissions of 35 g/km. Our objective for the future is to gradually increase our range of e-tron models and to bring a new model onto the market each year.



In parallel with the market introduction of the A3 Sportback e-tron, Audi is also offering eco-electricity to its customers in Germany in conjunction with a high-profile partner – branded as Audi Energy. As a result, the A3 Sportback e-tron can operate with zero emissions when in the electric mode. The electricity it uses comes entirely from renewables and is generated exclusively by hydroelectric plants in Germany, Austria and Switzerland. The origin and quality of this green power are certified by TÜV Nord. The “ok power” quality seal also confirms support for the expansion of electricity production from renewable energy sources.

The protection of the environment and of resources is a high priority for Audi. Audi was the first automotive manufacturer to have its corporate carbon footprint calculated and confirmed under the worldwide standard ISO 14064. This involved evaluating CO₂ emissions in detail over all life cycles of a car. The underlying data sources and calculations were checked and certified by DEKRA assessors. As a result, we have rendered our greenhouse gas emissions transparent along the entire value chain, enabling us to analyze them even more closely and reduce them in the future.

FINANCIAL PERFORMANCE INDICATORS

/ FINANCIAL PERFORMANCE

From January through June of this year, the Audi Group increased its revenue by 5.8 percent to EUR 26,690 (25,234) million despite adverse exchange rate effects. Revenue for the Automotive segment was increased to EUR 26,321 (24,858) million, while the Motorcycles segment achieved revenue of EUR 370 (378) million.

As a result of growth and higher research and development spending on pioneering technologies and new products, the cost of goods sold for the Audi Group increased to EUR 21,870 (20,190) million in the first six months. Gross profit thus came to EUR 4,820 (5,044) million.

The first six months of 2014 saw distribution costs for the Audi Group rise to EUR 2,419 (2,284) million as a result of our worldwide growth in volume. Administrative expenses climbed to EUR 300 (251) million. The other operating result rose to EUR 570 (136) million, above all thanks to improved earnings from the settlement of currency hedging transactions.

We increased the operating profit of the Audi Group to EUR 2,671 (2,644) million in the first half of 2014. The Auto-

motive segment contributed EUR 2,630 (2,587) million to this total, with the Motorcycles segment generating EUR 41 (57) million.

The operating return on sales in the period under review reached 10.0 (10.5) percent, and was therefore yet again at the upper end of our strategic target corridor of 8 to 10 percent. Broken down by segment, the operating return on sales for the Automotive segment was 10.0 (10.4) percent, and 11.1 (15.0) percent for the Motorcycles segment.

For the period January through June 2014, the financial result of the Audi Group improved to EUR 430 (330) million mainly thanks to positive effects from the measurement of derivative financial instruments.

Before tax, the Audi Group achieved a profit of EUR 3,102 (2,974) million in the first half of 2014. This represented a return on sales before tax of 11.6 (11.8) percent. The profit after tax was EUR 2,323 (2,178) million.



Audi R8 LMX

/ NET WORTH

The balance sheet total of the Audi Group rose to EUR 47,812 million as of June 30, 2014, compared with EUR 45,156 million as of December 31, 2013.

Non-current assets remained stable at EUR 20,156 (19,943) million.

On the other hand, our business expansion prompted an increase in the current assets of the Audi Group to EUR 27,656 (25,214) million as of June 30, 2014.

The equity of the Audi Group as of June 30, 2014 climbed to EUR 20,162 (18,565) million compared with the end of 2013.

The increase is substantially attributable to the cash infusion of EUR 1,591 million by Volkswagen AG, Wolfsburg, into the capital reserve of AUDI AG.

Compared with the position on December 31, 2013, the equity ratio of the Audi Group climbed to 42.2 (41.1) percent.

Due to growth, the non-current liabilities of the Audi Group rose to EUR 10,871 (10,194) million. The current liabilities of EUR 16,778 (16,398) million were up on the 2013 year-end level because of the business-related increase in trade payables.

/ FINANCIAL POSITION

The Audi Group achieved a cash flow from operating activities of EUR 3,712 (3,236) million in the first half of 2014.

Disregarding the acquisition of participations in the first half of 2014, the cash used in investing activities for current operations amounted to EUR 1,453 (1,231) million. The cash used for the acquisition of participations in the first half amounted to EUR 99 (9) million.

The net cash flow in the first half of 2014 consequently came to EUR 2,160 (1,996) million.

The net liquidity of the Audi Group increased by 13.2 percent to EUR 15,324 (13,536) million.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

The Audi Group expects global economic growth to continue for the remainder of the year.

Industrialized nations are increasingly likely to provide the impetus for this growth, though the economic development of those countries will probably still have to cope with various structural challenges. We expect that Asia's emerging economies will again deliver high dynamic growth.

In our assessment, worldwide demand for cars will again show a slight increase over 2014 as a whole. We anticipate rising new registrations in the Western Europe, North America and Asia-Pacific regions, while sales of passenger cars in Central and Eastern Europe and in Latin America are likely to fall.

/ REPORT ON RISKS AND OPPORTUNITIES

For the management of the Audi Group, we systematically pursue the goal of increasing the value of our Company. For the early identification of potential risks and opportunities, the Group-wide risk management system is of key importance in creating transparency and farsighted solutions. It enables the Audi Group to adjust promptly and comprehensively to changing underlying conditions and implement effective control measures.

Overall, the development of the Audi Group is subject to the typical risks and opportunities for its industry; these were explained in detail in the 2013 Group Management Report

For the forecasting period, we still expect a slight rise in overall demand in the displacement segment above 500 cc in established motorcycle markets.

Overall, the Audi Group considers itself to be well placed to rise to the challenges that lie ahead and to maintain a course of qualitative growth in line with its strategic objectives, which are explained in detail in the 2013 Annual Report and retain their validity. The forecasts for our priority key figures for 2014, which are outlined in the 2013 Group Management Report on pages 194 and 195, remain valid.

and remain valid. In addition, the Company faces industry-typical currency risks that involve volatility on currency markets in particular. These factors are significantly reduced by means of strategic currency hedging. In certain cases the Audi Group also seeks to invoice in liquid currencies such as the U.S. dollar. Nevertheless, the Company is unable to detach itself entirely from the currency risks in certain emerging economies. All the same, thanks to our very high market diversification, current geopolitical risks – for example in Ukraine, Russia and the Middle East – are not likely to have any significant impact on the future business performance of the Audi Group.



Lamborghini Huracán LP 610-4

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no reportable events of material significance after June 30, 2014.

DISCLAIMER

The Interim Management Report contains forward-looking statements relating to anticipated developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.

CONSOLIDATED FINANCIAL STATEMENTS OF THE AUDI GROUP

AS OF JUNE 30, 2014

INCOME STATEMENT OF THE AUDI GROUP

<i>EUR million</i>	Notes	1-6/2014	1-6/2013
Revenue	1	26,690	25,234
Cost of goods sold	2	- 21,870	- 20,190
Gross profit		4,820	5,044
Distribution costs		- 2,419	- 2,284
Administrative expenses		- 300	- 251
Other operating income	4	995	771
Other operating expenses	4	- 425	- 635
Operating profit		2,671	2,644
Result from investments accounted for using the equity method		265	244
Finance expenses		- 139	- 73
Other financial results		304	159
Financial result		430	330
Profit before tax		3,102	2,974
Income tax expense		- 779	- 796
Profit after tax		2,323	2,178
<i>of which profit share of AUDI AG shareholders</i>		<i>2,246</i>	<i>2,083</i>
<i>of which profit share of non-controlling interests</i>		<i>76</i>	<i>94</i>
Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code		1,733	1,914
<i>EUR</i>	Notes	1-6/2014	1-6/2013
Earnings per share	5	52.23	48.45
Diluted earnings per share	5	52.23	48.45

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	1-6/2014	1-6/2013
Profit after tax	2,323	2,178
Revaluations from pension plans recognized in other comprehensive income		
Revaluations from pension plans before tax recognized in other comprehensive income	- 435	296
Deferred taxes on revaluations from pension plans recognized in other comprehensive income	130	- 87
Revaluations from pension plans after tax recognized in other comprehensive income	- 305	209
Share of other comprehensive income of equity-accounted investments that will not be reclassified subsequently to profit or loss after tax	-	-
Items that will not be reclassified to profit/loss after tax	- 305	209
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	18	- 21
Currency translation differences transferred to profit or loss	-	-
Currency translation differences before tax	18	- 21
Deferred taxes on currency translation differences	-	-
Currency translation differences after tax	18	- 21
Cash flow hedges		
Fair value changes recognized in other comprehensive income	- 271	349
Fair value changes transferred to profit or loss	- 164	- 14
Cash flow hedges before tax	- 435	335
Deferred taxes on cash flow hedges	131	- 99
Cash flow hedges after tax	- 304	236
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	49	1
Fair value changes transferred to profit or loss	- 11	- 18
Available-for-sale financial assets before tax	39	- 17
Deferred taxes on financial assets available for sale	- 11	5
Available-for-sale financial assets after tax	27	- 12
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	- 20	- 0
Items that will be reclassified subsequently to profit/loss after tax	- 278	202
Other comprehensive income before tax	- 833	592
Deferred taxes relating to other comprehensive income	249	- 181
Other comprehensive income after tax ¹⁾	- 583	411
Total comprehensive income	1,739	2,589
of which profit share of AUDI AG shareholders	1,660	2,494
of which profit share of non-controlling interests	80	95

1) From other comprehensive income after tax, a share of EUR 3 (0) million from foreign currency translation differences after tax with no effect on income is attributable to the other non-controlling interests.

BALANCE SHEET OF THE AUDI GROUP

ASSETS <i>in EUR million</i>	Notes	June 30, 2014	Dec. 31, 2013
Intangible assets		5,064	4,689
Property, plant and equipment		8,351	8,413
Investment property		290	171
Investments accounted for using the equity method		3,645	3,678
Other long-term investments		248	290
Deferred tax assets		1,736	1,720
Other financial assets		805	969
Other receivables		17	12
Non-current assets	6	20,156	19,943
Inventories	7	5,031	4,495
Trade receivables		4,244	3,176
Effective income tax assets		39	35
Other financial assets		7,378	1,296
Other receivables		746	479
Securities		2,479	2,400
Cash funds		7,738	13,332
Current assets		27,656	25,214
Total assets		47,812	45,156
EQUITY AND LIABILITIES <i>in EUR million</i>	Notes	June 30, 2014	Dec. 31, 2013
Subscribed capital		110	110
Capital reserve		8,570	6,979
Retained earnings		10,678	10,470
Other reserves		431	712
AUDI AG shareholders' interest		19,789	18,271
Non-controlling interests		373	294
Equity		20,162	18,565
Financial liabilities		206	186
Deferred tax liabilities		334	517
Other financial liabilities		255	196
Other liabilities		926	843
Provisions for pensions		3,658	3,209
Effective income tax obligations		1,009	979
Other provisions		4,483	4,265
Non-current liabilities		10,871	10,194
Financial liabilities		1,235	1,228
Trade payables		5,426	5,163
Effective income tax obligations		358	225
Other financial liabilities		2,341	3,759
Other liabilities		3,759	2,664
Other provisions		3,659	3,360
Current liabilities		16,778	16,398
Liabilities		27,649	26,592
Total equity and liabilities		47,812	45,156

STATEMENT OF CHANGES IN EQUITY OF THE AUDI GROUP

EUR million	Subscribed capital	Capital reserve	Retained earnings	Other reserves				Equity		
				Statutory reserve and other retained earnings	Reserve for currency translation differences	Reserve for cash flow hedges	Reserve for fair value measurement	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interests
Position as of Jan. 1, 2013	110	5,084	9,477	32	76	19	33	14,830	261	15,092
Profit after tax	-	-	2,083	-	-	-	-	2,083	94	2,178
Other comprehensive income after tax	-	-	209	- 22	236	- 12	0	411	0	411
Total comprehensive income	-	-	2,292	- 22	236	- 12	0	2,494	95	2,589
Capital increase	-	1,895	-	-	-	-	-	1,895	-	1,895
Miscellaneous changes ¹⁾	-	-	- 1,914	-	-	-	-	- 1,914	-	- 1,914
Position as of June 30, 2013	110	6,979	9,855	10	311	7	33	17,305	356	17,661
Position as of Jan. 1, 2014	110	6,979	10,470	- 17	717	12	0	18,271	294	18,565
Profit after tax	-	-	2,246	-	-	-	-	2,246	76	2,323
Other comprehensive income after tax	-	-	- 305	15	- 304	27	- 20	- 587	3	- 583
Total comprehensive income	-	-	1,941	15	- 304	27	- 20	1,660	80	1,739
Capital increase	-	1,591	-	-	-	-	-	1,591	-	1,591
Miscellaneous changes ¹⁾	-	-	- 1,733	-	-	-	-	- 1,733	-	- 1,733
Position as of June 30, 2014	110	8,570	10,678	- 2	414	39	- 20	19,789	373	20,162

1) Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code.

CASH FLOW STATEMENT OF THE AUDI GROUP

<i>EUR million</i>	1-6/2014	1-6/2013
Profit before profit transfer and income taxes	3,102	2,974
Income tax payments	- 562	- 737
Impairment losses (reversals) on capitalized development costs	310	245
Impairment losses (reversals) on property, plant and equipment and other intangible assets and investment property	814	724
Impairment losses (reversals) on financial investments	4	-
Result from the disposal of assets	- 1	2
Result from investments accounted for using the equity method	85	138
Change in inventories	- 482	- 482
Change in receivables	- 1,292	- 1,713
Change in liabilities	1,363	1,568
Change in provisions	510	189
Other non-cash expenses and income	- 140	329
Cash flow from operating activities	3,712	3,236
Additions of capitalized development costs	- 743	- 585
Investments in property, plant and equipment and other intangible assets	- 720	- 654
Acquisition of subsidiaries and other participations	- 99	- 9
Other cash changes	10	8
Change in investments in securities, fixed deposits and loans extended	- 3,605	207
Cash flow from investing activities	- 5,157	- 1,033
Capital contributions	1,591	1,895
Transfer of profit	- 3,182	- 3,790
Change in financial liabilities	- 18	160
Lease payments	- 4	- 3
Cash flow from financing activities	- 1,613	- 1,738
Change in cash and cash equivalents due to changes in exchange rates	33	- 16
Change in cash and cash equivalents	- 3,025	450
Cash and cash equivalents at beginning of period	6,540	4,281
Cash and cash equivalents at end of period	3,515	4,731

<i>EUR million</i>	June 30, 2014	June 30, 2013
Cash and cash equivalents as per Cash Flow Statement (bank assets and cash deposits with maturities of no more than three months)	3,515	4,731
Currently due fixed deposits with a remaining term of < 3 months	4,223	5,233
Cash funds as per Balance Sheet	7,738	9,963
Securities and currently due fixed deposits with an investment period > 3 months	9,027	4,997
Gross liquidity	16,765	14,960
Credit outstanding	- 1,441	- 1,424
Net liquidity	15,324	13,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

/ ACCOUNTING PRINCIPLES

AUDI AG prepares its Consolidated Financial Statements on the basis of the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). All pronouncements of the International Accounting Standards Board (IASB) where application is mandatory have been observed. The Interim Financial Report as of June 30, 2014 was prepared on the basis of IAS 34. The prior-year figures have been calculated according to the same principles. All individual amounts are rounded off commercially. This may lead to minor deviations when added up.

/ ACCOUNTING AND VALUATION PRINCIPLES

For the first half of 2014, all standards whose application became mandatory from January 1, 2014 have been observed. The following new standards are to be taken into account for 2014:

IFRS 10 (Consolidated Financial Statements) governs the determination of the entities to be included in consolidation and the form of inclusion of subsidiaries in the Consolidated Financial Statements. IFRS 10 has been created as a standardized control concept. Control exists when decision-making power is held with respect to the relevant activities that can be used to control variable returns. The revised control concept did not result in any changes for the Audi Group.

IFRS 11 (Joint Arrangements) governs the definition and reporting of joint arrangements. The standard distinguishes between joint operations and joint ventures. A joint operation exists when the companies with joint control have rights to the assets and obligations for liabilities resulting from the joint activity. With joint ventures, by contrast, the companies are only entitled to a share of the net assets. Applying IFRS 11 did not result in any changes for the Audi Group.

IFRS 12 (Disclosure of Interests in Other Entities) deals with the disclosure requirements for subsidiaries, joint arrangements, associated companies and structured entities. IFRS 12 did not produce any additional disclosure requirements for interim financial reporting for the Audi Group.

The other accounting standards to be adopted for the first time in the current fiscal year equally have no material consequences for the presentation of the net worth, financial position and financial performance.

For this Interim Financial Report, a discount rate of 3.1 (December 31, 2013: 3.7) percent was applied to provisions for pensions in Germany. The decrease in the interest rate resulted in increased actuarial losses for pension obligations that are recognized directly in equity.

Income tax expense for the interim reporting period is, in keeping with IAS 34, determined on the basis of the weighted average annual tax rate that is expected for the entire fiscal year.

The same accounting and valuation methods have been applied in the condensed presentation of the Consolidated Financial Statements for the first half of 2014 as for the Consolidated Financial Statements for the 2013 fiscal year. A detailed description of these methods is published in the 2013 Annual Report. That report is also available on the internet at www.audi.com/annualreport.

/ GROUP OF CONSOLIDATED COMPANIES

The Consolidated Financial Statements include AUDI AG and all significant domestic and foreign companies where AUDI AG has decision-making power with respect to the relevant activities that can be used to control variable returns.

The group of consolidated companies has been extended since December 31, 2013 to include Audi Electronics Venture GmbH, Gaimersheim, AUDI Immobilien GmbH & Co. KG, Ingolstadt and DUCATI DO BRASIL INDÚSTRIA E COMÉRCIO DE MOTOCICLETAS LTDA., São Paulo, (Brazil).

The initial inclusion of these subsidiaries did not have any material effects on the presentation of the net worth, financial position and financial performance.

In May 2014, AUDI AG acquired 26 percent of the shares in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin (China) for EUR 72 million which is measured at equity in the Audi Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 / REVENUE

EUR million	1-6/2014	1-6/2013
Audi brand	19,384	18,450
Lamborghini brand	198	233
Other Volkswagen Group brands	1,495	1,380
Other automotive business	5,244	4,793
Automotive	26,321	24,856
Ducati brand	308	315
Other motorcycles business	62	63
Motorcycles	370	378
Revenue	26,690	25,234

Revenues from the other automotive business primarily include the supply of parts and components to China as well as the proceeds from engine and original parts sales.

2 / COST OF GOODS SOLD

Amounting to EUR 21,870 (20,190) million, cost of goods sold comprises the costs incurred in generating revenue and purchase prices in trading transactions.

3 / RESEARCH AND DEVELOPMENT COSTS

EUR million	1-6/2014	1-6/2013
Total research and development costs	2,236	1,995
<i>of which capitalized development costs</i>	<i>743</i>	<i>585</i>
Capitalization quota	33.2%	29.3%
Impairment losses on capitalized development costs	331	245
Reversal of impairment losses on capitalized development costs	20	-
Research and development costs affecting income	1,803	1,655

4 / OTHER OPERATING INCOME AND EXPENSES

The other operating result of EUR 570 (136) million contains, among other things, income and expenses arising from the settlement of foreign currency and commodity hedging transactions, from rebilling and from the reversal of provisions.

5 / EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of profit due to AUDI AG shareholders by the weighted average number of shares in circulation during the period under review.

At AUDI AG the diluted earnings per share are the same as the basic earnings per share, as there were no potential shares in existence at either June 30, 2014 or June 30, 2013.

	1-6/2014	1-6/2013
Profit share of AUDI AG shareholders (EUR million)	2,246	2,083
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	52.23	48.45

26

6 / NON-CURRENT ASSETS

EUR million	Net carrying amount as of January 1, 2014	Additions	Disposals/other movements	Depreciation and amortization	Net carrying amount as of June 30, 2014
Intangible assets	4,689	751	22	- 398	5,064
Property, plant and equipment	8,413	718	- 37	- 742	8,351

The table above depicts the performance of selected non-current assets from January 1 to June 30, 2014.

7 / INVENTORIES

EUR million	June 30, 2014	Dec. 31, 2013
Raw materials and supplies	483	490
Work and services in progress	582	579
Finished goods and products	3,045	2,757
Current leased assets	921	670
Inventories	5,031	4,495

8 / FINANCIAL INSTRUMENTS DISCLOSURES
// FAIR VALUE DISCLOSURES

<i>EUR million</i>	Measured at fair value	Measured at amortized cost		Carrying amount as per Balance Sheet as of June 30, 2014
	Carrying amount	Carrying amount	Fair value	
Other long-term investments	-	248	248	248
Other financial assets	542	263	263	805
<i>of which from the positive fair values of derivative financial instruments</i>	542	-	-	542
<i>of which fixed deposits and extended loans</i>	-	248	248	248
<i>of which miscellaneous other financial assets</i>	-	15	15	15
Non-current financial assets	542	511	511	1,053
Trade receivables	-	4,244	4,244	4,244
Other financial assets	379	7,000	7,000	7,378
<i>of which from the positive fair values of derivative financial instruments</i>	379	-	-	379
<i>of which fixed deposits and extended loans</i>	-	6,300	6,300	6,300
<i>of which miscellaneous other financial assets</i>	-	700	700	700
Securities	2,479	-	-	2,479
Cash funds	-	7,738	7,738	7,738
Current financial assets	2,858	18,982	18,982	21,840
Financial assets	3,400	19,493	19,493	22,892
Financial liabilities	-	206	206	206
Other financial liabilities	253	2	2	255
<i>of which from the negative fair values of derivative financial instruments</i>	253	-	-	253
<i>of which miscellaneous other financial liabilities</i>	-	2	2	2
Non-current financial liabilities	253	208	208	461
Financial liabilities	-	1,235	1,235	1,235
Trade payables	-	5,426	5,426	5,426
Other financial liabilities	294	2,047	2,047	2,341
<i>of which from the negative fair values of derivative financial instruments</i>	273	-	-	273
<i>of which miscellaneous other financial liabilities</i>	21	2,047	2,047	2,068
Current financial liabilities	294	8,707	8,707	9,001
Financial liabilities	547	8,916	8,916	9,462

EUR million	Measured at fair value	Measured at amortized cost		Carrying amount as per Balance Sheet as of Dec. 31, 2013
	Carrying amount	Carrying amount	Fair value	
Other long-term investments	-	290	290	290
Other financial assets	700	269	269	969
<i>of which from the positive fair values of derivative financial instruments</i>	700	-	-	700
<i>of which fixed deposits and extended loans</i>	-	243	243	243
<i>of which miscellaneous other financial assets</i>	-	26	26	26
Non-current financial assets	700	559	559	1,259
Trade receivables	-	3,176	3,176	3,176
Other financial assets	405	891	891	1,296
<i>of which from the positive fair values of derivative financial instruments</i>	405	-	-	405
<i>of which fixed deposits and extended loans</i>	-	153	153	153
<i>of which miscellaneous other financial assets</i>	-	737	737	737
Securities	2,400	-	-	2,400
Cash funds	-	13,332	13,332	13,332
Current financial assets	2,805	17,399	17,399	20,204
Financial assets	3,505	17,958	17,958	21,463
Financial liabilities	-	186	186	186
Other financial liabilities	194	2	2	196
<i>of which from the negative fair values of derivative financial instruments</i>	194	-	-	194
<i>of which miscellaneous other financial liabilities</i>	-	2	2	2
Non-current financial liabilities	194	188	188	381
Financial liabilities	-	1,228	1,228	1,228
Trade payables	-	5,163	5,163	5,163
Other financial liabilities	220	3,538	3,538	3,759
<i>of which from the negative fair values of derivative financial instruments</i>	199	-	-	199
<i>of which miscellaneous other financial liabilities</i>	21	3,538	3,538	3,560
Current financial liabilities	220	9,929	9,929	10,149
Financial liabilities	414	10,116	10,116	10,530

The methods of fair value measurement remain fundamentally unchanged from the Consolidated Financial Statements for the 2013 fiscal year. Detailed notes on the valuation methods can be found in the 2013 Annual Report.

Measurement is based on uniform measurement methods as well as measurement parameters.

// ALLOCATION OF FAIR VALUES TO THE LEVELS OF THE FAIR VALUE HIERARCHY

EUR million	June 30, 2014	Level 1	Level 2	Level 3
Other financial assets	542	-	531	11
Non-current financial assets	542	-	531	11
Other financial assets	379	-	363	16
Securities	2,479	2,479	-	-
Current financial assets	2,858	2,479	363	16
Financial assets	3,400	2,479	894	27
Other financial liabilities	253	-	112	141
Non-current financial liabilities	253	-	112	141
Other financial liabilities	294	-	234	60
Current financial liabilities	294	-	234	60
Financial liabilities	547	-	346	201

EUR million	Dec. 31, 2013	Level 1	Level 2	Level 3
Other financial assets	700	-	688	12
Non-current financial assets	700	-	688	12
Other financial assets	405	-	387	18
Securities	2,400	2,400	-	-
Current financial assets	2,805	2,400	387	18
Financial assets	3,505	2,400	1,075	30
Other financial liabilities	194	-	60	133
Non-current financial liabilities	194	-	60	133
Other financial liabilities	220	-	177	43
Current financial liabilities	220	-	177	43
Financial liabilities	414	-	237	176

The allocation of fair values to the three levels of the fair value hierarchy is based on the availability of observable market prices on an active market. Level 1 shows fair values of financial instruments for which a market price can be directly determined. These financial instruments are securities. Fair values on level 2, for instance derivatives, are determined on the basis of market data such as exchange rates or interest rate curves using measurement methods relevant to the re-

spective market. Fair values on level 3 are calculated using measurement methods that include factors that cannot be observed directly on an active market. In the Audi Group, non-current commodity futures are allocated to level 3 because the prices available on the market need to be extrapolated for measurement purposes. The residual value hedging model also comes under level 3.

// RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED ACCORDING TO LEVEL 3

EUR million	2014	2013
Positive fair values of level 3 derivative financial instruments as of January 1	30	103
Income (+) and expense (-) recognized in the operating profit	-	- 58
Income (+) and expense (-) recognized in the financial result	+1	- 1
Income (+) and expense (-) recognized in other comprehensive income	+3	- 1
Settlements	- 5	- 3
Transfer from level 3 to level 2	- 2	- 1
Positive fair values of level 3 derivative financial instruments as of June 30	27	38
Income (+) and expense (-) recognized in the operating profit from level 3 derivative financial instruments still held at June 30	-	- 58
Income (+) and expense (-) recognized in the financial result from level 3 derivative financial instruments still held at June 30	+1	-

EUR million	2014	2013
Negative fair values of level 3 derivative financial instruments as of January 1	176	20
Income (-) and expense (+) recognized in the operating profit	-	+131
Income (-) and expense (+) recognized in the financial result	+45	+2
Income (-) and expense (+) recognized in other comprehensive income	+2	+6
Settlements	- 19	- 18
Transfer from level 3 to level 2	- 3	- 8
Negative fair values of level 3 derivative financial instruments as of June 30	201	134
Income (-) and expense (+) recognized in the operating profit from level 3 derivative financial instruments still held at June 30	-	+131
Income (-) and expense (+) recognized in the financial result from level 3 derivative financial instruments still held at June 30	+45	0

Reclassifications between the levels of the fair value hierarchy are taken into account at the respective reporting dates. The reclassifications from level 3 to level 2 include commodity futures that no longer require the exchange rates to be extrapolated for their valuation, because exchange rates which can be observed are now available. There were no shifts between the other levels of the fair value hierarchy.

The commodity price is the principal risk variable for the fair value of commodity futures. Sensitivity analysis reveals the effect of commodity price changes on profit after tax and equity.

If the commodity prices of commodity futures, which are allocated to level 3, had been 10 percent higher (lower) as of June 30, 2014, profit after tax would have been EUR 6 million higher (lower) and equity would have been EUR 7 million higher (lower).

Residual value risks arise from hedging arrangements with the retail trade according to which, in the context of buy-back

obligations resulting from concluded lease agreements, effects on profit caused by market-related fluctuations in residual values are partly borne by the Audi Group.

The market prices of used cars are the main risk variable for the fair value of the options from residual value risks. The impact of changes in used car prices on the profit after tax is quantified using sensitivity analyses. If the used car prices of the vehicles in the residual value hedging model had been 10 percent higher (lower) as of June 30, 2014, profit after tax would have been EUR 183 million higher (lower).

The fair value of the financial instruments measured at amortized cost, such as receivables and liabilities, is determined by discounting at a risk-adequate market rate with a matching maturity. Within non-current assets and liabilities, there were no significant changes in the ratios between balance sheet value and fair value compared to December 31, 2013. For reasons of materiality, the fair value for current balance sheet items is equated with the balance sheet value.

9 / CONTINGENCIES

There are no significant changes in contingent liabilities compared with the position as of December 31, 2013.

10 / RELATED PARTY DISCLOSURES

EUR million	Goods and services supplied		Goods and services received	
	1-6/2014	1-6/2013	1-6/2014	1-6/2013
Volkswagen AG	3,080	2,606	3,078	2,716
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	6,886	6,210	2,832	2,770
Associated companies	5,074	4,800	106	74
Non-consolidated subsidiaries of AUDI AG	11	21	46	45

In the first half of 2014, goods and services amounting to a total value of EUR 161 (99) thousand were provided to the German state of Lower Saxony and to companies in which the state of Lower Saxony holds a majority stake.

Goods and services provided to the members of the Board of Management and the Supervisory Board of AUDI AG and Volkswagen AG, Wolfsburg, in the first half of 2014 totaled EUR 61 (58) thousand.

EUR million	Receivables		Obligations	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Volkswagen AG	7,717	5,192	4,732	5,720
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	1,892	2,786	3,547	3,071
Associated companies	1,443	1,490	1,527	1,498
Non-consolidated subsidiaries of AUDI AG	76	82	6	26

11 / SEGMENT REPORTING

The segmentation of business activities is based on the internal management and reporting of the Company in accordance with IFRS 8. The decision-making body for both segments with regard to the allocation of resources and the valuation of profitability is the full Board of Management.

The Audi Group focuses its economic activities on the Automotive and Motorcycles segments. Although the Motorcycles segment is to be regarded as not material within the meaning of IFRS 8, it is reported here as a separate segment for information purposes.

The activities of the Automotive segment comprise the development, manufacture, assembly and sale of vehicles of the Audi and Lamborghini brands, as well as the sale of vehicles of other Volkswagen Group brands.

The activities of the Motorcycles segment comprise the development, manufacture, assembly and sale of motorcycles of the Ducati brand, as well as the sale of accessories and spare parts.

As a general rule, the segment reporting is based on the same reporting, accounting and measurement methods as applied to the Consolidated Financial Statements. Business relations between the companies of the segments in the Audi Group are

generally based on the same prices as those agreed with third parties. Consolidation between the segments is carried out in the Reconciliation column.

The definition and composition of operating profit are shown in the Income Statement of the Audi Group on page 19 of the Interim Financial Report. For a breakdown of revenue, please refer to the corresponding note on page 25.

The central performance and management key figures for the two segments are the operating profit and operating return on sales.

The Automotive segment recorded an operating return on sales of 10.0 (10.4) percent. After taking into account additional depreciation due to the revaluation of assets and liabilities as part of the purchase price allocation, the Motorcycles segment recorded an operating return on sales of 11.1 (15.0) percent. Adjusted to take account of these one-off effects, the operating profit totaled EUR 54 (70) million and the operating return on sales 14.5 (18.5) percent.

The operating return on sales of the Audi Group totaled 10.0 (10.5) percent.

// RECONCILIATION OF THE SEGMENTS

EUR million	1-6/2014			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	26,321	369	-	26,690
Revenue with other segments	0	0	0	-
Revenue	26,321	370	0	26,690
Segment profit (operating profit)	2,630	41	-	2,671

EUR million	1-6/2013			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	24,858	375	-	25,234
Revenue with other segments	0	3	-3	-
Revenue	24,858	378	-3	25,234
Segment profit (operating profit)	2,587	57	-	2,644

// RECONCILIATION TO GROUP PROFIT

EUR million	1-6/2014	1-6/2013
Segment profit (operating profit)	2,671	2,644
Consolidation	-	-
Operating profit	2,671	2,644
Financial result	430	330
Group profit before tax	3,102	2,974

// REVENUES BY REGION

	1-6/2014		1-6/2013	
	EUR million	%	EUR million	%
Germany	5,583	20.9	5,274	20.9
Rest of Europe	8,842	33.1	8,279	32.8
Asia-Pacific	8,036	30.1	7,629	30.2
North America	3,708	13.9	3,503	13.9
South America	310	1.2	286	1.1
Africa	211	0.8	262	1.0
Revenue	26,690	100.0	25,234	100.0

The sales revenues by region pursuant to IFRS 8.33 have been determined on the basis of the country of origin of external customers.

GERMAN CORPORATE GOVERNANCE CODE

The current declarations on the German Corporate Governance Code by the Board of Management and Supervisory Board of AUDI AG pursuant to Section 161 of the German Stock Corporation Act are permanently available on the website www.audi.com/cgk-declaration.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events after June 30, 2014 subject to a reporting obligation in accordance with IAS 10.

“RESPONSIBILITY STATEMENT

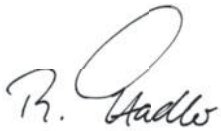
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed Interim Consolidated Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Group, and the Interim Group

Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.”

Ingolstadt, July 17, 2014

34

The Board of Management



Prof. Rupert Stadler



Luca de Meo



Prof. Dr.-Ing. Ulrich Hackenberg



Dr. Bernd Martens



Prof. h. c. Thomas Sigi



Axel Strotbek



Dr.-Ing. Hubert Walzl

“REVIEW REPORT

To AUDI Aktiengesellschaft, Ingolstadt

We have reviewed the condensed Interim Consolidated Financial Statements – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and selected explanatory notes – and the Interim Group Management Report of AUDI Aktiengesellschaft, Ingolstadt, for the period from January 1 to June 30, 2014 which are part of the Interim Financial Report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed Interim Consolidated Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company’s Board of Management. Our responsibility is to issue a review report on the condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the condensed Interim Consolidated Financial Statements and the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and

perform the review so that we can preclude through critical evaluation, with reasonable assurance, that the condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.”

Munich, July 17, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Norbert Winkeljohann
Wirtschaftsprüfer
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