



Audi Group Quarterly Report

January 1 to March 31, 2019



AUDI GROUP FROM JANUARY TO MARCH 2019 – CORE MESSAGES

- ▶ **Start of the challenging 2019 fiscal year** still dominated by negative factors:
 - **Impact of the WLTP changeover** still visible in Q1 2019 – re-homologation has now been completed for almost all of the model portfolio
 - **Continuation of the model initiative and high investment in the future** adversely impacted financial performance in the first three months
 - **Audi e-tron** launched successfully; further electric and electrified models to follow during the year
 - Revenue and related key performance indicators significantly influenced by the **deconsolidation of multi-brand sales companies**
 - Positive mix effects thanks to new models (including the Audi e-tron, Q8, Lamborghini Urus)
- ▶ **Deliveries to customers** fell by **-3.6 percent to 447,247** (463,750) vehicles; declines in Europe and United States, renewed growth in China
- ▶ **Revenue lower than in the prior-year period at EUR 13.8** (15.3) **billion**, mainly due to changes to the group of consolidated companies
- ▶ **Operating profit declined to EUR 1.1** (1.3) **billion** due to decline in volume as a result of **WLTP and high upfront expenditures; operating return on sales at 8.0** (8.5) **percent**, boosted by changes to the group of consolidated companies
- ▶ **Net cash flow** dropped to **EUR 1.2** (1.9) **billion**
- ▶ **Outlook** for full year 2019 **unchanged**:
 - Deliveries of the Audi brand moderately higher than in the previous year
 - Slight increase in revenue after adjustment for changes to the group of consolidated companies
 - Operating return on sales expected to be between 7.0 – 8.5 percent
 - Net cash flow between EUR 2.5 and 3.0 billion despite fluctuations during the year
 - Challenges due to second phase of the WLTP changeover
 - Further strongly positive effects from the Audi Transformation Plan planned for 2019 by improving cost structures and optimizing revenue

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.



ECONOMIC ENVIRONMENT

The global economy grew robustly in the first three months of 2019 – although momentum dropped. In both advanced and emerging economies, average growth in gross domestic product (GDP) was lower than in the prior-year period. Increasing trade disputes worldwide led to a considerable rise in market uncertainty.

In Western Europe, GDP continued to rise moderately between January and March 2019, but growth momentum declined year-on-year. Factors affecting this development included increased global tension and a weakening of worldwide demand. The Central and Eastern Europe region as a whole posted solid economic growth in the reporting period. Growth in the U.S. economy was stable compared with the prior-year quarter as a result of the good development of consumer demand. Brazilian GDP also increased further, albeit from a low base. On an international comparison, the People's Republic of China again reported very high GDP growth, partly due to measures taken by the Chinese government and the central bank to support the economy.

Global demand for cars declined by –5.6 percent to 19.9 (21.1) million vehicles between January and March 2019. While Western Europe, North America, South America and the Asia-Pacific region saw a drop in new registrations, unit sales in Central and Eastern Europe increased slightly.

In the Western European car market, new registrations were down by –3.6 percent overall. Factors here included increased economic uncertainty and the effect of the changeover to the WLTP test cycle in some large markets. The car markets in

Germany and France remained around the same level as in the previous year, with rates of change of 0.2 percent and –0.6 percent respectively. Unit sales of passenger cars in the United Kingdom were once again lower than in the prior-year period, with a drop of –2.4 percent. Demand was affected, among other things, by the uncertain outcome of the exit negotiations between the United Kingdom and the European Union (EU). Furthermore, the Spanish and Italian passenger car markets shrank by –6.9 percent and –6.8 percent respectively. New registrations increased in Central and Eastern Europe. Despite an increase in value-added tax on January 1, 2019, the Russian car market registered marginal growth of 0.3 percent in new registrations. The U.S. market for passenger cars and light commercial vehicles contracted by –2.5 percent. In this market, the trend in demand for SUVs and pick-up models continued, accompanied by a decline in demand in the classic passenger car segments. Contrary to the general market trend in South America, the Brazilian market for passenger cars and light commercial vehicles continued to recover and new registrations rose by 10.1 percent. In China, the car market contracted by –9.8 percent. Alongside the ongoing trade dispute between China and the United States, the value-added tax reduction announced for April 2019, which has now taken effect, held back purchases by Chinese customers in the first three months of the year.

In the first quarter of 2019, the established motorcycle markets recorded a rise in demand of 5.8 percent in the displacement segment above 500 cc. In fact, the Western European markets, especially Italy, reported considerable increases in new registrations.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.



Audi TT RS Roadster

PRODUCTION

In the first quarter of 2019, the Audi Group produced a total of 442,831 (484,111) cars, which was a reduction of -8.5 percent compared with the high prior-year level. The production program in the first three months of 2019 was geared partly to reducing inventories. In addition, production volume was affected by the strike at our plant in Győr (Hungary). Of the vehicles produced by the Audi Group worldwide, 440,546 (482,972) were built by the premium brand Audi and 2,285 (1,139) by the Lamborghini brand. The doubling of production by our Italian subsidiary was mainly due to the new Lamborghini Urus. Our associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), manufactured 122,168 (141,690) Audi vehicles. In addition, the Ducati brand produced 16,183 (17,972) motorcycles in this period.

At the Group headquarters in Ingolstadt, a total of 105,628 (139,942) cars of the Audi brand left the production lines in the first three months of 2019. The decline is principally attributable to planned optimization of inventories and the temporary supply bottleneck caused by the strike at the Győr plant. In the same period, we produced 47,125 (48,197) Audi vehicles at our Neckarsulm plant. Audi México S.A. de C.V. in San José Chiapa (Mexico) built 50,057 (45,923) Audi Q5 vehicles in the reporting period. Audi Hungaria Zrt. produced a total of 42,309 (26,332) cars in Győr (Hungary), including the new Audi Q3, which has been manufactured there since September 2018. At Audi Brussels S.A./N.V., Brussels (Belgium), we built 5,811 (24,229) vehicles in the period January through March.

Series production of the Audi e-tron – our first fully electric SUV – commenced here in the third quarter of 2018 and is successively being ramped up. In the prior-year period, the Audi A1 model range was built in Brussels.

As a result of the discontinuation of models and inventory reductions in the current reporting period, Audi do Brasil Indústria e Comércio de Veículos Ltda., São Paulo, manufactured a total of 260 (1,540) cars at São José dos Pinhais near Curitiba (Brazil) in the current reporting period. In the same period, 38,358 (22,835) and 27,299 (30,324) Audi vehicles left the production line at the Volkswagen Group sites in Bratislava (Slovakia) and Martorell (Spain), respectively. In the prior-year period, series production of the Audi Q8 started in Bratislava as a further model to be produced at this site alongside the Q7. The Audi A1 is now manufactured in Martorell. The Audi Q3, which was still produced here in the first quarter of the previous year, is now built in Győr.

In addition, 1,531 (1,960) Audi brand vehicles were produced at the Volkswagen Group site in Aurangabad (India).

Against the background of model changeovers and the present market situation, the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), produced a total of 106,175 (121,824) Audi brand cars at its headquarters in Changchun and 15,585 (19,866) Audi vehicles in the southern Chinese city of Foshan in the first quarter of 2019. In addition, 408 (-) Audi Q3 cars were produced at the site in Tianjin, where local series production commenced at the end of the reporting period.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.



Audi A1 Sportback

Car production by model ¹⁾

	1-3/2019	1-3/2018
Audi A1	–	3,436
Audi A1 Sportback	27,286	20,781
Audi Q2	27,220	25,634
Audi A3 Sportback	27,526	41,633
Audi A3 Sedan	18,710	29,727
Audi A3 Cabriolet	3,344	3,732
Audi Q3	42,868	52,354
Audi Q3 Sportback	96	–
Audi TT Coupé	4,175	4,081
Audi TT Roadster	1,244	1,132
Audi A4 Avant	57,836	65,214
Audi A4 Avant	19,556	27,583
Audi A4 allroad quattro	645	5,302
Audi A5 Sportback	18,126	21,943
Audi A5 Coupé	4,224	6,089
Audi A5 Cabriolet	4,653	4,368
Audi Q5	74,812	74,872
Audi A6 Sedan	37,224	40,992
Audi A6 Avant	14,803	13,463
Audi A6 allroad quattro	11	2,696
Audi A7 Sportback	4,531	6,540
Audi e-tron	5,769	120
Audi e-tron Sportback	42	–
Audi Q7	26,196	22,896
Audi Q8	12,403	164
Audi A8	6,601	7,550
Audi R8 Coupé	536	453
Audi R8 Spyder	109	217
Audi brand	440,546	482,972
Lamborghini Urus	1,528	52
Lamborghini Huracán	489	753
Lamborghini Aventador	268	334
Lamborghini brand	2,285	1,139
Automotive segment	442,831	484,111

1) The table includes 122,168 (141,690) Audi models produced by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Car engine production

	1-3/2019	1-3/2018
Audi Hungaria Zrt.	498,530	555,263
Automobili Lamborghini S.p.A.	258	339
Car engine production	498,788	555,602

Motorcycle production

	1-3/2019	1-3/2018
Scrambler	3,005	4,826
Naked/Sport Cruiser (Diavel, Monster)	4,389	3,707
Dual/Hyper (Hypermotard, Multistrada)	5,380	4,475
Sport (SuperSport, Superbike)	3,409	4,964
Ducati brand	16,183	17,972
Motorcycles segment	16,183	17,972

In the light of a planned optimization of inventories, the Ducati brand produced 16,183 (17,972) motorcycles worldwide in the first quarter of 2019. 14,067 (15,427) units were produced at the company's headquarters in Bologna (Italy). Over the same period, 2,006 (2,260) bikes left the production line at the Amphur Pluakdaeng plant in Thailand. Another 110 (285) units were built in Manaus (Brazil) on a contract manufacturing basis.



Read more about the **production sites** of the individual models on page 91 of the **Audi 2018 Annual Report**.

DELIVERIES AND DISTRIBUTION ¹⁾

The Audi Group delivered 449,252 (536,199) cars to customers worldwide in the first quarter of 2019. This figure includes 144,754 (142,055) delivered Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Deliveries of our core brand Audi decreased by –3.6 percent between January and March to 447,247 (463,759) vehicles – in March, the volume was just –0.5 percent lower than in the prior-year period. The Lamborghini brand handed 1,992 (1,124) vehicles over to customers in the first three months of this year. A particularly positive effect came from the new Lamborghini Urus, which

was introduced to the markets from summer 2018. The Ducati brand delivered 12,541 (11,948) motorcycles to customers.

In Western Europe, our deliveries to customers dropped to 192,831 (203,482) Audi vehicles. The still restricted availability of model variants resulting from the changeover to the WLTP test cycle had a negative effect on our sales figures at the start of the year. However, re-homologation of nearly all engine/transmission versions had been completed by the end of the first quarter. 76,763 (77,218) Audi models were delivered to customers in our home market Germany, which was almost as many as in the prior-year period. In the United

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.

1) The figures for the prior-year period have been marginally adjusted.

Kingdom, our biggest European export market, demand declined to 41,884 (47,934) Audi vehicles as a result of the continued uncertainty about Brexit. The number of vehicles delivered in Italy declined by –2.6 percent to 16,025 (16,454). While deliveries in France were at the previous year's level, demand for cars with the Four Rings fell by –9.3 percent in Spain.

In the Central and Eastern Europe region, we delivered a total of 11,345 (12,473) Audi vehicles to customers in the first three months of 2019. Consequently, the volume of our vehicles declined in several Central European countries. However, demand for our models developed positively in Russia.

In the North America region, deliveries of cars of the brand with the Four Rings showed a downward trend to 57,433 (61,403) vehicles. Alongside the weak market environment, this was due to a model change for our popular Audi Q3 SUV. 48,115 (50,052) Audi vehicles were delivered in the United States, a decline of –3.9 percent. In Canada, we registered a sharper decline in deliveries of –19.3 percent.

In the South America region, our volume dropped to 3,355 (4,654) cars – partly as a result of the downward trend in deliveries in Brazil.

In the Asia-Pacific region, we registered further volume growth between January and March 2019. Here, 174,094 (172,113) Audi brand vehicles were delivered to customers. China, which is our biggest individual market, posted a new record for the first three months with a 3.3 percent increase to 159,334 (154,270) cars of the brand with the Four Rings.

Car deliveries to customers by model ^{1), 2)}

	1-3/2019	1-3/2018
Audi A1	122	3,374
Audi A1 Sportback	22,650	18,688
Audi Q2	33,056	27,155
Audi A3	12	691
Audi A3 Sportback	42,132	41,700
Audi A3 Sedan	25,930	29,255
Audi A3 Cabriolet	2,770	2,867
Audi Q3	39,200	45,279
Audi TT Coupé	1,889	4,437
Audi TT Roadster	1,058	1,236
Audi A4 Sedan	58,921	56,728
Audi A4 Avant	21,164	26,450
Audi A4 allroad quattro	1,057	4,649
Audi A5 Sportback	18,456	19,013
Audi A5 Coupé	3,538	5,555
Audi A5 Cabriolet	2,820	4,094
Audi Q5	64,500	75,931
Audi A6 Sedan	46,795	46,256
Audi A6 Avant	16,434	15,148
Audi A6 allroad quattro	739	2,544
Audi A7 Sportback	5,098	5,133
Audi e-tron	3,403	-
Audi Q7	19,333	23,113
Audi Q8	10,204	220
Audi A8	5,479	3,601
Audi R8 Coupé	353	414
Audi R8 Spyder	134	228
Audi brand	447,247	463,759
Lamborghini Urus	1,179	-
Lamborghini Huracán	526	759
Lamborghini Aventador	287	365
Lamborghini brand	1,992	1,124
Other Volkswagen Group brands	13	71,316
Automotive segment	449,252	536,199

1) The table includes deliveries of 144,754 (142,055) models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

2) The figures for the prior-year period have been marginally adjusted.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.



Lamborghini Huracán EVO Spyder

Motorcycle deliveries to customers ¹⁾

	1-3/2019	1-3/2018
Scrambler	2,894	2,522
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	3,054	3,089
Dual/Hyper (Hypermotard, Multistrada)	4,113	3,469
Sport (SuperSport, Superbike)	2,480	2,868
Ducati brand	12,541	11,948
Motorcycles segment	12,541	11,948

1) The figures for the prior-year period have been marginally adjusted.

Overall, the Ducati brand delivered 12,541 (11,948) motorcycles to customers between January and March 2019, a rise of 5.0 percent compared with the prior-year period. In addition to rising sales figures on the U.S. motorcycle market, Ducati registered growth on the major European markets.

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Audi models presented or introduced in the period under review

Models	Main characteristics and new features
Audi TTS Coupé <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Sporty, sharper exterior design with three-dimensional radiator grille and new bumpers > Higher-powered engines with gasoline particulate filter, precise and dynamic handling with progressive steering > Extended range of standard equipment (e.g. Audi drive select and Bluetooth) > Digital connectivity thanks to Audi connect (optional) using high-speed LTE standard and Audi smartphone interface > Presentation in July 2018, market introduction since the first quarter of 2019, initially in Europe
Audi TTS Roadster <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Sporty, sharper exterior design with three-dimensional radiator grille and new bumpers > Higher-powered engines with gasoline particulate filter, precise and dynamic handling with progressive steering > Extended range of standard equipment (e.g. Audi drive select and Bluetooth) > Digital connectivity thanks to Audi connect (optional) using high-speed LTE standard and Audi smartphone interface > Presentation in July 2018, market introduction since the first quarter of 2019, initially in Europe
Audi e-tron <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > Full-size SUV as first fully electrically powered series-production Audi model with electric all-wheel drive > Range of up to 417 km (according to WLTP), premium charging service with access to around 95,000 charging points in Europe and fast-charging capability at up to 150 kW ensure high everyday suitability > Virtual exterior mirrors as a high-end option available for the first time in a series-production car at Audi > Presentation in September 2018, market introduction since March 2019, initially in Europe
Audi R8 Coupé <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Fastest series-production Audi with a more sporty design and more performance > Optimized naturally aspirated engines with unique sound, particulate filters as well as more power and torque > Improvements to suspension provide even more stability and precision > Presentation in October 2018, phased market introduction since the first quarter of 2019
Audi R8 Spyder <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Fastest Audi convertible with a more sporty design and more performance > Optimized naturally aspirated engines with unique sound, particulate filters as well as more power and torque > Improvements to suspension provide even more stability and precision > Presentation in October 2018, phased market introduction since the first quarter of 2019
Audi TT RS Coupé <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Compact sports car with completely redesigned front end, larger side air intakes and striking rear end with side winglets on the rear wing giving it a dynamic look > Five-cylinder engine with distinctive sound; plus permanent quattro all-wheel drive > Optional RS sport suspension plus with adaptive dampers ensures excellent handling > Presentation in February 2019, market introduction in spring 2019
Audi TT RS Roadster <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Compact sports car with completely redesigned front end, larger side air intakes and striking rear end with side winglets on the rear wing giving it a dynamic look > Five-cylinder engine with distinctive sound; plus permanent quattro all-wheel drive > Optional RS sport suspension plus with adaptive dampers ensures excellent handling > Presentation in February 2019, market introduction in spring 2019
Audi SQ5 TDI <i>(new model)</i> 	<ul style="list-style-type: none"> > Sporty version of the Q5 model range with distinctive exterior design > V6 diesel engine with 700 Nm torque; 48V mild-hybrid technology, classic turbocharger and electric powered compressor combine superior and spontaneous power with improved efficiency > Standard suspension with damper control as well as optional air suspension > Presentation in February 2019, market introduction from summer 2019

Models	Main characteristics and new features
Audi S6 TDI Sedan <i>(new model)</i> 	<ul style="list-style-type: none"> > The first TDI version of the S6 Sedan combines sportiness and efficiency > V6 TDI engine with electric powered compressor and mild-hybrid technology with 48-volt electrical system delivers impressive driving dynamics with economical fuel consumption and low emissions > Permanent quattro all-wheel drive as well as optional dynamic all-wheel steering and ceramic brake system > Presentation in April 2019, gradual market introduction from summer 2019
Audi S6 TDI Avant <i>(new model)</i> 	<ul style="list-style-type: none"> > As an S model with TDI engine, the Avant combines versatility with sportiness and efficiency > V6 TDI engine with electric powered compressor and mild-hybrid technology with 48-volt electrical system delivers impressive driving dynamics with economical fuel consumption and low emissions > Permanent quattro all-wheel drive as well as optional dynamic all-wheel steering and ceramic brake system > Presentation in April 2019, gradual market introduction from summer 2019
Audi S7 TDI Sportback <i>(new model)</i> 	<ul style="list-style-type: none"> > As an S model, four-door coupé for the first time with a TDI engine for sportiness and efficiency > V6 TDI engine with electric powered compressor and mild-hybrid technology with 48-volt electrical system delivers impressive driving dynamics with economical fuel consumption and low emissions > Permanent quattro all-wheel drive as well as optional dynamic all-wheel steering and ceramic brake system > Presentation in April 2019, gradual market introduction from summer 2019
Audi Q2 L e-tron <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > First fully electric Audi model in China with a range of up to 265 km (NEDC) > With longer wheelbase, designed specifically to meet the needs of Chinese customers > Electric motor on the front axle delivers 100 kW of power and 290 Nm torque > Produced exclusively in China, market introduction from summer 2019

Electric and electrified models presented or introduced in the period under review

Electric vehicles	Plug-in hybrid vehicles ¹⁾
<ul style="list-style-type: none"> > Audi e-tron (market introduction since March 2019) > Audi Q2 L e-tron (presentation in April 2019) ¹⁾ 	<ul style="list-style-type: none"> > Audi A6 TFSI e (presentation in March 2019) > Audi A7 Sportback TFSI e (presentation in March 2019) > Audi A8 L TFSI e (presentation in March 2019) > Audi Q5 TFSI e (presentation in March 2019)

1) These cars are not yet available for sale. They do not yet have type approval.

Lamborghini models presented or introduced in the period under review

Models	Main characteristics and new features
Lamborghini Aventador SVJ <i>(new model)</i> 	<ul style="list-style-type: none"> > Limited-edition generation of V12 top model from Lamborghini > New design features with focus on aerodynamic performance > All-wheel drive, all-wheel steering and lightweight construction for technical brilliance and optimized handling > Presentation in August 2018, gradual market introduction since start of 2019
Lamborghini Huracán EVO <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Next-generation V10 supercar takes performance of Huracán Performante to the next level > Lamborghini vehicle dynamics control system combined with permanent all-wheel drive and all-wheel steering produces even more agility and easiness to drive > New infotainment system with ultramodern connectivity solutions > Presentation in January 2019, gradual market introduction in spring 2019
Lamborghini Huracán EVO Spyder <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Open-top version of the Huracán EVO; light, electro-hydraulic convertible top for pure Spyder feeling > Lamborghini vehicle dynamics control system combined with permanent all-wheel drive and all-wheel steering produces even more agility and easiness to drive > New infotainment system with ultramodern connectivity solutions > Presentation in February 2019, gradual market introduction from spring 2019
Lamborghini Aventador SVJ Roadster <i>(new model)</i> 	<ul style="list-style-type: none"> > A limited-edition roadster with the power, performance and technology of the Aventador SVJ > New design features with focus on aerodynamic performance > All-wheel drive, all-wheel steering and lightweight construction for technical brilliance and optimized handling > Presentation in March 2019, gradual market introduction from summer 2019

Ducati models presented or introduced in the period under review

In 2019, the focus of the Ducati brand is on a large number of new and revised models. One example is the market launch of the Panigale V4 R, the most powerful series-production motorcycle ever built by Ducati, which was unveiled at the end of 2018. In addition, the Ducati V4 S Corse model variant comes with exclusive MotoGP paint finish. Complementing the new Ducati Multistrada 1260 Enduro, the versatile Multistrada 950 and 950 S – the latest additions to the Multistrada range –

feature state-of-the-art technology to improve safety and enhance ride comfort. Other new launches in the 2019 model year are the second generation of the Diavel 1260 and 1260 S as well as the Ducati Hypermotard 950 and 950 SP, which have been completely revised, including improvements to the suspension and a highly modern electronics package. The Ducati Monster range includes the revised versions of the 797 and 797+, along with a new model variant, the Monster 821 Stealth. What is more, 2019 will see the most extensive revision of the Scrambler models Icon, Café Racer, Full-Throttle and Desert Sled since the launch of this model range.

FINANCIAL PERFORMANCE INDICATORS

/ FIRST-TIME ADOPTION OF NEW ACCOUNTING STANDARDS

Since January 1, 2019, the Audi Group has recognized leases in accordance with IFRS 16. Due to the first-time recognition of rights of use and the corresponding lease liabilities, the balance sheet total increased slightly. In addition, this had a moderate impact on individual income statement items and on our financial key figures.



Read more about the impact of the first-time adoption of IFRS 16 on **pages 190 f.** of the **Audi 2018 Annual Report.**

/ CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

Effective January 1, 2019, management responsibility for the multi-brand sales companies Volkswagen Group Italia S.p.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates), and Audi Volkswagen Taiwan Co., Taipei, was transferred to Volkswagen AG under a control agreement and as a result the companies concerned were deconsolidated. Since the start of the 2019 fiscal year, these companies have therefore been recognized in the Consolidated Financial Statements of the Audi Group using the equity method – the legal ownership structures remain unchanged. There were no further material changes to the group of consolidated companies in the first quarter of 2019.

/ FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 13,812 (15,320) million in the period from January through March 2019. The decline is mainly attributable to the drop of EUR 1.2 billion in revenue from other Volkswagen Group brands. There was a corresponding reduction in the cost of goods sold.

In the Automotive segment, revenue declined to EUR 13,631 (15,136) million. Revenue from other automotive business – mainly the delivery of parts sets for local production in China, our genuine parts business and the engine business – decreased in the first quarter. At the same time, revenue performance was held back at the start of the year because the sales range was still limited as a consequence of the new WLTP test cycle. Positive effects resulted, in particular, from an improved model mix in the Audi brand car business, including the Audi Q8 and the market introduction of our new Audi e-tron. As a result, revenue from the sale of Audi brand vehicles increased to EUR 9,915 (9,798) million. Moreover, following introduction of the new Urus model range, revenue from the Lamborghini brand's car business virtually doubled year-on-year to EUR 491 (281) million.

In the Motorcycles segment, revenue generated in connection with the Ducati motorcycle brand amounted to EUR 181 (183) million.

Key operating performance figures, Audi Group

EUR million	1-3/2019	1-3/2018
Operating profit	1,100	1,300
Automotive segment	1,090	1,293
Motorcycles segment	10	7
<i>adjusted for effects of PPA¹⁾</i>	<i>16</i>	<i>12</i>
Ergebnis vor Steuern	1,196	1,426

in %	1-3/2019	1-3/2018
Operating return on sales	8.0	8.5
Automotive segment	8.0	8.5
Motorcycles segment	5.4	3.6
<i>adjusted for effects of PPA¹⁾</i>	<i>8.6</i>	<i>6.8</i>
Return on sales before tax	8.7	9.3

1) Effects of purchase price allocation

The operating activities of the Audi Group are reflected in the operating profit of EUR 1,100 (1,300) million. This represents an operating return on sales of 8.0 (8.5) percent. The revenue reduction resulting from the deconsolidation of the multi-brand sales companies had a positive effect on the return ratio and dampened its decline.

In the Automotive segment we generated an operating profit of EUR 1,090 (1,293) million and an operating return on sales of 8.0 (8.5) percent. Continuation of our product initiative and the associated discontinuations and launches in many model ranges initially held back the development of the operating profit. We also provided higher upfront financing for future mobility solutions and new technologies. Furthermore, in the first quarter our operating profit was affected by fluctuations in our offering because of the introduction of the WLTP test cycle. By contrast, exchange rate effects were positive.

The operating profit in the Motorcycles segment increased to EUR 10 (7) million in the first three months of 2019, mainly as a result of an improved product mix. This represents an operating return on sales of 5.4 (3.6) percent. After elimination of the effects of purchase price allocation, we achieved an operating profit of EUR 16 (12) million and an operating return on sales of 8.6 (6.8) percent.

Financial result, Audi Group

EUR million	1-3/2019	1-3/2018
Result from investments accounted for using the equity method ¹⁾	2	76
<i>of which FAW-Volkswagen Automotive Company, Ltd.</i>	<i>45</i>	<i>48</i>
<i>of which Volkswagen Automatic Transmission (Tianjin) Company Ltd.</i>	<i>45</i>	<i>48</i>
<i>of which SAIC Volkswagen Automotive Company Ltd.</i>	<i>6</i>	<i>-</i>
<i>of which There Holding B.V.</i>	<i>- 43</i>	<i>- 20</i>
Net interest result	- 46	- 56
Other financial result	140	106
<i>of which brand settlement/ performance-related income, China business²⁾</i>	<i>98</i>	<i>86</i>
Financial result	96	127
<i>of which China business³⁾</i>	<i>193</i>	<i>183</i>

1) Influenced by the effect of first-time consolidation of multi-brand sales companies

2) Financial brand settlement agreed between AUDI AG and Volkswagen AG, Wolfsburg, and performance-related income for China business in connection with associated companies

3) Includes the items FAW-Volkswagen Automotive Company, Ltd., Volkswagen Automatic Transmission (Tianjin) Company Limited, SAIC Volkswagen Automotive Company Ltd., brand settlement/performance-related income for China business

Between January and March 2019, the financial result before tax of the Audi Group declined to EUR 96 (127) million.

In the first quarter of the 2019 fiscal year, the Audi Group generated a profit before tax of EUR 1,196 (1,426) million, representing a return on sales before tax of 8.7 (9.3) percent.

Profit after tax came to EUR 929 (1,060) million.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 14.



/ NET WORTH

As of March 31, 2019, the balance sheet total of the Audi Group increased to EUR 66,585 (65,598) million, compared with the position as of December 31, 2018. This was affected by the first-time adoption of IFRS 16.

Compared with December 31, 2018, non-current assets rose to EUR 33,602 (32,393) million. Current assets declined to EUR 32,983 million, compared with EUR 33,205 million at the end of 2018. As of March 31, 2019, the equity of the Audi Group showed a decrease to EUR 28,965 million in comparison with EUR 29,698 million as of December 31, 2018. The equity ratio of 43.5 (45.3) percent was affected by measurement effects relating to provisions for pensions and hedging. As of the reporting date, non-current liabilities increased to EUR 16,039 (14,549) million. As of the same date, current liabilities rose to EUR 21,581 million compared with EUR 21,351 million as of December 31, 2018.

WORKFORCE

We want to future-proof Audi in the areas where the transformation is taking place. That requires flexibility in order to remain economically viable. Therefore, we are currently examining our processes and structures and are developing new forms of work and new models for collaboration at the same time. In order to shape the transformation efficiently together with our workforce, we are discussing the joint “Audi.Zukunft” pact with employee representatives. The focus

PERSONNEL CHANGES

There were no personnel changes on the Supervisory Board or Board of Management of AUDI AG in the reporting period.

/ FINANCIAL POSITION

In the first three months of 2019, the Audi Group generated a cash flow from operating activities of EUR 2,113 (2,449) million. The decline was partly due to lower profit after deduction of income tax payments.

The net cash flow was EUR 1,207 (1,919) million and was mainly affected by a one-time effect resulting from the deconsolidation of the multi-brand sales companies. In addition, the high prior-year figure still included cash inflows from the sale of shares in associated companies. In the current period under review, the net cash flow was positively influenced by a further improvement in investment discipline. As of March 31, 2019, net liquidity was EUR 20,058 million compared with EUR 20,210 million as of March 31, 2018. This was partly due to the first-time adoption of IFRS 16.

includes training our employees to prepare them specifically for future tasks.

The Volkswagen Group Essentials form the basis of our collaboration. We strive for a corporate culture that is in keeping with these principles and with our Code of Cooperation.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

For 2019 as a whole, the Audi Group still anticipates a slightly weaker pace of economic growth in the world economy than in the previous year. We expect weaker economic momentum than in 2018, both in advanced economies and in the emerging markets. The Audi Group assumes that the Asia-Pacific region will continue to generate the highest GDP growth rates. However, political uncertainties, a sharper than expected rise in inflation and an early exit from the overall expansionary monetary policy could put additionally dampen global growth prospects. In addition, geopolitical tensions and conflicts, structural weaknesses in individual countries as well as financial market turbulence and protectionist tendencies continue to represent potential disruptive factors.

The Audi Group expects demand for cars to develop at different rates in different regions in 2019. Overall, worldwide demand for new vehicles is likely to remain at the 2018 level. We anticipate that new registrations in Western Europe will be on a par with the 2018 reporting year. In the Central and Eastern Europe region, we expect a rise in new registrations. Sales of passenger cars and light commercial vehicles in North America will probably be below the previous year's level. By contrast, the market for passenger cars and light commercial

/ REPORT ON RISKS AND OPPORTUNITIES

The central task of risk and opportunity management is to systematically render risks transparent and improve their controllability, while also providing the impetus to generate or exploit opportunities. The priority is to increase the value of the Company.

The function of the risk and opportunity management system as well as the opportunities and risks to which the Audi Group

vehicles in South America should continue to develop positively. We also expect the Asia-Pacific market to recover during the year, with a slight overall rise in new registrations in 2019.

In the motorcycle markets that are relevant for the Ducati brand in the displacement segment above 500 cc we now anticipate that new registrations will be around the same level as in 2018 as a whole.

The forecasts for the key performance indicators for 2019 as a whole, which are explained in detail in the 2018 Annual Report on pages 137 f., remain valid – assuming successful implementation of the next phase of the Audi Transformation Plan. The impact of the deconsolidation of multi-brand sales companies has already been factored in. In addition, we expect the second phase of the WLTP changeover to cause fluctuations in the net cash flow during the year, although these should normalize towards the end of the year.

is subject are presented in detail in the 2018 Annual Report on pages 140 to 151. The statements made there on the most significant risks in connection with our volume target remain fundamentally valid in view of the more stringent exhaust, emissions and homologation regulations worldwide, possible deviations from planned project goals during product development and future potentially mandatory management



systems for cyber security and software updates. With regard to our volume target, for example, preparations are currently under way for the second WLTP phase, which will come into effect from September.

The products of AUDI AG are subject to a permanent monitoring process. Both products in series production as well as new and revised software and hardware are permanently monitored for legal and technical conformity. There is a potential risk that the products may not fully comply with statutory or technical requirements. If any non-conformity is identified, internal reporting processes, for example via the Committee for Product Safety, are immediately triggered, the issues are analyzed in collaboration with the responsible departments and any necessary solutions are developed. In addition, the appropriate authorities are informed directly where relevant.

With respect to the consumer protection claims asserted by the New Mexico Attorney General, in March 2019 a New Mexico state court denied Volkswagen's motion to dismiss those claims against Volkswagen AG and certain affiliates, including AUDI AG, and in April 2019 the court declined to grant Volkswagen and Audi permission to appeal that decision. Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliated companies, including AUDI AG, continue to litigate claims asserted by the attorneys general of certain U.S. states and municipalities based on alleged violations of local environmental laws. In March 2019, the Tennessee Court of Appeals dismissed the claims of the Attorney General of the State of Tennessee as preempted by federal law. The State of Tennessee may file an application for permission to appeal. Also in March 2019, the New Mexico Attorney General voluntarily dismissed its environmental claims.

In April 2019, the European Commission issued a statement of objections to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections state the European Commission's preliminary evaluation of the matter and afford the opportunity to comment. Volkswagen and Audi will examine the statement of objections. The subject matter of the proceedings is limited to the cooperation of German automobile manufacturers on technical questions in connection with the development and introduction of SCR systems and gasoline particulate filters for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Volkswagen and Audi have not yet been given access to the investigation files. In the same matter, the Chinese Competition Authority also issued an information request to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in March 2019.

In connection with these matters, there is a risk of financial implications, which could affect our financial key figures in the 2019 fiscal year.

At the start of the year, there was also an increase in the supply risk relating to batteries for our fully electric Audi e-tron in its start-up year. This could result in volume risks compared with the planning underlying our forecast. The impact of this risk is being managed to the best possible extent via continuous monitoring and by building up capacity at a further supplier.

Compared with the information provided in the "Report on risks and opportunities" in the Combined Management Report in the 2018 Annual Report – including the paragraphs in the "Diesel issue" section – there were no other material changes in the reporting period

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

Apart from the statement of objections issued by the European Commission with regard to antitrust investigations, there were

no reportable events of material significance after March 31, 2019.

FUEL/POWER CONSUMPTION AND EMISSION FIGURES AS WELL AS EFFICIENCY CLASSES

The fuel/power consumption and emission figures as well as the efficiency classes for the passenger cars mentioned in the document are given below.

Fuel consumption in l/100 km (combined): 18.4–3.8

Electric vehicles: power consumption in kWh/100 km (combined): 24.6–23.7

Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 4.1–3.5

CO₂ emissions in g/km (combined): 499–0

Efficiency classes: G–A+

Fuel/power consumption, CO₂ emission figures and efficiency classes given in ranges depend on the tires/wheels used. The specified fuel/power consumption and emission data have been determined according to the measurement procedures prescribed by law.

Since September 1, 2017, certain new vehicles are already being type-approved according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a more realistic test procedure for measuring fuel consumption and CO₂ emissions. Starting on September 1, 2018, the New European Driving Cycle (NEDC) will be replaced by the WLTP in stages. Owing to the more realistic test conditions, the fuel consumption and CO₂ emissions measured according to the WLTP will, in many cases, be higher than those measured according to the NEDC.

DISCLAIMER

This First Quarter Report contains forward-looking statements relating to anticipated future developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties.

For further information on the differences between the WLTP and NEDC, please visit www.audi.de/wltp.

We are currently still required by law to state the NEDC figures. In the case of new vehicles which have been type-approved according to the WLTP, the NEDC figures are derived from the WLTP data. It is possible to specify the WLTP figures voluntarily in addition until such time as this is required by law. In cases where the NEDC figures are specified as value ranges, these do not refer to a particular individual vehicle and do not constitute part of the sales offering. They are intended exclusively as a means of comparison between different vehicle types. Additional equipment and accessories (e.g. add-on parts, different tire formats, etc.) may change the relevant vehicle parameters, such as weight, rolling resistance and aerodynamics, and, in conjunction with weather and traffic conditions and individual driving style, may affect fuel consumption, electrical power consumption, CO₂ emissions and the performance figures for the vehicle.

Further information on official fuel consumption figures and the official specific CO₂ emissions of new passenger cars can be found in the “Guide on the fuel economy, CO₂ emissions and power consumption of all new passenger car models,” which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany (www.dat.de).

Actual outcomes may differ from those predicted in these statements. The figures in brackets represent those for the corresponding prior-year period. All figures are rounded off, which may lead to minor deviations when added up.

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