



Audi Group Quarterly Report

January 1 to March 31, 2018



463,788



DELIVERIES
AUDI BRAND



EUR 15.3 billion



REVENUE



8.5 %



OPERATING
RETURN ON SALES



EUR 1.9 billion



NET CASH FLOW

AUDI GROUP FROM JANUARY TO MARCH 2018 – CORE MESSAGES

- ▶ **Audi brand sets new record** in first quarter of 2018: **463,788** (422,481) cars delivered, with strongest growth in **China** and the **USA**
- ▶ **Revenue** increases to **EUR 15.3** (14.4) **billion**
- ▶ **Operating profit** solid at **EUR 1.3** (1.2) **billion**; **operating return on sales** stable within the strategic target corridor at **8.5** (8.7) **percent**; impact of around EUR 0.1 billion due to application of new IFRS
- ▶ **Net cash flow** reaches a strong **EUR 1.9** (1.5) **billion** thanks to working capital improvements; main investment focus in second half of the year
- ▶ Future orientation: **Action and Transformation Plan** successfully underway
- ▶ Demanding 2018 fiscal year marked by unprecedented **model and technology initiative** as well as new rules on **measuring emissions and fuel consumption** (WLTP):
 - Market introduction of new A7 Sportback started, new A6 Sedan and A6 Avant unveiled, other models to follow
 - **Preparation** for first fully electric SUV, **Audi e-tron**
 - **Restructuring of production network** creates synergies, but has short-term impact on financial performance
 - Adaptation of entire model portfolio to meet new **WLTP** testing procedure
 - **Fluctuations** within our key performance indicators **during the course of the year cannot be ruled out** due to the intensity of the ramp-up and discontinuation situation as well as the industry-wide WLTP issue
- ▶ **Outlook** remains **ambitious**:
 - Audi brand deliveries at prior-year level
 - Slight rise in revenue; operating return on sales within the target corridor of 8 to 10 percent.
 - Net cash flow of between EUR 2.7 and 3.2 billion expected

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.



ECONOMIC ENVIRONMENT

The global economy experienced robust growth in the period from January to March 2018. Both advanced and emerging economies saw an upturn in economic momentum compared with the prior-year period.

Overall, gross domestic product (GDP) in Western Europe grew at a stronger rate in the first three months of 2018 than in the same period of the previous year. The sustained low interest rates coupled with the improved labor market situation had a positive impact on economic growth. Bolstered by Russia's economic recovery, economic output also increased in Central and Eastern Europe. The U.S. economy continued on its growth trajectory thanks to continued strong consumer spending and the robust labor market. Although Brazil's GDP was up year on year, the economic situation remained strained, also due to the upcoming presidential elections. The People's Republic of China continued to exhibit high economic dynamism by international comparison.

Global demand for cars rose by 2.4 percent to 20.9 (20.4) million vehicles in the first quarter of 2018. While Central and Eastern Europe, North America, South America and the Asia-Pacific region saw an increase in new registrations, unit sales in Western Europe stagnated at a high level.

Demand for passenger cars in individual Western European markets varied widely. In Germany, new registrations performed well, rising 4.0 percent on the back of the favorable economic situation. In contrast, demand for passenger cars in the United Kingdom was down -12.4 percent on the previous year's record level. The Russian automobile market experienced a 22.5 percent rise in new registrations thanks, among other factors, to the improved general economic situation. In the United States, the market for passenger cars and light commercial vehicles was up 1.9 percent on the previous year's high level. In Brazil, the recovery in automotive demand experienced in the course of 2017 continued with growth of 14.7 percent. At 6.7 percent, the highest rate of absolute growth was achieved by the Chinese passenger car market, which was buoyed in particular by the sustained high sales of SUV models.

In the first quarter of 2018, the established motorcycle markets in the displacement segment above 500 cc recorded an overall decline in demand of -7.9 percent. In addition to most of the major Western European markets, sales in North America also experienced a drop.

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Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.



Audi A7 Sportback

PRODUCTION

The Audi Group produced 484,111 (464,352) cars in the period from January to March 2018. This figure includes 141,690 (133,644) Audi vehicles made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Of the vehicles produced worldwide in the first quarter, 482,972 (463,300) were cars of the premium Audi brand and 1,139 (1,052) were Lamborghini brand supercars. In addition, the Ducati brand produced 17,972 (17,193) motorcycles in the same period.

A total of 139,942 (135,630) Audi brand cars left the production line at our Group headquarters in Ingolstadt in the first three months of 2018. In Neckarsulm, we manufactured 48,197 (55,549) Audi models, fewer than in the previous year mainly due to changes in production resulting from model cycle factors.

At AUDI MÉXICO S.A. de C.V., we built 45,923 (23,278) vehicles at our newest production site in San José Chiapa (Mexico) in the first quarter, following the successful ramp-up of Audi Q5 production.

In Győr (Hungary), Audi Hungaria Zrt. produced a total of 26,332 (26,370) cars. As part of the restructuring of our production network, we are preparing for the future series production of the Audi Q3 in Győr.

At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we built 24,229 (27,817) vehicles. At this site, we are currently switching from production of the A1 car line to the Audi e-tron, our first fully electric SUV.

At São José dos Pinhais near Curitiba (Brazil), AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, manufactured a total of 1,540 (2,114) cars in the first quarter of 2018.

In the same period, 22,835 (25,222) and 30,324 (32,609) Audi vehicles left the production line at the Volkswagen Group sites in Bratislava (Slovakia) and Martorell (Spain), respectively. Production processes at these two sites were affected by the restructuring of our production network, including, for example, the ramp-up of Audi Q8 production in Bratislava.

In addition, 1,960 (1,067) Audi brand vehicles were produced at the Volkswagen Group site in Aurangabad (India).

In the period under review, the associated company FAW-Volkswagen Automotive Co., Ltd., Changchun (China), produced a total of 121,824 (114,686) Audi brand cars at the company headquarters in Changchun and 19,866 (18,958) Audi vehicles in the southern Chinese city of Foshan.



Read more about the **production sites** of the individual models on page 95 of the **Audi 2017 Annual Report**.

Car production by model ^{1), 2)}

	1-3/2018	1-3/2017
Audi A1	3,436	6,331
Audi A1 Sportback	20,781	21,486
Audi Q2	25,634	26,144
Audi A3	-	1,801
Audi A3 Sportback	41,633	41,513
Audi A3 Sedan	29,727	28,907
Audi A3 Cabriolet	3,732	3,518
Audi Q3	52,354	58,620
Audi TT Coupé	4,081	4,837
Audi TT Roadster	1,132	1,771
Audi A4 Sedan	65,214	50,012
Audi A4 Avant	27,583	25,439
Audi A4 allroad quattro	5,302	4,178
Audi A5 Sportback	21,943	15,344
Audi A5 Coupé	6,089	8,169
Audi A5 Cabriolet	4,368	4,657
Audi Q5	74,872	63,792
Audi A6 Sedan	40,992	43,085
Audi A6 Avant	13,463	14,794
Audi A6 allroad quattro	2,696	2,914
Audi A7 Sportback	6,540	4,491
Audi e-tron	120	-
Audi Q7	22,896	25,386
Audi Q8	164	2
Audi A8	7,550	5,243
Audi R8 Coupé	453	487
Audi R8 Spyder	217	379
Audi brand	482,972	463,300
Lamborghini Urus	52	-
Lamborghini Huracán	753	721
Lamborghini Aventador	334	331
Lamborghini brand	1,139	1,052
Automotive segment	484,111	464,352

Car engine production

	1-3/2018	1-3/2017
Audi Hungaria Zrt.	555,263	514,955
Automobili Lamborghini S.p.A.	339	326
Car engine production	555,602	515,281

1) This includes 141,690 (133,644) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

Motorcycle production

	1-3/2018	1-3/2017
Scrambler	4,826	3,971
Naked/Sport Cruiser (Diavel, Monster)	3,707	5,544
Dual/Hyper (Hypermotard, Multistrada)	4,475	4,470
Sport (SuperSport, Superbike)	4,964	3,208
Ducati brand	17,972	17,193
Motorcycles segment	17,972	17,193

Worldwide, the Ducati brand produced 17,972 (17,193) motorcycles in the first three months of 2018. Ducati produced 15,427 (15,435) bikes at its company headquarters in Bologna (Italy). Over the same period, 2,260 (1,513) bikes left the production line at the Amphur Pluakdaeng plant in Thailand. Another 285 (245) units were built in Manaus (Brazil) on a contract manufacturing basis.

DELIVERIES AND DISTRIBUTION ¹⁾

The Audi Group delivered 536,193 (487,311) cars to customers worldwide in the first quarter of 2018 – a year-on-year increase of 10.0 percent. This figure includes deliveries of 142,055 (99,613) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). With deliveries up by 9.8 percent to 463,788 (422,481) vehicles, the core brand Audi posted a first-quarter record figure. The comparable prior-year period had been negatively impacted by the special situation relating to the strategic decisions made in China. The Lamborghini brand delivered 1,124 (987) supercars to customers in the same period. In the first three months of 2018, a total of 71,281 (63,843) vehicles of the other Volkswagen Group brands were also handed over to customers. The Ducati brand delivered 11,931 (12,553) motorcycles to customers.

At 203,511 (215,075) Audi vehicles, the delivery volume in Western Europe was down on the prior-year period, impacted by the complex ramp-up and discontinuation situation related to our current model initiative. In connection with this, the volume also decreased in our German home market. A total of 77,218 (82,968) cars were delivered here, representing a decline of -6.9 percent on the strong prior-year period. In the United Kingdom, our largest European market outside Germany, we handed 47,934 (47,882) cars over to customers, thus achieving the same high level as in the previous year in a market experiencing decline overall. By contrast, the number of vehicles delivered in Italy declined by -4.3 percent to 16,454 (17,190). While deliveries in France also fell short of the figure for the prior-year period, demand for cars with the Four Rings in Spain rose by 6.9 percent.

In the Central and Eastern Europe region, we delivered a total of 12,473 (11,572) Audi vehicles to customers in the first quarter of 2018. The gratifying rise in deliveries in numerous Central European countries more than made up for the dwindling volume of vehicles in Russia.

With 61,403 (55,730) cars delivered, we also handed over more vehicles to customers in the North America region than in the prior-year period. We thus continued on our growth trajectory in the United States, with 50,052 (45,647) deliveries to customers, a trend driven in particular by our successful SUV models. This represents an increase of 9.7 percent. The new best-ever figure in March 2018 is our 87th record month in succession. Our deliveries also recorded an excellent performance in Canada, rising by 15.2 percent.

However, our volume in the South America region declined to 4,654 (4,941) cars. This is largely attributable to the decrease in deliveries in Brazil.

The Asia-Pacific region recorded the highest absolute volume growth in the first three months of 2018, with a total of 172,113 (126,297) Audi brand vehicles delivered to customers. In China, our largest single market, we delivered 154,270 (108,707) cars of the Audi brand, representing growth of 41.9 percent. With this, we achieved a new monthly record in March, with 54,031 units delivered. As regards the quarter as a whole, the prior-year period had been negatively impacted by the special situation relating to the strategic course set for our China business.

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

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

	1-3/2018	1-3/2017
Audi A1	3,377	5,080
Audi A1 Sportback	18,691	18,751
Audi Q2	27,154	21,689
Audi A3	690	2,774
Audi A3 Sportback	41,699	44,132
Audi A3 Sedan	29,255	27,943
Audi A3 Cabriolet	2,869	3,965
Audi Q3	45,279	45,827
Audi TT Coupé	4,430	4,962
Audi TT Roadster	1,242	1,646
Audi A4 Sedan	56,729	43,494
Audi A4 Avant	26,449	27,925
Audi A4 allroad quattro	4,649	4,768
Audi A5 Sportback	19,014	10,095
Audi A5 Coupé	5,555	5,724
Audi A5 Cabriolet	4,093	1,845
Audi Q5	75,931	58,616
Audi A6 Sedan	46,257	41,081
Audi A6 Avant	15,166	15,298
Audi A6 allroad quattro	2,547	2,784
Audi A7 Sportback	5,135	5,166
Audi Q7	23,114	23,360
Audi A8	3,601	4,678
Audi R8 Coupé	414	570
Audi R8 Spyder	228	308
Internal vehicles before market introduction	220	-
Audi brand	463,788	422,481
Lamborghini Huracán	759	675
Lamborghini Aventador	365	312
Lamborghini brand	1,124	987
Other Volkswagen Group brands	71,281	63,843
Automotive segment	536,193	487,311

1) The table includes deliveries of 142,055 (99,613) models built locally by associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

Motorcycle deliveries to customers ³⁾

	1-3/2018	1-3/2017
Scrambler	2,511	2,897
Naked/Sport Cruiser (Diavel, Monster)	3,082	3,856
Dual/Hyper (Hypermotard, Multistrada)	3,475	3,892
Sport (SuperSport, Superbike)	2,863	1,908
Ducati brand	11,931	12,553
Motorcycles segment	11,931	12,553

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

In the first three months of the current fiscal year, the Ducati brand delivered 11,931 (12,553) motorcycles to customers – a decline of –5.0 percent compared with the previous year. Despite stable sales in its Italian home market, Ducati was nevertheless affected by the dwindling overall market figures in all the major regions.

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.



Audi models presented or introduced in the period under review

Models	Main characteristics and new features
Audi RS4 Avant <i>(new model)</i> 	<ul style="list-style-type: none"> > Combines everyday usability with RS performance > Sharper RS design (e.g. large air inlets with typical RS honeycomb structure, prominent Singleframe, striking roof edge spoiler) > Enhanced efficiency and reduced weight compared with predecessor model > Phased market introduction since January 2018
Audi A7 Sportback <i>(new model)</i> 	<ul style="list-style-type: none"> > Four-door coupé embodies progressiveness in design and technology > Clear, minimalistic formal idiom in interior complemented by new MMI touch response operating concept > Systematic electrification of the driveline: with new mild-hybrid system as standard > Extensive range of standard and optional driver assistance systems (e.g. crossing assist) > Gradual market introduction since March 2018
Audi A6 Sedan <i>(new model)</i> 	<ul style="list-style-type: none"> > New full-size sedan embodies sporty elegance, cutting-edge technology and sophistication > Customizable, fully digital MMI touch response system with intuitive operation > Systematic electrification of the driveline: with new mild-hybrid system as standard > Extensive range of standard and optional driver assistance systems (e.g. crossing assist) > Presentation in February 2018, phased market introduction from summer 2018
Audi A6 Avant <i>(new model)</i> 	<ul style="list-style-type: none"> > Combines everyday practicality with a high level of versatility and dynamic design > Customizable, fully digital MMI touch response system with intuitive operation > Systematic electrification of the driveline: with new mild-hybrid system as standard > Extensive range of standard and optional driver assistance systems (e.g. crossing assist) > Presentation in April 2018, phased market introduction from fall 2018
Audi RS5 Sportback <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > Progressive interpretation of a high-performance, five-door coupé > Combines emotional design with everyday usability and superior driving performance > Powerful V6 biturbo engine, quattro permanent all-wheel drive as standard and RS sport suspension ensure dynamic handling with optimum traction > Presentation in March 2018, market introduction from the second half of 2018, starting in the USA and Canada

Lamborghini models presented or introduced in the period under review

Models	Main characteristics and new features
Lamborghini Urus <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > First Super SUV of the Lamborghini brand combines off-road capability with the handling characteristics of a supercar > Permanent all-wheel drive and all-wheel steering enable precise handling > Carbon ceramic brakes, adaptive air suspension and active roll stabilization provide high safety and comfort (including on long journeys) > Luxurious interior with room for up to five people > Gradual market introduction from summer 2018
Lamborghini Huracán Performante Spyder <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > Most powerful Spyder in the Huracán family > Hybrid aluminum and carbon fiber chassis with clear focus on lightweight construction > Active aerodynamic system "Aerodinamica Lamborghini Attiva" (ALA) actively distributes the aerodynamic load (for either high downforce or low drag) > Presentation in March 2018, gradual market introduction from summer 2018

Ducati models introduced in the period under review

Since the beginning of the year, the Ducati Panigale V4, Ducati's first volume-production motorcycle with a four-cylinder engine, has been setting new benchmarks at the pinnacle of the Ducati Sport segment. In all three versions – V4, V4 S and V4 Speciale – the new Panigale V4 raises the bar further still in terms of performance and rideability thanks to

racing know-how and technology. Also as of the first quarter, the new Ducati Panigale 959 Corse now represents the sportiest iteration of the Panigale 959. The successful Ducati Scrambler portfolio has grown, expanding to include the 1100, 1100 Special and 1100 Sport models.

FINANCIAL PERFORMANCE INDICATORS

/ FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

The Audi Group has implemented all of the accounting standards whose application became mandatory with effect from the 2018 fiscal year. The changes involved in first-time application of IFRS 9 were generally applied prospectively. Retrospective application of the IFRS 9 requirements relating to the designation of options resulted in a minor-extent restatement of prior-year figures. For IFRS 15, the modified retrospective transition method was applied.

/ FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 15,320 (14,378) million in the first three months of 2018.

Revenue for the Automotive segment reached EUR 15,136 (14,200) million. Positive factors driving this increase were notably the market success of our new Audi Q5 and the Audi A5 family as well as volume growth in the North America and Asia-Pacific regions. The gratifying development of other automotive business, which includes deliveries of parts sets for local production in China and the engine business, also impacted revenue positively. However, the model changeovers in numerous car lines and negative currency effects impacted revenue. In the period under review, the result from foreign currency hedges, which was previously largely recognized in other operating result, was recognized within revenue for the first time in accordance with the new accounting standard IFRS 9. The figure was also affected by the recognition of sales-related payments, which in the previous year were still reported in distribution costs, but are recognized as sales allowances starting from 2018 in accordance with IFRS 15. The effects of applying the new IFRS largely offset each other. In the Motorcycles segment, revenue generated by the Ducati brand amounted to EUR 183 (179) million; this was due to the model mix, among other factors.

Key operating performance figures of the Audi Group

<i>EUR million</i>	1-3/2018	1-3/2017
Operating profit	1,300	1,244
Automotive segment	1,293	1,241
Motorcycles segment	7	3
<i>adjusted for effects of PPA ¹⁾</i>	<i>12</i>	<i>9</i>
<i>in %</i>		
Operating return on sales	8.5	8.7
Automotive segment	8.5	8.7
Motorcycles segment	3.6	1.9
<i>adjusted for effects of PPA ¹⁾</i>	<i>6.8</i>	<i>5.2</i>

1) Effects of purchase price allocation

The Audi Group achieved an operating profit of EUR 1,300 (1,244) million in the first quarter of 2018. This represents an operating return on sales of 8.5 (8.7) percent.

In the Automotive segment, we generated an operating profit of EUR 1,293 (1,241) million and an operating return on sales of 8.5 (8.7) percent. Operating profit was notably bolstered by the increase in volumes. Compared with the prior-year period, the other operating result had a negative impact. Due to the application of the new IFRS 9 starting from the 2018 fiscal year, residual value hedges are now recognized in the other operating result rather than in the financial result. The resulting financial impacts on the Operating profit amount to around EUR 0.1 billion.

The Audi Action and Transformation Plan is successfully underway. For instance, the seven work packages are being successfully driven forward by the Board members in tandem responsible for each one alongside the relevant module managers and the Project Management Office. Initial measures relating to an amount in the low hundred million euros have already been implemented since January. Overall, the Audi Action and Transformation Plan is expected to free up EUR 10 billion for future projects by 2022.

In the Motorcycles segment, operating profit increased to EUR 7 (3) million as a result of the improved model mix. This represents an operating return on sales of 3.6 (1.9) percent. Adjusted for purchase price allocation effects, operating profit came to EUR 12 (9) million and the operating return on sales was 6.8 (5.2) percent.



Audi A6 Sedan

Financial result, Audi Group

EUR million	1-3/2018	1-3/2017
Result from investments accounted for using the equity method	76	254
<i>of which FAW-Volkswagen Automotive Company, Ltd.</i>	48	74
<i>of which Volkswagen Automatic Transmission (Tianjin) Company Limited</i>	48	8
<i>of which There Holding B.V.</i>	- 20	166
Net interest result	- 56	- 7
Other financial result	106	- 64
<i>of which brand settlement, China business</i>	86	46
Financial result	127	183
<i>of which China business¹⁾</i>	183	128

1) Includes the items FAW-Volkswagen Automotive Company, Ltd., Volkswagen Automatic Transmission (Tianjin) Company Limited and brand settlement, China business

The Audi Group generated a financial result of EUR 127 (183) million in the first three months of 2018. This decrease is largely attributable to the lower result from investments accounted for using the equity method of EUR 76 (254) million. In the prior-year period, EUR 183 million was contributed by the investments accounted for using the equity method in There Holding B.V., Rijswijk (Netherlands), as a result of the participation of an investor in the mapping services company HERE.

In the first three months of 2018, the Audi Group recorded profit before tax of EUR 1,426 (1,427) million, which represents a return on sales before tax of 9.3 (9.9) percent. Profit after tax came to EUR 1,060 (1,072) million.

CONSOLIDATED COMPANIES

There were no changes to the group of consolidated companies in the reporting period.

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.

/ NET WORTH

The balance sheet total of the Audi Group as of March 31, 2018, rose to EUR 64,862 million compared with EUR 63,680 million as of December 31, 2017.

At EUR 29,298 (29,469) million, non-current assets were almost on a level with December 31, 2017. Current assets rose to EUR 35,285 million compared with EUR 33,846 million at the end of 2017. In addition, available-for-sale assets of EUR 279 (365) million were recognized.

The equity of the Audi Group as of March 31, 2018, rose to EUR 28,430 million compared with EUR 28,171 million as of December 31, 2017. This brought the equity ratio to 43.8 percent compared with 44.2 percent as of December 31, 2017.

The non-current liabilities of the Audi Group amounted to EUR 14,502 (14,301) million as of March 31, 2018. As of the same date, current liabilities rose to EUR 21,930 million compared with EUR 21,208 million as of December 31, 2017.

/ FINANCIAL POSITION

The Audi Group generated cash flow from operating activities of EUR 2,449 (2,252) million in the first quarter of 2018. The results of our working capital management were gratifying here, with our net cash flow increasing to EUR 1,919 (1,487) million. Our more disciplined investment management approach coupled with cash inflows from changes in participations and capital also positively impacted net cash flow. The net liquidity of the Audi Group amounted to EUR 20,210 million as of March 31, 2018, compared with EUR 20,788 million as of December 31, 2017. This takes into account a profit transfer of EUR 2,406 million to Volkswagen AG, Wolfsburg, for the 2017 fiscal year.

WORKFORCE

Audi is actively shaping the transformation of the automotive industry. To achieve this, we continue to recruit experts for strategic growth areas such as electric mobility and digitalization. In addition, we provide our employees with tailored training to bring them up to speed on new technologies and challenges such as big data and artificial intelligence. This is why we are increasing our training budget

by one-third to a total of EUR 80 million per year.

Furthermore, Audi will provide training to more than 800 young people in 20 different professions in 2018 and continue to adjust vocational careers to reflect new developments. The expertise of our workforce will continue to serve as the basis of our entrepreneurial success.

10 PERSONNEL AND OTHER CHANGES

There were no personnel changes on the Supervisory Board or Board of Management of AUDI AG in the reporting period. Introduction of the brand groups Volume, Premium and Super Premium is planned as part of the extensive revision of the Volkswagen Group's management structure resolved in April 2018. The Audi brand will be assigned to the Premium brand group; the brand group assignment of the Lamborghini and

Ducati brands is currently still under review. The new structure paves the way for streamlining Group management, strengthening the brands and extending their scope of responsibility. This allows for synergies to be harnessed more consistently and decisions to be made and implemented more rapidly.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

The Audi Group continues to expect slightly weaker full-year global economic growth in 2018 than in the previous year. Most emerging markets are likely to continue to grow faster than advanced economies; as previously, the Audi Group expects the greatest increases in gross domestic product (GDP) to be achieved in the Asia-Pacific region. However, political uncertainties, a sharper than expected rise in inflation, or early exit from the overall expansionary monetary policy could all dampen global growth prospects. In addition, geopolitical tensions and conflicts, structural weaknesses in

individual countries, financial market turbulence and protectionist tendencies continue to represent potential disruptive factors.

As before, the Audi Group expects that worldwide demand for cars will increase slightly in 2018. New registrations in the overall passenger car markets in Central and Eastern Europe, South America and the Asia-Pacific region are expected to grow. However, sales of passenger cars and light commercial vehicles are likely to fall slightly below prior-year levels in

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.



North America. We anticipate a slight decline in new registrations of passenger cars in Western Europe.

In the motorcycle markets relevant for the Ducati brand in the displacement segment above 500 cc, we continue to expect a positive demand trend for the full year 2018.

Overall, the Board of Management considers the Audi Group to be well equipped to handle both current and future challenges. The forecasts for the key performance indicators for the full year 2018, which are explained in detail in the

2017 Annual Report on pages 141 ff., fundamentally remain valid. The model changeovers and the requirements of the WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure) could still lead to significant fluctuations in deliveries and financial performance indicators, as well as inventories, in the course of the year. In the 2017 Annual Report, it was also anticipated that the ratio of capex would be moderately above the strategic target corridor. Due to extensive measures to optimize capital expenditure, the ratio of capex is now expected to be slightly above the strategic target corridor of 5.0 to 5.5%.

/ REPORT ON RISKS AND OPPORTUNITIES

The central task of the risk management system 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 risks and opportunity management system as well as the opportunities and risks to which the Audi Group is subject are presented in detail in the 2017 Annual Report on pages 143 to 154. This section also includes the most significant, still valid risks identified in the 2017 Annual Report, namely the risks related to the CO₂ fleet targets, our volume target in light of tougher exhaust and emissions regulations worldwide, as well as deviations from planned project goals during product development. The adjustment of the model portfolio to bring it into line with the new WLTP measurement process increases the mix and volume risks. Capacity shortfalls in technical development and engine production as well as in the test centers could lead to certain engine/transmission variants and vehicle configurations becoming temporarily unavailable. Based on market and customer needs, the extensive process steps and requirements will be ensured and coordinated across the divisions.

As described in the 2017 Annual Report, there is a fundamental risk of further governmental investigations and inquiries, judicial decisions as well as current and new lawsuits and proceedings including on similar technical matters, possibly in other jurisdictions, in connection with the diesel issue. Agreements reached on the diesel issue in the United States and Canada were already described in detail in the 2016 and 2017 Annual Reports.

On March 5, 2018, a Tennessee state court granted in part and denied in part a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the Tennessee Attorney General.

Volkswagen has moved for an interlocutory appeal of the decision.

On March 12, 2018, a Minnesota state court granted in part and denied in part a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the Minnesota Attorney General. Volkswagen has appealed the decision.

On March 15, 2018, co-lead counsel for plaintiffs with regard to the: German Automotive Manufacturers Antitrust Litigation filed consolidated amended class action complaints against Volkswagen AG and certain affiliates, including AUDI AG, as well as other manufacturers in the Northern District of California on behalf of putative classes of indirect and direct purchasers. The consolidated amended complaints claim that since the 1990s, defendants had engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover Plaintiffs, claim that defendants had agreed to limit the size of AdBlue tanks to ensure that U.S. emissions regulators did not scrutinize the emissions control systems in defendants' vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. The complaints further claim that defendants had coordinated to fix the price of steel used in their automobiles by agreeing with German steel manufacturers to apply a two component pricing formula to steel purchases and worked closely together to generate scientific studies aimed at promoting diesel vehicles.

On March 22, 2018, Volkswagen AG, certain affiliates, including AUDI AG, and the Arizona Attorney General notified an Arizona state court that they have reached a settlement of Arizona's consumer protection claims and unfair trade practices claims and expect to complete documentation of the settlement within approximately 30 days.

In South Korea, approval for the last vehicle clusters with engine type EA 189 was given on March 28, 2018.

The Ministry of Environment in South Korea qualified certain emissions strategies in the engine control software of various diesel vehicles with a V6 or V8 engine meeting the Euro 6 emission standard as an unlawful defeat device and ordered a recall on April 4, 2018; the same applied to the Dynamic Shift Program (DSP) in the transmission control of a number of Audi models.

12 On April 11, 2018, a Texas state court granted in part and denied in part a motion for summary judgment on the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the Texas Attorney General. Volkswagen is pursuing reconsideration or interlocutory appeal of the decision.

On April 16, 2018, the federal multi district litigation court in California dismissed with prejudice state and local environmental claims asserted against certain Volkswagen AG affiliates by the Environmental Protection Commission of Hillsborough County, Florida and Salt Lake County, Florida, on the basis of the same federal preemption issue that is currently being litigated in the Tennessee, Minnesota, and Texas cases referenced above, as well as in several other state courts.

On April 18, 2018, the EPA and California Air Resources Board approved the second phase of the emissions modification for affected 2.0 l TDI vehicles with Generation 3 engines.

Thereby the approval process for the technical measures for the relevant vehicles with engine type EA 189 has now been completed in all countries with the exception of Chile.

On April 19, 2018, the federal multi district litigation court in California approved the stipulation of the parties postponing the hearing previously scheduled for May 11, 2018, regarding defendants' motion to dismiss plaintiffs' consolidated class action complaint alleging that defendants concealed the existence of defeat devices in Audi brand vehicles with automatic transmissions.

On April 25, 2018, Volkswagen AG, certain affiliates, including AUDI AG, and the Maryland Department of the Environment announced an agreement to resolve the State of Maryland's environmental and remaining consumer claims for restitution or injunctive relief. The Maryland settlement includes a Consent Decree, which requires approval by the Maryland state court.

The risk provisioning for the diesel issue undertaken to date in the form of provisions is supported by current knowledge. Based on pending final court approval and the ongoing reconciliations with the authorities, the calculation of these provisions remains affected by multiple uncertain factors and thus subject to significant evaluation risks.

Like many other car manufacturers, the Audi Group cannot sidestep the risks in connection with potentially defective airbags. Consequently, it is still not possible to rule out further recalls. Technical investigations and official consultations are ongoing.

Compared with the information provided in the "Report on risks and opportunities" in the Combined Management Report of the 2017 Annual Report (including the "Diesel issue" section), the publications on the diesel issue and other potential proceedings released before the reporting date, and the investigations and interviews in connection with the diesel issue, there were no other material changes during the reporting period.

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 13.



EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no further reportable events of material significance after March 31, 2018

FUEL CONSUMPTION AND EMISSION FIGURES AS WELL AS EFFICIENCY CLASSES

The fuel 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): 16.9 – 1.6

Hybrid electric vehicles: power consumption in kWh/100 km (combined): 19.0 – 11.4

Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 6.0 – 3.3

CO₂ emissions in g/km (combined): 394 – 36

Efficiency classes: G – A+

The fuel consumption, CO₂ emission figures and efficiency classes given in ranges depend on the tires/wheels used.

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-Schornhausen, Germany (www.dat.de).

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.

Actual outcomes may differ from those predicted in these statements. The figures in brackets represent those for the corresponding prior-year period.

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