



Audi Group Quarterly Report

January 1 to September 30, 2018



AUDI GROUP FROM JANUARY TO SEPTEMBER 2018 – CORE MESSAGES

- ▶ **2018** apparent as a **year of exceptions** for Audi particularly in the **3rd quarter**:
 - Negative **special items in connection with the diesel issue** from fine imposed under administrative order by Munich II public prosecutor amounting to EUR –800 million
 - **Interruptions to supplies following the switch to WLTP** influence deliveries; significant fall mainly in September after pull-forward effects in July and August – suitable product offering expected again by end of year
 - **Model and technology initiative** – capacities having to accommodate production phase-outs and starts of new models along with restructuring of production network
 - Successful world debut of the fully electric **Audi e-tron** – preparations for market introduction following already completed start of production in Brussels
 - Key performance indicators for 3rd quarter significantly down on previous year, cumulatively predominantly robust
- ▶ **Deliveries to customers** of **1,407,718** (1,380,463) vehicles **up on previous year**; growth mainly in **China and United States**
- ▶ **Revenue** of **EUR 44.3** (44.0) **billion** at prior-year level
- ▶ **Operating profit** of **EUR 2.9** (3.9) **billion lower** due to decline in sales from **WLTP and special items**; **operating return on sales** at **6.5** (9.0) **percent**
- ▶ **Before special items, operating profit** amounts to **EUR 3.7** (3.9) **billion** and remains within the strategic target corridor with an **operating return on sales** of **8.3** (9.0) **percent**
- ▶ **Net cash flow** remains high at **EUR 3.1** (2.6) **billion** thanks to disciplined spending and investment as well as working capital improvements; higher investment in fourth quarter
- ▶ **Progress with Audi Transformation Plan**: measures with impact on operating profit in the high triple-digit millions implemented
- ▶ **Final quarter remains challenging, outlook** for full year of 2018 **to some extent adjusted**:
 - Operating profit / operating return on sales, return on investment (ROI) and net cash flow expected to be well below previous year due to special items
 - Deliveries of Audi brand virtually at prior-year level; revenue up slightly

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.



ECONOMIC ENVIRONMENT

The global economy recorded robust growth in the first nine months of 2018. However, both advanced and emerging economies exhibited a slight slowdown in economic momentum as the year progressed. Factors such as growing protectionist tendencies worldwide also lead to rising economic uncertainty.

In Western Europe, gross domestic product (GDP) expanded at a solid rate overall in the first nine months of 2018, though its momentum lessened over time. The sustained low interest rates and the improved labor market situation supported economic development. The Central and Eastern Europe region achieved robust economic growth in the period under review. Within that region, Russia's economic recovery slowly progressed above all thanks to rising crude oil prices. The U.S. economy continued to expand on the back of healthy consumer spending. In Brazil, GDP also rose somewhat compared with the prior-year period, though the economic situation remained tense in view of uncertain political developments. The People's Republic of China achieved very high GDP growth by international standards.

Global demand for cars rose by 1.2 percent to 62.2 (61.5) million vehicles from January through September 2018. While the Western Europe, Central and Eastern Europe, Asia-Pacific and South America regions saw an increase in new registrations, unit sales in North America were down.

The Western European car market benefited, for example, from the positive overall economic situation to record a

1.4 percent rise in new registrations – despite supply-end distortions in the third quarter following the adoption of the WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure) in September 2018. The German market recorded a 2.4 percent rise in car sales. In addition, the French as well as the Spanish automobile markets developed very positively with sales of cars rising by 6.5 percent and 11.7 percent respectively. In Italy, new registrations were down –2.8 percent on the prior-year figure. Demand for cars in the United Kingdom declined by –7.5 percent, one factor being the still-uncertain outcome of the exit negotiations between the EU and the United Kingdom. There was a healthy rise in new registrations in Central and Eastern Europe. The Russian car market was a key contributor to this development with growth of 15.3 percent. The U.S. market for passenger cars and light commercial vehicles remained flat at a high level. There was a continuing shift in demand towards SUV and pick-up models combined with a contraction of the classic passenger car segments. The Brazilian market for passenger cars and light commercial vehicles continued its recovery with new registrations up 13.2 percent. In China, the passenger car market expanded at a rate of 0.8 percent. Demand for cars in the third quarter of 2018 declined in the wake of the trade dispute between China and the United States.

In the displacement segment above 500 cc, the established motorcycle markets recorded a –3.0 percent decline in demand in the first nine months of 2018. The U.S. market for motorcycles showed a marked contraction. Other motorcycle sales markets worldwide put in a mixed performance.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.



EXCEPTIONAL EVENTS

/ DIESEL ISSUE

On October 16, 2018, the Munich II public prosecutor issued an administrative order imposing a fine against AUDI AG in its capacity as affected party pursuant to Sections 30, Para. 1 and 130, Para. 1 of the German Act on Regulatory Offenses (Ordnungswidrigkeitengesetz – OWiG) in the context of deviations from regulatory requirements in certain V6 and V8 diesel engines and diesel vehicles manufactured or distributed by AUDI AG. As a result of the administrative order imposing the fine, the active regulatory offense proceedings conducted by the Munich II public prosecutor against AUDI AG will be finally terminated. The administrative order stipulates a fine of EUR 800 million in total, consisting of the maximum penalty as legally provided for of EUR 5 million for negligent regulatory offenses and the disgorgement of economic benefits in the amount of EUR 795 million.

According to the findings of the investigation carried out by the Munich II public prosecutor, monitoring duties had been breached in the “emissions service / power engine approval” organizational unit in the context of the monitoring of vehicles regarding their regulatory conformity. According to the results obtained by the Munich II public prosecutor, these breaches of monitoring duties were concurrent causes of certain V6 and V8 diesel engines developed by AUDI AG not meeting regulatory requirements in the period from 2004 and continuing to have

an effect until 2018. Also, AUDI AG failed to identify that diesel engines of the types EA 288 (Gen3), in the United States and in Canada, and EA 189, worldwide, that were developed by Volkswagen AG, Wolfsburg, were equipped with a prohibited software function. Following thorough examination, AUDI AG accepted the fine and paid it in full, as a result of which the administrative order imposing a fine has become legally binding. The administrative order imposing a fine terminates the regulatory offense proceedings against AUDI AG. As a result, AUDI AG admits its responsibility for the breaches of monitoring duties that occurred.

/ WORLD PREMIERE OF AUDI E-TRON

The Audi Group presented the Audi e-tron to the world public in San Francisco (United States) on September 18, 2018. As the first volume-built model with all-electric drive from the brand with the Four Rings, the e-tron signals the start of its electrification drive. Audi plans to take twelve electric automobiles into production by 2025, as well as continue expanding the portfolio of plug-in hybrid vehicles. The electric range will cover every relevant market segment from the compact to the full-size class.

PRODUCTION

The Audi Group built a total of 1,402,393 (1,398,543) cars in the first nine months of 2018. This figure includes 457,619 (395,748) Audi vehicles manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Of the total number of vehicles built by the Audi Group worldwide, 1,398,301 (1,395,654) cars were made by the premium brand Audi and 4,092 (2,889) vehicles

by the Lamborghini brand. In the same period the Ducati brand built 45,372 (47,729) motorcycles.

At our German sites, we adjusted our production operations due to the changeover of Audi models to the new WLTP test cycle. We consequently built a total of 367,270 (415,552) cars of the Audi brand in Ingolstadt from January through September 2018. In Neckarsulm, 135,431 (150,768) Audi vehicles rolled

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off the production line, with new model launches a factor in this decline compared with the previous year.

At our Mexican production site in San José Chiapa, AUDI MÉXICO S.A. de C.V. built 134,134 (107,923) of the Audi Q5 in the period under review.

Audi Hungaria Zrt. manufactured 69,753 (78,536) cars overall in Győr (Hungary). The new Audi Q3 has also been built in Győr since September following the restructuring of our production network.

At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we built 64,310 (74,510) vehicles. Series production of the Audi e-tron – our first fully electric SUV – commenced there in the third quarter of 2018.

AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, built a total of 5,710 (3,538) cars in São José dos Pinhais near Curitiba (Brazil) in the first nine months of 2018.

In the same period, the two Volkswagen Group sites in Bratislava (Slovakia) and Martorell (Spain) built 89,870 (78,646) and 67,907 (85,327) Audi vehicles respectively. The production processes at both plants were likewise affected by the restructuring of our production network. The new Audi Q8 is now being built in Bratislava in addition to the Audi Q7, while the new generation of the Audi A1 – which previously came from the Brussels plant – is now made in Martorell.

In addition, 6,297 (5,106) vehicles of the brand with the Four Rings were built at the Volkswagen Group site in Aurangabad (India).

The associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), manufactured 390,559 (335,484) cars of the Audi brand at its company headquarters in Changchun and 66,971 (60,264) Audi vehicles in the southern Chinese city of Foshan.

The Audi Group produced a total of 377,640 (455,377) cars worldwide in the third quarter of 2018, of which 151,181 (136,886) Audi vehicles were made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The Audi brand accounted for 375,918 (454,553) units. As expected, the downturn compared with the prior-year period is due to our production operations being adjusted as a result of the changeover to the WLTP test cycle. In addition, the third quarter saw advance manufacturing of vehicles that will not be recorded as production output until approval for them has been received in the months to follow. This stock-piling is intended to ensure that the market is supplied quickly following approval.

At the Lamborghini brand, a total of 1,722 (824) vehicles were completed from July through September 2018. 7,375 (9,859) motorcycles of the Ducati brand were also made.

Car production by model ¹⁾

	1-9/2018	1-9/2017
Audi A1	8,750	15,940
Audi A1 Sportback	55,918	58,570
Audi Q2	69,765	77,429
Audi A3	-	6,689
Audi A3 Sportback	124,211	126,416
Audi A3 Sedan	93,204	89,567
Audi A3 Cabriolet	8,229	9,211
Audi Q3	137,172	151,538
Audi TT Coupé	7,352	14,309
Audi TT Roadster	2,293	3,862
Audi A4 Sedan	180,457	149,468
Audi A4 Avant	65,506	78,771
Audi A4 allroad quattro	12,622	16,914
Audi A5 Sportback	59,466	57,813
Audi A5 Coupé	14,543	21,240
Audi A5 Cabriolet	10,291	15,580
Audi Q5	235,208	208,695
Audi A6 Sedan	143,652	137,360
Audi A6 Avant	34,748	41,475
Audi A6 allroad quattro	7,571	8,056
Audi A7 Sportback	15,296	12,805
Audi e-tron	449	-
Audi Q7	81,225	78,863
Audi Q8	9,263	250
Audi A8	19,446	12,330
Audi R8 Coupé	1,156	1,434
Audi R8 Spyder	508	1,069
Audi brand	1,398,301	1,395,654
Lamborghini Urus	1,033	47
Lamborghini Huracán	2,153	1,926
Lamborghini Aventador	906	916
Lamborghini brand	4,092	2,889
Automotive segment	1,402,393	1,398,543

1) The table includes 457,619 (395,748) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Car engine production

	1-9/2018	1-9/2017
Audi Hungaria Zrt.	1,495,364	1,499,362
Automobili Lamborghini S.p.A.	927	918
Car engine production	1,496,291	1,500,280



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

Motorcycle production

	1-9/2018	1-9/2017
Scrambler	11,962	12,280
Naked/Sport Cruiser (Diavel, Monster)	9,354	14,749
Dual/Hyper (Hypermotard, Multistrada)	11,713	11,763
Sport (SuperSport, Superbike)	12,343	8,937
Ducati brand	45,372	47,729
Motorcycles segment	45,372	47,729

Worldwide, the Ducati brand produced 45,372 (47,729) motorcycles in the first three quarters of 2018. This included 37,774 (39,475) Ducati motorcycles built at the company headquarters in Bologna (Italy). Over the same period, 6,756 (7,374) bikes were built at the Amphur Pluakdaeng plant in Thailand. Another 842 (880) units were built in Manaus (Brazil) on a contract manufacturing basis.

DELIVERIES AND DISTRIBUTION ¹⁾

The Audi Group delivered 1,617,793 (1,552,149) cars to customers worldwide in the period from January through September 2018. The figure includes deliveries of 440,197 (381,800) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi succeeded in increasing deliveries by 2.0 percent to 1,407,718 (1,380,463) vehicles. The Lamborghini brand delivered 3,554 (2,930) vehicles to customers in the same period. The new Lamborghini Urus also contributed particularly to that achievement. Furthermore, the other Volkswagen Group brands delivered a total of 206,521 (168,756) vehicles in the first nine months of 2018. In addition, the Ducati brand delivered 43,939 (46,902) motorcycles to customers.

In Western Europe, our deliveries to customers declined to 577,919 (622,304) Audi vehicles. The challenging scenario regarding production phase-outs and starts as part of our model initiative along with the expected restrictions in the sales range after switching our model portfolio to the new WLTP test cycle adversely affected the sales situation. Against this backdrop, the volume in our home market Germany also contracted. 218,662 (232,518) Audi models were handed over to customers, down -6.0 percent on the same period last year. In the United Kingdom – our biggest European export market – demand declined to 124,081 (138,870) Audi vehicles as uncertainty fueled by Brexit took hold. In Italy, we delivered 47,008 (51,765) vehicles, a fall of -9.2 percent. While deliveries in France were also down year-on-year (-11.7 percent), demand for cars with the Four Rings was up 6.2 percent in Spain.

In the Central and Eastern Europe region, we delivered a total of 38,276 (38,954) Audi vehicles to customers in the first nine months of 2018. The pleasing development in some countries

in Central Europe did not counterbalance the lower volume of vehicles in Russia.

The North America region saw the brand with the Four Rings put in another positive performance, with 207,422 (198,997) cars delivered in the period under review. This means we maintained our growth trajectory in the United States with 167,420 (160,914) Audi vehicles delivered. The rise of 4.0 percent is due mainly to our successful SUV models. In Canada, our deliveries also made good progress with a growth rate of 4.1 percent.

Conversely, our volume declined to 13,943 (15,520) cars in the South America region, mainly because of the downward trend in deliveries in Brazil.

The highest volume growth in absolute terms again came in the Asia-Pacific region in the first three quarters of 2018. 542,858 (471,917) vehicles of the Audi brand were handed over to customers in that region. In our biggest single market China, we recorded growth of 15.4 percent and delivered 483,001 (418,670) cars of the brand with the Four Rings in the period under review – a new record figure for our Company.

In the third quarter of 2018, deliveries to customers declined to 512,472 (517,389) cars due to supply-end factors in the course of the switch to the WLTP test cycle. This figure includes 157,613 (148,389) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi delivered a total of 458,448 (471,780) vehicles. The deliveries total for the same period also includes 52,797 (44,770) cars of other Volkswagen Group brands. Deliveries of the Lamborghini brand for the period July through September 2018 came to 1,227 (839) vehicles, while deliveries of the Ducati brand to customers amounted to 11,660 (12,049) motorcycles in the same period.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.

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

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

	1-9/2018	1-9/2017
Audi A1	9,818	15,548
Audi A1 Sportback	59,999	56,955
Audi Q2	73,492	70,515
Audi A3	970	7,509
Audi A3 Sportback	123,985	132,305
Audi A3 Sedan	99,440	92,829
Audi A3 Cabriolet	8,748	10,730
Audi Q3	138,890	149,873
Audi TT Coupé	10,928	14,446
Audi TT Roadster	3,003	4,233
Audi A4 Sedan	187,546	154,038
Audi A4 Avant	73,832	80,565
Audi A4 allroad quattro	14,317	15,387
Audi A5 Sportback	59,788	47,557
Audi A5 Coupé	16,804	18,907
Audi A5 Cabriolet	13,250	10,534
Audi Q5	226,432	200,514
Audi A6 Sedan	138,326	138,445
Audi A6 Avant	35,748	42,263
Audi A6 allroad quattro	7,271	8,159
Audi A7 Sportback	14,582	13,784
Audi Q7	72,317	77,702
Audi Q8	3,099	-
Audi A8	12,360	15,174
Audi R8 Coupé	1,507	1,494
Audi R8 Spyder	830	997
Internal vehicles before market introduction	436	-
Audi brand	1,407,718	1,380,463
Lamborghini Huracán	2,283	1,963
Lamborghini Aventador	1,001	967
Lamborghini Urus	270	-
Lamborghini brand	3,554	2,930
Other Volkswagen Group brands	206,521	168,756
Automotive segment	1,617,793	1,552,149

1) The table includes deliveries of 440,197 (381,800) 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.

Motorcycle deliveries to customers ³⁾




	1-9/2018	1-9/2017
Scrambler	10,619	11,987
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	10,891	14,265
Dual/Hyper (Hypermotard, Multistrada)	11,729	12,540
Sport (SuperSport, Superbike)	10,700	8,110
Ducati brand	43,939	46,902
Motorcycles segment	43,939	46,902

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




In the period from January through September 2018, the Ducati brand delivered a total of 43,939 (46,902) motorcycles to customers – a decline of -6.3 percent compared with the previous year. Despite stable sales in its Italian home market, Ducati was nevertheless not entirely immune to declining overall market figures.

Audi models presented or introduced in the period under review

Models	Main characteristics and new features
Audi RS 4 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 dynamic elegance 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 progress, 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, gradual market introduction since July 2018
Audi A6 Avant <i>(new model)</i> 	<ul style="list-style-type: none"> > Combines versatility with dynamic design and driving enjoyment > 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, gradual market introduction since September 2018
Audi RS 5 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 (as option) ensure dynamic handling with excellent traction > Presentation in March 2018, market introduction starting in the fourth quarter of 2018 initially in the USA and Canada
Audi Q8 <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > New face of the Q family with expressive design and comprehensive connectivity > Elegant interior with MMI touch response system, high-tech navigation and innovative voice control > Systematically electrified drive: new mild hybrid technology with 48-volt electrical system as standard > Innovative driver assistance systems such as remote parking pilot and remote garage pilot (expected from 2019) > Presentation in June 2018, gradual market introduction since August 2018
Audi A1 Sportback <i>(new model)</i> 	<ul style="list-style-type: none"> > Distinctive, masculine design with streamlined styling plus numerous customization options > Infotainment and driver assistance systems on a par with the full-size class (e.g. Audi pre sense front, lane departure warning as standard in Europe) > Strongly driver-oriented interior design, with fully digital instrument cluster and optional MMI touch display > Presentation in June 2018, gradual market introduction from fall 2018
Audi TT / 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 using high-speed LTE standard and Audi smartphone interface > Presentation in July 2018, market introduction in fourth quarter of 2018 initially in Europe
Audi TT / 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 using high-speed LTE standard and Audi smartphone interface > Presentation in July 2018, market introduction in fourth quarter of 2018 initially in Europe
Audi Q3 <i>(new model)</i> 	<ul style="list-style-type: none"> > Striking front end with octagon-design Singleframe grille plus LED headlights as standard > Excellent everyday suitability thanks to longer wheelbase, variable division of space with sliding rear seat > Smart infotainment with digital instrument cluster and new form of voice control as option > Increased comfort thanks to refined suspension and new adaptive cruise assist (optional) > Presentation in July 2018, market introduction in fourth quarter of 2018 in Europe
Audi e-tron <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > Full-size SUV as the first fully electric series-production Audi model with electric all-wheel drive > Range of 400 km (to WLTP) expected, premium charging service with over 72,000 charging points in 16 EU markets and fast-charging capability at up to 150 kW provide high everyday suitability > Virtual exterior mirrors as a high-end option available for first time on a series-production car > Presentation in September 2018, market introduction in first quarter of 2019 initially in Europe

Models	Main characteristics and new features
Audi SQ2 <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > New top model of Q2 family with striking exterior design and many sporty highlights in the interior > High-performance engine with spontaneous response and increased torque > quattro all-wheel drive as standard sends up to 100 percent of power to rear wheels as required > Driver assistance systems from full-size category, such as traffic jam assist and park assist (both optional) > Presentation in early October 2018, market introduction in first quarter of 2019 initially in Europe
Audi R8 Coupé <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Fastest series-production Audi now with sportier design and more performance > Optimized naturally aspirated engines with unique sound are fitted with particulate filters and deliver more power and torque > Improvements to suspension provide even more stability and precision > Presentation in October 2018, phased market introduction in course of first quarter of 2019
Audi R8 Spyder <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Fastest Audi convertible now with sportier design and more performance > Optimized naturally aspirated engines with unique sound are fitted with particulate filters and deliver more power and torque > Improvements to suspension provide even more stability and precision > Presentation in October 2018, phased market introduction in course of first quarter of 2019

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 since summer 2018
Lamborghini Huracán Performante Spyder <i>(new model)</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 since summer 2018
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 from start of 2019

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. All three versions of the new Panigale V4 – V4, V4 S and V4 Speciale – raise the bar further still in terms of performance and rideability thanks to

racing expertise and technology. Since the first quarter, the new Ducati Panigale 959 Corse has represented 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. In addition, the new Ducati Multistrada 1260 Enduro has joined the Multistrada range.

FINANCIAL PERFORMANCE INDICATORS

/ FIRST-TIME ADOPTION OF NEW ACCOUNTING STANDARDS

The Audi Group has implemented all of the accounting standards that were required to be applied with effect from the 2018 fiscal year. The changes involved in first-time adoption of IFRS 9 were generally applied prospectively. Retrospective adoption of the IFRS 9 requirements relating to the designation of options resulted in a minor restatement of prior-year figures. The modified retrospective transition method was applied in the case of IFRS 15. Expenses for individual sales programs needed to be reclassified as well.

/ FINANCIAL PERFORMANCE ¹⁾

The Audi Group generated revenue of EUR 44,257 (44,028) million in the period from January through September 2018.

Revenue for the Automotive segment rose to EUR 43,659 (43,431) million. There were positive effects especially from the market success of our new Audi Q5 and Audi Q8 as well as from volume growth in the Asia-Pacific region. Revenue from the sale of vehicles of other Volkswagen Group brands also contributed to the higher total. In addition, we increased revenue from other automotive business thanks mainly to higher proceeds from deliveries of parts sets for local production in China. At the same time, revenue performance was negatively impacted by a temporarily limited sales range due to the new WLTP test cycle, model changeovers affecting a large number of product lines and exchange rate factors.

Under the new IFRS 9 accounting standard, results from currency hedging transactions that had previously been reported mainly under the other operating result were now shown within revenue in the period under review. Other changes arose in connection with sales-related payments, which were still reported in distribution costs in the previous year but from 2018 are recognized as sales

allowances under IFRS 15 with the effect of reducing revenue.

In the Motorcycles segment, revenue generated by the Ducati motorcycle brand amounted to EUR 599 (598) million. The positive effects from the current model mix were offset for example by falling volume that reflected negative market development.

Key operating performance figures, Audi Group

EUR million	1-9/2018	1-9/2017
Operating profit before special items	3,671	3,941
Special items	- 800	-
Operating profit	2,871	3,941
Automotive segment	2,832	3,915
Motorcycles segment	39	26
<i>adjusted for effects of PPA²⁾</i>	<i>56</i>	<i>44</i>

in %	1-9/2018	1-9/2017
Operating return on sales before special items	8.3	9.0
Operating return on sales	6.5	9.0
Automotive segment	6.5	9.0
Motorcycles segment	6.5	4.4
<i>adjusted for effects of PPA²⁾</i>	<i>9.4</i>	<i>7.3</i>
Return on sales before tax	7.8	9.0

2) Effects of purchase price allocation

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.

1) The prior-year figures have been adjusted to reflect the first-time adoption of IFRS 9 and IFRS 15 (see also the comments regarding IFRS 9 and IFRS 15 in the 2018 Interim Financial Report).



The operating activities of the Audi Group are reflected in operating profit before special items of EUR 3,671 (3,941) million. This equates to an operating return on sales before special items of 8.3 (9.0) percent. With the adverse effect of special items totaling EUR –800 million, operating profit of the Audi Group came to EUR 2,871 (3,941) million. This corresponds to an operating return on sales of 6.5 (9.0) percent. The special items result from the fine under the administrative order on the completed regulatory offense proceedings conducted by the Munich II public prosecutor against AUDI AG. Special items reflect certain matters in the financial statements in cases where we believe their separate disclosure, based on our assessment, permits a more accurate evaluation of the economic performance of the Audi Group.

In the Automotive segment – taking into account the negative special items – we achieved an operating profit amounting to EUR 2,832 (3,915) million and an operating return on sales of 6.5 (9.0) percent. The defining characteristics of the 2018 fiscal year are the implementation of our product initiative and the associated production phase-outs and starts, along with a number of market introductions. In addition, we have provided upfront financing for future mobility solutions and new technologies. Alongside the special items, operating profit was negatively impacted by such aspects as demand fluctuations following the introduction of the new WLTP test cycle. Systematic implementation of the Audi Transformation Plan helped to lift operating profit. For example, in the period under review from January through September 2018 we already introduced measures with an effect on the full-year operating profit in the high three-digit millions. Effective currency management meant exchange rate factors had a positive impact on operating profit. Following the ramping-up of our production operations in Mexico, we are now also capitalizing on our natural hedge in the U.S. dollar region. Overall, the adoption of the new accounting standards had no material impact on operating profit.

The operating profit in the Motorcycles segment rose to EUR 39 (26) million in the first three quarters of 2018 mainly thanks to the improved model mix and efficiency measures, despite adverse exchange rate effects. This represents an operating return on sales of 6.5 (4.4) percent. After elimination of the effects of purchase price allocation, our operating profit came to EUR 56 (44) million and the operating return on sales was 9.4 (7.3) percent.

Financial result, Audi Group

EUR million	1-9/2018	1-9/2017
Result from investments accounted for using the equity method	191	443
<i>of which FAW-Volkswagen Automotive Company, Ltd.</i>	137	228
<i>of which Volkswagen Automatic Transmission (Tianjin) Company Limited</i>	116	67
<i>of which SAIC Volkswagen Automotive Company Ltd.</i>	4	–
<i>of which There Holding B.V.</i>	– 65	132
Net interest result	89	– 13
Other financial result	306	– 397
<i>of which brand settlement, China business</i>	203	142
<i>of which dividend of FAW-Volkswagen Automotive Company, Ltd.¹⁾</i>	162	–
Financial result	586	33
<i>of which China business²⁾</i>	622	437

1) Share of available-for-sale assets

2) Includes the items FAW-Volkswagen Automotive Company, Ltd., Volkswagen Automatic Transmission (Tianjin) Company Limited, SAIC-Volkswagen Automotive Company Ltd., brand settlement for China business and dividend from FAW-Volkswagen Automotive Company, Ltd.

The financial result of the Audi Group rose to EUR 586 (33) million in the first nine months of 2018, among other reasons because of the higher result from our China business. There was also a positive effect from the adoption of IFRS 9 – since the start of the year, hedging transactions for matters such as developments in residual values have been reported under the other operating result instead of under the financial result.



In the prior-year period there was a non-recurring effect in the amount of EUR 183 million from the remeasurement of the investments accounted for using the equity method in There Holding B.V., Rijswijk (Netherlands), following the participation of an investor in the mapping services company HERE.

In the first three quarters of the 2018 fiscal year, the Audi Group generated a profit before tax in the amount of EUR 3,458 (3,974) million and a return on sales before tax amounting to 7.8 (9.0) percent. Profit after tax came to EUR 2,598 (3,008) million. These key figures, too, are impacted by the special items of Q3/2018.

A temporarily limited sales range following the switch to WLTP was a major influential factor in the third quarter of 2018. The Audi Group generated revenue of EUR 13,074 (14,017) million. EUR 12,924 (13,878) million of this amount is attributable to the Automotive segment. In the Motorcycles segment, revenue from business involving the Ducati motorcycle brand came to EUR 151 (139) million. From July through September 2018, the operating profit of the Audi Group totaled EUR 110 (1,261) million, reflecting the significant impact of special items. The same applies to the operating return on sales of 0.8 (9.0) percent. Before special items, the operating profit for the third quarter came to EUR 910 (1,261) million and the operating return on sales to 7.0 (9.0) percent. These figures very clearly reflect the considerable in-year fluctuations already announced in the 2017 Annual Report following the changeover to the WLTP test cycle in the third quarter.

In the third quarter of 2018, the financial result of the Audi Group increased to EUR 136 (-39) million. From July through September 2018, the Audi Group achieved a profit before tax amounting to EUR 246 (1,223) million, with the return on sales before tax reaching 1.9 (8.7) percent. Profit after tax came to EUR 218 (946) million. These key figures, too, are impacted by the special items of Q3/2018.

CONSOLIDATED COMPANIES

In the period under review, there were no changes to the group of consolidated companies with a material impact on the presentation of net worth, financial position and financial performance. In addition, in June 2018, the Audi Group acquired a 1 percent participation in SAIC Volkswagen

/ NET WORTH

As of September 30, 2018, compared with the position as of December 31, 2017, the balance sheet total of the Audi Group increased to EUR 66,138 (63,680) million.

Non-current assets of EUR 29,461 (29,469) million were on a par with the level as of December 31, 2017. Current assets rose to EUR 36,398 million compared with EUR 33,846 million at the end of 2017, above all as a result of stockpiling vehicles ahead of the switch to WLTP.

The equity of the Audi Group climbed to EUR 28,955 million as of September 30, 2018, compared with EUR 28,171 million as of December 31, 2017. The equity ratio for the Audi Group amounted to 43.8 (44.2) percent as of September 30, 2018. Non-current liabilities showed a slight decrease to EUR 14,043 (14,301) million as of the reporting date. At the same time, current liabilities rose to EUR 23,140 million, compared with EUR 21,208 million as of December 31, 2017, among other reasons because of increased other liabilities due to obligations for the fine under the administrative order on the completed regulatory offense proceedings conducted by the Munich II public prosecutor against AUDI AG.

/ FINANCIAL POSITION ¹⁾

The Audi Group generated cash flow from operating activities of EUR 6,248 (5,524) million in the first nine months of 2018. This rise is attributable mainly to our working capital management. As expected, cash used in connection with the diesel issue of around EUR 0.4 billion has an adverse impact on cash flow from operating activities. This compared with an amount of approximately EUR 1 billion in the previous year. The overall net cash flow of the Audi Group increased to EUR 3,116 (2,552) million.

The net liquidity of the Audi Group as of September 30, 2018, came to EUR 21,430 million compared with EUR 19,039 million as of September 30, 2017.

Automotive Company, Ltd., Shanghai (China), in connection with the further strategic development of its China business. The participation is reflected in the Consolidated Financial Statements using the equity method.

¹⁾ The prior-year figures have been adjusted to reflect the first-time adoption of IFRS 9 and IFRS 15 (see also the comments regarding IFRS 9 and IFRS 15 in the 2018 Interim Financial Report).

WORKFORCE

Audi is actively shaping the transformation of the automotive industry. In addition to the ongoing targeted recruitment of experts for the strategic future areas of activity such as electric mobility and digitalization, we specifically qualify our employees for new technologies and task areas such as big data and artificial intelligence. To that end, we have increased

the budget for further training by one-third to a total of EUR 80 million. Based on our corporate values, we are promoting innovative forms of working that will make us more agile and more connected. Around 800 young people started an apprenticeship or embarked on dual-system studies at Audi in September 2018.

PERSONNEL CHANGES

Mr. Rupert Stadler left the Board of Management of AUDI AG at the end of October 2, 2018. On the same day, the Supervisory Board of AUDI AG reached an agreement to terminate his office and his employment contract. Dr. Peter Mertens is leaving the Board of Management of

AUDI AG with effect from October 31, 2018. Mr. Hans-Joachim Rothenpieler has been appointed as Member of the Board of Management with responsibility for the Technical Development division, with effect from November 1, 2018.

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REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

For the year 2018 overall, the Audi Group continues to predict a slightly slower pace of economic growth in the world economy compared with the previous year. We anticipate that most advanced economies as well as the emerging economies will exhibit weaker economic dynamism than in 2017. The Audi Group expects the Asia-Pacific region to continue to generate the highest GDP growth rates. However, political uncertainties and growing trade barriers, a sharper than expected rise in inflation, or early exit from the overall expansionary monetary policy could 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.

The Audi Group expects worldwide demand for cars in 2018 to be at the previous year's level. New registrations in the overall passenger car markets in Western Europe, Central and Eastern Europe as well as South America regions are expected to grow. In North America, we are likely to see a slight downturn in new registrations of passenger cars and light commercial vehicles. Based on current information, sales in the Asia-Pacific region could equally be slightly down on the prior-year level. In the motorcycle markets relevant for the Ducati brand in the

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.



Audi A6 Sedan

displacement segment above 500 cc, we no longer expect to record a positive development in demand as expected in the 2017 Annual Report, with the motorcycle market for 2018 as a whole contracting.

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., remain valid for deliveries to customers, revenue and the research and development ratio – including when the adjusted prior-year figures are taken as the basis. The slight adjustment to the prior-year revenue figure was made to reflect the adoption of new accounting standards. As previously reported in the First Quarter Report 2018, the ratio of capex for the 2018 fiscal year is expected to be slightly above the strategic target corridor of 5.0 to 5.5 percent. In the 2017 Annual Report we had anticipated a ratio of capex moderately above the strategic target corridor. Considering the special items from the administrative order imposing a fine of EUR 800 million pursuant to Sections 30, Para. 1 and 130, Para. 1 of the German Act on Regulatory

/ 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 is subject are presented in detail in the 2017 Annual Report on pages 143 to 154. That report also contains statements which fundamentally remain valid regarding the most significant risks in connection with the CO₂ fleet targets, our volume target in the light of tougher exhaust and emissions regulations worldwide, as well as deviations from planned project goals during product creation. There are currently more pronounced production, mix and volume risks in connection with adjusting the model portfolio to the new WLTP measuring method. Capacity bottlenecks in technical development, engine production and the test centers may mean certain engine/transmission versions and vehicle configurations are temporarily unavailable. The large number of process stages and requirements are being validated and coordinated across the divisions and in accordance with market and customer needs.

As described in the 2017 Annual Report, in light of the diesel issue there could be fundamental risks resulting from 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.

Offenses, the Audi Group will significantly undercut the operating profit, operating return on sales, return on investment (ROI) and net cash flow forecasts for the 2018 fiscal year. In the 2017 Annual Report, we had anticipated an operating return on sales within the strategic target corridor of 8 to 10 percent. We had expected a return on investment (ROI) of between 14 and 17 percent. Our forecast for net cash flow was between EUR 2.7 and 3.2 billion for the full year of 2018.

It cannot be ruled out at present that there will be further fluctuations in the production and volume figures as well as in financial key figures and inventories as a result of model changeovers and WLTP requirements. That could also additionally impact the current forecast of our key performance indicators for the year. However, we expect to be able to present a suitable product offering in all model series again by the end of the year. We continue to expect positive effects amounting to around one billion euros over the full year of 2018 from the systematic implementation of our Audi Transformation Plan.

Agreements reached on the diesel issue in the United States and Canada were previously presented 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 and Tennessee have both appealed 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. The court has dismissed all claims against AUDI AG.

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 May 17, 2018, all defendants filed a joint motion to dismiss the two consolidated class action complaints. On May 24, 2018, Volkswagen defendants also filed an individual motion to dismiss on grounds specific to them. The motions have been fully briefed, and a hearing is currently scheduled for February 12, 2019.

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. On May 24, 2018, the Arizona state court granted a stipulation of dismissal with prejudice of the Arizona action.

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.

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. The Texas court denied Volkswagen's motion for reconsideration or interlocutory appeal. On August 1, 2018, Volkswagen asked a Texas appellate court to reverse the trial

court's decision through an alternate procedure.

On April 16, 2018, the federal multidistrict 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, Utah, 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. The counties have appealed that decision.

On April 18, 2018, the Environmental Protection Agency (EPA) and California Air Resources Board (CARB) 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 multidistrict 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. The parties have stipulated to further postpone the hearing on the motion, and no hearing is scheduled.

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 the Maryland state court approved on May 3, 2018.

On April 19 and 25, 2018, respectively, Ontario and Quebec

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.



courts granted approval of a consumer settlement entered into by Volkswagen AG and other Volkswagen Group companies involving 3.0 l TDI vehicles.

On May 1, 2018, Volkswagen AG, certain affiliates, including AUDI AG, and the West Virginia Attorney General announced an agreement to resolve the State of West Virginia's consumer claims. The West Virginia settlement includes a consent decree, which the West Virginia state court approved on May 1, 2018.

16 On May 18, 2018, the EPA and CARB approved an emissions modification for Generation 1.1 vehicles with type V6 3.0 l TDI engines. On July 13, 2018, the EPA and CARB approved an emissions modification for Generation 1.2 vehicles with type V6 3.0 l TDI engines.

On June 5, 2018, an Illinois state court granted a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the Illinois Attorney General. Illinois has appealed that decision.

On June 6, 2018, Volkswagen AG, certain affiliates, including AUDI AG, and the Oklahoma Attorney General announced an agreement to resolve the State of Oklahoma's consumer claims. The Oklahoma settlement includes a consent decree, which the Oklahoma state court approved on June 6, 2018.

On June 13, 2018, Volkswagen AG, certain affiliates, including AUDI AG, and the Vermont Attorney General announced an agreement to resolve the State of Vermont's consumer claims. On July 16, 2018, a joint stipulation of dismissal was filed with the Vermont court.

On June 25, 2018, a Pennsylvania state court approved a consent judgment that implemented an earlier settlement agreement resolving the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the State of Pennsylvania and nine other states that have opted out of federal emissions standards.

On June 26, 2018, a Missouri state court granted a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates, including AUDI AG, by the Missouri Attorney General. Missouri has declined to appeal that decision.

On September 17, 2018, Volkswagen AG, AUDI AG and certain affiliates sought leave to appeal to the Supreme Court of Canada regarding a Quebec provincial court's January 24, 2018

ruling authorizing an environmental class action on the sole issue of whether punitive damages could be recoverable.

In the course of the searches on June 11, 2018, it transpired that the Munich II public prosecutor's office has extended the criminal investigation pending there. The underlying search warrant shows that the former Chairman of the Board of Management of AUDI AG and an active member of the Board of Management of AUDI AG are now also under investigation. The accusations include fraud in connection with the sale of diesel vehicles on the European market in the period after fall 2015. The former Chairman of the Board of Management of AUDI AG was arrested on June 18, 2018, and has been in custody ever since. In connection with the diesel issue, the Munich II public prosecutor's office is currently investigating 23 individuals. AUDI AG has appointed two renowned major law firms to clarify the matter underlying the public prosecutor's accusations. The Board of Management and Supervisory Board of AUDI AG are being regularly updated on the current state of affairs. If the findings do illustrate reproachable conduct or fault on behalf of the organization, then the Board of Management or Supervisory Board, respectively, will adopt the necessary measures.

In October 2018, the Munich II public prosecutor's office issued AUDI AG an administrative order in connection with deviations from regulatory specifications for certain V6/V8 diesel engines and diesel cars manufactured or sold by AUDI AG. The administrative order imposes a fine of EUR 800 million in total, comprising of the maximum legal penalty of EUR 5 million for a negligent breach of monitoring obligations in the organizational unit "emissions service / power engine approval" and a disgorgement of economic benefits in the amount of EUR 795 million. Following thorough examination, AUDI AG has accepted the fine and waived the right to appeal, thus the administrative order is legally binding. The fine has been paid in full in the meantime and shall therefore be regarded as enforced. As a result of the administrative order, the misdemeanor proceeding against AUDI AG has been concluded.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potentials. From July 2017 to September 2018, the measures proposed by AUDI AG were adopted and mandated in various decisions by the KBA on vehicle models with V6 and V8 TDI engines. The investigations initiated in May 2018 on the current vehicle concepts of the Generation 2 evo and Generation 3 engine generations have been completed. The key findings were presented to the KBA.

We currently assume that the overall cost of the software-based retrofit program including the part related to recalls will be manageable and have recognized corresponding balance-sheet risk provisions. Should additional measures become necessary as a result of the consultations with the KBA, Audi will quickly implement these as part of the retrofit program in the interest of customers. Further field measures with financial consequences can therefore not be ruled out completely at this time.

The risk provisioning made to date and currently in place for the diesel issue in the form of provisions is based on current knowledge. For some of the ongoing civil, administrative and criminal-law proceedings, the probability of financial burdens was assessed as greater than fifty percent. Provisions were created for such cases, subject to it currently being possible to estimate a reliable figure. Given that final court approval remains pending and that reconciliations with the authorities are ongoing, the calculation of these provisions continues to be affected by multiple uncertain factors and is thus subject to significant evaluation risks.

Like many other car manufacturers, the Audi Group cannot sidestep the risks in connection with potentially defective

airbags. It is therefore still not possible to rule out further recalls. Technical investigations and official consultations are ongoing.

An escalation of the current trade disputes leading to higher import tariffs could negatively impact our deliveries and adversely affect financial key figures. Conversely, lower import tariffs would offer the prospect of an improved climate for trade, which could in turn increase our customers' propensity to buy. In the short term, changes in tariff rates could have a spillover effect on stocks of already-imported vehicles at retailers. We endeavor to manage these risks and opportunities to the best of our ability by means of ongoing tracking and possible price adjustments.

That aside, compared with the "Report on risks and opportunities" section – including the passages in the "Diesel issue" section – of the Combined Management Report in the 2017 Annual Report there were no material changes in the period under review including with regard to the disclosures on the diesel issue and other possible proceedings up to the reporting date, as well as to the investigations and inquiries into the diesel issue.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 18.



EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no further reportable events of material significance after September 30, 2018.

FUEL CONSUMPTION AND EMISSION FIGURES, EFFICIENCY CLASSES

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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): 19.6–1.6

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): 4.4–3.3

CO₂ emissions in g/km (combined): 452–36

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

DISCLAIMER

This Third 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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