Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Audi Group
Interim Financial Report

January 1 to June 30, 2018

Audi Vorsprung durch Technik

949,282	EUR 31.2 billion	8.9 %	EUR 2.7 billion
⬆	⬆	➡	⬆
DELIVERIES AUDI BRAND	REVENUE	OPERATING RETURN ON SALES	NET CASH FLOW

AUDI GROUP FROM JANUARY TO JUNE 2018 – CORE MESSAGES

- **Deliveries to customers** of **949,282** (908,683) vehicles **up on previous year**; growth predominantly in **China** and **United States**
- **Revenue** increases to **EUR 31.2** (30.0) **billion**
- **Operating profit** solid at **EUR 2.8** (2.7) **billion**; **operating return on sales** remains within strategic target corridor at **8.9** (8.9) **percent**
- **Profit before tax** rises to **EUR 3.2** (2.8) **billion** mainly thanks to strong China business within financial result
- **Net cash flow** reaches **EUR 2.7** (1.9) **billion** thanks to disciplined cost control and working capital improvements; investment priorities mainly in second half of the year
- Clear **progress** with **Audi Transformation Plan:** Measures worth **more than EUR 0.5 billion** over full year implemented
- Major **challenges** in **second half** from **model and technology initiative** plus **switch to WLTP:**
  - Market introduction of new Audi A7 under way, A6 car line soon at dealers; new Audi Q8 and A1 as well as Audi TT product improvement presented
  - Presentation of **Audi e-tron** – the first fully electric SUV from Audi – taking place in fall
  - **Restructuring of production network** creating synergies
  - Adjusting entire model portfolio to new **WLTP** test method may temporarily limit **availability** of individual **model versions**
  - **In-year fluctuations** of key performance indicators and inventories in line with rate of production starts and phase-outs as well as industry-wide WLTP issue
- **Outlook** remains **ambitious:**
  - Audi brand deliveries at prior-year level
  - Slight rise in revenue; operating return on sales in target corridor of 8 to 10 percent
  - Net cash flow between EUR 2.7 and 3.2 billion expected

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Audi A1 Sportback

Bram Schot
Chairman of the Board of Management of AUDI AG
(temporary)

Dear Shareholders,
Dear Readers,

When the Supervisory Board of AUDI AG asked me in mid-June whether I would take over as Chairman of the Board of Management on a temporary basis, I accepted without hesitation. Leading a company such as Audi in this day and age is definitely not an easy task – and yet I am looking forward to it.
In my first few weeks as Interim CEO I met a large number of Audi employees, listened to them and discovered how they all want to get involved and actively shape the development of our brand. That is the best basis for a successful future.

In coming to terms with the past, the diesel crisis, we recently reached an important milepost: At the start of July, we were able to conclude internal technical analyses on our V TDI engines and hand over all test reports to the German Federal Motor Vehicle Transport Authority (Kraftfahrt-Bundesamt, KBA) as the competent government agency. The KBA will now assess these. We want to obtain clearance for all the necessary software updates as soon as possible, following their assessment by the KBA. We will then be able to request our affected customers to visit our workshops and have their automobiles rectified as swiftly as possible.
In North America, we have now been given approval for the packages of measures for all V6 TDI engine generations in circulation there. Around two-thirds of affected customers in the United States have already had the relevant work done on their car. That takes us one decisive step forward as we emerge from one of the most difficult chapters of our brand's history.

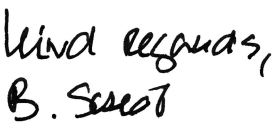
A solid business performance is key to successfully transforming our enterprise into a premium digital car company. Despite a challenging environment, in the first half of 2018 we improved slightly on the financial performance of the previous year. With revenue of EUR 31.2 billion and an operating profit of EUR 2.8 billion, we demonstrated the strength of our brand. The successful introduction of our Audi Transformation Plan had a positive impact. In the period January through June 2018, we have already implemented initial measures that will have an effect on operating profit worth more than EUR 0.5 billion over the full year. The operating return on sales of 8.9 percent lay within our strategic target corridor of 8 to 10 percent.

Where sales are concerned, we achieved vital growth in the first half of the year thanks to positive developments in the Asia and North America regions. Worldwide, demand for our premium automobiles rose by 4.5 percent to some 950,000 units.
In China, our largest individual market, we put in a strong performance between January and June, delivering over 306,000 cars. In Europe, demand in the first six months came to around 439,000 cars – a decrease of 4.2 percent. While the Audi A7 and A8 models achieved high growth in the first half, above all the forthcoming generation changeover for the A6 – the most popular Audi model among fleet customers – held back unit sales in Europe. North America returned a strong sales result for January through June 2018: In the period under review around 135,000 customers chose the Four Rings – an increase of 5.3 percent on the prior-year period. The United States accounted for the bulk of this figure with almost 108,000 delivered automobiles. This best-ever first half included the 90th record-breaking month in a row. We expect a variable, challenging but also exciting second half that will feature the presentation of our first electric car. The Audi e-tron is making its world debut in San Francisco in mid-September, and will guarantee an electrifying driving experience for our customers. And that is just the start.

By 2025, we will have well over 20 electrified models in our range: plug-in hybrids, electric cars and a first small-series model with fuel cell. All with the aim of becoming the leading premium brand for electric cars by mid-way through the next decade and selling 800,000 electric cars each year. That goal is part of our refined corporate strategy, with which we will provide fitting answers to the three global megatrends digitalization, sustainability and urbanization.

All products in our model initiative adopt the new Audi design language. The new Audi Q8, which we unveiled in Shenzen, China, at the start of June, extends our Q family at the top end. One in two Audi vehicles delivered in 2025 will be an SUV. Meanwhile we are building on our technological lead, as reflected by the latest awards: The Center of Automotive Management has voted the Audi A8 the most innovative model of 2018. The Audi brand emerges from this poll as the most innovative premium brand in the “Autonomous driving and safety” category.

Finally, we need to be frank about an important topic: WLTP. Switching all models to the new WLTP (World Harmonized Light-Duty Vehicles Test Procedure) measuring cycle is putting the entire automotive industry under huge strain. The homologation process is currently tying up a large amount of capacity and limiting the range we are able to offer our customers, a state of affairs that will continue for much of the second half of 2018. I can promise you we are making a concerted Company-wide effort to offer our customers attractive alternatives at all times, so that we soon have the full range of models available once more.



Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

INTERIM MANAGEMENT REPORT OF THE AUDI GROUP
FROM JANUARY 1 TO JUNE 30, 2018

BUSINESS AND UNDERLYING SITUATION

The global economy experienced robust growth in the first half of 2018. Both advanced and emerging economies saw an upturn in economic momentum compared with the prior-year period. However, growing protectionist tendencies worldwide triggered rising economic uncertainty.

In Western Europe, gross domestic product (GDP) expanded at a solid rate overall in the first six months of 2018 – though with slightly dwindling momentum as the period progressed. The sustained low interest rates and the improved labor market situation supported economic development. The Central and Eastern Europe region as a whole achieved a higher growth rate than in the prior-year period. For example, Russia's economic recovery slowly progressed against a backdrop of rising crude oil prices. The U.S. economy's growth continued in the period under review on the back of robust consumer spending and very healthy employment figures. Although Brazil's GDP was up year on year, the economic situation remained strained, among other reasons due to the upcoming presidential election. The People's Republic of China again reported a high growth rate by international standards.

Worldwide demand for cars grew by 3.5 percent to 42.2 (40.8) million vehicles in the period from January through June 2018. Total new registrations increased in all regions.

Demand for passenger cars in individual Western European markets varied widely. In Germany, new registrations performed well, rising 2.9 percent on the back of the favorable economic situation and a rise in consumer demand. Both the French and the Spanish automobile markets equally saw sales of passenger cars rise by 4.7 percent and 10.1 percent respectively. By contrast, demand for automobiles in the United Kingdom fell by –6.3 percent due in part to the uncertain impact of the exit negotiations between the EU and the United Kingdom. There was a healthy rise in new registrations in Central and Eastern Europe. Accelerating demand on the Russian automobile market driven by economic factors played a major part in this development. Sales of cars in Russia were up 18.6 percent. Bolstered by high employment levels, the U.S. market for passenger cars and light commercial vehicles expanded by 1.9 percent. 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 13.7 percent. The highest absolute growth was once again achieved in the Chinese passenger car market, which grew at a rate of 5.3 percent thanks especially to continuing high sales figures for SUV models.

In the first half of 2018, the established motorcycle markets in the displacement segment above 500 cc recorded an overall decline in demand of –3.3 percent. There was a marked fall in new registrations in the United States. Other motorcycle sales markets worldwide showed a mixed performance.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Audi A4 Sedan

PRODUCTION

The Audi Group manufactured 1,024,753 (943,166) cars in the first half of 2018. This figure includes 306,438 (258,862) Audi vehicles made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Of the total number of vehicles built by the Audi Group worldwide in the first half of the year, 1,022,383 (941,101) automobiles were made by the premium brand Audi and 2,370 (2,065) vehicles by the Lamborghini brand. In the same period, 37,997 (37,870) motorcycles of the Ducati brand were produced.

At our Group headquarters in Ingolstadt, we built a total of 285,661 (276,845) cars of the Audi brand in the first six months of 2018.
In Neckarsulm, 97,803 (109,523) Audi models left the production line: This was fewer than in the prior-year period as a result of model-cycle-related production changes for our comprehensively renewed full-size car lines.
At AUDI MÉXICO S.A. de C.V., San José Chiapa (Mexico), 94,836 (59,024) of the Audi Q5 were built following the successful ramping-up of our newest production site.
In Győr (Hungary) we manufactured 58,889 (54,621) vehicles at Audi Hungaria Zrt. Preparations are under way there to go into series production with the Audi Q3 as part of our restructured production network.
At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we built a total of 53,997 (60,749) vehicles of the brand with the Four Rings. The site is currently being switched from production of the A1 car line to production of the Audi e-tron – our first fully electric SUV.
AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, manufactured a total of 3,441 (3,337) cars in the first half of 2018 in São José dos Pinhais, near Curitiba (Brazil). In the same period, 60,635 (61,985) and 56,788 (52,974) Audi vehicles left the production lines at the Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia) respectively. The production processes at both plants were affected by the restructuring of our production network. While Martorell will build the second generation of the Audi A1 in the future, the Bratislava site will be the home of both the Audi Q7 and the Q8, our new SUV coupé in the full-size category.
In addition, 3,895 (3,181) vehicles of the brand with the Four Rings were built at the Volkswagen Group site in Aurangabad (India).
In China, the associated company FAW-Volkswagen Automotive Company, Ltd., manufactured 263,973 (218,387) cars of the Audi brand at its company headquarters in Changchun and 42,438 (40,475) Audi vehicles in the southern Chinese city of Foshan.

Car production by model [1)]

	1–6/2018	1–6/2017
Audi A1	7,496	13,879
Audi A1 Sportback	46,363	46,870
Audi Q2	51,114	49,530
Audi A3	–	3,874
Audi A3 Sportback	85,323	83,107
Audi A3 Sedan	68,790	60,970
Audi A3 Cabriolet	7,593	7,432
Audi Q3	109,908	111,152
Audi TT Coupé	6,785	9,474
Audi TT Roadster	2,115	3,189
Audi A4 Sedan	130,615	97,116
Audi A4 Avant	55,645	55,809
Audi A4 allroad quattro	11,042	10,554
Audi A5 Sportback	46,374	38,364
Audi A5 Coupé	12,814	14,727
Audi A5 Cabriolet	9,379	12,064
Audi Q5	159,473	127,785
Audi A6 Sedan	96,598	87,139
Audi A6 Avant	26,362	28,645
Audi A6 allroad quattro	5,971	5,666
Audi A7 Sportback	10,455	9,204
Audi e-tron	344	–
Audi Q7	54,853	53,133
Audi Q8	2,337	114
Audi A8	13,404	9,693
Audi R8 Coupé	798	934
Audi R8 Spyder	432	677
Audi brand	**1,022,383**	**941,101**
Lamborghini Urus	217	–
Lamborghini Huracán	1,532	1,403
Lamborghini Aventador	621	662
Lamborghini brand	**2,370**	**2,065**
Automotive segment	**1,024,753**	**943,166**

1) The table includes 306,438 (258,862) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Car engine production

	1–6/2018	1–6/2017
Audi Hungaria Zrt.	1,121,717	1,044,920
Automobili Lamborghini S.p.A.	671	653
Car engine production	**1,122,388**	**1,045,573**

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

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Motorcycle production

	1–6/2018	1–6/2017
Scrambler	10,306	9,270
Naked/Sport Cruiser (Diavel, Monster)	7,905	12,013
Dual/Hyper (Hypermotard, Multistrada)	9,984	9,570
Sport (SuperSport, Superbike)	9,802	7,017
Ducati brand	**37,997**	**37,870**
Motorcycles segment	**37,997**	**37,870**

Worldwide, the Ducati brand produced 37,997 (37,870) motorcycles in the first six months of 2018. We built 32,669 (32,981) bikes at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 4,752 (4,369) motorcycles at the Amphur Pluakdaeng (Thailand) plant. 576 (520) units were built in Manaus (Brazil) on a contract manufacturing basis.

DELIVERIES AND DISTRIBUTION [1)]

The Audi Group delivered 1,099,908 (1,034,760) cars to customers worldwide in the period from January through June 2018. The figure includes deliveries of 282,584 (233,411) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The Audi brand handed a total of 949,282 (908,683) vehicles over to customers – an increase of 4.5 percent on the prior-year period.
The Lamborghini brand delivered 2,327 (2,091) vehicles to customers in the first six months. Deliveries to customers of other Volkswagen Group brands came to 148,299 (123,986) cars in the first half of 2018. In addition, the Ducati brand recorded a delivery volume of 32,250 (34,853) motorcycles.

In Western Europe, we were unable to match the high volume of the prior-year period. This was due to such factors as the complex situation regarding models going into and out of production as a result of our ongoing model initiative. We consequently delivered a total of 413,286 (432,596) vehicles of the Audi brand to customers in this market.
Against this backdrop the volume of deliveries in our home market Germany declined to 157,091 (167,620) cars – a fall of –6.3 percent.

Our volume in the United Kingdom was only slightly down on the prior-year figure at 89,232 (90,004) Audi vehicles delivered. In the Italian market, we recorded deliveries of 35,523 (35,012) for the Audi brand, a similar level to the first half of 2017. While demand for Audi vehicles declined by –13.7 percent in France, our sales figures in Spain were up 4.1 percent.

In the Central and Eastern Europe region, we delivered a total of 26,159 (26,049) cars with the Four Rings to customers in the first half of 2018. The lower volume of vehicles in Russia was counterbalanced by a healthy rise in deliveries in many countries in Central Europe.

In the same period we handed 134,995 (128,155) cars of the Audi brand over to customers in the North America region. Our growth trajectory in the United States continued with a growth rate of 4.8 percent to 107,942 (102,971) units, spearheaded mainly by our successful SUV models. The June figure was our 90th record-breaking month in a row there. Our deliveries in Canada also made welcome progress and were up a substantial 10.5 percent.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.
1) The figures for the prior-year period have been marginally adjusted.

Audi Q8

Audi A4 Avant

Despite the fall in deliveries in Brazil, our sales figures in the South America region were only slightly below the figure for the prior-year period at 9,708 (9,871) delivered Audi models.

We presented a total of 345,571 (289,304) Audi vehicles to customers in the Asia-Pacific region from January through June 2018. In China, our biggest single market, we delivered 306,590 (254,785) automobiles – a growth rate of 20.3 percent. The prior-year period was affected by special circumstances following strategic landmark decisions concerning our business in China.

Alongside regional demand in the individual sales markets, the development in our deliveries was influenced by the current product cycle. We are updating almost half of our portfolio of models in 2018 – many of them in the second half of the year. The complexities of so many models going into and out of production may cause in-year fluctuations in volume within the individual car lines. Our new Audi A7 full-size model made very positive progress in the first half. On the other hand particularly the forthcoming generation changeover for the A6, the most popular Audi model among German fleet operators, depressed the sales figures. The A6 Sedan will be arriving on the market shortly, then the new Audi A6 Avant will reach dealers in Europe in the fall. Our SUV segment performed especially well, led by the Audi Q2 and the second generation of the Audi Q5. In addition, the new generation of the A5 car line achieved healthy volume growth of 26.9 percent.

Car deliveries to customers by model [1) 2)]

	1–6/2018	1–6/2017
Audi A1	6,583	10,795
Audi A1 Sportback	41,144	41,176
Audi Q2	52,862	46,326
Audi A3	911	5,112
Audi A3 Sportback	85,289	89,139
Audi A3 Sedan	63,440	60,939
Audi A3 Cabriolet	6,752	8,270
Audi Q3	94,618	98,201
Audi TT Coupé	8,509	9,939
Audi TT Roadster	2,312	3,335
Audi A4 Sedan	119,885	97,971
Audi A4 Avant	53,237	56,872
Audi A4 allroad quattro	9,892	10,376
Audi A5 Sportback	39,420	28,542
Audi A5 Coupé	11,646	12,614
Audi A5 Cabriolet	9,696	6,719
Audi Q5	147,800	124,461
Audi A6 Sedan	93,759	89,278
Audi A6 Avant	27,522	30,554
Audi A6 allroad quattro	5,273	5,691
Audi A7 Sportback	10,171	9,324
Audi Q7	48,216	51,650
Audi A8	7,806	9,578
Audi R8 Coupé	1,002	1,109
Audi R8 Spyder	640	712
Internal vehicles before market introduction	897	–
Audi brand	**949,282**	**908,683**
Lamborghini Huracán	1,604	1,400
Lamborghini Aventador	673	691
Internal vehicles before market introduction	50	–
Lamborghini brand	**2,327**	**2,091**
Other Volkswagen Group brands	**148,299**	**123,986**
Automotive segment	**1,099,908**	**1,034,760**

1) The table includes deliveries of 282,584 (233,411) vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The figures for the prior-year period have been marginally adjusted.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Motorcycle deliveries to customers [1)]

	1–6/2018	1–6/2017
Scrambler	7,600	8,707
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	8,090	10,726
Dual/Hyper (Hypermotard, Multistrada)	8,877	9,469
Sport (SuperSport, Superbike)	7,683	5,951
Ducati brand	**32,250**	**34,853**
Motorcycles segment	**32,250**	**34,853**

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

From January through June 2018, we delivered 32,250 (34,853) motorcycles of the Ducati brand to customers worldwide. Higher sales of the Superbike Panigale V4 and the Multistrada 1260 were unable to compensate fully for the negative development in volume that affected the Monster, Diavel, SuperSport and Hypermotard. We slightly increased our deliveries in the home market Italy, while we recorded predominantly lower sales figures in the other major markets.

Market introductions in 2018: Audi models presented or introduced in the period under review

Models	Main characteristics and new features
Audi RS 4 Avant *(new model)*	> 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 *(new model)*	> 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 *(new model)*	> 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 *(new model)*	> 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, phased market introduction from fall 2018
Audi RS 5 Sportback *(new model, no predecessor)*	> 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 starting in the fourth quarter of 2018 initially in the United States and Canada
Audi Q8 *(new model, no predecessor)*	> 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 > Systematic electrification of the driveline: new mild hybrid technology with 48-volt electrical system as standard > Innovative driver assistance systems such as remote parking pilot or remote garage pilot (expected from 2019) > Presentation in June 2018, market introduction in third quarter of 2018 initially in Europe
Audi A1 Sportback *(new model)*	> Distinctive, masculine design with streamlined styling plus extensive customization options > Infotainment and driver assistance systems of full-size caliber (e.g. Audi pre sense front, lane assist as standard) > 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 Coupé *(product improvement)*	> 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

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Models	Main characteristics and new features
Audi TT Roadster *(product improvement)*	› 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

Market introductions in 2018: Lamborghini models presented or introduced in the period under review

Models	Main characteristics and new features
Lamborghini Urus *(new model, no predecessor)*	› 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 precision 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 *(new model)*	› 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 start of 2018, 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 likewise grown, expanding to include the 1100, 1100 Special and 1100 Sport models.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Audi TT Coupé

FINANCIAL PERFORMANCE INDICATORS

/ *FIRST-TIME ADOPTION 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 the 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. In addition, expenses for individual sales programs had to be reclassified.

/ *FINANCIAL PERFORMANCE* [1)]

The Audi Group generated revenue of EUR 31,183 (30,011) million in the first half of 2018.

In the Automotive segment revenue came to EUR 30,735 (29,552) million. The market success of the new Audi Q5 played a major part in this increase. Revenue from the sale of other Volkswagen Group brands also developed positively. In addition, we were able to increase revenue from other automotive business mainly thanks to higher proceeds from deliveries of parts sets for local production in China and from engine business. At the same time, the development in revenue was held back by model changeovers in numerous car lines and negative currency 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 for the first time 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 on are recognized as sales allowances under IFRS 15.

In the Motorcycles segment, revenue generated by the Ducati brand amounted to EUR 449 (459) million. Revenue was affected mainly by the downturn in volume, in a reflection of the negative market development. On the other hand, the current model mix had a positive effect.

Condensed Income Statement, Audi Group

EUR million	1–6/2018	1–6/2017
Revenue	31,183	30,011
Cost of goods sold	– 25,963	– 24,616
Gross profit	**5,221**	**5,395**
Distribution costs	– 2,128	– 2,423
Administrative expenses	– 341	– 323
Other operating result	10	31
Operating profit	**2,761**	**2,680**
Financial result	450	71
Profit before tax	**3,211**	**2,751**
Income tax expense	– 831	– 689
Profit after tax	**2,380**	**2,062**

From January through June 2018, the cost of goods sold for the Audi Group increased to EUR 25,963 (24,616) million. The rise is mainly attributable to volume-related higher direct material costs and higher purchase costs that above all reflect increased trading with other Volkswagen Group brands.
In the first half of 2018 we pressed ahead with systematically managing our resources and implementing efficiency improvements in the research and development area. Despite the expansion of our model and technology portfolio, research and development activities were below the previous year's level, at EUR 2,020 (2,083) million. The research and development ratio came to 6.5 (6.9) percent of revenue and was therefore within our strategic target corridor of 6.0 to 6.5 percent. The Audi Group capitalized development spending amounting to EUR 647 (718) million in the first half of 2018 – this represents a capitalization ratio of 32.0 (34.5) percent. Research and development expenditure recognized as an expense came to EUR 1,790 (1,845) million in the period under review. The decrease is partly attributable to lower capitalized development costs of EUR 418 (480) million. The research expense and non-capitalized development costs came to EUR 1,372 (1,365) million.

In the first six months of 2018, distribution costs of the Audi Group fell to EUR 2,128 (2,423) million. The decrease year on year is mainly a result of changes in connection with IFRS 15. For example, sales-related payments were recognized within revenue as sales allowances in the first half of 2018, whereas they had still been reported under distribution costs in the previous year. After adjustment for the effects of the new IFRS requirement, distribution costs remained almost at the level of the previous year despite the increased volume, thanks to rigorously disciplined control over costs.

1) The prior-year figures have been adjusted (see also comments on IFRS 9 and IFRS 15 in the Notes).

The other operating result of the Audi Group for the first half of 2018 was on a par with the previous year at EUR 10 (31) million. In response to the new accounting standard IFRS 9, hedging transactions on the development of residual values have been recognized within the other operating result rather than in the financial result since the start of the 2018 fiscal year. There were positive effects from the measurement of receivables and liabilities settled in foreign currency at the reporting date.

Key operating performance figures, Audi Group

EUR million	1–6/2018	1–6/2017
Operating profit	**2,761**	**2,680**
Automotive segment	2,718	2,642
Motorcycles segment	43	38
adjusted for effects of PPA [1)]	*54*	*49*

in %	1–6/2018	1–6/2017
Operating return on sales	**8.9**	**8.9**
Automotive segment	8.8	8.9
Motorcycles segment	9.5	8.2
adjusted for effects of PPA [1)]	*12.1*	*10.8*
Return on sales before tax	**10.3**	**9.2**

1) Effects of purchase price allocation

The Audi Group increased its operating profit in the first half of 2018 to EUR 2,761 (2,680) million. This represents an operating return on sales of 8.9 (8.9) percent.

In the Automotive segment, we generated an operating profit of EUR 2,718 (2,642) million and an operating return on sales of 8.8 (8.9) percent. The successful introduction of the Audi Transformation Plan had a positive impact. In the period January through June 2018, we have already implemented initial measures that will have an effect on operating profit worth more than EUR 0.5 billion over the full year. These result from a wide range of individual measures such as efficiency gains from the standardization of non-brand-differentiating vehicle accessories. Optimized processes, such as the increased use of modern data analytics methods and the associated improvement in our customer-facing product and equipment offering, are a further source of leverage. Exchange rate factors equally had a positive effect 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 43 (38) million in the first half of 2018 mainly thanks to the improved model mix and efficiency measures, despite negative currency factors. This represents an operating return on sales of 9.5 (8.2) percent. After elimination of the effects of purchase price allocation, our operating profit came to EUR 54 (49) million and the operating return on sales was 12.1 (10.8) percent.

Financial result, Audi Group

EUR million	1–6/2018	1–6/2017
Result from investments accounted for using the equity method	143	333
of which FAW-Volkswagen Automotive Company, Ltd.	*92*	*127*
of which Volkswagen Automatic Transmission (Tianjin) Company Limited	*87*	*42*
of which There Holding B.V.	*– 41*	*153*
of which SAIC Volkswagen Automotive Company Ltd.	*5*	*–*
Net interest result	44	28
Other financial result	263	– 290
of which brand settlement, China business	*147*	*59*
of which dividend of FAW-Volkswagen Automotive Company, Ltd. [1)]	*162*	*–*
Financial result	**450**	**71**
of which China business [2)]	*493*	*229*

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 450 (71) million in the first half 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 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 six months of the 2018 fiscal year, the Audi Group increased its profit before tax to EUR 3,211 (2,751) million and its return on sales before tax to 10.3 (9.2) percent. Profit after tax came to EUR 2,380 (2,062) million.

/ NET WORTH

As of June 30, 2018, the balance sheet total of the Audi Group increased to EUR 66,609 (63,680) million compared with the position as of December 31, 2017.

Condensed Balance Sheet, Audi Group

EUR million	June 30, 2018	Dec. 31, 2017
Non-current assets	29,401	29,469
Current assets	36,929	33,846
Available-for-sale assets	279	365
Balance sheet total	**66,609**	**63,680**
Equity	28,725	28,171
Liabilities	37,883	35,509
of which non-current liabilities	*14,169*	*14,301*
of which current liabilities	*23,714*	*21,208*
Balance sheet total	**66,609**	**63,680**

Non-current assets amounted to EUR 29,401 (29,469) million.

Current assets totaled EUR 36,929 million, compared with EUR 33,846 million as of December 31, 2017. The increase has been prompted by higher inventories and increased trade receivables, among other items. These developments are one reflection of the preparations made to supply the market in the second half of 2018. On top of the introduction of a large number of new models over the coming months, the switch to the new WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure) measuring cycle on September 1, 2018, will necessitate improved supplies to the distribution and retail network.

The equity of the Audi Group as of June 30, 2018, amounted to EUR 28,725 (28,171) million. The consolidated net profit remaining after the transfer of profit in accordance with IFRS increased equity by EUR 1,048 million. The development in equity was held back by the measurement effects to be recognized with no effect on profit or loss under IFRS rules, which led overall to a decrease in equity of EUR –529 million. Compared with December 31, 2017, the equity ratio for the Audi Group as of June 30, 2018, was 43.1 (44.2) percent.

Non-current liabilities at the half-way mark of 2018 showed only a minimal change to EUR 14,169 million compared with EUR 14,301 million at the end of 2017.

The rise in current liabilities to EUR 23,714 million compared with EUR 21,208 million as of December 31, 2017, was driven mainly by seasonal effects. Trade payables were up on the end of 2017, for example.

As of June 30, 2018, the balance sheet item available-for-sale assets relates to the following matter: The sale of 5 percent of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), was negotiated with Volkswagen AG, Wolfsburg. These shares were reclassified to available-for-sale assets. The purchase agreement on the sale of the shares was signed in June 2018. The transaction is still pending official approval.
At the end of 2017, the balance sheet item available-for-sale assets also included one further matter. This concerned the sale of 5.9 percent of the shares in There Holding B.V., Rijswijk (Netherlands), to Robert Bosch Investment Nederland B.V., Boxtel (Netherlands), and of a further 5.9 percent to Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands), and became effective in the first half of 2018.

Ducati Scrambler 1100 Special

/ FINANCIAL POSITION [1)]

The Audi Group generated cash flow from operating activities of EUR 4,552 (3,786) million in the first half of 2018. The rise is principally attributable to a combination of our working capital management and the higher profit before tax. As expected, cash flow from operating activities was diminished by the further use of cash amounting to around EUR 0.3 billion in connection with the diesel issue. In the previous year the figure was in the high three-digit million euros range.

Condensed Cash Flow Statement, Audi Group

EUR million	1–6/2018	1–6/2017
Cash and cash equivalents at beginning of period	11,255	11,395
Cash flow from operating activities	**4,552**	**3,786**
Investing activities attributable to operating activities [1)]	– 1,881	– 1,860
of which capital expenditure [2)]	*– 1,047*	*– 1,156*
of which capitalized development costs	*– 647*	*– 718*
of which acquisition and sale of participations [3)]	*– 213*	*– 26*
Net cash flow	2,672	1,925
Change in cash deposits and loans extended	– 962	– 194
Cash flow from investing activities	**– 2,842**	**– 2,054**
Cash flow from financing activities	**– 2,402**	**– 662**
Change in cash and cash equivalents due to changes in exchange rates	– 6	– 168
Change in cash and cash equivalents	**– 698**	**901**
Cash and cash equivalents at end of period	**10,557**	**12,296**

1) The item also includes other cash changes of EUR 26 (41) million.
2) This includes investments in property, plant and equipment, investment property and other intangible assets.
3) Including changes in capital

EUR million	June 30, 2018	June 30, 2017
Cash funds as per Cash Flow Statement [1)]	10,557	12,296
Short-term fixed deposits [2)]	905	14
Cash funds as per Balance Sheet	**11,462**	**12,310**
Securities, loans extended to participations and short-term fixed deposits [3)]	10,116	6,703
Gross liquidity	**21,578**	**19,013**
Credit outstanding [4)]	– 647	– 546
Net liquidity	**20,931**	**18,468**

1) Bank balances as well as cash deposits with an investment term of no more than 3 months
2) With a maturity of < 3 months
3) With an investment term of > 3 months
4) Current financial liabilities and non-current financial liabilities

The cash used for investing activities attributable to operating activities came to EUR 1,881 (1,860) million in the first half of 2018. We have further intensified our disciplined approach to investment and scaled back capital expenditure as well as capitalized development costs compared with the previous year. The ratio of capex was consequently below the prior-year figure at 3.4 (3.9) percent. The higher level of cash used from the acquisition and sale of participations compared with the previous year had the opposite effect. It includes a one percent participation in SAIC Volkswagen Automotive Company Ltd., Shanghai (China). This is in connection with the further strategic development of our China business. The purchase price for the shares acquired by Volkswagen AG, Wolfsburg, in the first half of 2018 was EUR 328 million. Conversely there was a cash inflow from the sale of 5.9 percent of the shares in There Holding B.V., Rijswijk (Netherlands), to Robert Bosch Investment Nederland B.V., Boxtel (Netherlands), and of a further 5.9 percent to Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands).

The Audi Group thus generated a net cash flow of EUR 2,672 (1,925) million in the first six months of 2018. The prior-year figure was diminished by the higher amount of cash used in connection with the diesel issue.

Overall, cash flow from investing activities, taking account of changes in cash deposits and loans extended, came to EUR –2,842 (–2,054) million. The year-on-year change is substantially attributable to the restructuring of cash funds as fixed deposits.

Cash flow from financing activities reached an overall EUR –2,402 (–662) million in the first half of 2018. It principally comprises the profit transfer to Volkswagen AG, Wolfsburg, of EUR –2,406 (–918) million. The increased profit transfer compared with the previous year is attributable to the higher profit after tax for 2017 overall.

The closing position for cash funds as of June 30, 2018, was EUR 10,557 million.

The net liquidity of the Audi Group as of the same reporting date rose to EUR 20,931 million compared with EUR 18,468 million as of June 30, 2017.

1) The prior-year figures have been adjusted (see also comments on IFRS 9 in the Notes).

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 one percent participation in SAIC Volkswagen 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.

PERSONNEL AND OTHER CHANGES

With effect from April 12 and 13, 2018, respectively, Dr. rer. pol. h. c. Francisco Javier Garcia Sanz and Matthias Müller resigned from the Supervisory Board of AUDI AG. The Local Court of Ingolstadt appointed Dr. Herbert Diess and Marianne Heiß as supplementary members on May 7, 2018. The Supervisory Board elected Dr. Herbert Diess as Chairman of the Supervisory Board on May 8, 2018.

Senator h. c. Helmut Aurenz retired from the Supervisory Board of AUDI AG with the close of the Annual General Meeting on May 9, 2018. The Annual General Meeting elected Gunnar Kilian to the Supervisory Board of AUDI AG on May 9, 2018.

In addition, Petra Otte and Rainer Schirmer were elected to the Supervisory Board of AUDI AG by the delegates of the employee representatives and belong to that body with effect from May 9, 2018. They succeed Berthold Huber and Max Wäcker, whose term of office ended with the close of the Annual General Meeting of AUDI AG on May 9, 2018.

At its constituent meeting on May 9, 2018, the Supervisory Board elected Dr. Herbert Diess as its Chairman and Peter Mosch as Vice Chairman.

At his request the Supervisory Board temporarily and with immediate effect released Rupert Stadler from his office as Chairman of the Board of Management and Member of the Board of Management of AUDI AG on June 19, 2018, until the matter which led to his arrest has been resolved. Abraham Schot took over as acting Chairman of the Board of Management of AUDI AG with effect from June 19, 2018, until further notice, in addition to his duties as Member of the Board of Management for Marketing and Sales.

The introduction of the brand groups “Volume,” “Premium” and “Sport & Luxury” is planned as part of the extensive revision of the Volkswagen Group’s management structure resolved in April 2018. The Audi brand is 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.

EMPLOYEES

/ WORKFORCE

Average for the period	1–6/2018	1–6/2017
Domestic companies [1]	**59,743**	**59,368**
of which AUDI AG	*58,808*	*58,411*
Ingolstadt plant	*42,784*	*42,458*
Neckarsulm plant	*16,024*	*15,953*
Foreign companies	**28,763**	**27,503**
of which AUDI BRUSSELS S.A./N.V.	*2,774*	*2,576*
of which AUDI Hungaria Zrt.	*12,677*	*11,666*
of which AUDI MÉXICO S.A. de C.V.	*5,891*	*6,093*
of which Automobili Lamborghini S.p.A.	*1,586*	*1,419*
of which Ducati Motor Holding S.p.A.	*1,372*	*1,321*
Employees	**88,506**	**86,871**
Apprentices	2,368	2,376
Employees of Audi Group companies	**90,874**	**89,247**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	445	433
Workforce Audi Group	**91,319**	**89,680**

1) Of these, 1,661 (1,167) employees were in the passive stage of their partial retirement.

In the first half of 2018, the workforce of the Audi Group grew to an average of 91,319 (89,680) employees compared with the previous year. The numerous production start-ups as part of our model initiative are the main factor behind the increase. We have also hired further experts for our important strategic future areas such as electric mobility and digitalization. We are providing our workforce with custom training on future topics such as big data and the digital factory. In order to handle the transformation at Audi successfully, we have increased our further training budget by one-third to an annual 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. In addition, over 800 young people will again embark on vocational training at Audi in 2018.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

Based on current estimates the Audi Group expects a slight weakening of the global economy in 2018 as a whole. We anticipate that both advanced and emerging economies will exhibit somewhat lower economic dynamism than in 2017. The Audi Group expects the Asia-Pacific region to continue to return 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 all dampen global growth prospects.

In addition, geopolitical tensions and conflicts, structural weaknesses in individual countries and financial market turbulence continue to represent potential disruptive factors.

The Audi Group stands by its expectation of slight growth in global demand for cars in 2018. We expect to see new registrations rise in the regions of Central and Eastern Europe, South America and Asia-Pacific. It is anticipated that sales of passenger cars in the Western Europe region will be on a par

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Lamborghini Urus

with the previous year. Sales of passenger cars and light commercial vehicles are likely to be marginally below prior-year levels in North America.
In the established motorcycle markets, we expect a slightly negative development in demand in the displacement segment above 500 cc for the forecasting period. The expectation of a mildly positive trend in demand had been expressed in the 2017 Annual Report.

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 including when the adjusted prior-year figures are taken as the basis. Adjustments were made to reflect the adoption of new accounting standards.

Model changeovers and the WLTP requirements mean the Audi Group continues to expect considerable in-year fluctuations in the production and volume figures, as well as in the financial key figures and inventory levels. For the 2018 fiscal year, we stand by our expectation that the operating return on sales will reach the strategic target corridor of 8 to 10 percent. The temporary unavailability of individual model versions could have an adverse effect, for example on our planned model mix and therefore also on our forecasts for revenue and the return ratios. Depending on further developments, a slight undershoot of the strategic target corridor for the operating return on sales and a corresponding development in the return on investment cannot be ruled out.
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.

/ 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 CO_2 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.

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 both moved for and have been granted 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. 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 September 17, 2018.

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. Overall, we are making progress with our re-entry into the Korean market. For example, we have now obtained new type approval for further Audi models in that market and expect to see deliveries in South Korea rise once more as the year progresses.

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 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 hearing was postponed again.

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 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.

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. These states had 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.

In the course of the searches on June 11, 2018, it transpired that the public prosecutor's office of Munich II has extended the criminal investigation pending there. The underlying search warrant shows that the Chairman of the Board of Management of AUDI AG and a further active member of the AUDI AG Board of Management are now 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 Chairman of the Board of Management of AUDI AG was arrested on June 18, 2018, and has been in custody ever since. In this context, the public prosecutor's office of Munich II is currently investigating 20 individuals.

AUDI AG has appointed two renowned major law firms to clarify the matter underlying the public prosecutor's accusations. The investigations are at an early stage. 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.
The misdemeanor proceedings in relation to the matter concerning AUDI AG being investigated by the public prosecutor's office in Munich are continuing.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potential. From July 2017 to June 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 results are currently being 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,

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Audi TT Roadster

e.g. from fines, 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.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

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

FUEL CONSUMPTION AND EMISSION FIGURES, 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): 6.5–3.3
CO_2 emissions in g/km (combined): 394–36
Efficiency classes: G-A+

The fuel consumption, CO_2 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 CO_2 emissions of new passenger cars can be found in the "Guide on the fuel economy, CO_2 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

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

CONSOLIDATED FINANCIAL STATEMENTS OF THE AUDI GROUP AS OF JUNE 30, 2018

INCOME STATEMENT OF THE AUDI GROUP

EUR million	Notes	1–6/2018	1–6/2017 [1]
Revenue	1	31,183	30,011
Cost of goods sold	2	–25,963	–24,616
Gross profit		**5,221**	**5,395**
Distribution costs		–2,128	–2,423
Administrative expenses		–341	–323
Other operating income	4	949	1,221
Other operating expenses	4	–939	–1,189
Operating profit		**2,761**	**2,680**
Result from investments accounted for using the equity method		143	333
Interest income		128	37
Interest expenses		–84	–9
Other financial result		263	–290
Financial result	**5**	**450**	**71**
Profit before tax		**3,211**	**2,751**
Income tax expense		–831	–689
Profit after tax		**2,380**	**2,062**
of which profit share of AUDI AG shareholders		*2,313*	*2,013*
of which profit share of non-controlling interests		*67*	*49*
Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code		1,265	1,429

EUR		1–6/2018	1–6/2017 [1]
Earnings per share	6	53.79	46.82
Diluted earnings per share	6	53.79	46.82

1) The prior year has been adjusted (see disclosures on IFRS 9 and IFRS 15).

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	1–6/2018	1–6/2017 [1]
Profit after tax	**2,380**	**2,062**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income before tax	–57	367
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	17	–110
Pension plan remeasurements recognized in other comprehensive income after tax	–40	257
Fair value measurement of securities (equity instruments) that will not be reclassified subsequently to profit or loss after tax	–	14
Items that will not be reclassified to profit/loss after tax	**–40**	**271**
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	45	–191
Currency translation differences before tax	45	–191
Deferred taxes on currency translation differences	–	0
Currency translation differences after tax	45	–191
Hedging		
Fair value changes of cash flow hedges recognized in other comprehensive income	–419	1,504
Fair value changes of cash flow hedges transferred to profit or loss	–227	3
Cash flow hedges before tax	–646	1,507
Deferred taxes on cash flow hedges	193	–451
Cash flow hedges after tax	–453	1,056
Costs of hedging relationships recognized in other comprehensive income	–125	47
Costs of hedging relationships transferred to profit or loss	1	–
Costs of hedging relationships before tax	–124	47
Deferred taxes on costs of hedging relationships	37	–14
Costs of hedging relationships after tax	–87	33
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	6	–43
Items that will be reclassified subsequently to profit/loss after tax	**–489**	**855**
Other comprehensive income before tax	–777	1,701
Deferred taxes relating to other comprehensive income	247	–575
Other comprehensive income after tax [2]	**–529**	**1,126**
Total comprehensive income	**1,851**	**3,188**
of which profit share of AUDI AG shareholders	*1,772*	*3,185*
of which profit share of non-controlling interests	*79*	*3*

1) The prior year has been adjusted (see disclosures on IFRS 9).
2) A share of 11 (–46) EUR million of other profit after tax from currency translation differences with no effect on profit or loss is attributable to non-controlling interests.

BALANCE SHEET OF THE AUDI GROUP

ASSETS *in EUR million*	Notes	June 30, 2018	Dec. 31, 2017
Intangible assets		6,979	6,785
Property, plant and equipment		13,609	13,660
Leasing and rental assets		10	6
Investment property		340	346
Investments accounted for using the equity method		1,487	1,224
Other participations		402	359
Deferred tax assets		2,157	2,003
Other financial assets		4,278	4,940
Other receivables		138	145
Non-current assets	**7**	**29,401**	**29,469**
Inventories	8	9,347	7,893
Trade receivables		6,866	5,533
Effective income tax assets		36	22
Other financial assets		1,839	1,947
Other receivables		1,183	1,176
Securities		6,196	6,002
Cash funds		11,462	11,273
Current assets		**36,929**	**33,846**
Available-for-sale assets		**279**	**365**
Total assets		**66,609**	**63,680**

EQUITY AND LIABILITIES *in EUR million*	Notes	June 30, 2018	Dec. 31, 2017
Subscribed capital		110	110
Capital reserve		12,175	12,175
Retained earnings [1]		14,927	13,970
Other reserves [1]		952	1,430
AUDI AG shareholders' interest		28,164	27,685
Non-controlling interests		562	487
Equity		**28,725**	**28,171**
Financial liabilities		325	328
Other financial liabilities		505	448
Other liabilities		1,046	1,205
Provisions for pensions		5,190	5,135
Other provisions		6,356	6,193
Effective income tax obligations		451	775
Deferred tax liabilities		296	217
Non-current liabilities		14,169	14,301
Financial liabilities		322	319
Trade payables		9,103	7,313
Other financial liabilities		4,522	4,928
Other liabilities		3,119	2,508
Other provisions		5,783	5,550
Effective income tax obligations		865	590
Current liabilities		23,714	21,208
Liabilities		**37,883**	**35,509**
Total equity and liabilities		**66,609**	**63,680**

1) The prior year has been adjusted (see disclosures on IFRS 9).

CASH FLOW STATEMENT OF THE AUDI GROUP

EUR million	1–6/2018	1–6/2017 [1]
Profit before profit transfer and income taxes	3,211	2,751
Income tax payments	–701	–569
Amortization of and impairment losses (reversals) on capitalized development costs	418	480
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, leasing and rental assets, investment property and other intangible assets	1,287	1,148
Result from the disposal of assets	–12	–26
Result from investments accounted for using the equity method	21	42
Change in inventories	–1,400	–528
Change in receivables	–1,496	–867
Change in liabilities	2,912	1,918
Change in provisions	256	–850
Change in leasing and rental assets	–5	–3
Other non-cash income and expenses	60	291
Cash flow from operating activities	**4,552**	**3,786**
Additions of capitalized development costs	–647	–718
Investments in property, plant and equipment, investment property and other intangible assets	–1,047	–1,156
Acquisition of subsidiaries and changes in capital	–28	–21
Acquisition of investments in associates and other participations and changes in capital	–367	–10
Sale of subsidiaries, associates, and other participations and changes in capital	182	6
Other cash changes	26	41
Change in investments in securities	–238	97
Change in fixed deposits and loans extended	–724	–291
Cash flow from investing activities	**–2,842**	**–2,054**
Capital contributions	–	459
Transfer of profit	–2,406	–918
Change in financial liabilities	8	–200
Lease payments made	–4	–3
Cash flow from financing activities	**–2,402**	**–662**
Change in cash and cash equivalents due to changes in exchange rates	–6	–168
Change in cash and cash equivalents	**–698**	**901**
Cash and cash equivalents at beginning of period	11,255	11,395
Cash and cash equivalents at end of period	**10,557**	**12,296**

1) The prior year has been adjusted (see disclosures on IFRS 9).

EUR million	June 30, 2018	June 30, 2017
Cash and cash equivalents as per Cash Flow Statement (bank assets and cash deposits with maturities of no more than 3 months)	10,557	12,296
Currently due fixed deposits with a remaining term of < 3 months	905	14
Cash funds as per Balance Sheet	**11,462**	**12,310**
Securities, loans extended to participations and currently due fixed deposits with an investment period of > 3 months	10,116	6,703
Gross liquidity	**21,578**	**19,013**
Credit outstanding	–647	–546
Net liquidity	**20,931**	**18,468**

STATEMENT OF CHANGES IN EQUITY OF THE AUDI GROUP

EUR million	Subscribed capital	Capital reserve	Retained earnings	
			Statutory reserve and other retained earnings	
Unadjusted position as of Jan. 1, 2017	110	11,716	12,731	
Changes in accounting policy to reflect IFRS 9	–	–	2	
Position as of Jan. 1, 2017	110	11,716	12,732	
Profit after tax [1]	–	–	2,013	
Other comprehensive income after tax [2]	–	–	257	
Total comprehensive income	**–**	**–**	**2,271**	
Capital increase	–	459	–	
Miscellaneous changes [2]	–	–	–1,429	
Position as of June 30, 2017	**110**	**12,175**	**13,574**	
Unadjusted position as of Jan. 1, 2018	110	12,175	14,015	
Changes in accounting policy to reflect IFRS 9 and IFRS 15	–	–	–96	
Position as of Jan. 1, 2018	110	12,175	13,919	
Profit after tax	–	–	2,313	
Other comprehensive income after tax	–	–	–40	
Total comprehensive income	**–**	**–**	**2,273**	
Miscellaneous changes [2]	–	–	–1,265	
Position as of June 30, 2018	**110**	**12,175**	**14,927**	

1) The prior year has been adjusted (see disclosures on IFRS 9).
2) The miscellaneous changes relate to the profit share to which Volkswagen AG, Wolfsburg, is entitled in event of profit transfer in accordance with the German Commercial Code.

Other reserves					Equity		
Reserve for currency translation differences	Hedging		Equity and debt instruments	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interests	Total
	Reserve for cash flow hedges	Costs of hedging relationships					
222	–192	–	–30	128	24,685	636	25,321
–	–	–2	–	–	–	–	–
222	–192	–2	–30	128	24,685	636	25,321
–	–	–	–	–	2,013	49	2,062
–145	1,056	33	14	–43	1,172	–46	1,126
–145	**1,056**	**33**	**14**	**–43**	**3,185**	**3**	**3,188**
–	–	–	–	–	459	–	459
–	–	–	–	–	–1,429	–	–1,429
77	**865**	**32**	**–16**	**85**	**26,900**	**639**	**27,540**
–3	1,329	–	–23	81	27,685	487	28,171
–	30	15	23	–	–28	–3	–31
–3	1,359	15	–	81	27,657	483	28,140
–	–	–	–	–	2,313	67	2,380
34	–453	–87	–	6	–541	11	–529
34	**–453**	**–87**	**–**	**6**	**1,772**	**79**	**1,851**
–	–	–	–	–	–1,265	–	–1,265
31	**906**	**–72**	**–**	**87**	**28,164**	**562**	**28,725**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

/ ACCOUNTING PRINCIPLES

AUDI AG prepares its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). All pronouncements of the International Accounting Standards Board (IASB) whose application is mandatory in the European Union (EU) have been applied. The Interim Consolidated Financial Statements as of June 30, 2018, have been prepared on the basis of IAS 34 and, compared with the Consolidated Financial Statements as of December 31, 2017, have been presented in condensed form. The prior-year figures have been calculated according to the same principles. All figures have been individually rounded in accordance with standard commercial practice. Minor discrepancies may therefore occur through the addition of these amounts.

/ RECOGNITION AND MEASUREMENT PRINCIPLES

For the first half of 2018, all standards whose application became mandatory effective January 1, 2018, have been applied.

// IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 revises the accounting rules for the classification and measurement of financial assets and for hedge accounting.

The classification and measurement of financial assets are based on the business model in which an asset is held and on cash flow characteristics. At initial recognition, financial assets are either measured “at amortized cost,” “at fair value through other comprehensive income” (FVOCI) or “at fair value through profit or loss” (FVPL). The classification and measurement of financial liabilities under IFRS 9 has remained largely unchanged compared with the current accounting rules under IAS 39.

The model for calculating impairments and recognizing loss allowances has changed from an incurred loss model to an expected loss model. This amended measurement method has led to an increase in the loss allowance. The increased loss allowance is attributable on the one hand to the requirement to recognize provisions for performing loans for the first 12 months, and on the other hand to the requirement to record a loss allowance for financial assets with a significantly elevated risk of default on the basis of the overall expected residual term. The initial application effect was reported in other comprehensive income, taking account of deferred taxes and with no effect on profit or loss.

With regard to hedge accounting according to IFRS 9, the implementation of more complex reporting and measurement methods was required. The options for designating hedges have also been expanded and the quantitative limits for the effectiveness test no longer apply.

Moreover, reclassification practice has changed under IFRS 9. Fluctuations in value of the forward element of hedging instruments and fluctuations in value in connection with the residual value hedging model are no longer reported in the financial result, but rather in operating profit. Depending on market developments, the aforementioned effects can be expected to have a greater impact on operating profit. Within operating profit, amounts from currency hedging instruments reclassified from equity are accounted for in sales allowances. The prior-year figures have been adjusted due to the retrospective application of the provisions governing the designation of options. The impact of this on profit after tax in the 2017 fiscal year amounted to EUR –33 million. The new rules also provide for considerably comprehensive disclosures in the Notes.

The following explanations and tables present the material impact of the new accounting requirements under IFRS 9 on the classification and measurement of financial assets, on the impairment of financial assets and on hedge accounting.

Within the category of derivative financial instruments in hedging relationships, IFRS 9 did not result in any reclassifications from or to other categories. As of December 31, 2017, no financial assets were recorded in the Balance Sheet that according to IAS 39 were measured at amortized cost and according to IFRS 9 are now measured at fair value.

/// ADJUSTMENT OF BALANCE SHEET VALUES EFFECTIVE JANUARY 1, 2018, AS A RESULT OF IFRS 9

ASSETS *in EUR million*	Dec. 31, 2017		Jan. 1, 2018
	Before adjustments	Adjustments	After adjustments
Intangible assets	6,785	–	6,785
Property, plant and equipment	13,660	–	13,660
Leasing and rental assets	6	–	6
Investment property	346	–	346
Investments accounted for using the equity method	1,224	3	1,227
Other participations	359	–	359
Deferred tax assets	2,003	21	2,025
Other financial assets	4,940	–4	4,936
Other receivables	145	–	145
Non-current assets	**29,469**	**20**	**29,489**
			–
Inventories	7,893	–	7,893
Trade receivables	5,533	–72	5,461
Effective income tax assets	22	–	22
Other financial assets	1,947	0	1,947
Other receivables	1,176	–	1,176
Securities	6,002	–	6,002
Cash funds	11,273	–	11,273
Current assets	**33,846**	**–73**	**33,774**
Available-for-sale assets	**365**	**0**	**365**
Total assets	**63,680**	**–53**	**63,628**

EQUITY AND LIABILITIES *in EUR million*	Dec. 31, 2017		Jan. 1, 2018
	Before adjustments	Adjustments	After adjustments
Equity	**28,171**	**–57**	**28,114**
Financial liabilities	328	–	328
Other financial liabilities	448	5	453
Other liabilities	1,205	–	1,205
Provisions for pensions	5,135	–	5,135
Other provisions	6,193	–	6,193
Effective income tax obligations	775	–	775
Deferred tax liabilities	217	–1	216
Non-current liabilities	14,301	4	14,305
Financial liabilities	319	–	319
Trade payables	7,313	–	7,313
Other financial liabilities	4,928	–	4,928
Other liabilities	2,508	–	2,508
Other provisions	5,550	–	5,550
Effective income tax obligations	590	–	590
Current liabilities	21,208	–	21,208
Liabilities	**35,509**	**4**	**35,513**
Total equity and liabilities	**63,680**	**–53**	**63,628**

/// RECONCILIATION OF LOSS ALLOWANCES FOR FINANCIAL ASSETS FROM IAS 39 TO IFRS 9 EFFECTIVE JANUARY 1, 2018

EUR million	From "measured at fair value through other comprehensive income" IAS 39	From "measured at amortized cost" IAS 39	No measurement category under IAS 39	Total
To "measured at fair value through profit or loss" IFRS 9				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	–	–
Jan. 1, 2018	–	–	–	–
To "measured at fair value through other comprehensive income" IFRS 9 (equity instruments)				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	–	–
Jan. 1, 2018	–	–	–	–
To "measured at fair value through other comprehensive income" IFRS 9 (debt instruments)				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	–	–
Jan. 1, 2018	–	–	–	–
To "measured at amortized cost" IFRS 9				
Dec. 31, 2017	–	108	–	108
Adjustments	–	76	–	76
Jan. 1, 2018	–	183	–	183
To lease receivables				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	–	–
Jan. 1, 2018	–	–	–	–
To assets IFRS 15				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	1	1
Jan. 1, 2018	–	–	1	1
To credit commitments				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	1	1
Jan. 1, 2018	–	–	1	1
To financial guarantees				
Dec. 31, 2017	–	–	–	–
Adjustments	–	–	4	4
Jan. 1, 2018	–	–	4	4
Total Jan. 1, 2018	**–**	**183**	**6**	**190**

/// RECONCILIATION OF CARRYING AMOUNTS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS FROM IAS 39 TO IFRS 9

EUR million	Carrying amount IAS 39 Dec. 31, 2017	Reclassifications	Adjustments IFRS 9	Carrying amount IFRS 9 Jan. 1, 2018	Change in retained earnings Jan. 1, 2018
Financial assets measured at fair value through profit or loss IAS 39	**277**		**–**	**277**	**–**
Additions					
Available-for-sale financial assets IAS 39		6,003	–	6,003	–
Financial assets measured at amortized cost IAS 39		–	–	–	–
Deductions					
Financial assets measured at amortized cost IFRS 9		–	–	–	–
Financial assets measured at fair value through other comprehensive income IFRS 9		–	–	–	–
Financial assets measured at fair value through profit or loss IFRS 9				**6,280**	**–**

/// RECONCILIATION OF CARRYING AMOUNTS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH NO EFFECT ON PROFIT OR LOSS FROM IAS 39 TO IFRS 9

EUR million	Carrying amount IAS 39 Dec. 31, 2017	Reclassifications	Adjustments IFRS 9	Carrying amount IFRS 9 Jan. 1, 2018	Change in retained earnings Jan. 1, 2018
Available-for-sale financial assets IAS 39	**6,003**		**–**	**6,003**	**–**
Additions					
Financial assets measured at amortized cost IAS 39		–	–	–	–
Deductions					
Financial assets measured at amortized cost IFRS 9		–	–	–	–
Financial assets measured at fair value through profit or loss IFRS 9		–6,003	–	–6,003	–
Financial assets measured at fair value through other comprehensive income IFRS 9				**–**	**–**

/// RECONCILIATION OF CARRYING AMOUNTS OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST FROM IAS 39 TO IFRS 9

EUR million	Carrying amount IAS 39 Dec. 31, 2017	Reclassifications	Adjustments IFRS 9	Carrying amount IFRS 9 Jan. 1, 2018	Change in retained earnings Jan. 1, 2018
Financial assets measured at amortized cost IAS 39	**21,798**		**–77**	**21,721**	**–77**
Additions					
Available-for-sale financial assets IAS 39		–	–	–	–
Deductions					
Financial assets measured at fair value through other comprehensive income IFRS 9		–	–	–	–
Financial assets measured at fair value through profit or loss IFRS 9		–	–	–	–
Financial assets measured at amortized cost IFRS 9				**21,721**	**–77**

// IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 contains revised accounting rules in relation to revenue recognition. Audi applies the modified retrospective transition method to the new standard.

The changes relate to the recognition of sales-related payments, which were still reported in distribution costs in the 2017 fiscal year, but will from now on be recognized as sales allowances under IFRS 15. In the first half of 2018, the amount concerned was EUR 319 million. Moreover, income from the reversal of provisions for sales allowances are no longer recognized in other operating income, but rather within revenue. This resulted in a shift of EUR 51 million in the first half of the year.

In addition, certain types of extended warranty provided as part of the sale of a vehicle are no longer deferred under IFRS 15 but are immediately recognized. The reduction in debt with no effect on profit or loss had a positive impact on retained earnings (taking account of deferred taxes) in the amount of EUR 26 million.

To facilitate presentation and comparison, the way in which other income from the reversal of provisions and accrued liabilities are recorded has been adjusted. Income is now assigned to the functional area where the provisions were originally recognized. The prior-year figures have been adjusted accordingly. This reduced the other operating result recorded the previous year by EUR 240 million. Cost of goods sold (EUR 211 million), distribution costs (EUR 28 million) and administrative expenses (EUR 2 million) were relieved as a result.

In addition, with the introduction of IFRS 15 it was determined that individual sales programs in certain countries are to be allocated to sales allowances instead of to distribution costs. As a consequence, the prior-year distribution costs have been adjusted by EUR 132 million. Revenue has contracted accordingly.

/ OTHER RECOGNITION AND MEASUREMENT METHODS

In this Interim Financial Report, a discount rate of 1.9 (December 31, 2017: 1.9) percent was again applied to provisions for pensions in Germany.

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

Beginning from the 2018 fiscal year, transactions under common control, which from the perspective of the Audi Group relate to associated companies and joint ventures, shall no longer be accounted for using the predecessor method, but rather the acquisition method. This improves the presentation of acquisitions. There are no significant effects on the presentation of past transactions. Moreover, the same recognition and measurement methods have been applied in principle in the condensed presentation of the Consolidated Financial Statements for the first six months of 2018 as in the Consolidated Financial Statements for the 2017 fiscal year. A detailed description of these methods is published in the 2017 Annual Report. Explanations on the new or amended accounting standards approved by the IASB which do not yet need to be adopted can be found in the corresponding section

of the 2017 Annual Report. This is also available on the Internet at www.audi.com/annual report.

/ CONSOLIDATED COMPANIES

In addition to AUDI AG, all of the material domestic and international and structured entities are included in the Consolidated Financial Statements in cases where AUDI AG has decision-making power over the relevant activities, thereby influencing variable returns.

Since January 1, 2018, the group of consolidated companies of the Audi Group has been extended by Audi Immobilien Verwaltung GmbH, Ingolstadt, and Audi Real Estate GmbH, Ingolstadt. This has had no material impact on the net worth, financial position and financial performance of the Audi Group.

/ PARTICIPATIONS IN ASSOCIATED COMPANIES

The Audi Group, the BMW Group and Daimler AG each hold a 33.3 percent interest in There Holding B.V., Rijswijk (Netherlands), which was established in 2015. In December 2016, There Holding B.V. signed an agreement on the sale of 15 percent of the shares in HERE International B.V., Rijswijk (Netherlands) with Intel Holdings B.V., Schiphol-Rijk (Netherlands). The transaction with Intel Holdings B.V. was completed on January 31, 2017. This resulted in a loss of control within the meaning of IFRS 10 at the There Holding B.V. level. The deconsolidation gave rise to a proportionate effect on earnings for the Audi Group of EUR 183 million, which in the preceding year was shown in the result from investments accounted for using the equity method. Since a significant influence continues to exist, HERE International B.V. is included in the financial statement of There Holding B.V. as an associated company according to the equity method. There was no change in the Audi Group's participating interest in There Holding B.V. as a result of this sale. In February 2018, a capital reduction was carried out at There Holding B.V. The share of this accruing to Audi was EUR 96 million.In December 2017, agreements on the sale of shares in There Holding B.V. were signed with Robert Bosch Investment Nederland B.V., Boxtel (Netherlands) and Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands). Under these agreements, Robert Bosch Investment Nederland B.V. and Continental Automotive Holding Netherlands B.V. each acquired a 5.9 percent stake in There Holding B.V. The transactions were completed on February 28, 2018. The Audi Group, the BMW Group and Daimler AG sold the equivalent number of shares. The Audi Group's participating interests were reduced to 29.4 percent as a result. The transactions had no material effect on financial position or financial performance.

In June 2018, a capital increase was carried out at There Holding B.V.; Audi participated in this. The shares accounted for using the equity method increased by EUR 31 million and the participating interest is now approximately 29.5 percent.

In June 2018, the Audi Group also bought a one-percent stake in SAIC Volkswagen Automotive Company Ltd., Shanghai, a Chinese company that develops, manufactures and distributes vehicles. Given its right to appoint members of governing bodies, the Audi Group is in a position to exert a significant influence. For that reason, SAIC Volkswagen Automotive Company Ltd. is recognized in the Consolidated Financial Statements according to the equity method. The purchase price for the shares acquired by Volkswagen AG, Wolfsburg, was EUR 328 million. The process of identifying hidden reserves and expenses had not yet been concluded as of the reporting date.

/ NOTES ON THE DIESEL ISSUE

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. Agreements reached on the diesel issue in the United States and Canada were previously presented in detail in the 2016 and 2017 Annual Reports.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potential. From July 2017 to June 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 results are currently being presented to the KBA.

Corresponding balance-sheet risk provisions were recognized for the software-based retrofit program. 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, e.g. from fines, 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.

Further details on the diesel issue can be found under “Litigation” on page 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 / *REVENUE*

EUR million	1–6/2018	1–6/2017 [1]
Audi brand	20,230	20,655
Lamborghini brand	557	517
Other Volkswagen Group brands	2,575	2,098
Other automotive business	7,373	6,282
Automotive	**30,735**	**29,552**
Ducati brand	448	459
Motorcycles	**448**	**459**
Revenue	**31,183**	**30,011**

1) The prior year has been adjusted (see disclosures on IFRS 15).

Revenue from other automotive business primarily includes the supply of parts sets to China, proceeds from the sale of engines and genuine parts as well as proceeds from long-term development and toolmaking orders.

2 / *COST OF GOODS SOLD*

Amounting to EUR 25,963 (24,616) million, cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. In the first six months of 2018, impairment losses on property, plant and equipment amounted to EUR 29 million (in the previous year none).

3 / *RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE*

EUR million	1–6/2018	1–6/2017
Total research and development costs	2,020	2,083
of which capitalized development costs	*647*	*718*
Capitalization quota	32.0 %	34.5 %
Amortization of and impairment losses (reversals) on capitalized development costs	418	480
Research and development expenditure	1,790	1,845

4 / *OTHER OPERATING INCOME AND EXPENSES*

The other operating result of EUR 10 (31) million includes among other things income and expenses arising from derivative financial instruments as well as from rebilling.

5 / *FINANCIAL RESULT*

The result from investments accounted for using the equity method was EUR 143 (333) million and is mainly attributable to the valuation of shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), using the equity method of accounting amounting to EUR 92 (127) million. The prior-year figure included the positive effect on net income at THERE Holding B. V., Rijswijk (Netherlands) from the sale of 15 percent of the shares of HERE International B. V., Rijswijk (Netherlands) to Intel Holdings B. V., Schiphol-Rijk (Netherlands) totaling EUR 183 million.

The other financial result of EUR 263 (–290) million includes income and expenses in connection with hedging transactions and securities. In addition, the other financial result also includes financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, concerning the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd. totaling EUR 147 (59) million as well as dividend income from the portion of the participating interest in FAW-Volkswagen Automotive Company, Ltd. classified as available for sale in the amount of EUR 162 million.

6 / *EARNINGS PER SHARE*

Basic earnings per share are calculated by dividing the share of profit due to AUDI AG shareholders by the weighted average number of shares in circulation during the reporting period. In the case of AUDI AG, the diluted earnings per share are the same as the basic earnings per share, since there were no potential shares in existence as of either June 30, 2018, or June 30, 2017.

	1–6/2018	1–6/2017 [1]
Profit share of AUDI AG shareholders (EUR million)	2,313	2,013
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	**53.79**	**46.82**

1) The prior year has been adjusted (see disclosures on IFRS 9).

7 / *NON-CURRENT ASSETS*

EUR million	Net carrying amount as of Jan. 1, 2018	Additions	Disposals/other movements	Depreciation and amortization	Net carrying amount as of June 30, 2018
Intangible assets	6,785	672	–2	481	6,979
Property, plant and equipment	13,660	1,022	–143	1,216	13,609

8 / *INVENTORIES*

EUR million	June 30, 2018	Dec. 31, 2017
Raw materials and supplies	981	801
Work and services in progress	820	888
Finished goods and products	6,020	5,104
Current leased assets	1,525	1,101
Inventories	**9,347**	**7,893**

9 / *FINANCIAL INSTRUMENTS DISCLOSURES*

9.1 / *FAIR VALUE DISCLOSURES*

EUR million	Measured at fair value	Measured at amortized cost		Derivatives in hedging relationships	Carrying amount as per Balance Sheet as of June 30, 2018
	Carrying amount	Carrying amount	Fair value	Carrying amount	
Other participations	1	–	–	–	1
Other financial assets	53	3,586	3,899	639	4,278
of which from the positive fair values of derivative financial instruments	*53*	*–*	*–*	*639*	*692*
of which fixed deposits and extended loans	*–*	*3,545*	*3,858*	*–*	*3,545*
of which receivables from finance leases	*–*	*20*	*20*	*–*	*20*
of which miscellaneous other financial assets	*–*	*21*	*21*	*–*	*21*
Non-current financial assets	**53**	**3,586**	**3,899**	**639**	**4,279**
Trade receivables	147	6,719	6,719	–	6,866
Other financial assets	244	1,134	1,134	461	1,839
of which from the positive fair values of derivative financial instruments	*95*	*–*	*–*	*461*	*556*
of which fixed deposits and extended loans	*–*	*374*	*374*	*–*	*374*
of which receivables from finance leases	*–*	*4*	*4*	*–*	*4*
of which miscellaneous other financial assets	*149*	*757*	*757*	*–*	*906*
Securities	6,196	–	–	–	6,196
Cash funds	–	11,462	11,462	–	11,462
Current financial assets	**6,587**	**19,315**	**19,315**	**461**	**26,363**
Financial assets	**6,641**	**22,901**	**23,214**	**1,100**	**30,642**
Financial liabilities	–	325	372	–	325
Other financial liabilities	432	22	22	52	505
of which from the negative fair values of derivative financial instruments	*432*	*–*	*–*	*52*	*483*
of which miscellaneous other financial liabilities	*–*	*22*	*22*	*–*	*22*
Non-current financial liabilities	**432**	**347**	**394**	**52**	**830**
Financial liabilities	–	322	322	–	322
Trade payables	–	9,103	9,103	–	9,103
Other financial liabilities	256	4,112	4,112	155	4,522
of which from the negative fair values of derivative financial instruments	*256*	*–*	*–*	*155*	*411*
of which miscellaneous other financial liabilities	*–*	*4,112*	*4,112*	*–*	*4,112*
Current financial liabilities	**256**	**13,536**	**13,536**	**155**	**13,947**
Financial liabilities	**688**	**13,883**	**13,930**	**206**	**14,777**

EUR million	Measured at fair value	Measured at amortized cost		Derivatives in hedging relationships	Carrying amount as per Balance Sheet as of Dec. 31, 2017
	Carrying amount	Carrying amount	Fair value	Carrying amount	
Other participations	1	–	–	–	1
Other financial assets	88	3,768	3,825	1,085	4,940
of which from the positive fair values of derivative financial instruments	*88*	–	–	*1,085*	*1,172*
of which fixed deposits and extended loans	–	*3,726*	*3,783*	–	*3,726*
of which receivables from finance leases	–	*21*	*21*	–	*21*
of which miscellaneous other financial assets	–	*21*	*21*	–	*21*
Non-current financial assets	**88**	**3,768**	**3,825**	**1,085**	**4,941**
Trade receivables	–	5,533	5,533	–	5,533
Other financial assets	190	1,225	1,225	533	1,947
of which from the positive fair values of derivative financial instruments	*190*	–	–	*533*	*723*
of which fixed deposits and extended loans	–	*435*	*435*	–	*435*
of which receivables from finance leases	–	*4*	*4*	–	*4*
of which miscellaneous other financial assets	–	*786*	*786*	–	*786*
Securities	6,002	–	–	–	6,002
Cash funds	–	11,273	11,273	–	11,273
Current financial assets	**6,192**	**18,030**	**18,030**	**533**	**24,755**
Financial assets	**6,280**	**21,798**	**21,856**	**1,618**	**29,696**
Financial liabilities	–	328	374	–	328
Other financial liabilities	397	16	16	35	448
of which from the negative fair values of derivative financial instruments	*397*	–	–	*35*	*432*
of which miscellaneous other financial liabilities	–	*16*	*16*	–	*16*
Non-current financial liabilities	**397**	**344**	**390**	**35**	**776**
Financial liabilities	–	319	319	–	319
Trade payables	–	7,313	7,313	–	7,313
Other financial liabilities	206	4,628	4,628	94	4,928
of which from the negative fair values of derivative financial instruments	*206*	–	–	*94*	*300*
of which miscellaneous other financial liabilities	–	*4,628*	*4,628*	–	*4,628*
Current financial liabilities	**206**	**12,260**	**12,260**	**94**	**12,560**
Financial liabilities	**603**	**12,604**	**12,650**	**129**	**13,336**

The methods used to measure fair value remain fundamentally unchanged from the Consolidated Financial Statements for the 2017 fiscal year. Detailed notes on the measurement methods can be found in the 2017 Annual Report.

Fair value generally corresponds to the market value or trading price. If no active market exists, the fair value is determined using market pricing techniques, for example by discounting future cash flows at the market interest rate.

The fair value of the financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market interest rate that adequately reflects the risks and is based on matched maturities. For reasons of materiality, the fair value for current balance sheet items is equated with the balance sheet value. Equity instruments recognized at their carrying amount are assigned to level 3 in the fair value hierarchy.

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

EUR million	June 30, 2018	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	692	–	687	5
Non-current financial assets	**692**	**–**	**687**	**6**
Trade receivables	147	–	–	147
Other financial assets	705	–	703	2
Securities	6,196	6,196	–	–
Current financial assets	**7,048**	**6,196**	**703**	**149**
Financial assets	**7,741**	**6,196**	**1,390**	**154**
Other financial liabilities	483	–	64	419
Non-current financial liabilities	**483**	**–**	**64**	**419**
Other financial liabilities	411	–	169	242
Current financial liabilities	**411**	**–**	**169**	**242**
Financial liabilities	**894**	**–**	**234**	**661**

EUR million	Dec. 31, 2017	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	1,172	–	1,160	13
Non-current financial assets	**1,173**	**–**	**1,160**	**13**
Other financial assets	723	–	719	3
Securities	6,002	6,002	–	–
Current financial assets	**6,725**	**6,002**	**719**	**3**
Financial assets	**7,898**	**6,002**	**1,879**	**17**
Other financial liabilities	432	–	41	391
Non-current financial liabilities	**432**	**–**	**41**	**391**
Other financial liabilities	300	–	118	182
Current financial liabilities	**300**	**–**	**118**	**182**
Financial liabilities	**732**	**–**	**159**	**573**

The allocation of fair values to the three levels of the fair value hierarchy is based on the availability of observable market prices. Level 1 shows fair values of financial instruments for which a market price can be directly determined. These financial instruments are securities. Level 2 involves the measurement of financial instruments, primarily derivatives in hedging relationships, where the fair value is calculated using measurement processes based on observable market data. Particular use is made of exchange rates, interest rates and commodity prices, which can be observed on the corresponding markets and are acquired via ratings agencies. Fair values of level 3 are calculated using measurement methods that include factors that cannot be observed on an active market. In the Audi Group, non-current commodity futures are allocated to level 3 because the prices available on the market need to be extrapolated for measurement purposes. The extrapolation for the respective commodities is carried out on the basis of observable input factors, acquired

via rating agencies. Furthermore, level 3 shows the residual value hedging model, which is valued based on input factors (model-related residual values of used cars) that cannot be observed on active markets and are instead forecast by various independent institutions. Certain receivables that according to IFRS 9 are measured at fair value in line with the business model are also allocated to level 3.

9.3 / *RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED ACCORDING TO LEVEL 3*

EUR million	2018	2017
Positive fair values of level 3 financial instruments as of Jan. 1	17	16
Income (+) and expense (–) recognized in the financial result	– 3	+ 9
Income (+) and expense (–) recognized in other comprehensive income	–	0
Additions	147	–
Settlements	– 1	– 1
Reclassification from level 3 to level 2	– 5	– 5
Positive fair values of level 3 financial instruments as of June 30	**154**	**19**
Income (+) and expense (–) recognized in the financial result from level 3 financial instruments still held as of June 30	–	+ 9

EUR million	2018	2017
Negative fair values of level 3 financial instruments as of Jan. 1	573	228
Income (–) and expense (+) recognized in the financial result	+ 137	+ 98
Settlements	– 49	– 38
Reclassification from level 3 to level 2	– 1	– 1
Negative fair values of level 3 financial instruments as of June 30	**661**	**287**
Income (–) and expense (+) recognized in the financial result from level 3 financial instruments still held as of June 30	–	+ 98

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

The commodity price is the principle risk variable for the fair value of commodity futures. A sensitivity analysis reveals the effect of commodity price changes on profit after tax and equity. If the commodity prices of commodity futures that are allocated to level 3 had been 10 percent higher (lower) as of June 30, 2018, profit after tax would have been EUR 5 (3) million higher (lower). There would be no effect on equity.

Residual value risks arise from hedging arrangements with dealers according to which, within the context of buyback obligations resulting from concluded lease agreements, effects on profit caused by market-related fluctuations in residual values are partly borne by the Audi Group.

The market prices of used cars are the main risk variable for the fair value of the options from residual value risks. The impact of changes in used car prices on profit after tax is estimated using sensitivity analyses. If the used car prices of the vehicles in the residual value hedging model had been 10 percent higher (lower) as of June 30, 2018, profit after tax would have been EUR 260 (263) million higher (lower).

10 / *CONTINGENT LIABILITIES*

There were no material changes in the contingent liabilities compared to December 31, 2017.

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. Further information on the situation pursuant to IAS 37.86 is currently not available due to ongoing technical investigations and cooperation with the authorities.

11 / *LITIGATION*

The offense proceedings of the public prosecutor's office in Munich in relation to AUDI AG are still ongoing. Pursuant to IAS 37.92, no further statements will be made in order not to adversely affect the proceedings and the Company's interests.

Further information can be found under "Report on expected developments, risks and opportunities" in the Interim Financial Report. Aside from this, there have been no material changes in litigation compared to December 31, 2017.

12 / *OTHER FINANCIAL OBLIGATIONS*

Other financial obligations increased from EUR 4,883 million to EUR 5,253 million compared to December 31, 2017. This is primarily attributable to the higher outstanding liabilities for property, plant and equipment.

13 / *RELATED PARTY DISCLOSURES*

EUR million	Goods and services supplied		Goods and services received	
	1–6/2018	1–6/2017 [1]	1–6/2018	1–6/2017
Volkswagen AG	3,456	3,615	3,493	4,249
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	8,160	7,875	4,448	4,847
Associates and joint ventures as well as their subsidiaries	4,327	4,043	202	187
Non-consolidated subsidiaries of AUDI AG	25	24	63	56

1) The prior year has been adjusted (see disclosures on IFRS 9).

In the first half of 2018, goods and services with a total value of EUR 187 (180) thousand were provided to the German State of Lower Saxony and to companies in which the German State of Lower Saxony holds a majority stake.

Goods and services provided to members of the Board of Management or Supervisory Board of AUDI AG or Volkswagen AG, Wolfsburg, in the first half of 2018 totaled EUR 43 (6) thousand.

EUR million	Receivables from		Obligations to	
	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Volkswagen AG	6,002	6,781	4,776	5,400
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	3,441	2,855	7,171	5,842
Associates and joint ventures as well as their subsidiaries	1,259	1,022	579	766
Non-consolidated subsidiaries of AUDI AG	165	309	52	132

Receivables from associated companies in the amount of EUR 54 (37) were impaired.

Of the cash funds stated in the Balance Sheet, EUR 10,257 (10,096) million is invested in Volkswagen AG and Volkswagen AG subsidiaries outside of the Audi Group. In addition, in the first six months of 2018, capital contributions were made to non-consolidated subsidiaries, associated companies and joint ventures amounting to EUR 404 (32) million.

14 / *SEGMENT REPORTING*

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

Segment reporting is based on the economic activities of the Audi Group and is divided into the two segments of Automotive and Motorcycles. While the Motorcycles segment does not meet the quantitative thresholds set out in IFRS 8, it is reported here as a segment in its own right for information purposes.

The activities of the Automotive segment encompass the development, production, assembly and distribution of vehicles of the Audi brand and the Lamborghini brand. Moreover, the segment includes the distribution of vehicles of other Volkswagen Group brands as well as the accompanying accessories and spare parts business.

The activities of the Motorcycles segment include the development, production, assembly and distribution of Ducati brand motorcycles, including the accessories and spare parts business.

As a general rule, segment reporting is based on the same reporting, recognition and measurement principles as applied to the Consolidated Financial Statements. The business relations between the companies of the segments in the Audi Group are generally based on the same prices as those agreed with third parties. Consolidation between the segments is carried out in the “Reconciliation” column.

The definition and composition of operating profit are shown in the Income Statement of the Audi Group on page 21 of the Interim Financial Report. For a breakdown of revenue, please refer to the corresponding note on page 34.

Internal reporting corresponds to external IFRS reporting. The full Board of Management regularly monitors, among others, the following financial and economic key figures.

The operating return on sales of the Audi Group totaled 8.9 (8.9) percent.

The Automotive segment recorded an operating return on sales of 8.8 (8.9) percent. The Motorcycles segment reported an operating profit of EUR 43 (38) million and an operating return on sales of 9.5 (8.2) percent, taking into account additional depreciation and amortization due to the remeasurement of assets and liabilities as part of the purchase price allocation at that time. Adjusted to take account of these effects, the operating profit totaled EUR 54 (49) million and the operating return on sales 12.1 (10.8) percent.

14.1 / *RECONCILIATION OF THE SEGMENTS*

EUR million	1–6/2018			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	30,735	448	–	31,183
Revenue with other segments	–	1	–1	–
Revenue	**30,735**	**449**	**–1**	**31,183**
Segment profit (operating profit)	**2,718**	**43**	**–**	**2,761**

EUR million	1–6/2017 [1]			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	29,552	459	–	30,011
Revenue with other segments	–	0	0	–
Revenue	**29,552**	**459**	**0**	**30,011**
Segment profit (operating profit)	**2,642**	**38**	**–**	**2,680**

1) The prior year has been adjusted (see disclosures on IFRS 15).

14.2 / *RECONCILIATION TO GROUP PROFIT*

EUR million	1–6/2018	1–6/2017 [1]
Segment profit (operating profit)	2,761	2,680
Consolidation	–	–
Operating profit	**2,761**	**2,680**
Financial result	450	71
Group profit before tax	**3,211**	**2,751**

1) The prior year has been adjusted (see disclosures on IFRS 9).

14.3 / *REVENUES BY REGION*

	1–6/2018		1–6/2017 [1]	
	EUR million	*in %*	*EUR million*	*in %*
Germany	6,468	20.7	6,477	21.6
Rest of Europe	11,395	36.5	10,717	35.7
Asia-Pacific	7,103	22.8	6,619	22.1
North America	5,394	17.3	5,733	19.1
South America	261	0.8	289	1.0
Africa	123	0.4	176	0.6
Effects from hedging transactions	440	1.4	–	–
Revenue	**31,183**	**100.0**	**30,011**	**100.0**

1) The prior year has been adjusted (see disclosures on IFRS 15).

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

GERMAN CORPORATE GOVERNANCE CODE

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

EVENTS OCCURRING SUBSEQUENT TO THE INTERIM BALANCE SHEET DATE

There were no events after June 30, 2018, subject to a reporting obligation in accordance with IAS 10.

"RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year."

Ingolstadt, July 30, 2018

The Board of Management

REVIEW REPORT

On completion of our review, we issued the following unqualified review report dated July 31, 2018. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

To AUDI AKTIENGESELLSCHAFT, Ingolstadt

We have reviewed the condensed consolidated interim financial statements - comprising the condensed income statement and condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed statement of cash flows and selected explanatory notes - and the interim group management report of AUDI AKTIENGESELLSCHAFT, Ingolstadt, for the period from January 1 to June 30, 2018, which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

We draw attention to the updated information provided in sections "Notes on the diesel issue" and "Litigation" of the notes to the condensed consolidated interim financial statements and in chapter "Report on Expected Developments, Risks and Opportunities" of the interim group management report with regard to the Diesel Issue, which in addition to the explanations of the recently known cases regarding the suspicion of fraud in connection with the selling of Diesel cars on the European market after autumn 2015 essentially refer to the information provided and statements made in the 2017 consolidated financial statements and in the group management report as at December 31, 2017.

Based on the results of the various measures taken to investigate the issue presented so far, which underlie these consolidated interim financial statements and interim group management report, there is still no evidence that members of the Company's Board of Managing Directors were aware of the deliberate manipulation of engine management software until notified by the U.S. Environmental Protection Agency (EPA) in fall 2015. Nevertheless, should as a result of the ongoing investigation new knowledge be obtained showing that members of the Board of Managing Directors were informed earlier about the Diesel Issue, this could eventually have an impact on the condensed interim financial statements and interim group management report as well as on the annual and consolidated financial statements and on the group management report for the financial year 2017 and prior years.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge including the explanations of the recently known cases regarding the suspicion of fraud in connection with the selling of Diesel cars on the European market after autumn 2015. Due to the large number of technical solutions necessary and inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Our opinions on the condensed consolidated interim financial statements and on the interim group management report are not modified in respect of this matter.

Munich, July 31, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner
Wirtschaftsprüfer

(German Public Auditor)

Jürgen Schumann
Wirtschaftsprüfer

(German Public Auditor)

AUDI GROUP KEY FIGURES

		1–6/2018	1–6/2017	Change in %
Production				
Automotive segment	Cars [1]	1,024,753	943,166	8.7
	Engines	1,122,388	1,045,573	7.3
Motorcycles segment	Motorcycles	37,997	37,870	0.3
Deliveries to customers				
Automotive segment [2]	Cars	1,099,908	1,034,760	6.3
Audi brand [2] [3]	Cars	949,282	908,683	4.5
Lamborghini brand	Cars	2,327	2,091	11.3
Other Volkswagen Group brands	Cars	148,299	123,986	19.6
Motorcycles segment [2]	Motorcycles	32,250	34,853	–7.5
Ducati brand [2]	Motorcycles	32,250	34,853	–7.5
Workforce	Average	91,319	89,680	1.8
Revenue [2]	EUR million	31,183	30,011	3.9
Operating profit	EUR million	2,761	2,680	3.0
Profit before tax [2]	EUR million	3,211	2,751	16.7
Profit after tax [2]	EUR million	2,380	2,062	15.4
Operating return on sales	Percent	8.9	8.9	
Return on sales before tax [2]	Percent	10.3	9.2	
Ratio of capex [2] [4]	Percent	3.4	3.9	
Research and development ratio	Percent	6.5	6.9	
Cash flow from operating activities [2]	EUR million	4,552	3,786	20.2
Net cash flow [2]	EUR million	2,672	1,925	38.8

		June 30, 2018	Dec. 31, 2017	Change in %
Balance sheet total	EUR million	66,609	63,680	4.6
Equity ratio	Percent	43.1	44.2	

1) This figure includes 306,438 (258,862) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The figures for the prior-year period have been adjusted.
3) This figure includes 282,584 (233,411) delivered Audi vehicles built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
4) Investments in property, plant and equipment, investment property and other intangible assets (without capitalized development costs) according to the Cash Flow Statement in relation to revenue.

Notes:
All figures are rounded off, which may lead to minor deviations when added up.
The figures in brackets represent those for the corresponding prior-year period.

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