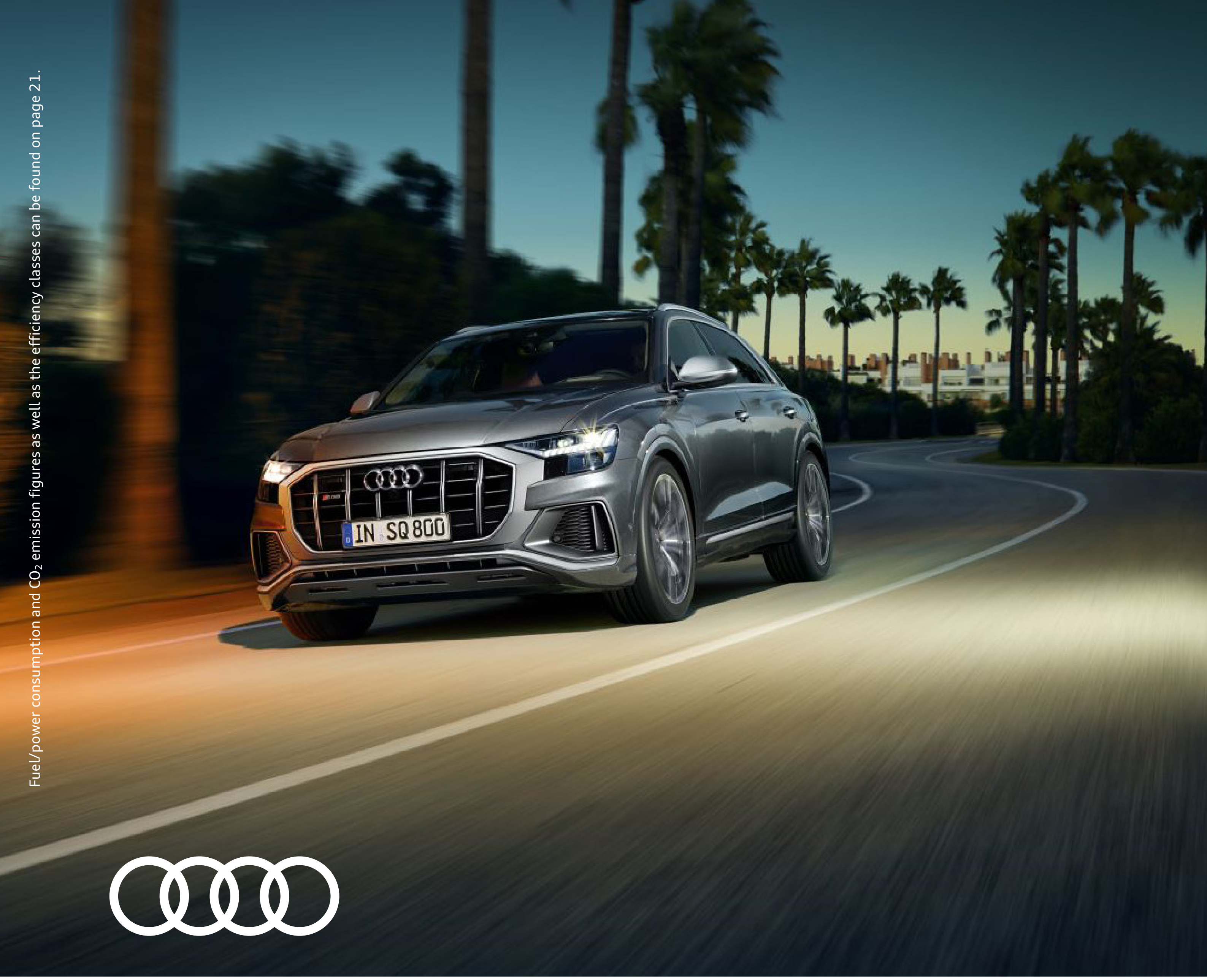


Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

Audi Group
Interim Financial Report
January 1 to June 30, 2019

Audi Vorsprung durch Technik

906,180 — DELIVERIES AUDI BRAND

EUR 28.8 billion — REVENUE

8.0 % — OPERATING RETURN ON SALES

EUR 2.3 billion — NET CASH FLOW

AUDI GROUP FROM JANUARY TO JUNE 2019 – CORE MESSAGES

- **Difficult first half as expected:**
  - Consequences of switch to WLTP, model changeovers and challenging market situation weigh on delivery figures
  - Continuation of model initiative and investments in the future adversely impacted financial key figures in the first six months
  - Revenue and related key performance indicators significantly influenced by the deconsolidation of multi-brand sales companies, as forecast

- **Deliveries to customers** fell by **–4.5 percent** to **906,180** (949,233) **vehicles** as a result of a –5.0 percent drop in global demand for cars; declines in Europe and the USA – growth and record volume in China

- **Revenue** lower than in the prior year at **EUR 28.8** (31.2) **billion** owing to elimination of multi-brand trading business (deconsolidation); Audi brand revenue +1.4 percent due to mix effects

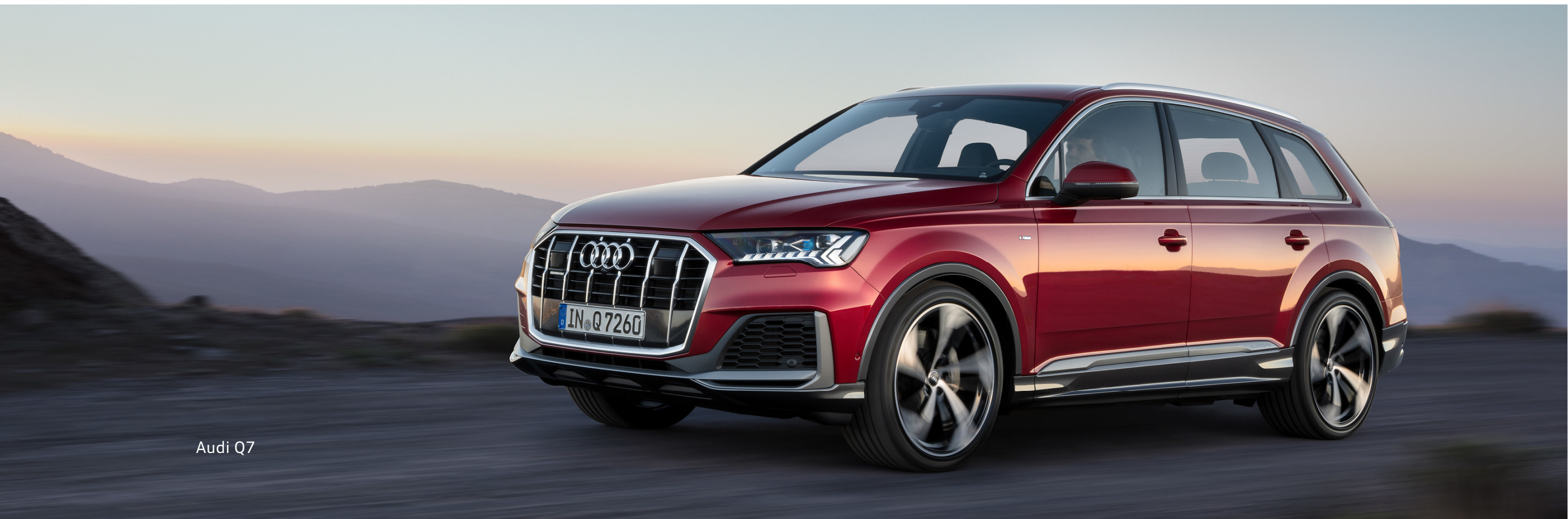
- **Operating profit** declined to **EUR 2.3** (2.8) **billion** due to decrease in volume and high upfront expenditures; **operating return on sales** at **8.0** (8.9) **percent,** bolstered by elimination of multi-brand trading business (deconsolidation)

- **Audi Transformation Plan:** measures with an effect on the operating business of **more than EUR 1 billion** implemented

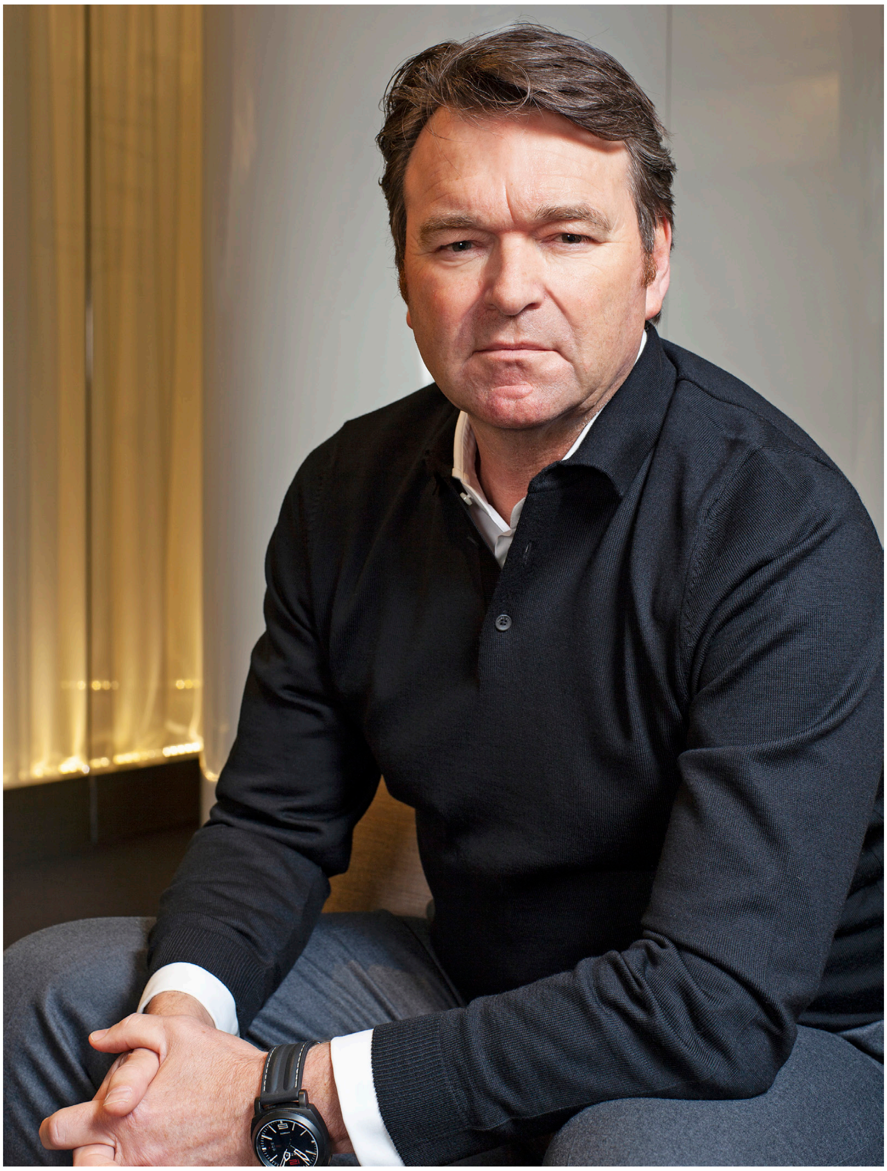
- **Net cash flow** influenced by elimination of multi-brand trading business, but still strong at **EUR 2.3** (2.7) **billion**

- **Outlook: full year 2019** largely **stable:**
  - Audi brand deliveries still expected to be moderately above the previous year's level
  - Slight increase in revenue thanks to positive mix effects
  - Operating return on sales still at 7.0–8.5 percent
  - Net cash flow on target within range of EUR 2.5–3.0 billion
  - **Adjustment:** research and development ratio moderately higher than the strategic target corridor of 6.5–7.0 percent, ratio of capex slightly below 5.5–6.0 percent
  - Further positive effects from Audi Transformation Plan taken into account

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



Audi Q7



Chairman of the Board of Management of AUDI AG

Bram Schot

Dear Shareholders,
Dear Readers,

In May, we introduced our new strategy "Consistently Audi," with which we are embarking on the path into the future. Four central cornerstones will determine our actions going forward: Consistently customer. Consistently electric. Consistently connected. Consistently sustainable.

Thinking from the outside in and never forgetting the customer perspective – that is what we mean by "consistently customer." Hildegard Wortmann has been member of the Board of Management for Marketing and Sales and our customers' permanent advocate since the start of the month.

We are accelerating the transition to e-mobility – consistently electric. In March, we delivered the Audi e-tron to the first customers in Europe; the USA followed in May, and the e-tron will be coming to China in the second half of the year. The first fully electric Audi – that is an important milestone for our Company. The model offers a preview of our e-model initiative in the premium segment. In 2020, we will offer our customers five fully electric Audi models, in 2025 it will already be 20.

In the future, the great innovations in vehicles will be digital. That is why we are creating an open ecosystem for our customers and thus quickly incorporating digital solutions into our cars. We offer our customers clear added value with connected services, functions on demand and car sales over the Internet. That is what consistently connected means to us. And finally, sustainability as a driver for further growth in har-

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

mony with ecology and economy across the entire value and supply chain. Consistently sustainable. Step by step, we are introducing 100 percent green energy into production and re-organizing our heat supply. This is aimed at making all of our plants carbon neutral by 2025. By 2050 at the latest, we want our work to be completely carbon neutral across the whole Company.

Overall, we want to sustainably increase our corporate value with our new strategy. That is the result of consistently profitable and forward-looking operations. By giving the best answers to the right questions.

We continued our model initiative in the first half of 2019. The new SUV models were particularly popular among our customers. The consequences of the transition to WLTP, the generation changeover of numerous models and the challenging overall economic environment all continue to present us with difficulties. Since January, we have delivered around 906,200 cars to our customers, representing a decrease of 4.5 percent. In Europe, it was around 419,460, which is also a drop of 4.5 percent. In the USA, we ended the first six months with a decline of 6.0 percent to around 101,440 units. A particularly positive effect has come from the gradual availability of the new A6, A7, Q7, Q8 and A8 full-size models since the start of the year. In June, we were almost able to maintain the previous year's high level – despite the weak overall market and the model changeover for the Audi Q3. In China, we delivered 312,502 cars to customers, an increase of 1.9 percent. Currently, our locally built Audi A4 L and Audi Q5 L models are particularly in demand there. We are therefore also ending the first half of the year at a new record level in China.

We are optimistic about deliveries in the second half: The majority of all engine/transmission versions have now been re-homologated and we continue to work very intensively on transitioning to the second stage of the WLTP test cycle. Our starting point is clearly better than in the previous year. After all, we have learned from experience and optimized many things.

The start to the 2019 fiscal year was, as expected, also very demanding from a financial perspective. Revenue and operating profit decreased compared with prior-year levels. With revenue of EUR 28.8 billion, we achieved an operating profit of EUR 2.3 billion. At 8 percent, the operating return on sales is within the range of 7 to 8.5 percent forecast for 2019, but below the long-term target corridor of 9 to 11 percent. Due to the aforementioned points, we will focus on the strategic, technological and financial direction of our Company with regard to the requirements of the future.

The Audi Transformation Plan forms the basis for strategic restructuring. In the first half of 2019, we implemented measures with an effect on operating business of more than one billion euros. Since we launched the program in 2018, it has already brought in more than three billion euros. By 2022, we want to raise a total of EUR 15 billion with it.

It's all about innovative power and economic efficiency. In conjunction with all these measures, we want to play a significant role in shaping new mobility, guided by our great vision: to unleash the beauty of sustainable mobility. We are putting this into action with our new strategy.

Kind regards,
B. Schot

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

INTERIM MANAGEMENT REPORT OF THE AUDI GROUP FROM JANUARY 1 TO JUNE 30, 2019

BUSINESS AND UNDERLYING SITUATION

The global economy continued to grow in the first half of 2019, although momentum slowed. In advanced and emerging economies alike, average growth in gross domestic product (GDP) was lower than in the prior-year period. Increasing trade disputes worldwide led to economic uncertainty.

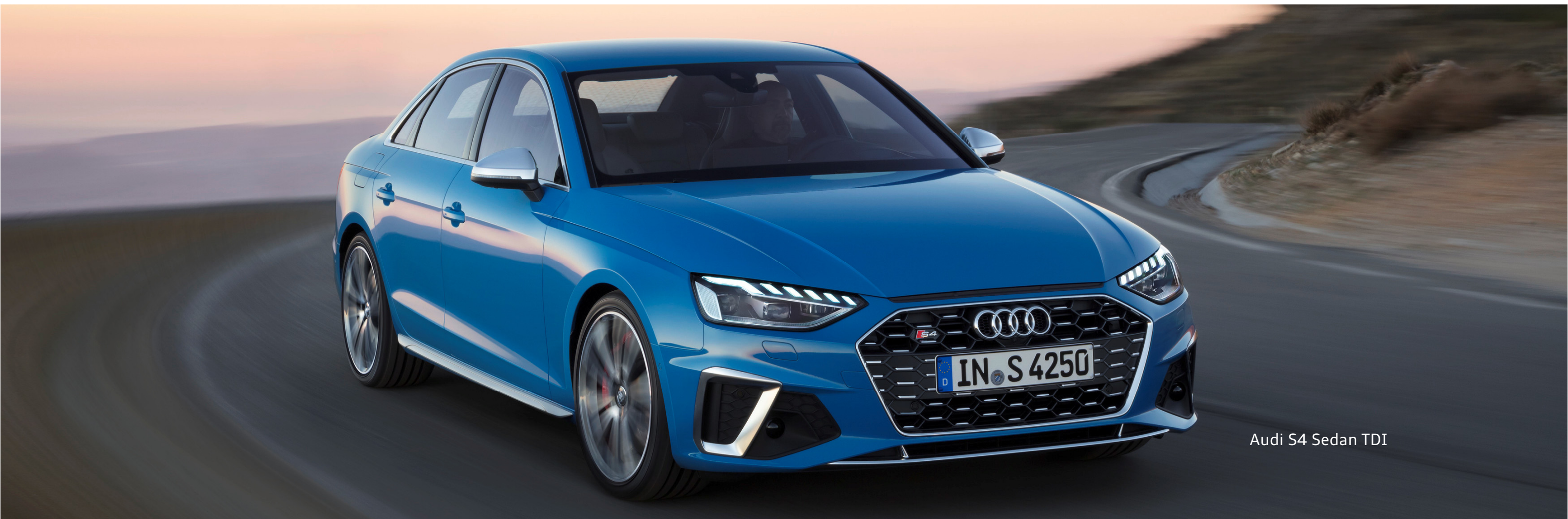
In Western Europe, GDP continued to rise slightly between January and June 2019, but the pace of growth declined year-on-year. In particular, an increase in global tension and weaker worldwide demand had a negative impact on the export-oriented European economy. Central and Eastern Europe as well as Russia – the largest economy in this region – generated slower growth year-on-year. In contrast, the U.S. economy continued to grow robustly on the back of dynamic consumer spending. Brazilian GDP rose somewhat over the prior-year period, albeit from a low basis. The People’s Republic of China reported a slightly slower growth rate, yet still high by international standards. Economic measures taken by the Chinese government had a stabilizing effect. Japan reported weaker growth in GDP compared with the prior-year period.

Global demand for cars declined by –5.0 percent to 40.2 (42.3) million vehicles between January and June 2019 compared with the prior-year period. While the Western Europe, North America, South America and Asia-Pacific regions saw, in some cases, a significant drop in new registrations, unit sales in Central and Eastern Europe rose slightly.

In the Western European car market, new registrations were down by –3.7 percent due to increased macroeconomic uncertainty and the effect of the changeover to the WLTP test cycle. However, demand for passenger cars in individual Western European markets varied. In Germany, new registrations increased slightly, rising 0.5 percent on the back of the favorable economic situation and a boost in commercial demand. Sales of passenger cars in France were down by –1.9 percent compared with the prior-year level. Demand for cars in the United Kingdom was also lower, dropping by –3.5 percent, due in part to the still uncertain outcome of the exit negotiations between the United Kingdom and the European Union (EU). Furthermore, the Spanish and Italian passenger car markets shrank by –6.9 percent and –3.6 percent respectively. At the same time, new registrations in Central and Eastern Europe rose somewhat. The individual markets developed at different rates, however. For example, Russian car sales declined by –1.9 percent overall in the first half of 2019, despite a stable first quarter. The U.S. market for passenger cars and light commercial vehicles also declined by –2.0 percent, while the shift in demand toward SUV and pickup models continued. Contrary to the general market trend in South America, the Brazilian market for passenger cars and light commercial vehicles continued to recover and new registrations rose by 10.9 percent. China – the world's largest passenger car market – recorded a drop in demand of –8.0 percent. The ongoing trade dispute between China and the United States in particular made Chinese consumers reluctant to spend in the first six months of 2019. In Japan, sales of new vehicles stagnated at 0.2 percent growth compared with the prior-year period.

In response to the decline in market demand and major challenges arising from the need to orient business models toward the future, numerous companies in the car and supplier

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



Audi S4 Sedan TDI

industries introduced efficiency programs or tightened existing programs in the first half of 2019.

Demand on the established motorcycle markets in the displacement segment above 500 cc remained at the prior-year level in the first half of 2019. The weakness of the North American market was virtually offset by the positive development of new registrations in Western European markets.

PRODUCTION

In the first half of 2019, the Audi Group produced a total of 920,677 (1,024,753) cars, which was –10.2 percent less than the prior-year period. This was the result not only of the general decline in market demand worldwide and gearing the production program to inventory reduction, but also of numerous model changeovers. Of the total number of vehicles built by the Audi Group worldwide, 916,084 (1,022,383) cars were made by the premium brand Audi and 4,593 (2,370) vehicles by the Lamborghini brand. The Lamborghini Urus of our Italian subsidiary went into series production last year, contributing to significant growth in the production volume year-on-year. In addition, 267,104 (306,438) Audi vehicles were locally produced by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). During the same period, the Ducati brand manufactured 34,759 (37,997) motorcycles.

In the period January through June 2019, a total of 235,690 (285,661) cars of the Audi brand rolled off the production line at our Group headquarters in Ingolstadt. The year-on-year decline – largely market-related – was also attributable to specific supply issues and the planned optimization of inventories.
In Neckarsulm, we produced 96,299 (97,803) Audi models, nearly the same number as in the prior-year period.
At our production site in San José Chiapa (Mexico), Audi México S.A. de C.V. produced 90,721 (94,836) of the Audi Q5 during the same period.
In Győr (Hungary), we manufactured 87,185 (58,889) vehicles at Audi Hungaria Zrt. The year-on-year increase is attributable in particular to the start of series production of the new Audi Q3 last year.
At Audi Brussels S.A./N.V., Brussels (Belgium), we built a total of 16,978 (53,997) vehicles of the brand with the Four Rings. The significant reduction is due to the restructuring of our production network. For example, the fully electric Audi e-tron is in the ramp-up phase in Brussels, whereas the Audi A1 is now being produced in Martorell (Spain).
Audi do Brasil Indústria e Comércio de Veiculos Ltda., São Paulo, produced a total of 867 (3,441) cars in the first half of 2019 in São José dos Pinhais, near Curitiba (Brazil).
During the same period, 51,829 (60,635) Audi cars were produced at the Volkswagen Group site in Martorell (Spain) and 67,650 (56,788) in Bratislava (Slovakia). The differences at both plants compared with the prior-year period were due to the restructuring of our production network. While the second generation of the Audi A1 is being produced in Martorell, the Audi Q3 still manufactured there during the prior-year period is now manufactured in Győr (Hungary). The Bratislava site is now producing not only the Audi Q7 but, as of the first quarter of the previous year, also the Audi Q8.
In addition, 1,761 (3,895) Audi vehicles were produced at the Volkswagen Group site in Aurangabad (India).
In China, the associated company FAW-Volkswagen Automotive Company, Ltd., manufactured 207,290 (263,973) cars of the Audi brand at its company headquarters in Changchun and 50,992 (42,438) Audi vehicles in the southern Chinese city of Foshan in the period under review.
Furthermore, 8,822 (27) vehicles were produced at the Tianjin site. Local series production of the Audi Q3 commenced there at the end of the first quarter of 2019.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

Car production by model [1)]

	1–6/2019	1–6/2018
Audi A1	–	7,496
Audi A1 Sportback	51,814	46,363
Audi Q2	65,101	51,114
Audi A3 Sportback	65,642	85,323
Audi A3 Sedan	50,208	68,790
Audi A3 Cabriolet	6,335	7,593
Audi Q3	88,444	109,908
Audi Q3 Sportback	137	–
Audi TT Coupé	7,819	6,785
Audi TT Roadster	2,282	2,115
Audi A4 Sedan	115,803	130,615
Audi A4 Avant	43,700	55,645
Audi A4 allroad quattro	3,989	11,042
Audi A5 Sportback	36,512	46,374
Audi A5 Coupé	7,522	12,814
Audi A5 Cabriolet	7,173	9,379
Audi Q5	142,538	159,473
Audi A6 Sedan	81,646	96,598
Audi A6 Avant	30,858	26,362
Audi A6 allroad quattro	294	5,971
Audi A7 Sportback	8,979	10,455
Audi e-tron	16,862	344
Audi e-tron Sportback	116	–
Audi Q7	42,029	54,853
Audi Q8	25,961	2,337
Audi A8	13,117	13,404
Audi R8 Coupé	792	798
Audi R8 Spyder	411	432
Audi brand	**916,084**	**1,022,383**
Lamborghini Urus	2,944	217
Lamborghini Huracán	1,117	1,532
Lamborghini Aventador	532	621
Lamborghini brand	**4,593**	**2,370**
Automotive segment	**920,677**	**1,024,753**

1) The table includes 267,104 (306,438) Audi models produced by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Car engine production

	1–6/2019	1–6/2018
Audi Hungaria Zrt.	1,063,585	1,121,717
Automobili Lamborghini S.p.A.	520	671
Car engine production	**1,064,105**	**1,122,388**

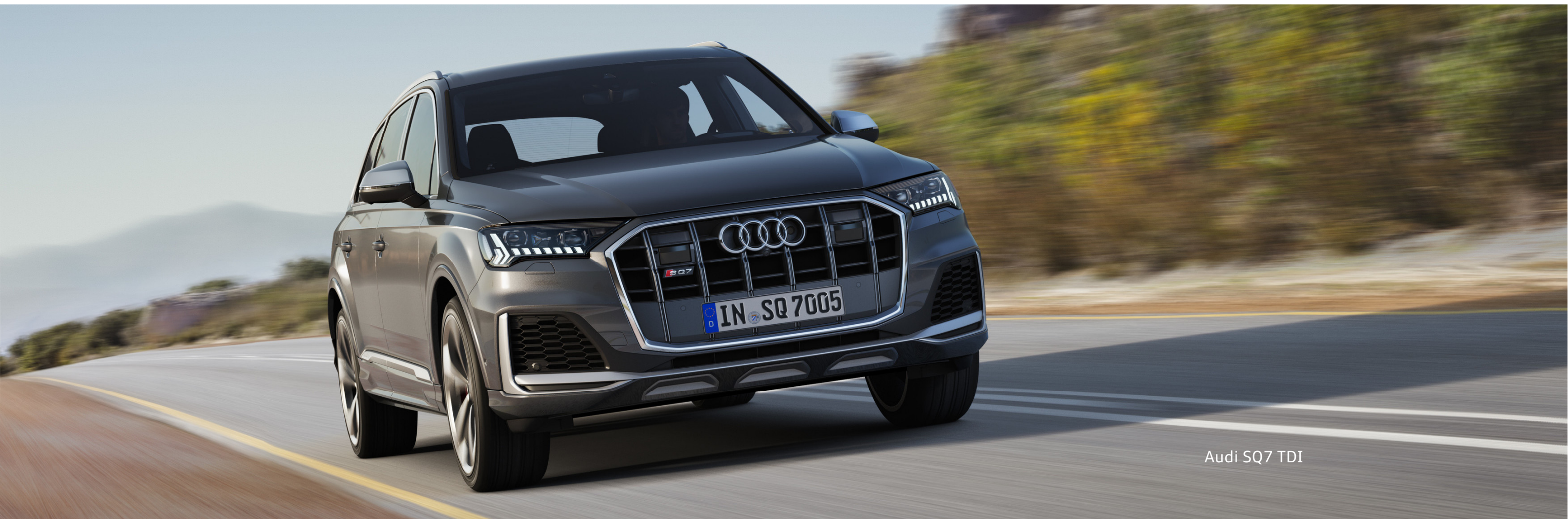
Motorcycle production

	1–6/2019	1–6/2018
Scrambler	6,277	10,306
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	10,050	7,905
Dual/Hyper (Hypermotard, Multistrada)	11,879	9,984
Sport (SuperSport, Superbike)	6,553	9,802
Ducati brand	**34,759**	**37,997**
Motorcycles segment	**34,759**	**37,997**

Worldwide, the Ducati brand produced a total of 34,759 (37,997) motorcycles in the first six months of 2019. 30,159 (32,669) of these were built at the company headquarters in Bologna (Italy). In the same period, Ducati also produced 4,261 (4,752) motorcycles at the Amphur Pluakdaeng site in Thailand. In addition, 339 (576) motorcycles were built in Manaus (Brazil) on a contract manufacturing basis.

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

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



Audi SQ7 TDI

DELIVERIES AND DISTRIBUTION [1)]

The Audi Group delivered 910,759 (1,099,921) cars to customers worldwide in the first half of the 2019 fiscal year. This figure includes deliveries of other Volkswagen Group brands from multi-brand sales companies. As of January 1, 2019, these are no longer reported in the Audi Group because management responsibility for these companies has been transferred to Volkswagen AG, Wolfsburg.
The Audi brand handed 906,180 (949,233) vehicles over to customers. This figure includes 279,276 (282,584) delivered Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The decline of –4.5 percent at the Audi brand is due, among other things, to the consequences of the switch to WLTP at the start of the year. At the same time, overall market demand declined by –5.0 percent, which meant that Audi was able to maintain its world market share as a whole. However, in the month of June we once again reported positive sales figures, with 1.6 percent growth attributable in particular to the development of our deliveries in the Chinese market.
The Lamborghini brand delivered 4,553 (2,327) vehicles to customers in the first six months – a strong increase year-on-year attributable to the market success of the Super SUV Lamborghini Urus, which has been on the market since the summer of 2018.
In addition, the Ducati brand recorded a delivery volume of 31,716 (32,289) motorcycles.

In Western Europe, the restricted availability of certain model versions at the beginning of the year due to the changeover to the WLTP test cycle in particular had a negative impact. In the period January through June 2019, the volume therefore dropped to 396,220 (413,249) Audi brand vehicles.
Deliveries of 152,431 (157,091) cars in our home market Germany were also lower than the level in the prior-year period. Our delivery volume in the United Kingdom was down to 81,196 (89,232) Audi vehicles, partly due to continued uncertainty regarding Brexit, as yet unresolved. In the Italian market, we recorded deliveries of 34,944 (35,523) for the Audi brand, a slight drop in volume compared with the first half of 2018. While demand for Audi vehicles in France improved by 5.4 percent, our sales figures in Spain dropped by –8.4 percent.

In the Central and Eastern Europe region, we delivered a total of 23,240 (26,147) cars with the Four Rings to customers in the first six months of 2019. Our vehicle volume was down in many Central European countries, although it remained at the previous year's level in Russia.

In the same period we handed 123,374 (134,995) cars of the Audi brand over to customers in the North America region. In the United States, deliveries were down by –6.0 percent, at 101,440 (107,942) units. The encouraging trend of our full-size models could not counteract the phase-out of the Audi Q3, whose successor will be available at dealerships starting this summer. Deliveries also recorded negative performance in Canada.
Due partly to the continued decline in deliveries in Brazil, our sales figures in the South America region were below the figure for the prior-year period at 7,373 (9,708) Audi models.

In the Asia-Pacific region, we handed a total of 340,338 (345,571) Audi vehicles over to customers in the period from January through June 2019. Even though deliveries in China – our biggest single market – were still affected by the challenges of ongoing model changeovers and overall consumer reticence due to trade disputes between the United States and China, at 312,502 (306,590) they were 1.9 percent higher than in the prior-year period and therefore at a new record level.

The trend in our deliveries during the period under review was affected by weaker regional demand, but also by the current product cycle. Declining volumes were reported for the car lines in the advanced stages of their model cycles or lines experiencing a changeover. In the first half of 2019 we saw encouraging trends, not only for our Audi Q2 but also our full-size Audi Q8 and A8 models. The Audi e-tron introduced to the European market starting in March is our first fully electric Audi model. Nearly 10,000 Audi e-tron cars were already delivered to customers in the ramp-up phase. In the course of the year, plug-in hybrid vehicles will also follow that can cover certain distances using purely electric power, thus serving as an important component of our electrification roadmap. The e-tron has also recently become available in North America. As well as the Audi e-tron, the Audi Q2 L e-tron – also a fully electric car – will reach dealers in China this fall. In addition to our revised A4 line, we will also introduce a series of S models in 2019 – in Europe primarily with TDI engines that combine sportiness with efficiency. We also expect the product improvement of the Audi Q7 to provide additional impetus for volume in the second half of 2019.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.
1) The figures for the prior-year period have been marginally adjusted.

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

	1–6/2019	1–6/2018
Audi A1	141	6,578
Audi A1 Sportback	45,745	41,139
Audi Q2	67,153	52,863
Audi A3	13	911
Audi A3 Sportback	80,596	85,284
Audi A3 Sedan	55,093	63,446
Audi A3 Cabriolet	5,748	6,752
Audi Q3	85,800	94,616
Audi TT Coupé	5,428	8,506
Audi TT Roadster	2,160	2,298
Audi A4 Sedan	118,875	119,884
Audi A4 Avant	44,978	53,238
Audi A4 allroad quattro	3,282	9,897
Audi A5 Sportback	39,809	39,416
Audi A5 Coupé	7,444	11,646
Audi A5 Cabriolet	6,527	9,697
Audi Q5	134,639	147,798
Audi A6 Sedan	75,423	93,758
Audi A6 Avant	33,606	27,504
Audi A6 allroad quattro	873	5,270
Audi A7 Sportback	9,970	10,169
Audi e-tron	9,447	276
Audi Q7	41,033	48,218
Audi Q8	21,189	621
Audi A8	10,246	7,805
Audi R8 Coupé	666	1,003
Audi R8 Spyder	296	640
Audi brand	**906,180**	**949,233**
Lamborghini Urus	2,693	50
Lamborghini Huracán	1,211	1,604
Lamborghini Aventador	649	673
Lamborghini brand	**4,553**	**2,327**
Other Volkswagen Group brands	**26**	**148,361**
Automotive segment	**910,759**	**1,099,921**

1) The table includes deliveries of 279,276 (282,584) 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.

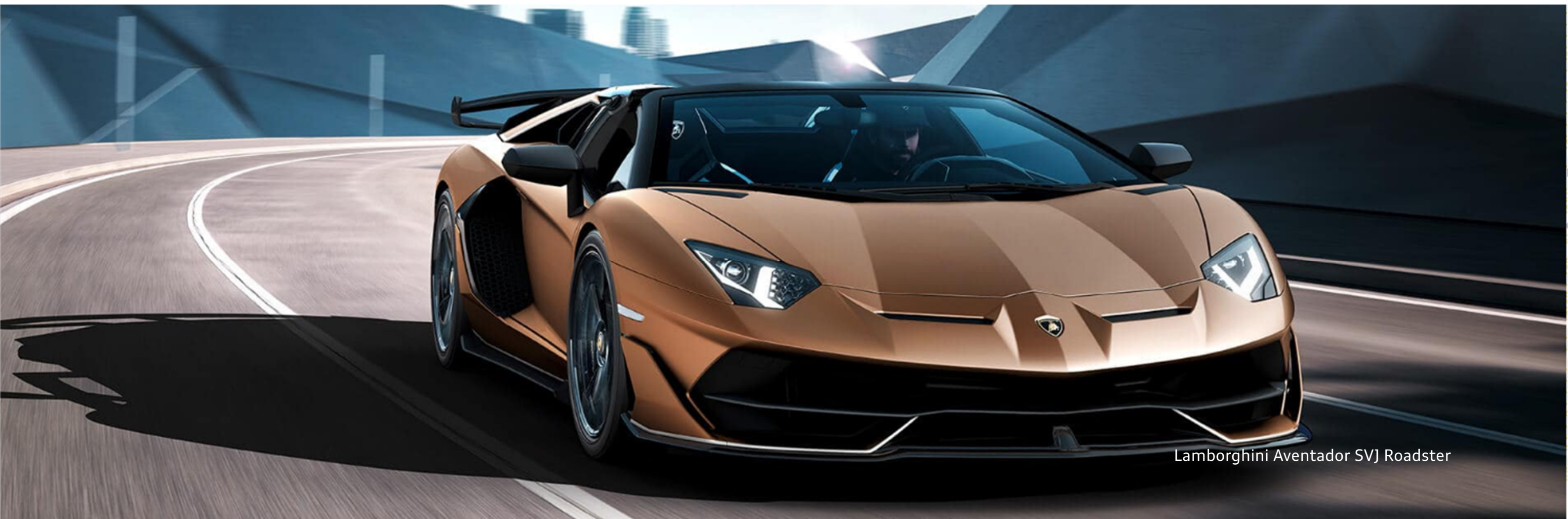
Motorcycle deliveries to customers [1)]

	1–6/2019	1–6/2018
Scrambler	6,954	7,670
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	8,042	8,121
Dual/Hyper (Hypermotard, Multistrada)	10,503	8,834
Sport (SuperSport, Superbike)	6,217	7,664
Ducati brand	**31,716**	**32,289**
Motorcycles segment	**31,716**	**32,289**

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

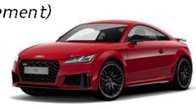
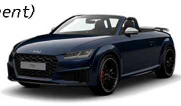
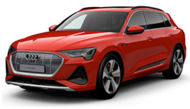
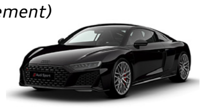
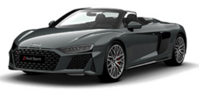
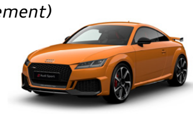
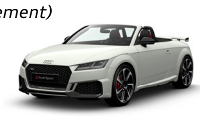
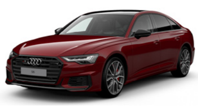
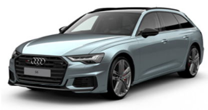
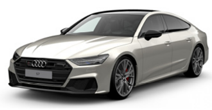
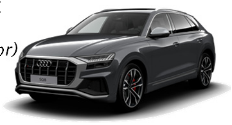
The Ducati brand delivered 31,716 (32,289) motorcycles to customers worldwide in the first half of 2019. Ducati slightly increased deliveries in Western Europe, while sales figures on the North American motorcycle market declined.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



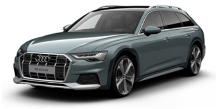
Lamborghini Aventador SVJ Roadster

Market introductions in 2019: Audi models presented or introduced in the period under review

<table>
<tr><th>Models</th><th>Main characteristics and new features</th></tr>
<tr><td>Audi TTS Coupé
(product improvement)
</td><td rowspan="2">- Sporty, sharper exterior design with three-dimensional radiator grille and new bumpers
- High-performance engine with gasoline particulate filter and new 7-speed S tronic, precise and dynamic handling with progressive steering
- Extended range of standard equipment (e.g. Audi drive select and Bluetooth)
- Digital connectivity thanks to Audi connect (optional) using high-speed LTE standard and Audi smartphone interface
- Presentation in July 2018, market introduction since January 2019, initially in Europe</td></tr>
<tr><td>Audi TTS Roadster
(product improvement)
</td></tr>
<tr><td>Audi e-tron
(new model, no predecessor)
</td><td>- Full-size SUV as first fully electrically powered series-production Audi model with electric all-wheel drive
- Range of up to 411 km (according to WLTP), premium charging service with access to more than 100,000 charging points in Europe and fast-charging capability at up to 150 kW ensure high everyday suitability
- Virtual exterior mirrors as a high-end option available for the first time in a series-production car at Audi
- Presentation in September 2018, market introduction since March 2019, initially in Europe</td></tr>
<tr><td>Audi R8 Coupé
(product improvement)
</td><td rowspan="2">- Fastest series-production Audi with a more sporty design and more performance
- Optimized naturally aspirated engines with unique sound, particulate filters as well as more power and torque
- Improvements to suspension provide even more stability and precision
- Presentation in October 2018, phased market introduction since the first quarter of 2019</td></tr>
<tr><td>Audi R8 Spyder
(product improvement)
</td></tr>
<tr><td>Audi TT RS Coupé
(product improvement)
</td><td rowspan="2">- Compact sports car with completely redesigned front end, larger side air intakes and striking rear end with side winglets on the rear wing giving it a dynamic look
- Five-cylinder engine with distinctive sound; plus quattro permanent all-wheel drive
- Optional RS sport suspension plus with adaptive dampers ensures excellent handling
- Presentation in February 2019, market introduction since spring 2019</td></tr>
<tr><td>Audi TT RS Roadster
(product improvement)
</td></tr>
<tr><td>Audi S6 TDI Sedan
(new model)
</td><td rowspan="2">- As an S model with TDI engine in Europe, combines versatility with sportiness and efficiency
- V6 TDI engine with electric powered compressor and mild-hybrid technology with 48-volt electrical system delivers impressive driving dynamics with economical fuel consumption and low emissions
- quattro permanent all-wheel drive as well as optional dynamic all-wheel steering and ceramic brake system
- Presentation in April 2019, gradual market introduction since May 2019</td></tr>
<tr><td>Audi S6 TDI Avant
(new model)
</td></tr>
<tr><td>Audi S7 TDI Sportback
(new model)
</td><td>- As an S model, four-door coupé with a TDI engine for sportiness and efficiency for the first time in Europe
- V6 TDI engine with electric powered compressor and mild-hybrid technology with 48-volt electrical system delivers impressive driving dynamics with economical fuel consumption and low emissions
- quattro permanent all-wheel drive as well as optional dynamic all-wheel steering and ceramic brake system
- Presentation in April 2019, gradual market introduction since May 2019</td></tr>
<tr><td>Audi SQ8 TDI
(new model, no predecessor)
</td><td>- Combination of dynamic full-size coupé, emotive sports car and spacious SUV
- V8 TDI biturbo engine with 900 Nm torque combines sportiness and efficiency: the electric powered compressor supports the turbocharger during acceleration, the 48-volt mild-hybrid system reduces consumption
- Extensive infotainment as standard: Audi virtual cockpit and MMI navigation plus with MMI touch response
- Presentation in June 2019, gradual market introduction from late summer 2019</td></tr>
</table>

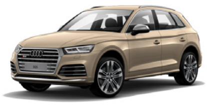
Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

Audi A6 allroad quattro
(new model)



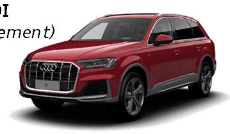
- New generation with quattro permanent all-wheel drive, adaptive air suspension with adjustable ground clearance and the body raised by up to 45 mm (compared with the Audi A6 Avant) for increased off-road capability
- Superior features such as hill descent control as standard and optional dynamic all-wheel steering
- Powerful V6 TDI engines, as standard with mild-hybrid technology for increased efficiency
- Presentation in June 2019, market introduction from September 2019, initially in Europe

Audi SQ5 TDI
(new model)



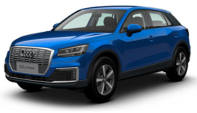
- Sporty version of the Q5 model range with distinctive exterior design
- V6 diesel engine with 700 Nm torque in Europe; 48-volt mild-hybrid technology, classic turbocharger and electric powered compressor combine superior and spontaneous power with improved efficiency
- Standard suspension with damper control as well as optional air suspension
- Presentation in February 2019, market introduction from September 2019

Audi Q7/SQ7 TDI
(product improvement)



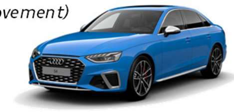
- Full-size SUV with generous space and excellent comfort in a new design and touch control concept in the interior
- Electro-mechanical active roll stabilization and all-wheel steering (on request) for increased ride comfort
- Engines with eight-speed tiptronic, permanent all-wheel drive and mild-hybrid technology
- Presentation in June 2019, market introduction from the end of September 2019, initially in Europe

Audi Q2 L e-tron
*(new model,
no predecessor)*

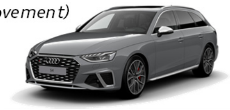


- First fully electric Audi model exclusively in China with a range of up to 265 km (NEDC)
- With a longer wheelbase, designed specifically to meet the needs of Chinese customers
- Electric motor on the front axle delivers 290 Nm torque
- Produced exclusively in China, market introduction from fall 2019

Audi A4/S4 TDI Sedan
(product improvement)

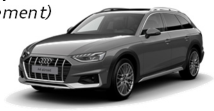


Audi A4/S4 TDI Avant
(product improvement)



- Mid-size models get sportier design accents, new engines and high connectivity
- Electrification with mild-hybrid technology (depending on the engine) increases comfort and efficiency – in Europe, S4 TDI combines V6 TDI engine with 48-volt electrical system and electric powered compressor
- New MMI touch display with acoustic feedback, more computing power and new Audi connect features
- Presentation in June 2019, market introduction from fall 2019

Audi A4 allroad quattro
(product improvement)



- Multi-talent with off-road character, characteristic design and high functionality
- quattro permanent all-wheel drive; 35 mm more ground clearance compared with the Audi A4 Avant and the optional suspension with damper control combine a high level of ride comfort and good off-road qualities
- New MMI touch display with acoustic feedback, more computing power and new Audi connect features
- Presentation in June 2019, market introduction from fall 2019

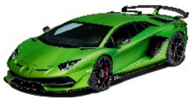
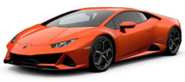
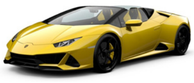
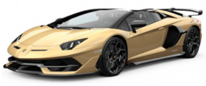
Electric and electrified models presented or introduced in the period under review

Electric vehicles	Plug-in hybrid vehicles
> **Audi e-tron** (market introduction since March 2019) > **Audi Q2 L e-tron** (market introduction in China from fall 2019) [1]	> **Audi A6 TFSI e** (presentation in March 2019) [1] > **Audi A7 Sportback TFSI e** (presentation in March 2019) [1] > **Audi A8 L TFSI e** (presentation in March 2019) [1] > **Audi Q5 TFSI e** (market introduction in the third quarter of 2019)

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

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.

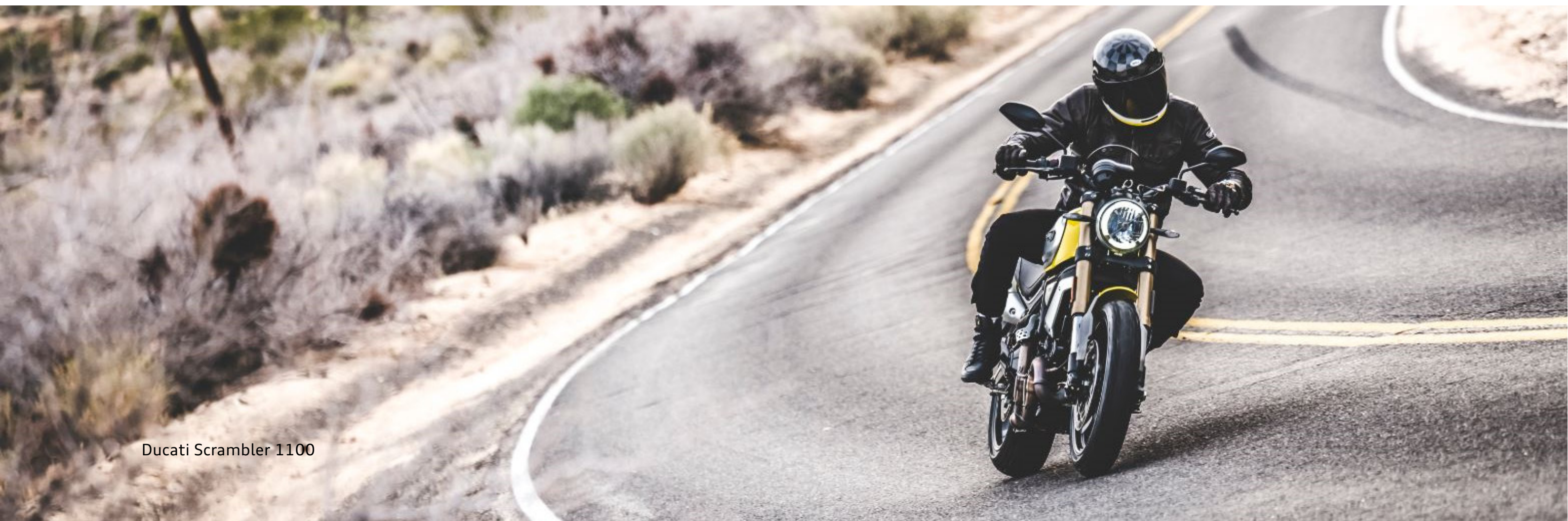
Market introductions in 2019: Lamborghini models presented or introduced in the period under review

Models	Main characteristics and new features
Lamborghini Aventador SVJ *(new model)* 	> Limited-edition generation of V12 top model from Lamborghini > New design features with focus on aerodynamic performance > All-wheel drive, all-wheel steering and lightweight construction for technical brilliance and optimized handling > Presentation in August 2018, gradual market introduction since start of 2019
Lamborghini Huracán EVO *(product improvement)* 	> Next-generation V10 supercar takes performance of Huracán Performante to the next level > Lamborghini vehicle dynamics control system combined with permanent all-wheel drive and all-wheel steering produces even more agility and easiness to drive > New infotainment system with ultramodern connectivity solutions > Presentation in January 2019, gradual market introduction in spring 2019
Lamborghini Huracán EVO Spyder *(product improvement)* 	> Open-top version of the Huracán EVO with a light, electro-hydraulic convertible top for pure Spyder feeling > Lamborghini vehicle dynamics control system combined with permanent all-wheel drive and all-wheel steering produces even more agility and easiness to drive > New infotainment system with ultramodern connectivity solutions > Presentation in February 2019, gradual market introduction from summer 2019
Lamborghini Aventador SVJ Roadster *(new model)* 	> A limited-edition roadster with the power, performance and technology of the Aventador SVJ > New design features with focus on aerodynamic performance > All-wheel drive, all-wheel steering and lightweight construction for technical brilliance and optimized handling > Presentation in March 2019, gradual market introduction from summer 2019

Ducati models introduced in the period under review

In 2019, the focus of the Ducati brand is on a large number of new and revised models. One example is the market launch of the Panigale V4 R, the most powerful series-production motorcycle ever built by Ducati, was which unveiled at the end of 2018. In addition, the Ducati V4 S Corse model variant comes with an exclusive MotoGP paint finish. Complementing the new Ducati Multistrada 1260 Enduro, the versatile Multistrada 950 and 950 S – the latest additions to the Multistrada range – feature state-of-the-art technology to improve safety and enhance ride comfort. Other new launches in the 2019 model year are the second generation of the Diavel 1260 and 1260 S as well as the Ducati Hypermotard 950 and 950 SP, which have been completely revised, including improvements to the suspension and a highly modern electronics package. The Ducati Monster range includes the revised versions of the 797 and 797+, along with a new model variant, the Monster 821 Stealth. In addition, the Scrambler models Icon, Café Racer, Full Throttle and Desert Sled were extensively revised for 2019.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



Ducati Scrambler 1100

FINANCIAL PERFORMANCE INDICATORS

/ FIRST-TIME ADOPTION OF NEW ACCOUNTING STANDARDS

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

*Read more about the impact of the first-time adoption of IFRS 16 in the **Notes** on **pages 28 f.***

/ CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

Effective January 1, 2019, management responsibility for the multi-brand sales companies Volkswagen Group Italia S.p.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates), and Audi Volkswagen Taiwan Co., Taipei, was transferred to Volkswagen AG, Wolfsburg, under a control agreement and as a result the companies concerned were deconsolidated. Since the start of the 2019 fiscal year, these companies have therefore been recognized in the consolidated financial statements of the Audi Group using the equity method – the legal ownership structures remain unchanged. In addition, Autonomous Intelligent Driving GmbH, Munich, a wholly owned subsidiary of AUDI AG, was fully consolidated in the consolidated financial statements of the Audi Group. The initial consolidation of this company did not have a material impact on the net worth, financial position and financial performance of the Audi Group.

/ FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 28,761 (31,183) million in the first half of 2019. The decrease is due to the elimination of revenues with other Volkswagen Group brands. In the previous year, the multi-brand sales companies impacted revenue by a total of EUR 2.9 billion.

In the Automotive segment, revenue was likewise below the prior-year level as a result of this, reaching EUR 28,325 (30,735) million. At the same time, revenue from the Audi brand car business improved to EUR 20,517 (20,230) million, partly as a result of the market success of our new SUV model Audi Q8 and the fully electric SUV Audi e-tron. In addition, revenue from the Lamborghini brand increased to EUR 978 (557) million, particularly as a result of high demand for the new Lamborghini Urus. In contrast, our revenue from business with engines, powertrains and parts deliveries decreased – including for local production in China as a result of market management measures. Revenue from other automotive business also fell. This largely comprises our genuine parts business.

In the Motorcycles segment, revenue generated in connection with the Ducati brand amounted to EUR 435 (449) million. Declining volume was offset by predominantly positive mix effects.

Condensed Income Statement, Audi Group

EUR million	1–6/2019	1–6/2018
Revenue	28,761	31,183
Cost of goods sold	– 24,597	– 25,963
Gross profit	**4,163**	**5,221**
Distribution costs	– 1,598	– 2,128
Administrative expenses	– 331	– 341
Other operating result	66	10
Operating profit	**2,300**	**2,761**
Financial result	280	450
Profit before tax	**2,580**	**3,211**
Income tax expense	– 588	– 831
Profit after tax	**1,992**	**2,380**

The cost of goods sold for the Audi Group declined to EUR 24,597 (25,963) million in the period from January through June 2019, particularly influenced by the elimination of purchase costs from the multi-brand sales companies' trading transactions. The cost of materials and purchase costs, which increased for mix-related reasons, had a negative impact. Higher depreciation and amortization of the production network expanded in previous years and higher personnel costs also influenced the cost of goods sold. Research and development activities amounted to EUR 2,214 (2,020) million. This is equivalent to a research and development ratio of 7.7 (6.5) percent of revenue, which was therefore higher than our strategic target corridor of 6.5 to 7.0 percent. The Audi Group capitalized development spending amounting in total to EUR 571 (647) million in the first half of 2019, which is equivalent to a capitalization ratio of 25.8 (32.0) percent. Research and development expenditure recognized as an expense came to EUR 2,126 (1,790) million in the period under review. The figure also includes amortization of capitalized development costs of EUR 483 (418) million. The research expense and noncapitalized development costs came to EUR 1,643 (1,372) million.

Distribution costs of the Audi Group fell to EUR 1,598 (2,128) million in the first six months. The year-on-year decrease was attributable to both changes in priorities within our sales and marketing activities as well as the deconsolidation of multi-brand sales companies.

Administrative expenses were EUR 331 (341) million in the period under review.

The other operating result of the Audi Group for the first half of the year was EUR 66 (10) million. There were positive effects from the improved residual value development in the vehicle business and effects from the dissolution of loss allowances on receivables.

Key Operating Performance Figures, Audi Group

EUR million	1–6/2019	1–6/2018
Operating profit	**2,300**	**2,761**
Automotive segment	2,256	2,718
Motorcycles segment	44	43
adjusted for effects of PPA [1]	*56*	*54*
Profit before tax	**2,580**	**3,211**

in %	1–6/2019	1–6/2018
Operating return on sales	**8.0**	**8.9**
Automotive segment	8.0	8.8
Motorcycles segment	10.2	9.5
adjusted for effects of PPA [1]	*12.9*	*12.1*
Return on sales before tax	**9.0**	**10.3**

1) Effects of purchase price allocation

The operating profit of the Audi Group was EUR 2,300 (2,761) million in the first half of 2019. This represents an operating return on sales of 8.0 (8.9) percent. The deconsolidation of the multi-brand sales companies had a positive effect on the return ratio and dampened its decline.

In the Automotive segment, we generated an operating profit of EUR 2,256 (2,718) million and an operating return on sales of 8.0 (8.8) percent. The lower volume of vehicles and the associated weaker capacity utilization of our plants had a negative impact. Increased upfront expenditure for future mobility solutions, a rise in personnel costs and currency effects also had an adverse effect on current profitability. In addition to an improved model mix and the encouraging figures reported by the Lamborghini brand, the successful continuation of the Audi Transformation Plan (ATP) also had a positive influence on our financial key figures in the period under review. In the first half of 2019, we implemented measures with an effect on operating business of more than EUR 1 billion. Since the start of the ATP in 2018, the program has already brought in more than EUR 3 billion. By 2022, the ATP is expected to raise a total of EUR 15 billion.

The operating profit of the Motorcycles segment in the first half of 2019 was just below the prior-year figure at EUR 44 (43) million. This represents an operating return on sales of 10.2 (9.5) percent. After elimination of the effects of purchase price allocation, our operating profit came to EUR 56 (54) million and the operating return on sales was 12.9 (12.1) percent.

Financial Result, Audi Group

EUR million	1–6/2019	1–6/2018
Result from investments accounted for using the equity method [1]	107	143
of which FAW-Volkswagen Automotive Company, Ltd.	*92*	*92*
of which Volkswagen Automatic Transmission (Tianjin) Company Ltd.	*103*	*87*
of which SAIC Volkswagen Automotive Company Ltd.	*12*	*5*
of which There Holding B.V.	*– 73*	*– 41*
Net interest result	– 63	44
Other financial result	236	263
of which brand settlement/ performance-related income, China business [2]	*169*	*147*
of which dividend of FAW-Volkswagen Automotive Company, Ltd [3]	*–*	*162*
Financial result	**280**	**450**
of which China business [4]	*376*	*493*

1) Influenced by the effect of initial consolidation of multi-brand sales companies
2) Financial brand settlement agreed between AUDI AG and Volkswagen AG, Wolfsburg, and performance-related income for China business in connection with associated companies
3) One-time effect in 2018
4) 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 was EUR 280 (450) million in the first half of 2019. The net interest result decreased due to higher expenses for the measurement of long-term provisions owing to interest rate cuts. In addition, dividend income as a one-time effect from the portion of the participating interest in FAW-Volkswagen Automotive Company, Ltd., classified as available for sale was included in the financial result for the previous year.
In the first six months of the 2019 fiscal year, the profit before tax of the Audi Group fell to EUR 2,580 (3,211) million and the return on sales before tax decreased to 9.0 (10.3) percent. Profit after tax came to EUR 1,992 (2,380) million.

/ NET WORTH

As of June 30, 2019, the balance sheet total of the Audi Group increased to EUR 67,016 (65,598) million compared with the position as of December 31, 2018.

Condensed Balance Sheet, Audi Group

EUR million	June 30, 2019	Dec. 31, 2018
Non-current assets	33,792	32,393
Current assets	33,223	33,205
Balance sheet total	**67,016**	**65,598**
Equity	29,312	29,698
Liabilities	37,704	35,900
of which non-current liabilities	*16,722*	*14,549*
of which current liabilities	*20,982*	*21,351*
Balance sheet total	**67,016**	**65,598**

Non-current assets amounted to EUR 33,792 (32,393) million. The main driver was the year-on-year rise in investments accounted for using the equity method as a result of the first-time valuation of shares in the multi-brand sales companies using the equity method. The first-time adoption of IFRS 16 as of January 1, 2019, resulted in an increase amounting to EUR 532 million.

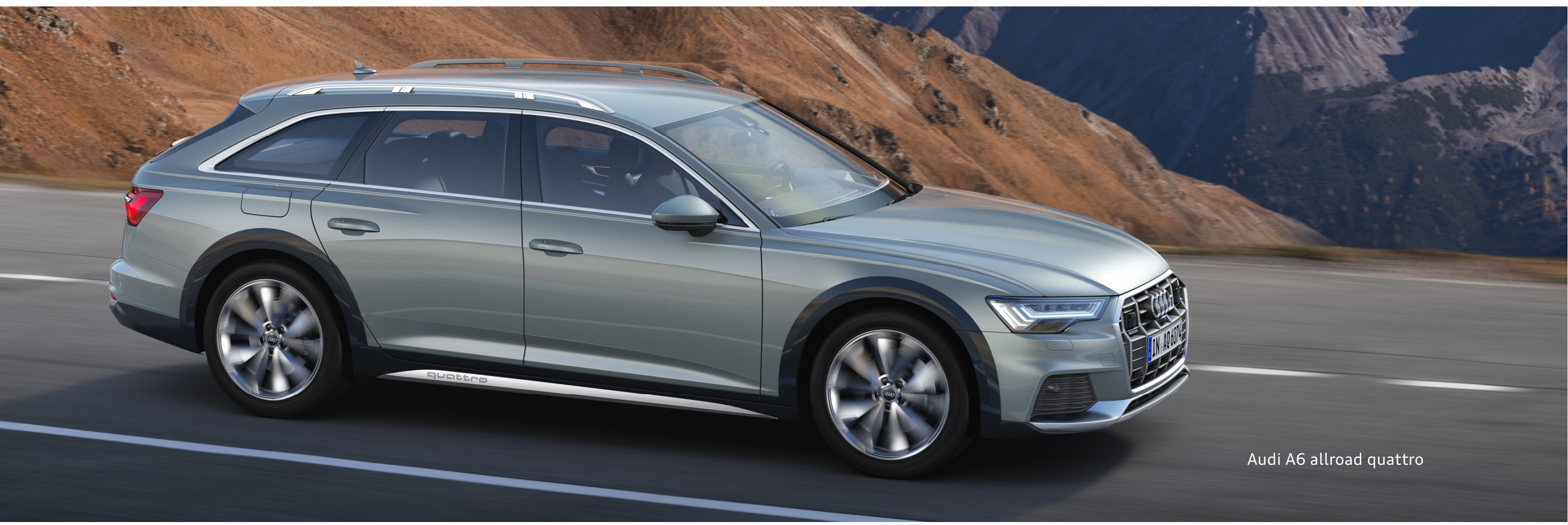
Current assets totaled EUR 33,223 million, compared with EUR 33,205 million as of December 31, 2018. The deconsolidation of multi-brand sales companies in particular had a positive effect. Moreover, our cash and cash equivalents also increased.

The equity of the Audi Group as of June 30, 2019, amounted to EUR 29,312 (29,698) million. Influenced by interest effects relating to provisions for pensions and measurement effects for hedging, the equity ratio of the Audi Group decreased to 43.7 (45.3) percent as of June 30, 2019, compared with December 31, 2018.

Non-current liabilities at the half-way mark of 2019 changed to EUR 16,722 million compared with EUR 14,549 million at the end of 2018. This change was primarily due to long-term parts of provisions for pensions that increased as a result of changes in interest rates. Non-current and current financial liabilities rose to EUR 535 million as a result of the first-time adoption of IFRS 16 on January 1, 2019.

Current liabilities totaled EUR 20,982 million, compared with EUR 21,351 million as of December 31, 2018.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



Audi A6 allroad quattro

/ *FINANCIAL POSITION*

The Audi Group generated cash flow from operating activities of EUR 4,145 (4,552) million in the first half of 2019. The decline is largely due to lower profit before tax. However, the improvement in working capital had a positive effect.

Condensed Cash Flow Statement, Audi Group

EUR million	1–6/2019	1–6/2018
Cash and cash equivalents at beginning of period	8,550	11,255
Cash flow from operating activities	**4,145**	**4,552**
Investing activities attributable to operating activities 1)	– 1,892	– 1,881
of which capital expenditure 2)	*– 857*	*– 1,047*
of which capitalized development costs	*– 571*	*– 647*
of which acquisition and sale of participations 3)	*– 470*	*– 213*
Net cash flow	2,253	2,672
Change in cash deposits and loans extended	744	– 962
Cash flow from investing activities	**– 1,148**	**– 2,842**
Cash flow from financing activities	**– 1,172**	**– 2,402**
Change in cash and cash equivalents due to changes in exchange rates	18	– 6
Change in cash and cash equivalents	**1,843**	**– 698**
Cash and cash equivalents at end of period	**10,393**	**10,557**

1) The item also includes other cash changes of EUR 6 (26) 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, 2019	June 30, 2018
Cash funds as per cash flow statement 1)	10,393	10,557
Short-term fixed deposits 2)	117	905
Cash funds as per balance sheet	**10,510**	**11,462**
Securities, loans extended to participations and short-term fixed deposits 3)	11,512	10,116
Gross liquidity	**22,022**	**21,578**
Credit outstanding 4)	– 988	– 647
Net liquidity	**21,034**	**20,931**

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 1,892 (1,881) million in the first half of 2019. Because we intensified our disciplined approach to investment even more, we scaled back capital expenditure compared with the previous year and thus achieved a ratio of capex of 3.0 (3.4) percent. Capitalized development costs also fell and amounted to EUR 571 (647) million.
The Audi Group generated a net cash flow of EUR 2,253 (2,672) million in the first six months of 2019. Cash outflows from the deconsolidation of multi-brand sales companies caused a negative effect compared with the prior year. Overall, cash flow from investing activities, taking account of changes in cash deposits and loans extended, came to EUR –1,148 (–2,842) million. The year-on-year change is substantially attributable to the restructuring of fixed deposits as cash funds.

Cash flow from financing activities reached an overall EUR –1,172 (–2,402) million in the first half of 2019. It almost exclusively comprises the profit transfer of EUR –1,096 (–2,406) million to Volkswagen AG, Wolfsburg.

The closing position for cash funds as of June 30, 2019, was EUR 10,393 million.
The net liquidity of the Audi Group as of the same reporting date rose to EUR 21,034 million compared with EUR 20,931 million as of June 30, 2018.

PERSONNEL CHANGES

With effect from July 1, 2019, Hildegard Wortmann assumed responsibility for Marketing and Sales within the Board of Management. This position had previously been held temporarily by Abraham Schot, who is also the Chairman of the Board of Management.

EMPLOYEES

/ WORKFORCE

Average for the period	1–6/2019	1–6/2018
Domestic companies [1]	**60,114**	**59,743**
of which AUDI AG	*59,000*	*58,808*
Ingolstadt plant	*42,954*	*42,784*
Neckarsulm plant	*16,047*	*16,024*
Foreign companies	**27,849**	**28,763**
of which Audi Brussels S.A./N.V.	*2,856*	*2,774*
of which Audi Hungaria Zrt.	*13,277*	*12,677*
of which Audi México S.A. de C.V.	*5,290*	*5,891*
of which Automobili Lamborghini S.p.A.	*1,784*	*1,586*
of which Ducati Motor Holding S.p.A.	*1,374*	*1,372*
Employees	**87,963**	**88,506**
Apprentices	2,414	2,368
Employees of Audi Group companies	**90,376**	**90,874**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	443	445
Workforce Audi Group	**90,819**	**91,319**

1) Of these, 1,868 (1,661) employees were in the passive stage of their partial retirement.

The Audi Group workforce reduced its numbers slightly in the first half of 2019 compared with the prior year to an average of 90,819 (91,319) employees. The decrease is largely due to the deconsolidation of multi-brand sales companies, the management responsibility for which was transferred to Volkswagen AG, Wolfsburg, as of January 1, 2019. In the prior-year period, 1,320 employees on average were still counted at the multi-brand sales companies concerned. As planned, the number of employees at Audi México S.A. de C.V., San José Chiapa (Mexico), decreased following the successful ramp-up of the plant in the last two years. The increase in headcount in the other Audi Group companies is due to the recruitment of experts for strategic future areas, such as electric mobility and digitalization, and to the expansion of our model portfolio.

We want to play a role in shaping the transition of the automotive industry and make ourselves fit for the future with our Audi Transformation Plan. That requires flexibility in order to remain economically viable in the future. We are therefore currently reviewing our processes and structures, creating new models of collaboration and developing new forms of working. We want to negotiate on the joint “Audi.Zukunft” pact with the employee representatives and aim to reach an agreement on the most important cornerstones of this in fall 2019. Taking account of the future product portfolio, long-term volume planning and the resulting plant assignment, the focus is on ensuring the long-term competitiveness of our company. This includes adjusting the strategic capacity of our plants and reviewing employment structures along the demographic trend. Furthermore, changed customer requirements are associated with the need for increased flexibility in our production network and in shift organization. Another focus, for example, is on examining non-pay-scale components and on training our employees with an eye to future tasks.
In addition, over 800 young people will again embark on vocational training at Audi in 2019.
The Volkswagen Group Essentials form the basis of our collaboration. We strive for a corporate culture that is in keeping with these principles and with our Code of Cooperation.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

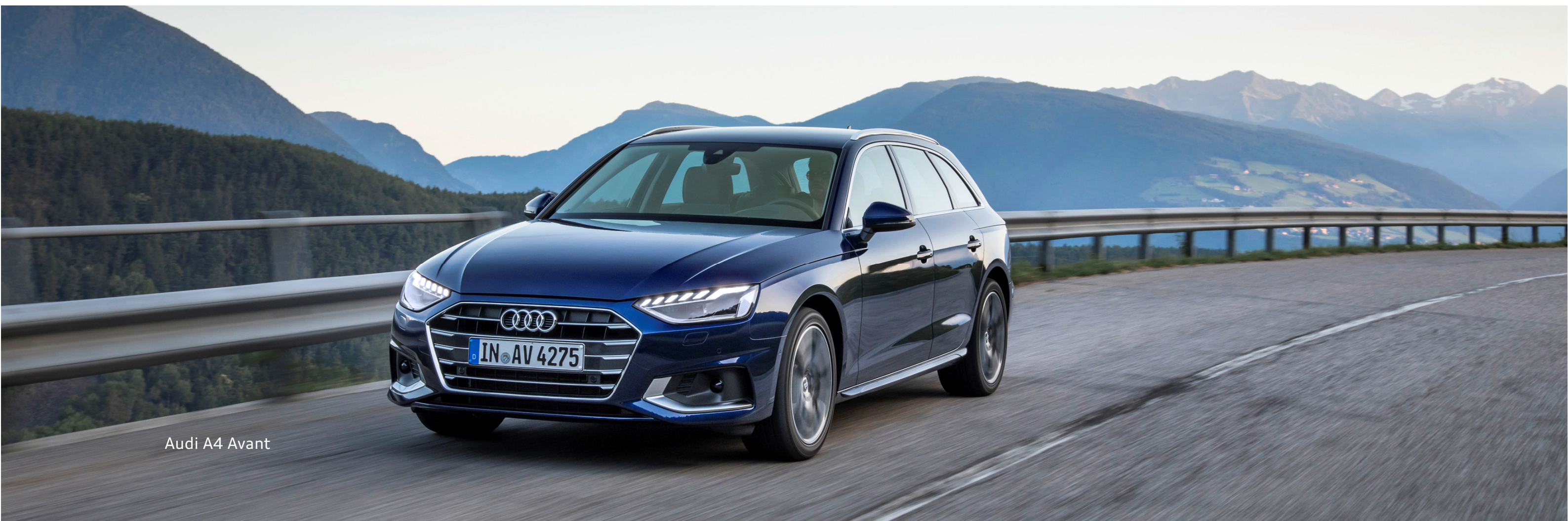
/ REPORT ON EXPECTED DEVELOPMENTS

Based on current estimates, the Audi Group continues to expect slightly weakened growth in the global economy in 2019 as a whole. We anticipate weaker economic momentum than in 2018, both in the advanced economies and in emerging markets. The Audi Group expects the Asia-Pacific region to continue to generate the highest GDP growth rates. However, geopolitical tensions and conflicts, structural weaknesses in individual countries, financial market turbulence and increasing trade disputes continue to represent potential disruptive factors with regard to global economic growth.

The Audi Group expects demand for cars to develop at different rates in the individual regions in 2019. Overall, we now think that global demand for new vehicles will probably be slightly below the 2018 level. For Western Europe as well, we now expect new registrations to be slightly below the level of the previous year. We anticipate a further rise in new registrations in the Central and Eastern Europe region. Sales of passenger cars and light commercial vehicles are likely to be below prior-year levels in North America's largest sales market, the USA. In contrast, demand for passenger cars and light commercial vehicles is expected to remain at around the prior-year level in South America. For the Asia-Pacific region, we currently expect new registrations to be somewhat below the level of the previous year. Both the Chinese and Japanese car markets are likely to shrink based on current assessments. In the established motorcycle markets, we expect demand in the displacement segment above 500 cc to remain at the prior-year level for the forecasting period.

The forecasts for the key performance indicators for 2019 as a whole, which are explained in detail in the 2018 Annual Report on pages 137 f., fundamentally remain valid – assuming the successful implementation of the next phase of the Audi Transformation Plan. The impact of the deconsolidation of multi-brand sales companies has already been factored in. However, we currently expect a research and development ratio moderately above the strategic target corridor of 6.5 to 7.0 percent due to intensified development activities. In the 2018 Annual Report, we had anticipated a research and development ratio slightly above the corridor of 6.5 to 7.0 percent. However, for the ratio of capex we now anticipate a figure slightly below the strategic target corridor of 5.5 to 6.0 percent with intensified investment discipline. In the 2018 Annual Report, we had anticipated a ratio of capex within the target corridor of 5.5 to 6.0 percent.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



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/ 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 2018 Annual Report on pages 140 to 152. The report also contains statements regarding the risk situation for the 2019 fiscal year that fundamentally remain valid.

As a result of the current international trade disputes, the risk persists of tariffs being levied on vehicle imports with a corresponding impact on our delivery volume and our financial key figures. In addition, the trade sanctions that currently exist between the USA and China may also have a negative impact on our supply chain. This risk is counteracted through ongoing monitoring by a task force and a review of the adjustment options for individual components.

In addition, there is a fundamental risk to market supply through our global dealer network in connection with possible changes in the Company's strategic direction, in China for example. Volume and profit risks could result from this. Risk management is conducted by means of an ongoing exchange with our partners and regular reporting to top management.

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

In June 2019, the U.S. District Court for the Northern District of California dismissed two putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to unlawfully increase the prices of German luxury vehicles in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations of the complaints do not plausibly support the alleged anti-competitive agreements. The court granted plaintiffs the opportunity to file amended complaints.

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

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Audi Group's expected development in the 2019 fiscal year in the "Report on expected developments" and "Report on risks and opportunities" sections – including the paragraphs in the "Diesel issue" section – of the Combined Management Report in the 2018 Annual Report. In particular, based on existing and acquired information, there continue to be no conclusive findings or assessments available to the Board of Management of AUDI AG regarding the described facts that would suggest that a different assessment of the associated risks should have been made.

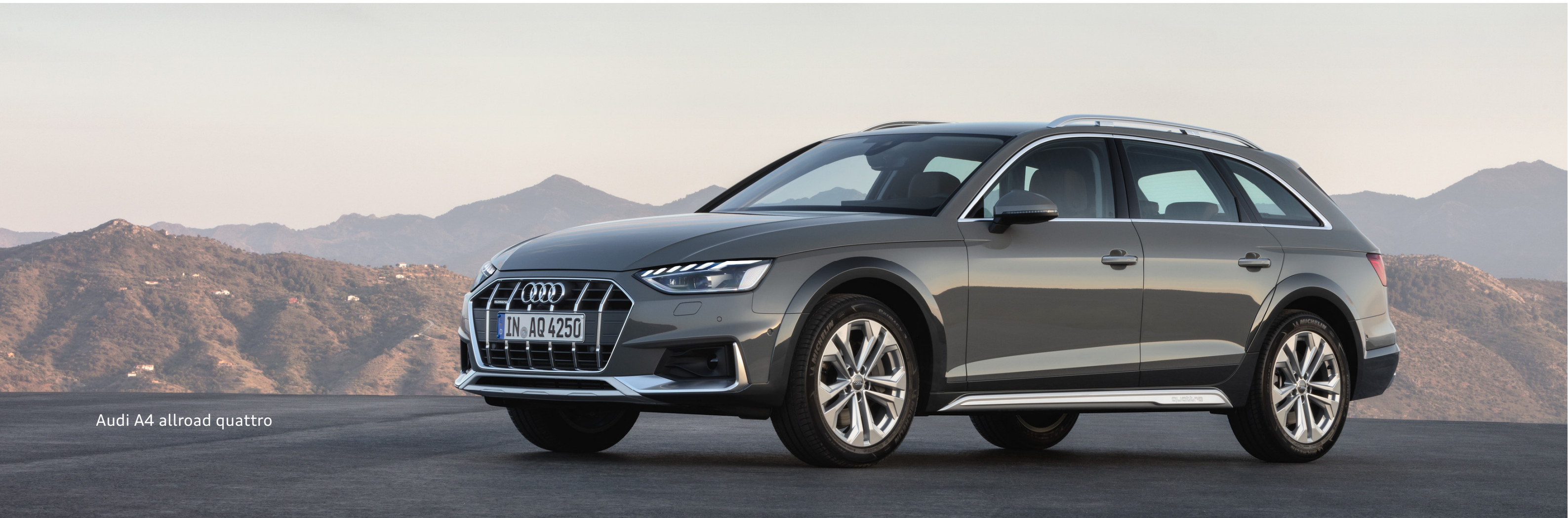
EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

On July 12, 2019, Volkswagen AG, Wolfsburg, announced that together with Ford Motors Corp., Dearborn, it will invest in Argo AI, Pittsburgh, a company that specializes in software platforms for autonomous driving, and that this will be effected, among other things, by the contribution of Autonomous Intelligent Driving GmbH, Munich, a wholly owned subsidiary of AUDI AG.

Prior to this, AUDI AG must transfer its shares in Autonomous Intelligent Driving GmbH to Volkswagen, whereby the selling price has not yet been agreed, and in this respect, it is not possible to state whether and in what amount a capital gain will result.

There were no further reportable events of material significance after June 30, 2019.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 21.



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

The fuel/power consumption and emission figures as well as the efficiency classes for the passenger cars mentioned in the document are given below.
Fuel consumption in l/100 km (combined): 20.1–2.1
Electric vehicles: power consumption in kWh/100 km (combined): 24.6–23.7
Plug-in hybrid vehicles: power consumption in kWh/100 km (combined): 19.1–17.5
Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 4.1–3.5
CO_2 emissions in g/km (combined): 464–0
Efficiency classes: G–A+

The specified fuel/power consumption and emission data have been determined according to the measurement procedures prescribed by law. Since September 1, 2017, certain new vehicles are already being type-approved according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a more realistic test procedure for measuring fuel consumption and CO_2 emissions. Since September 1, 2018, the New European Driving Cycle (NEDC) has been replaced by the WLTP in stages. Owing to the more realistic test conditions, the fuel consumption and CO_2 emissions measured according to the WLTP will, in many cases, be higher than those measured according to the NEDC. Vehicle taxation could change accordingly as of September 1, 2018. For further information on the differences between the WLTP and NEDC, please visit www.audi.de/wltp.

We are currently still required by law to state the NEDC figures. In the case of new vehicles which have been type-approved according to the WLTP, the NEDC figures are derived from the WLTP data. It is possible to specify the WLTP figures voluntarily in addition until such time as this is required by law. In cases where the NEDC figures are specified as value ranges, these do not refer to a particular individual vehicle and do not constitute part of the sales offering. They are intended exclusively as a means of comparison between different vehicle types. Additional equipment and accessories (e.g. add-on parts, different tire formats, etc.) may change the relevant vehicle parameters, such as weight, rolling resistance and aerodynamics, and, in conjunction with weather and traffic conditions and individual driving style, may affect fuel consumption, electrical power consumption, CO_2 emissions and the performance figures for the vehicle. 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, Germany or at www.dat.de.

DISCLAIMER

This report contains forward-looking statements on the future business development of the Audi Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets or any significant shifts in exchange rates relevant to the Audi Group will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the risks and opportunities presented in the 2018 Annual Report develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.
The figures in brackets represent those for the corresponding prior-year period. All figures are rounded off, which may lead to minor deviations when added up.

CONSOLIDATED FINANCIAL STATEMENTS OF THE AUDI GROUP AS OF JUNE 30, 2019

INCOME STATEMENT OF THE AUDI GROUP

EUR million	Notes	1–6/2019	1–6/2018
Revenue	1	28,761	31,183
Cost of goods sold	2	–24,597	–25,963
Gross profit		**4,163**	**5,221**
Distribution costs	3	–1,598	–2,128
Administrative expenses		–331	–341
Other operating income	5	995	949
Other operating expenses	5	–929	–939
Operating profit		**2,300**	**2,761**
Result from investments accounted for using the equity method		107	143
Interest income		129	128
Interest expenses		–192	–84
Other financial result		236	263
Financial result	**6**	**280**	**450**
Profit before tax		**2,580**	**3,211**
Income tax expense		–588	–831
Profit after tax		**1,992**	**2,380**
of which profit share of AUDI AG shareholders		*1,950*	*2,313*
of which profit share of non-controlling interests		*42*	*67*
Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code		1,172	1,265

EUR		1–6/2019	1–6/2018
Earnings per share	7	45.35	53.79
Diluted earnings per share	7	45.35	53.79

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	1–6/2019	1–6/2018
Profit after tax	**1,992**	**2,380**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income before tax	–1,241	–57
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	370	17
Pension plan remeasurements recognized in other comprehensive income after tax	–871	–40
Share of other comprehensive income of equity-accounted investments that will not be reclassified subsequently to profit or loss after tax	0	–
Items that will not be reclassified to profit/loss after tax	**–871**	**–40**
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	28	45
Currency translation differences transferred to profit or loss	–30	–
Currency translation differences before tax	–3	45
Currency translation differences after tax	–3	45
Hedging transactions		
Fair value changes of cash flow hedges recognized in other comprehensive income	–144	–419
Fair value changes of cash flow hedges transferred to profit or loss	–198	–227
Cash flow hedges before tax	–342	–646
Deferred taxes on cash flow hedges	102	193
Cash flow hedges after tax	–240	–453
Costs of hedging relationship recognized in other comprehensive income	–295	–125
Costs of hedging relationship transferred to profit or loss	167	1
Costs of hedging relationship before tax	–128	–124
Deferred taxes on costs of hedging relationship	38	37
Costs of hedging relationship after tax	–90	–87
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	–3	6
Items that will be reclassified subsequently to profit/loss after tax	**–335**	**–489**
Other comprehensive income before tax	–1,716	–777
Deferred taxes relating to other comprehensive income	510	247
Other comprehensive income after tax [1]	**–1,206**	**–529**
Total comprehensive income	**786**	**1,851**
of which profit share of AUDI AG shareholders	*735*	*1,772*
of which profit share of non-controlling interests	*50*	*79*

1) A share of EUR 9 (11) million of other profit after tax from currency translation differences after tax 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, 2019	Dec. 31, 2018
Intangible assets		7,612	7,585
Property, plant and equipment		14,293	14,293
Leasing and rental assets		9	11
Investment property		325	332
Investments accounted for using the equity method		2,678	1,627
Other participations		366	357
Deferred tax assets		2,828	2,319
Other financial assets		5,580	5,742
Other receivables		101	128
Non-current assets	**8**	**33,792**	**32,393**
Inventories	9	8,821	9,406
Trade receivables		5,494	5,800
Effective income tax assets		129	51
Other financial assets		1,562	1,999
Other receivables		1,009	914
Securities		5,699	5,726
Cash funds		10,510	9,309
Current assets		**33,223**	**33,205**
Total assets		**67,016**	**65,598**

EQUITY AND LIABILITIES *in EUR million*	Notes	June 30, 2019	Dec. 31, 2018
Subscribed capital		110	110
Capital reserve		12,175	12,175
Retained earnings		16,126	16,219
Other reserves		225	569
AUDI AG shareholders' interests		28,636	29,073
Non-controlling interests		676	625
Equity		**29,312**	**29,698**
Financial liabilities		817	319
Other financial liabilities		458	463
Other liabilities		1,274	1,224
Provisions for pensions		6,481	5,194
Other provisions		6,581	6,288
Effective income tax liabilities		781	792
Deferred tax liabilities		331	270
Non-current liabilities		**16,722**	**14,549**
Financial liabilities		171	108
Trade payables		7,732	8,565
Other financial liabilities		4,549	4,067
Other liabilities		3,230	2,634
Other provisions		4,896	5,593
Effective income tax liabilities		404	383
Current liabilities		**20,982**	**21,351**
Liabilities		**37,704**	**35,900**
Total equity and liabilities		**67,016**	**65,598**

CASH FLOW STATEMENT OF THE AUDI GROUP

EUR million	1–6/2019	1–6/2018
Profit before profit transfer and income taxes	2,580	3,211
Income tax payments	–728	–701
Amortization of and impairment losses (reversals) on capitalized development costs	483	418
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, leasing and rental assets, investment property and other intangible assets	1,466	1,287
Result from the disposal of assets	4	–12
Result from investments accounted for using the equity method	–71	21
Change in inventories	–418	–1,400
Change in receivables	–332	–1,496
Change in liabilities	933	2,912
Change in provisions	435	256
Change in leasing and rental assets	–0	–5
Other non-cash income and expenses	–207	60
Cash flow from operating activities	**4,145**	**4,552**
Additions to capitalized development costs	–571	–647
Investments in property, plant and equipment, investment property and other intangible assets	–857	–1,047
Acquisition of subsidiaries and changes in capital [1]	16	–28
Acquisition of investments in associates and other participations and changes in capital	–69	–367
Sale of subsidiaries, associates, and other participations and changes in capital [1]	–417	182
Other cash changes	6	26
Change in investments in securities	92	–238
Change in fixed deposits and loans extended	652	–724
Cash flow from investing activities	**–1,148**	**–2,842**
Transfer of profit	–1,096	–2,406
Change in financial liabilities	–29	8
Lease payments made	–47	–4
Cash flow from financing activities	**–1,172**	**–2,402**
Change in cash and cash equivalents due to changes in exchange rates	18	–6
Change in cash and cash equivalents	**1,843**	**–698**
Cash and cash equivalents at beginning of period	8,550	11,255
Cash and cash equivalents at end of period	**10,393**	**10,557**

1) This also includes the cash inflows and cash outflows from initial consolidations and deconsolidations.

EUR million	June 30, 2019	June 30, 2018
Cash and cash equivalents as per cash flow statement (bank assets and cash deposits with maturities of no more than 3 months)	10,393	10,557
Currently due fixed deposits with a remaining term of < 3 months	117	905
Cash funds as per balance sheet	**10,510**	**11,462**
Securities, loans extended to participations and currently due fixed deposits with an investment period of > 3 months	11,512	10,116
Gross liquidity	**22,022**	**21,578**
Credit outstanding	–988	–647
Net liquidity	**21,034**	**20,931**

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, 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 [1]	–	–	–1,265
Position as of June 30, 2018	**110**	**12,175**	**14,927**
Position as of Jan. 1, 2019	110	12,175	16,219
Profit after tax	–	–	1,950
Other comprehensive income after tax	–	–	–871
Total comprehensive income	**–**	**–**	**1,079**
Miscellaneous changes [1]	–	–	–1,172
Position as of June 30, 2019	**110**	**12,175**	**16,126**

1) The miscellaneous changes relate to the profit share to which Volkswagen AG, Wolfsburg, is entitled in event of profit transfer based on profit in accordance with the German Commercial Code.

Other reserves					Equity		
Reserve for currency translation differences	Hedging transactions		Equity and debt instruments	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interest	Total
	Reserve for cash flow hedges	Deferred costs of hedging relationship					
–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**
55	685	–211	–	41	29,073	625	29,698
–	–	–	–	–	1,950	42	1,992
–11	–240	–90	–	–3	–1,215	9	–1,206
–11	**–240**	**–90**	**–**	**–3**	**735**	**50**	**786**
–	–	–	–	–	–1,172	–	–1,172
44	**445**	**–301**	**–**	**38**	**28,636**	**676**	**29,312**

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, 2019, have been prepared on the basis of IAS 34 and, compared with the consolidated financial statements as of December 31, 2018, 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

The Audi Group has applied all financial reporting standards adopted by the EU that became mandatory effective January 1, 2019.

// IFRS 16 – LEASES

IFRS 16 changes the rules for the accounting of leases and replaces the previous standard IAS 17 and the associated interpretations.

The main aim of IFRS 16 is for all leases to be recognized on the balance sheet. This means that the previous classification into finance and operating leases no longer applies for lessees. Instead, for all leases they must fundamentally recognize a right-of-use asset and a lease liability on the balance sheet. In the Audi Group, the lease liability is measured on the basis of the outstanding lease payments, discounted using the incremental borrowing rate, while the right-of-use asset is always measured at the amount of the lease liability plus the initial direct costs. During the lease term, the right-of-use asset must be depreciated and the lease liability adjusted using the effective interest method and taking the lease payments into account. IFRS 16 contains practical expedients for short-term and low-value leases. The Audi Group utilizes these and therefore does not recognize a right-of-use asset or a liability for such leases. The relevant lease payments are recognized as expense in the income statement as in the past. As of the date of first-time adoption, leases whose term ends before January 1, 2020, are classified as short-term leases irrespective of the start date of the lease. In addition, leases already in effect at the date of first-time adoption, were not reassessed to identify whether or not they meet the criteria for leases under IFRS 16. Instead, existing contracts that were already classified as leases under IAS 17 or IFRIC 14 are still classified as leases. Existing contracts that were not classified as leases under IAS 17 or IFRIC 14 are still not treated as leases.

The lessor accounting model mainly corresponds to the former requirements of IAS 17. Lessors must still classify finance and operating leases based on the distribution of the opportunities and risks associated with the asset.

As of January 1, 2019, for the first time, the Audi Group has recognized leases using the modified retrospective method according to the rules of IFRS 16. The figures for prior-year periods have not been adjusted. Using this method, the lease liability must be recognized at the present value of the remaining lease payments as of the transition date. The present value is determined using the incremental borrowing rate as of January 1, 2019. The weighted average interest rate in the Audi Group was 3.2 percent.

To simplify, the right-of-use assets are recognized in the amount of the corresponding lease liability – adjusted for any prepaid or accrued lease payments. Applying the permitted exemption, the right-of-use asset is adjusted by the amounts recognized on the balance sheet as of December 31, 2018, as provisions for onerous operating leases. The right-of-use assets were not tested for impairment in this context at the date of first-time adoption. The right-of-use assets are recognized on the balance sheet in the items where the assets underlying the lease would have been recognized if they had been the property of the Audi Group. As of the reporting date, right-of-use assets are therefore recognized in non-current assets, mainly in property, plant and equipment.

The effects of right-of-use assets and lease liabilities resulting from the first-time adoption of IFRS 16 as of January 1, 2019, were as follows:

- Right-of-use assets amounting to EUR 796 million were recognized (of which EUR 585 million in property, plant and equipment and EUR 211 million in investment property). Capitalized prepayments, accrued liabilities and provisions for onerous operating leases were offset against the right-of-use assets. The right-of use assets recognized included an amount of EUR 264 million that had already been recognized under finance leases as of December 31, 2018.
- Lease liabilities in the amount of EUR 832 million were recognized in current and non-current financial liabilities. The lease liabilities recognized included an amount of EUR 298 million that had already been recognized under finance leases as of December 31, 2018.
- First-time adoption did not have any effects on equity.

The difference between the expected payments for operating leases discounted using the incremental borrowing rate as of December 31, 2018, which amounted to EUR 621 million, and the lease liabilities of EUR 832 million recognized in the opening balance sheet, is mainly the result of taking account of existing finance leases and a new estimate of expected lease payments, attributable to the capitalization of certain variable lease payments, for example. The lease terms taken into account when recognizing liabilities were also reassessed in accordance with the rules of IFRS 16. In this process, reasonably certain extension and termination options were taken into account in determining the lease payments to be capitalized. In addition, lease payments for low-value and short-term leases are not included in the lease liabilities on the opening balance sheet.

Unlike the previous method, which showed all expenses for operating leases in the operating profit, according to IFRS 16 only depreciation and amortization of the right-of-use assets are recognized in the operating profit. Interest expenses from compounding lease liabilities are reported in the financial result. This increased the operating profit by EUR 10 million in the first half of 2019.

The change in the recognition of expenses from operating leases in the cash flow statement results in an improvement of EUR 43 million in the cash flow from operating activities and the net cash flow in the first half of 2019. There was a corresponding reduction in the cash flow from financing activities. The increase in financial liabilities resulting from the change in the accounting rules had a negative impact of EUR 586 million on the net liquidity of the Audi Group as of June 30, 2019.

In addition to the impact on the net worth, financial position and financial performance of the Audi Group outlined above, far more extensive disclosures will be required in the notes to the annual financial statements compared with this condensed interim financial report.

/ *OTHER RECOGNITION AND MEASUREMENT METHODS*

In this Interim Financial Report, a discount rate of 1.2 (December 31, 2018: 2.0) percent was 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.

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 2019 as in the consolidated financial statements for the 2018 fiscal year. A detailed description of these methods is published in the 2018 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 2018 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 direct or indirect decision-making power over the relevant activities, and is therefore able to influence its variable returns.

Since January 1, 2019, the multi-brand sales companies Audi Volkswagen Korea Ltd., Seoul, Audi Volkswagen Middle East FZE, Dubai, Audi Volkswagen Taiwan Co., Ltd., Taipei, and Volkswagen Group Italia S.p.A., Verona, have no longer been fully consolidated; instead, they are included in the consolidated financial statements using the equity method. The background to this step are contracts signed with Volkswagen AG, Wolfsburg, in December 2018, that give Volkswagen AG unrestricted powers to appoint members to the governing bodies of relevance for financial and business policy at these companies effective January 1, 2019. Consequently, AUDI AG is no longer able to exercise a controlling influence. These companies have therefore been deconsolidated. Due to ongoing representation within relevant bodies and material business relationships, AUDI AG still has the opportunity to exercise significant influence. Because 100 percent of the shares in the sales companies are still held, the equity method is used for financial accounting as of January 1, 2019. The loss of control resulted in a one-time positive effect of EUR 54 million on the other operating result. This amount contains the realization of previously eliminated intercompany profits on inventories totaling EUR 24 million. This amount is eliminated when applying the equity method to the remaining 100 percent of shares in the financial result, giving an overall positive effect of EUR 30 million on profit before tax.

Material effects of the changes in the group of consolidated companies on the presentation of the net worth, financial position and financial performance of the Audi Group are outlined in the notes to the relevant financial statement items.

Furthermore, Autonomous Intelligent Driving GmbH, Munich, has been added to the group of consolidated companies. The initial consolidation of this company did not have a material impact on the net worth, financial position and financial performance of the Audi Group. There were no other changes to the group of consolidated companies.

/ *PARTICIPATIONS IN ASSOCIATED COMPANIES*

In January 2019, a capital increase was carried out at There Holding B.V., Rijswijk, in which Audi participated. The shares accounted for using the equity method increased by EUR 69 million and the ownership interest is now approximately 29.7 percent.

Furthermore, since June 22, 2018, the Audi Group has held 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 one-percent stake in SAIC Volkswagen Automotive Company, Ltd., which Audi acquired from Volkswagen AG, Wolfsburg, amounted to EUR 328 million. The difference between the purchase price and the identified net assets was allocated in full to goodwill and amounts to EUR 291 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 / REVENUE

EUR million	1–6/2019	1–6/2018
Audi brand	20,517	20,230
Lamborghini brand	978	557
Other Volkswagen Group brands	9	2,575
Engines, powertrains and parts deliveries	4,154	4,264
Other automotive business	2,562	2,669
Effects from hedging transactions	106	440
Automotive	**28,325**	**30,735**
Ducati brand	435	448
Motorcycles	**435**	**448**
Revenue	**28,761**	**31,183**

The decline in revenue from the sale of other brand vehicles of the Volkswagen Group is due to the deconsolidation of the multi-brand sales companies. Revenue from other automotive business operations primarily includes proceeds from the genuine parts business and long-term development and tooling orders.

2 / COST OF GOODS SOLD

Amounting to EUR 24,597 (25,963) million, cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. The reduction in the cost of goods sold is mainly attributable to the deconsolidation of the multi-brand sales companies. In the first six months of 2019, impairment losses on property, plant and equipment amounted to EUR 59 (29) million.

3 / DISTRIBUTION COSTS

Distribution costs in the amount of EUR 1,598 (2,128) million mainly include labor and material costs for marketing and sales promotion, advertising, public relations activities and outward freight, as well as depreciation attributable to the sales organization. The decline is primarily attributable to the deconsolidation of the multi-brand sales companies.

4 / RESEARCH AND DEVELOPMENT EXPENDITURE

EUR million	1–6/2019	1–6/2018
Total research and development costs	2,214	2,020
of which capitalized development costs	*571*	*647*
Capitalization ratio	25.8%	32.0%
Amortization of and impairment losses (reversals) on capitalized development costs	483	418
Research and development expenditure	2,126	1,790

5 / OTHER OPERATING INCOME AND EXPENSES

The other operating result of EUR 66 (10) million includes, among other things, expenses relating to litigation, and income and expenses arising from derivative financial instruments and from rebilling.

6 / FINANCIAL RESULT

The result from investments accounted for using the equity method amounted to EUR 107 (143) million and is mainly attributable to the valuation of shares in Volkswagen Automatic Transmission (Tianjin) Co. Ltd., Tianjin using the equity method, amounting to EUR 103 (87) million, and FAW-Volkswagen Automotive Company, Ltd., Changchun, amounting to EUR 92 (92) million. In addition, it now includes the proportionate profit after tax of the multi-brand sales companies.

The interest expenses of EUR 192 (84) million mainly results from the compounding of non-current provisions.

The other financial result of EUR 236 (263) million includes income and expenses in connection with hedging transactions and securities. In addition, the other financial result contains financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, in relation to the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd. and SAIC Volkswagen Automotive Company Ltd., Shanghai, amounting to EUR 169 (147) million. In the previous year, this item also contained dividend income of EUR 162 million from the portion of the ownership interest in FAW-Volkswagen Automotive Company, Ltd. that was classified as available for sale.

7 / *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, 2019, or June 30, 2018.

	1–6/2019	1–6/2018
Profit share of AUDI AG shareholders (EUR million)	1,950	2,313
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	**45.35**	**53.79**

8 / *NON-CURRENT ASSETS*

EUR million	Net carrying amount as of Jan. 1, 2019 [1]	Changes in scope of consolidated companies	Additions	Disposals/other movements	Depreciation and amortization/ reversals of impairment losses	Net carrying amount as of June 30, 2019
Intangible assets	7,585	–10	588	–2	554	7,612
Property, plant and equipment	14,826	–73	936	3	1,393	14,293

1) The opening balance of property, plant and equipment has been adjusted (see disclosures on IFRS 16).

9 / *INVENTORIES*

EUR million	June 30, 2019	Dec. 31, 2018
Raw materials and supplies	999	909
Work and services in progress	923	942
Finished goods and products [1]	5,452	6,468
Current leased assets	1,446	1,087
Inventories	**8,821**	**9,406**

1) The decline is mainly a result of the deconsolidation of the multi-brand sales companies.

10 / *FAIR VALUE DISCLOSURES*

The principles and methods used to measure fair value are essentially unchanged from the previous year. Detailed notes can be found in the corresponding sections of the 2018 Annual Report.

Fair value generally corresponds to the market value or trading price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate or by using generally accepted option pricing models.

The assets and liabilities measured at fair value through profit or loss comprise derivative financial instruments that are not recognized using the hedge accounting rules. They primarily include forward exchange contracts and commodity futures as well as financial assets that are held as part of the special securities fund.

Financial assets measured at fair value through other comprehensive income are mainly ownership interests which do not comprise subsidiaries, associates or joint ventures. Changes in the fair value are recognized in equity, taking into account deferred taxes.

Derivative financial instruments in hedging relationships are measured at fair value through other comprehensive income or fair value through profit or loss, depending on the underlying transaction.

The fair value is determined using standard valuation methods and parameters. Fair value measurement of financial instruments in levels 2 and 3 is based on central rules.

10.1 / *CARRYING AMOUNT OF FINANCIAL INSTRUMENTS*

The following information contains only financial instruments and assets and liabilities to be measured according to IFRS 9. A comparison with the balance sheet is therefore only possible to a limited extent.

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.

EUR million	Measured at amortized cost		Measured at fair value through profit or loss	Measured at fair value through other compre-hensive income	Derivatives in hedging relation-ships	Not allocated to a category	Carrying amount as per balance sheet as of June 30, 2019
	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount	
Other participations	–	–	–	1	–	–	1
Other financial assets	5,317	5,523	71	–	171	21	5,580
Non-current financial assets	**5,317**	**5,523**	**71**	**1**	**171**	**21**	**5,580**
Trade receivables	5,120	5,120	213	–	–	161	5,494
Effective income tax assets	63	63	–	–	–	–	63
Other financial assets	1,092	1,092	249	–	216	4	1,562
Securities	–	–	5,699	–	–	–	5,699
Cash funds	10,510	10,510	–	–	–	–	10,510
Current financial assets	**16,786**	**16,786**	**6,161**	**–**	**216**	**165**	**23,328**
Financial assets	**22,103**	**22,309**	**6,232**	**1**	**387**	**186**	**28,908**
Financial liabilities	35	35	–	–	–	782	817
Other financial liabilities	6	6	372	–	80	–	458
Effective income tax liabilities	775	775	–	–	–	–	775
Non-current financial liabilities	**815**	**815**	**372**	**–**	**80**	**782**	**2,049**
Financial liabilities	66	66	–	–	–	105	171
Trade payables	7,732	7,732	–	–	–	–	7,732
Other financial liabilities	3,986	3,986	350	–	213	–	4,549
Effective income tax liabilities	115	115	–	–	–	–	115
Current financial liabilities	**11,899**	**11,899**	**350**	**–**	**213**	**105**	**12,567**
Financial liabilities	**12,714**	**12,714**	**722**	**–**	**294**	**886**	**14,616**

EUR million	Measured at amortized cost		Measured at fair value through profit or loss	Measured at fair value through other compre-hensive income	Derivatives in hedging relation-ships	Not allocated to a category	Carrying amount as per balance sheet as of Dec. 31, 2018
	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount	
Other participations	–	–	–	1	–	–	1
Other financial assets	5,296	5,675	48	–	379	20	5,742
Non-current financial assets	**5,296**	**5,675**	**48**	**1**	**379**	**20**	**5,743**
Trade receivables	5,630	5,630	1	–	–	169	5,800
Effective income tax assets	2	2	–	–	–	–	2
Other financial assets	1,418	1,418	225	–	352	4	1,999
Securities	–	–	5,726	–	–	–	5,726
Cash funds	9,309	9,309	–	–	–	–	9,309
Current financial assets	**16,359**	**16,359**	**5,953**	**–**	**352**	**173**	**22,836**
Financial assets	**21,654**	**22,034**	**6,000**	**1**	**732**	**193**	**28,580**
Financial liabilities	30	30	–	–	–	289	319
Other financial liabilities	7	7	399	–	57	–	463
Effective income tax liabilities	786	786	–	–	–	–	786
Non-current financial liabilities	**823**	**823**	**399**	**–**	**57**	**289**	**1,567**
Financial liabilities	86	86	–	–	–	23	108
Trade payables	8,565	8,565	–	–	–	–	8,565
Other financial liabilities	3,563	3,563	333	–	171	–	4,067
Effective income tax liabilities	277	277	–	–	–	–	277
Current financial liabilities	**12,491**	**12,491**	**333**	**–**	**171**	**23**	**13,018**
Financial liabilities	**13,314**	**13,314**	**732**	**–**	**228**	**311**	**14,585**

As of June 30, 2019, the carrying amount of lease receivables was EUR 25 (23) million. For reasons of materiality, the carrying amount is taken as the fair value. Lease liabilities have a carrying amount of EUR 886 (311) million and a fair value of EUR 911 (336) million. The increase in lease liabilities is mainly due to the first-time adoption of IFRS 16.

The effective income tax assets and income tax liabilities are receivables and payables relating to tax allocations.

10.2 / *FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE*

EUR million	June 30, 2019			
	Carrying amount	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	242	–	229	13
Non-current financial assets measured at fair value	**243**	**–**	**229**	**14**
Trade receivables	213	–	–	213
Other financial assets	465	–	464	1
Securities	5,699	5,699	–	–
Current financial assets measured at fair value	**6,377**	**5,699**	**464**	**214**
Financial assets measured at fair value	**6,620**	**5,699**	**693**	**228**
Other financial liabilities	452	–	127	326
Non-current financial liabilities measured at fair value	**452**	**–**	**127**	**326**
Other financial liabilities	563	–	316	248
Current financial liabilities measured at fair value	**563**	**–**	**316**	**248**
Financial liabilities measured at fair value	**1,016**	**–**	**442**	**573**

EUR million	Dec. 31, 2018			
	Carrying amount	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	427	–	425	2
Non-current financial assets measured at fair value	**428**	**–**	**425**	**3**
Trade receivables	1	–	–	1
Other financial assets	578	–	576	1
Securities	5,726	5,726	–	–
Current financial assets measured at fair value	**6,305**	**5,726**	**576**	**3**
Financial assets measured at fair value	**6,733**	**5,726**	**1,001**	**5**
Other financial liabilities	456	–	83	372
Non-current financial liabilities measured at fair value	**456**	**–**	**83**	**372**
Other financial liabilities	504	–	251	253
Current financial liabilities measured at fair value	**504**	**–**	**251**	**253**
Financial liabilities measured at fair value	**960**	**–**	**335**	**625**

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 price can be directly determined in an active market, e.g. for securities. Fair values in level 2, e.g. for derivatives, are determined on the basis of market data using market-based valuation methods. Particular use is made of exchange rates, yield curves 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 valuation methods that include factors that cannot be observed on the 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 valuation 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. In addition, certain receivables that are measured at fair value corresponding to the business model are allocated to level 3.

// RECONCILIATION STATEMENT FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ACCORDING TO LEVEL 3

EUR million	2019	2018
Positive fair values of level 3 financial instruments as of Jan. 1	5	17
Currency changes	– 0	–
Income (+) and expense (–) recognized in the operating profit	+ 14	– 3
Additions	212	147
Disposals	– 0	–
Settlements	– 0	– 1
Transfer from level 3 to level 2	– 2	– 5
Positive fair values of level 3 financial instruments as of June 30	**228**	**154**
Income (+) and expense (–) recognized in the operating profit from level 3 financial instruments still held as of June 30	+ 14	– 3

EUR million	2019	2018
Negative fair values of level 3 financial instruments as of Jan. 1	625	573
Currency changes	–	–
Income (–) and expense (+) recognized in the operating profit	+ 36	+ 137
Settlements	– 76	– 49
Transfer from level 3 to level 2	– 11	– 1
Negative fair values of level 3 financial instruments as of June 30	**573**	**661**
Income (–) and expense (+) recognized in the operating profit from level 3 financial instruments still held as of June 30	+ 36	+ 137

Transfers between the levels of the fair value hierarchy are taken into account at the respective reporting dates. The transfers from level 3 to level 2 comprise commodity futures for which observable market prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices 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, 2019, profit after tax would have been EUR 20 (5) million higher (lower). As in the prior year, in the current year there would be no effects on equity due to price changes.

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, 2019, profit after tax would have been EUR 263 (260) million higher (lower).

11 / *CONTINGENT LIABILITIES*

Compared with December 31, 2018, contingent liabilities increased from EUR 53 million to EUR 62 million. The increase mainly results from possible obligations due to changes in energy law.

In addition, there were no material changes in the estimates concerning contingent liabilities compared to December 31, 2018. Further information on contingent liabilities in connection with this can be found in the Annual Report for the 2018 fiscal year.

12 / *LITIGATION*

12.1 / *DIESEL ISSUE*

With respect to the consumer protection claims asserted by the New Mexico Attorney General, in March 2019 a New Mexico state court denied Volkswagen's motion to dismiss those claims against Volkswagen AG and certain affiliates, including AUDI AG, and in April 2019 the court declined to grant Volkswagen and Audi permission to appeal that decision.

Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliated companies, including AUDI AG, continue to litigate claims asserted by the attorneys general of certain U.S. states and municipalities based on alleged violations of local environmental laws. In March 2019, the Tennessee Court of Appeals dismissed the claims of the Attorney General of the State of Tennessee as preempted by federal law. The Tennessee Attorney General declined to pursue further appeal so the decision of the Tennessee Court of Appeals is final. Also in March 2019, the New Mexico Attorney General voluntarily dismissed its environmental claims.

12.2 / *OTHER LITIGATION*

In June 2019, the U.S. District Court for the Northern District of California dismissed two putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to unlawfully increase the prices of German luxury vehicles in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations of the complaints do not plausibly support the alleged anticompetitive agreements. The court granted plaintiffs the opportunity to file amended complaints.

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

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

Further information can be found under "Report on expected developments, risks and opportunities" in the Interim Management Report. Aside from this, there have been no material changes in litigation compared to December 31, 2018. In particular, based on existing and acquired information, there continue to be no conclusive findings or assessments available to the Board of Management of AUDI AG regarding the described facts that would suggest that a different assessment of the associated risks should have been made.

13 / *OTHER FINANCIAL OBLIGATIONS*

Other financial obligations decreased from EUR 4,758 million to EUR 4,125 million compared to December 31, 2018. The reduction was mainly due to the first-time adoption of IFRS 16 (see disclosures on IFRS 16).

14 / *REMUNERATION BASED ON PERFORMANCE SHARES (SHARE-BASED PAYMENT)*

At the end of 2018, the Supervisory Board of AUDI AG resolved to adjust the remuneration system of the Board of Management, with effect from January 1, 2019. The Board of Management's approval of the change to the new remuneration system is still forthcoming. Further information on share-based payment can be found in the corresponding sections of the 2018 Annual Report.

15 / *RELATED PARTY DISCLOSURES*

EUR million	Goods and services supplied		Goods and services received	
	1–6/2019	1–6/2018	1–6/2019	1–6/2018
Volkswagen AG	3,310	3,456	1,296	3,493
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	7,891	8,160	3,777	4,448
Associates and joint ventures as well as their subsidiaries	5,679	4,327	277	202
Non-consolidated subsidiaries of AUDI AG	42	25	69	63

All business transactions with related parties have been conducted on the basis of international comparable uncontrolled price methods pursuant to IAS 24, according to the terms that customarily apply to outside third parties.

In the first half of 2019, goods and services with a total value of EUR 178 (187) 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 2019 totaled EUR 9 (43) thousand.

EUR million	Receivables from		Obligations to	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Volkswagen AG	6,934	7,595	3,978	4,224
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	2,020	2,769	6,590	8,789
Associates and joint ventures as well as their subsidiaries	1,492	998	838	775
Non-consolidated subsidiaries of AUDI AG	136	136	62	154

Receivables from associated companies in the amount of EUR 25 (35) million were impaired. In addition, loss allowances for receivables from associated companies and non-consolidated subsidiaries were recognized in the amount of EUR 55 (43) million based on the expected credit loss model of IFRS 9. Loss allowances of EUR 78 (83) million were recognized for receivables from Volkswagen AG and subsidiaries of Volkswagen AG that do not belong to the Audi Group.

Of the cash funds stated in the balance sheet, EUR 9,456 (8,484) million is invested in Volkswagen AG and subsidiaries of Volkswagen AG that do not belong to the Audi Group. In addition, in the first six months of 2019, capital contributions totaling EUR 80 (404) million were made to non-consolidated subsidiaries, associated companies and joint ventures.

16 / *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 and Lamborghini 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 22 of the Interim Financial Report. For a breakdown of revenue, please refer to the corresponding note on page 31.

Internal reporting corresponds to external IFRS reporting. Furthermore, 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 8.0 (8.9) percent.

The Automotive segment recorded an operating return on sales of 8.0 (8.8) percent. The Motorcycles segment reported an operating profit of EUR 44 (43) million and an operating return on sales of 10.2 (9.5) 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 56 (54) million and the operating return on sales 12.9 (12.1) percent.

16.1 / *RECONCILIATION OF THE SEGMENTS*

EUR million	1–6/2019			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	28,325	435	–	28,761
Revenue with other segments	–	0	–0	–
Revenue	**28,325**	**435**	**–0**	**28,761**
Segment profit (operating profit)	**2,256**	**44**	**–**	**2,300**

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**

16.2 / *RECONCILIATION TO GROUP PROFIT*

EUR million	1–6/2019	1–6/2018
Segment profit (operating profit)	2,300	2,761
Consolidation	–	–
Operating profit	**2,300**	**2,761**
Financial result	280	450
Group profit before tax	**2,580**	**3,211**

16.3 / *REVENUES BY REGION*

	1–6/2019		1–6/2018	
	EUR million	*in %*	*EUR million*	*in %*
Germany	6,467	22.5	6,468	20.7
Rest of Europe	9,223	32.1	11,395	36.5
North America	6,423	22.3	5,394	17.3
Asia-Pacific	6,186	21.5	7,103	22.8
South America	193	0.7	261	0.8
Africa	163	0.6	123	0.4
Effects from hedging transactions	106	0.4	440	1.4
Revenue	**28,761**	**100.0**	**31,183**	**100.0**

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

On July 12, 2019, Volkswagen AG, Wolfsburg, announced that together with Ford Motors Corp., Dearborn, it will invest in Argo AI, Pittsburgh, a company that specializes in software platforms for autonomous driving, and that this will be effected, among other things, by the contribution of Autonomous Intelligent Driving GmbH, Munich, a wholly owned subsidiary of AUDI AG.

Prior to this, AUDI AG must transfer its shares in Autonomous Intelligent Driving GmbH to Volkswagen, whereby the selling price has not yet been agreed, and in this respect, it is not possible to state whether and in what amount a capital gain will result.

There were no further events after June 30, 2019, that are 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 asso-ciated with the expected development of the Group for the remaining months of the fiscal year.”

Ingolstadt, July 23, 2019

The Board of Management

Abraham Schot

Wendelin Göbel

Peter Kössler

Dr. Bernd Martens

Hans-Joachim Rothenpieler

Alexander Seitz

Hildegard Wortmann

REVIEW REPORT

On completion of our review, we issued the following unqualified review report dated July 24, 2019. 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, 2019, 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 information provided and statements made in sections "Diesel issue" and "Other litigation" of the notes to the condensed consolidated interim financial statements and in the chapter "Report on expected developments, risks and opportunities" of the interim group management report with regard to the diesel issue including information about the underlying causes, the non-involvement of members of the Board of Managing Directors as well as the impact on these financial statements.

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 solid 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 2018 and prior years.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the variety of the necessary technical solutions as well as the 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 24, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner
Wirtschaftsprüfer
(German Public Auditor)

Jürgen Schumann
Wirtschaftsprüfer
(German Public Auditor)

AUDI GROUP KEY FIGURES

		1–6/2019	1–6/2018	Change in %
Production				
Automotive segment	Cars [1]	920,677	1,024,753	–10.2
	Engines	1,064,105	1,122,388	–5.2
Motorcycles segment	Motorcycles	34,759	37,997	–8.5
Deliveries to customers				
Automotive segment [2]	Cars	910,759	1,099,921	–17.2
of which Audi brand [2] [3]	Cars	906,180	949,233	–4.5
of which Lamborghini brand	Cars	4,553	2,327	95.7
Motorcycles segment [2]	Motorcycles	31,716	32,289	–1.8
Ducati brand [2]	Motorcycles	31,716	32,289	–1.8
Workforce	Average	90,819	91,319	–0.5
Revenue	EUR million	28,761	31,183	–7.8
Operating profit	EUR million	2,300	2,761	–16.7
Profit before tax	EUR million	2,580	3,211	–19.6
Profit after tax	EUR million	1,992	2,380	–16.3
Operating return on sales	Percent	8.0	8.9	
Return on sales before tax	Percent	9.0	10.3	
Ratio of capex [4]	Percent	3.0	3.4	
Research and development ratio	Percent	7.7	6.5	
Cash flow from operating activities	EUR million	4,145	4,552	–8.9
Net cash flow	EUR million	2,253	2,672	–15.7

		June 30, 2019	Dec. 31, 2018	Change in %
Balance sheet total	EUR million	67,016	65,598	2.2
Equity ratio	Percent	43.7	45.3	

1) This figure includes 267,104 (306,438) 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 279,276 (282,584) 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.

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