

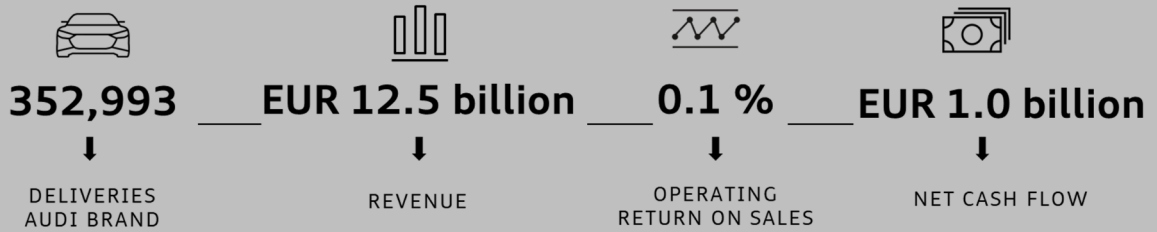
Audi e-tron Sportback 55 quattro; power consumption in kWh/100 km (combined): 22.7–20.6 (NEDC); CO₂ emissions in g/km (combined): 0.
Fuel/power consumption and CO₂ emissions given in ranges depend on the tires/wheels used as well as the selected equipment.



Audi e-tron Sportback 55 quattro – market introduction in Europe planned for second quarter of 2020

Audi Group Quarterly Report

January 1 to March 31, 2020



AUDI GROUP FROM JANUARY TO MARCH 2020 – CORE MESSAGES

- ▶ **Coronavirus pandemic means massive challenges, both for the economy as a whole and for Audi:**
 - Lower demand and supply bottlenecks led to production stoppages and short-time working at Audi sites
 - Coronavirus pandemic also affected delivery volumes and Audi’s financial performance in the first quarter
 - Audi Group’s crisis management team is coordinating all countermeasures and planning the gradual restart of production, focusing on the health of employees, stabilization of core processes and targeted liquidity management
- ▶ **Deliveries of cars of the Audi brand to customers** declined by **-21.1 percent** to **352,993 (447,247) vehicles** as global demand for cars dropped by **-23.3 percent**; statutory measures in connection with the coronavirus pandemic (including the shutdown of dealerships and lockdowns) also contributed to this development
- ▶ **Revenue** was lower than in the prior-year period at **EUR 12.5 (13.8) billion** due to pandemic-related market effects; Audi Q3 models and Audi e-tron had a positive effect
- ▶ **Operating profit** was **EUR 15 (1,100) million**; in addition to the negative market development, the principal factor here was turbulence on the raw material and financial markets, which led to very negative fair values for commodity hedges and negative currency effects (reduction of around EUR -0.5 billion in Q1/2020); **Operating return on sales** at **0.1 (8.0) percent**
- ▶ **Net cash flow** still solid at **EUR 1.0 (1.2) billion**; Audi still has a stable financial base, with **net liquidity** of **EUR 18.8 billion** (March 31, 2020)
- ▶ **Outlook for 2020 considerably influenced by coronavirus pandemic:**
 - Deliveries of cars of the Audi brand to customers, revenue and operating profit forecast at a level significantly below the prior year
 - Net cash flow expected to be below prior-year level; return on investment (ROI) probably below prior year and below our minimum rate of return of 9 percent
 - R&D ratio forecast at below prior year; ratio of capex expected at approximately the prior-year level



Audi e-tron Sportback 55 quattro – market introduction planned for second quarter of 2020 (power consumption in kWh/100 km (combined): 22.7–20.6 (NEDC); CO₂ emissions in g/km (combined): 0; Fuel/power consumption and CO₂ emissions given in ranges depend on the tires/wheels used as well as the selected equipment.)

EXTRAORDINARY EVENTS

/ GLOBAL SPREAD OF CORONAVIRUS (SARS-COV-2)

At the end of December 2019, the first cases of a potentially fatal respiratory disease caused by a new type of virus were reported in China. This disease is caused by a new type of virus from the coronavirus family (SARS-CoV-2). The number of people infected worldwide rose increasingly fast during the first quarter of 2020. To slow the spread of SARS-CoV-2 and contain the resulting pandemic, in the first quarter of 2020 various governments around the world introduced measures such as lockdowns, which have led to massive restrictions on public life and economic activity.

The coronavirus pandemic has given rise to massive challenges, both for the economy as a whole and for Audi. The Audi Group responded comprehensively to the drop in consumer demand and the supply bottlenecks in the first quarter of 2020. At its German sites in Ingolstadt and Neckarsulm, this led to production stoppages and, consequently, to the introduction of short-time working. There were also production stoppages at many foreign sites. To actively manage the crisis, a cross-divisional crisis management team was set up. This coordinates all measures and is working on plans to gradually restart production in a manner that protects the health of employees.

At the same time, the focus is on keeping core processes stable and optimizing cash outflows in order to protect Audi's ability to operate in the long term. In addition to the production stoppages caused by low demand and the supply chain situation, the pandemic-related turbulence on the raw material and financial markets had a significant impact on the performance of the Audi Group in the first quarter of 2020. Overall, the Audi Group was affected in many different fields in the reporting period. These are outlined in more detail in this interim report.

/ VOLKSWAGEN AG PLANS TO TAKE OVER ALL SHARES OF AUDI

As part of the realignment of competences and responsibilities in the Volkswagen Group, the company Volkswagen AG, Wolfsburg, plans to increase its shareholding in AUDI AG, Ingolstadt, from 99.64 percent at present to 100 percent through a squeeze-out under German stock corporation law. In February 2020, Volkswagen AG therefore sent AUDI AG a request for the transfer of the shares and the intention is for a resolution on the squeeze-out under German stock corporation law to be passed by the 131st Annual General Meeting of AUDI AG. As a result, the Annual General Meeting was postponed to a later date. Employee codetermination and the independence of the brand within the Volkswagen Group will be upheld, as will the legal form as a German stock corporation (Aktiengesellschaft).

/ PERSONNEL CHANGES

With effect from March 1, 2020, Dr. Arno Antlitz assumed responsibility for Finance, China and Legal Affairs on the Board of Management of AUDI AG as successor to Mr. Alexander Seitz. In addition, the following changes were made to the Board of Management of AUDI AG effective April 1, 2020: Mr. Markus Duesmann became the new Chairman of the Board of Management of AUDI AG as successor to Mr. Abraham Schot. At the same time, the Supervisory Board of Volkswagen AG, Wolfsburg, appointed Mr. Duesmann as the member of the Group Board of Management responsible for Group Research and Development. Furthermore, effective April 1, 2020, responsibility for Procurement and IT within the Board of Management was transferred from Dr. Bernd Martens to Mr. Dirk Große-Loheide. As of the same date, Dr. Sabine Maaßen took over responsibility for Human Resources and Organization from Mr. Wendelin Göbel.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 15.



Audi A1 citycarver

ECONOMIC ENVIRONMENT ¹⁾

/ GLOBAL ECONOMIC SITUATION

As a consequence of the global spread of coronavirus, many governments have imposed restrictive measures – for example, the closure of borders and social distancing – which have led to a massive curtailment of public life and economic activity. Due to the resulting drop in demand and supply, global economic growth fell significantly to –1.5 (2.8) percent in the first three months of 2020 compared with the same period of the previous year. Average growth in gross domestic product (GDP) was negative, both in advanced economies, where it was –0.1 (1.9) percent, and in emerging economies, where it was –3.8 (4.2) percent. The impact varied from one country to another as the infection spread at different times and restrictive measures varied. Massive restrictions were imposed by the governments of many of the countries affected in order to dampen the spread of the pandemic. At the same time, in some cases considerable fiscal and monetary policy measures were adopted to counter the anticipated economic crisis. Accordingly, the already comparatively low interest rates fell further. There was an equally substantial drop in the prices for many raw materials, while security prices on the capital markets were very volatile.

In Western Europe, there was a year-on-year reduction in GDP growth to –0.5 (1.5) percent between January and March 2020. This development was observed in almost all European countries. Germany, which is the largest economy in the region, reported a negative GDP growth rate of –1.1 (1.0) percent. While the labor market situation in Germany was still good at the start of the year, many companies have recently introduced short-time working.

In Central and Eastern Europe, GDP growth was around the previous year's level at 1.6 (1.6) percent. In Russia, the largest economy in this region, economic growth actually rose by

1.7 (0.4) percent compared with the prior-year period. GDP growth in the United States weakened year-on-year to 0.7 (2.7) percent in the first quarter of 2020. To strengthen the economy in the face of the expected adverse effects of the coronavirus pandemic, the U.S. government adopted an extensive rescue package. In addition to further action to support the economy, the Federal Reserve cut interest rates twice. In the second half of March 2020, initial applications for unemployment benefit in the USA rose by several millions each week.

The Brazilian economy posted an increase in GDP growth to 2.0 (0.6) percent between January and March 2020.

In China, which was exposed to the negative effects of the pandemic earlier than other economies, GDP contracted by –6.8 (6.4) percent year-on-year in the reporting period.

Japan also registered negative year-on-year growth in GDP of –2.1 (0.8) percent.

/ INTERNATIONAL CAR MARKET

Global demand for passenger cars declined considerably year-on-year in the first quarter of 2020, dropping by –23.3 percent to 15.2 (19.8) million vehicles due to the coronavirus pandemic. All regions were affected by this downturn.

Above-average declines were reported, above all, by the Asia-Pacific region, where demand fell by –31.2 percent to 5.9 (8.6) million vehicles, and Western Europe, where demand fell by –27.0 percent to 2.8 (3.8) million vehicles. Central and Eastern Europe also reported a drop in demand of –6.5 percent to 0.8 (0.8) million vehicles. Demand for cars also fell significantly, by –13.1 percent to 4.1 (4.8) million vehicles in North America and by –14.9 percent to 0.9 (1.0) million vehicles in South America.

1) The prior-year figures may have changed as a result of updated data; provisional figures for Q1/2020.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 15.



Audi RS Q3 Sportback

(fuel consumption in l/100 km (combined): 8.9 – 8.8; CO₂ emissions in g/km (combined): 203 – 202;

fuel consumption and CO₂ emission figures given in ranges depend on the tires/wheels used as well as selected equipment.)

In Western Europe, new registrations dropped by almost the same amount in all major markets as a result of coronavirus. There was also a year-on-year decline in sales of passenger cars in the Central and Eastern Europe region, although the individual markets presented a mixed picture. While the EU states in Central Europe reported considerable declines, the Russian passenger car market remained stable in the reporting period and demand was 1.3 percent higher than in the prior-year period.

In North America, there was a year-on-year drop of -13.1 percent in sales of passenger cars and light commercial vehicles in the United States, the largest car market in this region, in the reporting period. In addition to passenger cars, the decline here affected light commercial vehicles such as SUVs and pick-ups.

PRODUCTION

Between January and March 2020, the Audi Group produced a total of 369,975 (442,831) cars and 13,395 (16,183) motorcycles. The premium Audi brand accounted for 368,229 (440,546) cars. This figure includes 91,180 (122,168) Audi vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Automobili Lamborghini S.p.A. built 1,746 (2,285) vehicles of the Lamborghini brand at its company headquarters in Sant'Agata Bolognese (Italy) in the reporting period.

The downturn in the Audi Group is principally attributable to the global economic situation in the context of the spread of coronavirus. We therefore adjusted production, not simply because of the significant reduction in demand, but also in response to supply chain difficulties and production shutdowns ordered by the authorities in some countries. The production stoppages in the Chinese plants mainly had an impact in February 2020, while in March 2020 production volume stabilized gratifyingly at the prior-year level. By contrast, production at European locations was only halted as from mid-March 2020.

New registrations of passenger cars and light commercial vehicles in Brazil were also down by -8.1 percent year-on-year in the first three months of 2020.

The negative development of new passenger car registrations in the Asia-Pacific region was principally attributable to the development of the Chinese passenger car market. Demand there plunged by -40.2 percent year-on-year due to the coronavirus pandemic.

Japan registered a reduction of -10.4 percent in demand for vehicles compared with the prior-year period.

/ INTERNATIONAL MOTORCYCLE MARKET

From January to March 2020, the motorcycle markets in the displacement segment above 500 cc recorded a significant drop in demand of -11.7 percent due to the pandemic. All core regions reported declines.

Production of the Audi A3 Sportback started in Ingolstadt in the first quarter of 2020, ushering in the new generation of the A3 family.

Production of Audi brand cars by sites

	1-3/2020	1-3/2019
Domestic sites	142,329	152,753
Ingolstadt	94,357	105,628
Neckarsulm	47,972	47,125
Foreign sites	225,900	287,793
Győr (Hungary)	43,722	42,309
Brussels (Belgium)	8,668	5,811
San José Chiapa (Mexico)	34,265	50,057
Martorell (Spain)	23,083	27,299
Bratislava (Slovakia)	24,270	38,358
Changchun (China)	68,492	106,175
Foshan (China)	16,463	15,585
Tianjin (China)	6,225	408
São José dos Pinhais (Brazil)	576	260
Aurangabad (India)	136	1,531
Audi brand	368,229	440,546

Car production by model ¹⁾

	1-3/2020	1-3/2019
Audi A1 Sportback	23,082	27,286
Audi Q2 ²⁾	25,005	27,220
Audi A3 Sportback	22,957	27,526
Audi A3 Sedan	19,533	18,710
Audi A3 Cabriolet	2,817	3,344
Audi Q3	29,021	42,868
Audi Q3 Sportback	14,957	96
Audi TT Coupé	2,327	4,175
Audi TT Roadster	825	1,244
Audi A4 Sedan	33,333	57,836
Audi A4 Avant	17,725	19,556
Audi A4 allroad quattro	2,185	645
Audi A5 Sportback	11,882	18,126
Audi A5 Coupé	1,615	4,224
Audi A5 Cabriolet	3,171	4,653
Audi Q5	59,110	74,812
Audi A6 Sedan	41,914	37,224
Audi A6 Avant	11,528	14,803
Audi A6 allroad quattro	2,426	11
Audi A7 Sportback	4,579	4,531
Audi e-tron	7,986	5,769
Audi e-tron Sportback	682	42
Audi Q7	14,745	26,196
Audi Q8	9,525	12,403
Audi A8	4,763	6,601
Audi R8 Coupé	334	536
Audi R8 Spyder	202	109
Audi brand	368,229	440,546
Lamborghini Urus	1,042	1,528
Lamborghini Huracán	489	489
Lamborghini Aventador	215	268
Lamborghini brand	1,746	2,285
Automotive segment	369,975	442,831

1) The table includes 91,180 (122,168) Audi models produced by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

2) This includes 273 (27) fully electric Audi Q2 L e-tron models built by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), for the Chinese market.



Read more about the production sites of the individual models on page 10 of the Audi 2019 Financial Report.

Production of engines and electric powertrains

	1-3/2020	1-3/2019
Audi Hungaria Zrt.	486,419	498,530
Automobili Lamborghini S.p.A.	206	258
Car engine production	486,625	498,788

Motorcycle production

	1-3/2020	1-3/2019
Scrambler	2,451	3,005
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	3,427	4,389
Dual/Hyper (Hypermotard, Multistrada)	3,489	5,380
Sport (SuperSport, Panigale)	4,028	3,409
Ducati brand	13,395	16,183
Motorcycles segment	13,395	16,183

Worldwide, the Ducati brand produced a total of 13,395 (16,183) motorcycles in the first quarter. 10,989 (14,067) units were built at the company headquarters in Bologna (Italy). The sharp decline year-on-year is a consequence of the global spread of coronavirus. In the same period, Ducati also produced 2,193 (2,006) motorcycles at the Amphur Pluakdaeng site in Thailand. In addition, 213 (110) motorcycles were built in Manaus (Brazil) on a contract manufacturing basis.

Fuel/power consumption and CO₂ emission figures as well as the efficiency classes can be found on page 15.



Audi R8 Coupé V10 RWD

(fuel consumption in l/100 km (combined): 12.9; CO₂ emissions in g/km (combined): 294 - 293;

fuel consumption and CO₂ emission figures given in ranges depend on the tires/wheels used as well as selected equipment.)

DELIVERIES AND DISTRIBUTION ¹⁾

In the first three months of 2020, the Audi Group delivered 354,946 (449,252) cars to customers worldwide.

352,993 (447,247) vehicles of the Audi brand were delivered to customers. The pandemic-induced decline of -21.1 percent was slightly below the significant reduction of -23.3 percent in total market demand. While the Chinese market was most severely affected by the impact of coronavirus in February, the pandemic spread to all core regions in March. In particular, statutory measures such as the closure of dealerships and lockdowns led to a significant drop in deliveries. In China, there were first signs of a recovery in the delivery figures at the end of the first quarter.

Of the total number of delivered Audi models, 109,445 (144,754) units were built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Deliveries of Audi brand cars to customers by region

	1-3/2020	1-3/2019
Europe	165,403	204,180
<i>of which: Germany</i>	62,959	76,763
<i>United Kingdom</i>	30,684	41,884
<i>Italy</i>	12,435	16,025
<i>Spain</i>	10,479	14,289
<i>France</i>	9,169	12,730
<i>Belgium</i>	5,039	6,984
China incl. Hong Kong	113,330	159,334
Japan	5,647	4,672
USA	41,367	48,115
Canada	4,964	6,404
Mexico	2,409	2,914
Brazil	1,480	1,429
Other markets	18,393	20,199
Worldwide	352,993	447,247

The Lamborghini brand delivered a total of 1,944 (1,992) vehicles to customers in the first quarter of 2020. Despite considerable difficulties due to the global coronavirus pandemic, the year-on-year decline in deliveries was limited to -2.4 percent.

Car deliveries to customers by model ²⁾

	1-3/2020	1-3/2019
Audi A1	-	120
Audi A1 Sportback	19,192	22,655
Audi Q2 ³⁾	29,836	33,056
Audi A3	-	12
Audi A3 Sportback	23,420	42,132
Audi A3 Sedan	18,490	25,930
Audi A3 Cabriolet	1,786	2,771
Audi Q3	34,806	39,113
Audi Q3 Sportback	10,326	85
Audi TT Coupé	1,930	1,885
Audi TT Roadster	802	1,058
Audi A4 Sedan	36,720	58,921
Audi A4 Avant	18,417	21,164
Audi A4 allroad quattro	1,597	1,060
Audi A5 Sportback	12,056	18,450
Audi A5 Coupé	1,637	3,538
Audi A5 Cabriolet	1,952	2,820
Audi Q5	50,169	64,506
Audi A6 Sedan	37,810	46,799
Audi A6 Avant	9,396	16,435
Audi A6 allroad quattro	1,819	739
Audi A7 Sportback	3,120	5,092
Audi e-tron	10,678	3,400
Audi Q7	14,224	19,333
Audi Q8	8,608	10,207
Audi A8	3,858	5,478
Audi R8 Coupé	207	353
Audi R8 Spyder	137	135
Audi brand	352,993	447,247
Lamborghini Urus	1,153	1,179
Lamborghini Huracán	566	526
Lamborghini Aventador	225	287
Lamborghini brand	1,944	1,992
Other Volkswagen Group brands	9	13
Automotive segment	354,946	449,252

2) The table includes deliveries of 109,445 (144,754) vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

3) This includes 780 (-) fully electric Audi Q2 L e-tron models for the Chinese market.

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

The Ducati brand delivered 9,585 (12,565) motorcycles to customers worldwide in the first three months of 2020. Here too, the sharp decline of -23.7 percent compared with the previous year was due to the worldwide spread of coronavirus.

Motorcycle deliveries to customers

	1-3/2020	1-3/2019
Scrambler	1,765	2,905
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	2,468	3,067
Dual/Hyper (Hypermotard, Multistrada)	2,894	4,141
Sport (SuperSport, Panigale)	2,458	2,452
Ducati brand	9,585	12,565
Motorcycles segment	9,585	12,565

Audi and Lamborghini models introduced in the period under review

Electric models



Audi A6 Sedan TFSI e



Audi A7 Sportback TFSI e

Models with conventional drive system



Audi R8 V10 RWD Coupé/Spyder



Audi A5/S5 family



Audi RS 5 Sportback/Coupé



Lamborghini Huracán EVO RWD

New model, no predecessor // New model // Product improvement

Ducati models introduced in the period under review

The first new model to be available at dealers in 2020 was the Panigale V2 with numerous improvements in terms of look and performance. The new Panigale V4 with a range of improvements has already been handed over to dealers, too. In March 2020, the new Streetfighter V4 came onto the market and the S version has also become available since then. Another new motorcycle introduced in the 2020 model year is the Multistrada 1260 S Grand Tour, a special version of the

1260 S aimed principally at customers who like to ride fast without compromising on comfort.

In addition, two new Icon Dark models of the Scrambler series were presented for 2020: The Scrambler 1100 PRO and Scrambler 1100 Sport PRO have been available since the end of March.

FINANCIAL PERFORMANCE INDICATORS

/ CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

Since January 1, 2020, the Volkswagen Group has grouped together participations and subsidiaries that develop software in the vehicle and for the digital ecosystems in the Car.Software organization. In this connection, in January 2020, Audi sold Audi Electronics Venture GmbH, Gaimersheim, which was included in the consolidated financial statements as a fully consolidated holding company without its own business operations until December 31, 2019.

In addition, Audi Japan Sales K.K., Tokyo (Japan), was sold within the Volkswagen Group effective March 31, 2020, and deconsolidated.

There were no other changes to the group of consolidated companies.

/ FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 12,454 (13,812) million in the first quarter of 2020. The year-on-year decline was mainly due to the negative development of key markets due to the coronavirus pandemic.

In the Automotive segment, revenue was EUR 12,308 (13,631) million. Revenue from the sale of vehicles of the Audi brand fell to EUR 8,778 (9,915) million as a result of the market situation. Despite the overall market decline, positive impetus came from the full availability of the Audi Q3 models and the market success of our fully electric Audi e-tron. Revenue from engines, powertrains and parts deliveries increased to EUR 2,064 (1,946) million, mainly due to higher proceeds from deliveries of parts sets for local production in China. Revenue for the Lamborghini brand was EUR 483 (491) million between January and March 2020, almost at the previous year's level despite the difficult market conditions.

In the Motorcycles segment, revenue generated by the brand-related business of Ducati amounted to EUR 147 (181) million. The year-on-year decline was also due to the coronavirus pandemic.

Key performance figures, Audi Group

EUR million	1-3/2020	1-3/2019
Operating profit	15	1,100
Automotive segment	16	1,090
Motorcycles segment	- 1	10
<i>adjusted for effects of PPA ¹⁾</i>	<i>4</i>	<i>16</i>
Profit before tax	545	1,196
in %	1-3/2020	1-3/2019
Operating return on sales	0.1	8.0
Automotive segment	0.1	8.0
Motorcycles segment	- 0.8	5.4
<i>adjusted for effects of PPA ¹⁾</i>	<i>3.0</i>	<i>8.6</i>
Return on sales before tax	4.4	8.7

1) Effects of purchase price allocation

The Audi Group's operating profit was EUR 15 (1,100) million in the first quarter of 2020, which corresponds to an operating return on sales of 0.1 (8.0) percent. In addition to the negative market development, the principal factors here were the turbulent raw material and financial markets which led to significant negative fair value impacts from commodity derivatives and negative currency effects, which burdened the first quarter 2020 result by EUR -0.5 billion.

The operating profit was also adversely affected by expenses for the early retirement program in connection with the "Audi.Zukunft" agreement. A counter-effect came from lower research and development expenses than in the prior-year period. The reduction was principally attributable to efficiency improvements. In addition, development costs in the Audi Group were reduced by pooling software development in the Car.Software organization within the Volkswagen Group. In the Automotive segment, we generated an operating profit of EUR 16 (1,090) million and an operating return on sales of 0.1 (8.0) percent.

In the Motorcycles segment, the operating profit was EUR -1 (10) million in the first quarter of 2020. This represents an operating return on sales of -0.8 (5.4) percent. After elimination of the effects of purchase price allocation, our operating profit came to EUR 4 (16) million and the operating return on sales was 3.0 (8.6) percent. The operating profit in the Motorcycles segment was also impacted principally by the present market situation.

Financial result, Audi Group

EUR million	1-3/2020	1-3/2019
Result from investments accounted for using the equity method	- 8	2
<i>of which FAW-Volkswagen Automotive Company, Ltd.</i>	23	45
<i>of which Volkswagen Automatic Transmission (Tianjin) Company Ltd.</i>	30	45
<i>of which SAIC Volkswagen Automotive Company Ltd.</i>	0	6
<i>of which There Holding B.V.</i>	- 21	- 43
Net interest result	188	- 46
Other financial result	350	140
<i>of which brand settlement, China business¹⁾</i>	41	98
Financial result	530	96
<i>of which China business²⁾</i>	95	193

1) Financial brand settlement agreed between AUDI AG and Volkswagen AG, Wolfsburg, for China business in connection with associated companies.

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

The financial result of the Audi Group was EUR 530 (96) million in the first three months of 2020. The net interest result improved due the compounding of interest on provisions. The increase was also attributable to the development of the other financial result. This increase was mainly due to the higher result from participations due to the sale of Audi Electronics Venture GmbH, Gaimersheim. Measurement effects relating to securities funds resulting from turbulences on financial markets due to the pandemic had a negative effect.

In the reporting period, the profit before tax of the Audi Group decreased to EUR 545 (1,196) million and the return on sales before tax fell to 4.4 (8.7) percent. Profit after tax came to EUR 431 (929) million.

/ NET WORTH

As of March 31, 2020, the balance sheet total of the Audi Group decreased to EUR 63,762 (66,878) million compared with the position as of December 31, 2019.

Condensed balance sheet, Audi Group

EUR million	March 31, 2020	Dec. 31, 2019
Non-current assets	33,434	34,211
Current assets	30,294	32,422
Assets classified as held for sale	34	246
Balance sheet total	63,762	66,878
Equity	29,493	28,395
Liabilities	34,239	38,431
<i>of which non-current liabilities</i>	15,534	16,212
<i>of which current liabilities</i>	18,705	22,219
Liabilities classified as held for sale	30	52
Balance sheet total	63,762	66,878

The non-current assets of the Audi Group amounted to EUR 33,434 (34,211) million. This development was driven principally by a reduction in investments in property, plant and equipment due to greater investment discipline. Current assets totaled EUR 30,294 million as of March 31, 2020, compared with EUR 32,422 million as of December 31, 2019. The main reason for the decrease was the reduction in cash and cash equivalents as a result of the transfer of the profit for 2019 to Volkswagen AG, Wolfsburg, in the first quarter of 2020.

The equity of the Audi Group rose to EUR 29,493 (28,395) million as of March 31, 2020. This represents an equity ratio of 46.3 percent, compared with 42.5 percent as of December 31, 2019. The increase was mainly due to the actuarial effects of the measurement of pension provisions, which are recognized with no impact on profit or loss.



Ducati Scrambler 1100 PRO

(fuel consumption in l/100 km (combined): 5.2; CO₂ emissions in g/km (combined): 119)

At the end of the first quarter of 2020, non-current liabilities were EUR 15,534 million compared with EUR 16,212 million at the end of 2019. Provisions for pensions declined as a result of changes in the actuarial valuation, which are recognized with no impact on profit or loss.

The current liabilities of the Audi Group declined to EUR 18,705 million compared with EUR 22,219 million as of December 31, 2019. The decline was attributable to the transfer of the profit for 2019 to Volkswagen AG, Wolfsburg, in the first quarter of 2020.

As of March 31, 2020, the balance sheet items "Assets and liabilities classified as held for sale" mainly related to the planned sale of Autonomous Intelligent Driving GmbH, Munich. This is expected to take place in the second quarter of 2020.

As of December 31, 2019, these balance sheet items also contained the assets and liabilities held in connection with the planned sale of Audi Electronics Venture GmbH, Gaimersheim. This took place in the first quarter of 2020.

/ FINANCIAL POSITION

The Audi Group generated a cash flow from operating activities of EUR 1,028 (2,113) million between January and March 2020. The decline was due, among other things, to the lower profit and the unfavorable development of working capital. This was countered by the profit adjustment relating to other non-cash expenses, mainly in connection with the negative fair value measurement of commodity hedges and negative currency effects.

The net cash flow of the Audi Group reached an overall EUR 952 (1,207) million in the first quarter of 2020. The reduction in the cash flow from operating activities was partly offset by, in particular, the selling price of EUR 650 million for the sale of Audi Electronics Venture GmbH, Gaimersheim.

As of March 31, 2020, the net liquidity of the Audi Group declined to EUR 18,792 million compared with EUR 21,754 million as of December 31, 2019. The main reason for this was the transfer of the profit of EUR 3,752 (1,096) million for the 2019 fiscal year to Volkswagen AG, Wolfsburg, in the first quarter of 2020. The Audi Group is included in the cash pooling of the Volkswagen Group.

Net cash flow and net liquidity, Audi Group

EUR million	1-3/2020	1-3/2019
Cash flow from operating activities	1,028	2,113
Investing activities attributable to operating activities	- 76	- 906
Net cash flow	952	1,207
EUR million	March 31, 2020	Dec. 31, 2019
Net liquidity	18,792	21,754

EMPLOYEES

In view of the difficult economic conditions caused by the spread of coronavirus, AUDI AG and employee representatives agreed at short notice to introduce short-time working for parts of the Ingolstadt and Neckarsulm sites towards the end of the reporting period. In particular, a drop in demand and supply chain bottlenecks due to the coronavirus pandemic resulted in work stoppages in various direct and indirect areas of the Company. To reduce contact between employees to an absolute minimum, stringent safety precautions have been introduced at the Ingolstadt and Neckarsulm sites. In those areas where employees' personal presence is not necessary to maintain business operations, employees can use the possibility of working from home. Various safety precautions have also been taken at the Audi Group's foreign sites to prevent coronavirus from spreading.

Plans have already been drawn up for a controlled, stepwise restart of production and regular operations, and an extensive evaluation of workplaces with a view to health and safety aspects has been carried out. The Audi Occupational Health department is playing a key role in the coronavirus crisis management team. The Company's duty to protect its employees and their health has top priority.

Within the scope of "Audi.Zukunft" we expanded the early retirement program in the first quarter of 2020.

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

The Board of Management of AUDI AG anticipates that the pace of growth in the world economy will be negative in 2020 as a consequence of the spread of the coronavirus SARS-CoV-2. In addition, we still see risks resulting from protectionist tendencies, turbulence on the financial markets and structural deficits in individual countries. Moreover, growth prospects will be negatively affected by continuing geopolitical tension and conflicts. We assume that the economic development of both advanced economies and emerging markets will decline markedly. At the same time, we expect an economic recovery to start in the course of 2020.

In light of the coronavirus pandemic, we have drawn up scenarios for the development of the passenger car markets in individual regions in 2020. These take into account current experience from the development in China, for example. The scenarios reflect geographical differences in the timing of how the pandemic has spread. Overall, we predict a year-on-year reduction of between 15 and 20 percent in global demand for new vehicles.

In Western Europe, we expect that new registrations of passenger cars in 2020 could be up to 20 percent below the prior-year level. Our assumption is that the market will decline very sharply in the second quarter of 2020, followed by a rapid recovery in the third quarter and be almost back at the prior-year level in the fourth quarter.

Our scenario for the passenger car markets in Central and Eastern Europe is based on the same pattern, but we expect the drop in the number of vehicles sold in 2020 to be slightly less marked.

In North America, we anticipate that demand for passenger cars and light commercial vehicles will be down 25 to 30 percent year-on-year. Following a massive drop in the second quarter of 2020, we assume that the market will only pick up slowly in the remainder of the year.

In South America, we expect to see an overall drop in new registrations of passenger cars and light commercial vehicles of up to 30 percent year-on-year in 2020. Following a massive drop in the second quarter and a rapid recovery in the third quarter, the fourth quarter figures could be back at the prior-year level.

The passenger car markets in the Asia-Pacific region will probably contract by between 10 and 15 percent year-on-year. In China, we expect a recovery in the second quarter followed in the remaining quarters of 2020 by continuous catch-up effects compared to the previous year.

In the motorcycle markets that are relevant for the Ducati brand in the displacement segment above 500 cc, we anticipate a significant decline worldwide in the overall market in 2020 due to the coronavirus pandemic.

Based on the scenario outlined above for the development of the car markets, we are currently forecasting the following key performance indicators for Audi for the 2020 fiscal year:

In view of the effects of the coronavirus pandemic, we currently expect that deliveries of Audi brand cars to customers and the revenue of the Audi Group will be considerably lower than last year.

At present, we also expect the Audi Group's operating profit to be considerably lower than the prior-year level. In addition to the negative market trend, we assume negative currency and raw material valuation effects for Audi in 2020 as a whole, mainly because of the coronavirus pandemic. The planned measures from the Audi Transformation Plan (ATP) should have a positive effect on the operating profit in 2020. Furthermore, the planned sale of Autonomous Intelligent Driving GmbH, Munich, and lower development costs resulting from pooling software development in the Volkswagen Group

in the Car.Software organization should also positively impact operating profit in 2020.

For the 2020 fiscal year, we forecast that the Audi Group's return on investment (ROI) will decline year-on-year and that it will also be below our defined minimum required rate of return on invested capital of 9 percent. The reduction is principally attributable to the forecast drop in operating profit.

At present, we expect net cash flow for the 2020 fiscal year to be below the prior-year level, mainly due to the coronavirus pandemic. The cash inflows from the sale of our subsidiaries Audi Electronics Venture GmbH, Gaimersheim, and Autonomous Intelligent Driving GmbH, Munich, will have a positive impact.

Although revenue will be considerably lower than in the prior year, we currently assume that in the 2020 fiscal year the research and development ratio will be below the prior-year level. This is mainly due to lower development costs resulting from pooling software development within the Volkswagen Group in the Car.Software organization.

In connection with the coronavirus pandemic, we are reviewing product-unrelated investments, in particular. Although revenue development is currently expected to be negative, we forecast that the ratio of capex will be around the prior-year level.

/ 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 on pages 89 to 108 of the Audi 2019 Financial Report. The statements made there on



Audi RS 5 Sportback
 (fuel consumption in l/100 km (combined): 9.2; CO₂ emissions in g/km (combined): 209;
 fuel consumption and CO₂ emission figures given in ranges depend on the tires/wheels used as well as selected equipment.)

the risk situation for the 2020 fiscal year are still fundamentally valid. There has not been any material change in the overall risk scores for the categories outlined below compared with the 2019 Financial Report, although there have been some changes in individual risks since then. The quarterly risk assessment was carried out in March 2020 and presented to Audi top management. Changes in the risks are outlined below.

// RISKS FROM GENERAL ECONOMY, INDUSTRY AND MARKETS

As a result of the coronavirus pandemic, the risk situation has deteriorated since publication of the 2019 Financial Report. Governments have increasingly taken measures to slow the further spread of the virus (including national lockdowns, quarantining towns and regions, banning large-scale events such as trade shows and closing schools and daycare facilities, etc.). Measures were taken early in the Audi Group. To actively manage the crisis, Audi has set up a cross-divisional crisis management team, which is coordinating all countermeasures and ensuring the gradual restart of production. Protecting the health of our employees is a priority here. At the same time, the focus is on keeping core processes stable and optimizing cash outflows in order to protect Audi's ability to operate in the short and long term. In addition to production stoppages caused by low demand and the supply chain situation, the pandemic-related turbulence on the raw material and financial markets had a significant impact on the performance of the Audi Group in the first quarter of 2020. The impact of the pandemic will continue to affect the Audi Group in the further course of the year and will adversely affect deliveries in all regions and therefore all key performance indicators. The risks arising from a decline in demand and more intensive competition could be reduced by state stimulus programs. Another risk factor that has changed since the 2019 Financial Report is that there has been an increase in inquiries from dealerships in the United States about remuneration for services and the price of parts in connection with warranty claims. Audi of America is continuously monitoring this and has introduced initial countermeasures.

As part of the ongoing global development of cellular networks, older mobile communications standards may no longer be supported in some regions. This could affect the availability of online services in some older vehicle models. We continuously analyze and evaluate the situation. Technical measures are currently being examined.

// RESEARCH AND DEVELOPMENT RISKS

The constantly rising legislative requirements for vehicle approvals present Audi with major challenges. These include technical feasibility, organizational affordability, on-schedule

implementation and the need to adjust development processes in order to take account of new requirements. The risk has increased as a result of the present market-driven shortage of resources. This risk is being countered by further focusing project funding within Technical Development.

// OPERATIONAL RISKS

There is generally a risk of bottlenecks in the supply of battery cells for our fully electric vehicles, which could affect plant utilization and our volume, profit, and CO₂ targets. During the first quarter of 2020, this risk has deteriorated compared with the situation outlined in the 2019 Financial Report. Especially due to the pandemic-related expected decrease in deliveries to customers for the year 2020 we have to evaluate the risk again in the second quarter of 2020.

Deviations caused by the present market situation from volumes that are contractually agreed with suppliers have heightened the risk of suppliers' claims on Audi. Measures have been taken to counter this risk.

Furthermore, there is a new risk relating to delays in the negotiations with our Chinese partners on a location for local production of electric vehicles. This could result in postponement of the planned production start-up for some models, resulting in volume and financial risks. The Board of Management has discussed the strategic alternatives and prioritized the negotiations in order to secure a timely decision.

// LEGAL RISKS

In February 2020, the Montana State Court dismissed certain of the environmental claims asserted by the Montana Attorney General, but allowed other claims to proceed. Volkswagen has asked the Montana Supreme Court to review this decision. In February 2020, the U.S. District Court for the Northern District of California granted final approval of a class action settlement resolving civil claims relating to approximately 98 thousand Volkswagen, Audi, Porsche and Bentley vehicles with automatic transmissions.

In March 2020, the U.S. District Court for the Northern District of California dismissed two amended class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG, AUDI AG, and other Group companies, conspired to unlawfully increase the prices of German luxury vehicles in violation of U.S. antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support that the alleged agreements unreasonably restrained competition in violation of U.S. law. The court granted plaintiffs leave to file amended complaints with respect to a limited subset of plaintiffs' original claims.

There were no other material changes in the reporting period compared with the statements made on the expected development of the Audi Group in the 2020 fiscal year in the sections “Report on Expected Developments” and the “Report on Risks and Opportunities” – including the section on legal risks – of the combined management report in the 2019

Financial 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 result in a different assessment of the associated risks.

EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

There were no reportable events of material significance after March 31, 2020.

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

As of April 2020: all data are based on the German market. 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): 20.1–3.4

Electric vehicles: power consumption in kWh/100 km (combined): 24.3–20.6

Plug-in hybrid vehicles: power consumption in kWh/100 km (combined): 22.9–16.6; fuel consumption in l/100 km (combined): 3.0–1.7

Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 4.1–3.8

CO₂ emissions in g/km (combined): 464–0

Efficiency classes: G–A+

The specified fuel consumption and emission data have been determined according to the measurement procedures prescribed by law. Since September 1, 2017, certain new vehicles are already being type-approved according to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a more realistic test procedure for measuring fuel consumption and CO₂ emissions. 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 CO₂ emissions measured according to the WLTP are, in many cases, 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, CO₂ emissions and the performance figures for the vehicle.

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

commodity prices 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 2019 Financial 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.



Audi A6 Sedan TFSI e
(fuel consumption in l/100 km (combined): 2.1 – 1.7; power consumption in kWh/100 km (combined): 17.9 – 16.6; CO₂ emissions in g/km (combined): 47 – 39;
fuel consumption and CO₂ emission figures given in ranges depend on the tires/wheels used as well as selected equipment.)

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