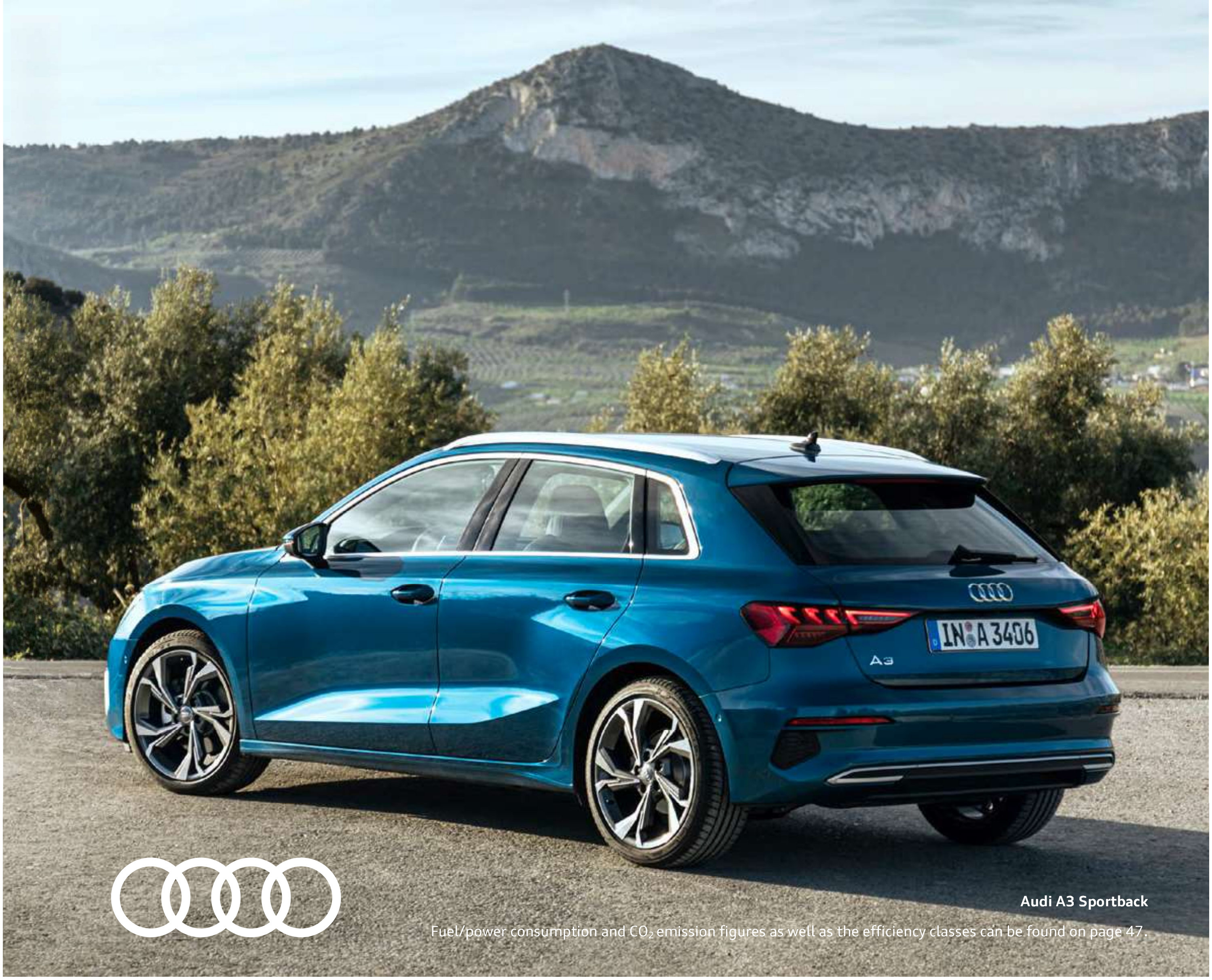


Audi Group
Half-Year Financial Report
January 1 to June 30, 2020

Audi Vorsprung durch Technik

707,225	EUR 20.5 billion	–3.7 %	EUR 2.0 billion
DELIVERIES AUDI BRAND	REVENUE	OPERATING RETURN ON SALES	NET CASH FLOW

AUDI GROUP FROM JANUARY TO JUNE 2020 – CORE MESSAGES

/ CORONAVIRUS PANDEMIC HAD SIGNIFICANT IMPACT ON HALF-YEAR FIGURES:

- global drop in demand and interruptions in the supply chain led to production stoppages and short-time working at Audi sites
- delivery volumes and Audi's financial performance seriously affected by the coronavirus pandemic (including the shutdown of dealerships and lockdowns)
- Audi Group's crisis management team is coordinating all countermeasures – production has restarted, safety concepts for employees are in place

// DELIVERIES OF CARS OF THE AUDI BRAND

- declined by **–22 percent** to **707,225** (906,180) **vehicles** as car markets fell by –28 percent
- China close to prior-year level thanks to a strong recovery (only –3 percent year-on-year in the first six months, mainly due to locally produced vehicles; recovery in Europe and the USA since May)

// REVENUE

- lower than in the prior-year period at **EUR 20.5** (28.8) **billion**

// OPERATING RESULT

- negative at **EUR –0.8** (2.3) **billion** [before special items: **EUR –0.6** (2.3) **billion**]; lower volumes could not be offset on the cost side; further negative effects from the measurement of hedging transactions; positive effect from the transfer of a subsidiary within the Volkswagen Group; special items of EUR –0.1 (–) billion in connection with the diesel issue

// OPERATING RETURN ON SALES

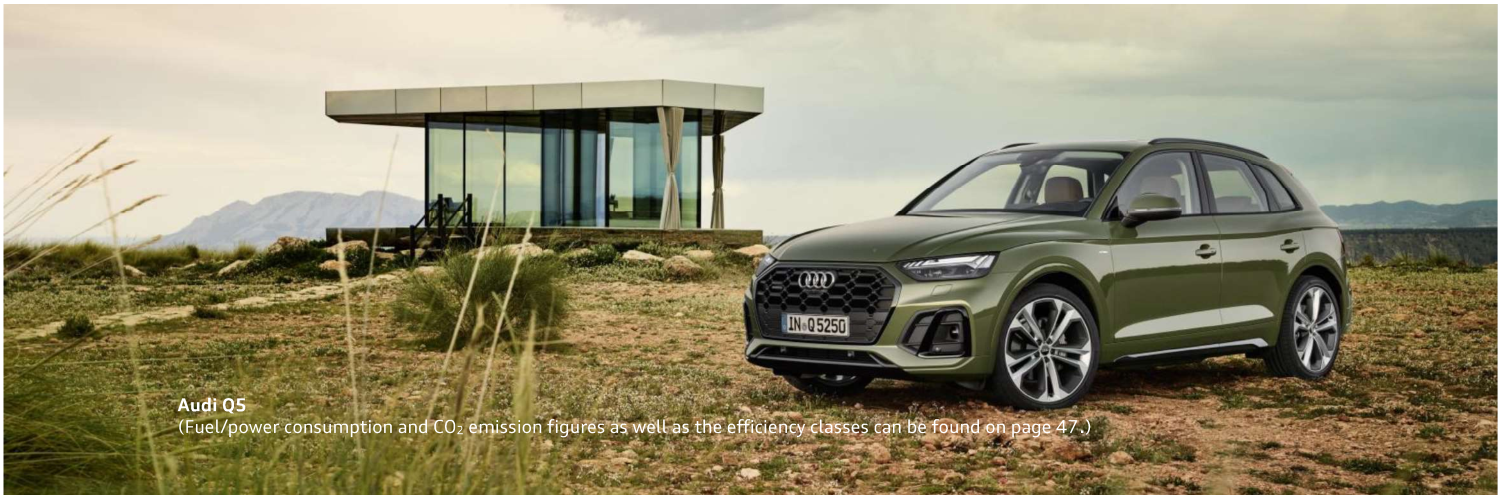
- at **–3.7** (8.0) **percent** [before special items: **–3.1** (8.0) **percent**]

// NET CASH FLOW

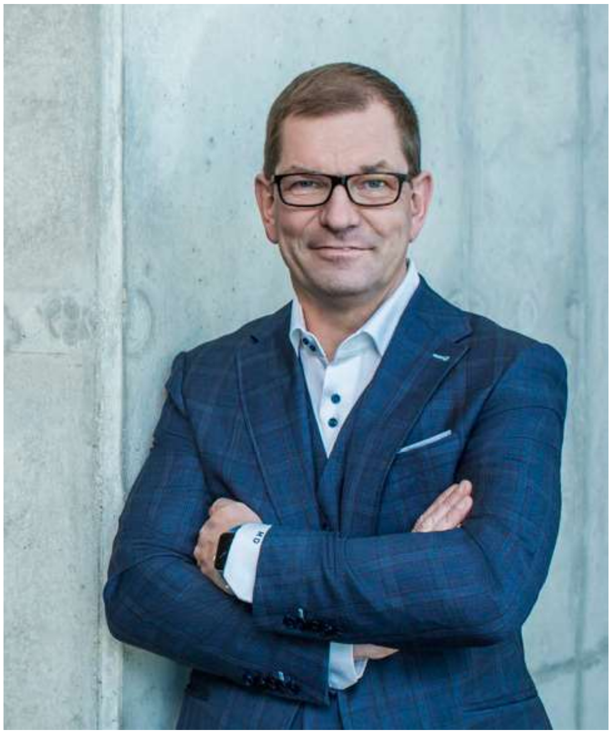
- at **EUR 2.0** (2.3) **billion** due to greater investment discipline, active inventory management and one-time effects from investment transactions; **net liquidity** affected by profit transfer but still high: **EUR 19.9** (21.8) **billion**

// OUTLOOK FOR 2020 AS A WHOLE *(REVISED DUE TO CORONAVIRUS)*

- Deliveries and revenue significantly lower than in prior year; operating result substantially lower than in prior year, but expected to be clearly positive
- 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 and ratio of capex expected to be below prior-year level



Audi Q5
(Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.)



MARKUS DUESMANN

Chairman of the Board of Management
and Member of the Board of Management for
Technical Development and
Product Lines at AUDI AG

Dear Shareholders,
Dear Readers,

The coronavirus pandemic has hit our sector in the midst of the transformation. Sustainability, electrification, digitalization – many of the challenges facing us are not new. Nevertheless, the pandemic has heightened awareness of them like a magnifying glass. Is this crisis holding back our transformation? We say: No, because that depends on us.

On the one hand, the coronavirus crisis is putting pressure on us – the economic consequences of the pandemic had an enormous impact on our business figures in the first half of the year. Lockdowns, a drop in consumer demand and interruptions in our supply chains have resulted in production stoppages and a massive decline in volumes. The Audi crisis management team is taking action to mitigate the crisis: Since the end of April we have successfully restarted production worldwide outside China and introduced many measures to protect the health of all our employees.

In the first six months, we delivered about 22 percent fewer Audi brand cars to customers than in the same period of last year. We are already seeing the first signs of recovery, although there are major regional differences: In Europe and the USA, we only started to notice the upturn in May, whereas in China, we registered the strongest ever May and June delivery figures.

Despite countermeasures, the operating result was EUR –750 million in the first six months of this year, while the operating return on sales was –3.7 percent. Thanks to greater investment discipline, active inventory management and one-time effects from investment transactions, our net cash flow was EUR 2.0 billion. At EUR 19.9 billion, our net liquidity is still at a high level.

Apart from the negative effects of the coronavirus pandemic, every crisis is also an invitation to change. The newly formed Board of Management team is agreed: We want to make careful use of this time to fine-tune our strategic direction. We want to continue to charge our brand with emotive products, while expanding and fine-tuning our progressive and sustainable product portfolio. To achieve that, we are relying on our characteristic strengths such as premium quality, design and driving dynamics, complemented by digital innovation.

The Artemis project is making that vision real. Through agile processes and our aspiration to provide connected and sustainable premium mobility, we will be developing additional highly efficient electric models in a short space of time. The Audi e-tron is already demonstrating the potential of our fully electric models. It is the global market leader in the full-size electric SUV segment and is even the best-selling electric SUV overall in Europe. In Germany too, Audi was the most successful premium brand in terms of unit sales of electric models in the first half of this year. We are consistently following our ambitious Roadmap E and by 2025 our portfolio will be extended to include around 20 purely electric models.

At the same time, we are witnessing the progressive transition of cars as they become connected mobile devices. Within the Volkswagen Group, the creation of an extensive ecosystem relating to the car will be primarily undertaken in the future through the Car.Software organization. Our aim is a single digital platform for all Group brands. The creation of an independent, cross-brand unit in this form is unique in the automotive industry. It is also necessary because in a few years the operating system of a car and how it is connected to a high-security data cloud will be the key differentiator.

With the Car.Software organization, we are positioning ourselves clearly as one of the driving forces of the digital transformation, while at the same time achieving high Group-wide synergies and economies of scale.

The current fiscal year is confronting us with unprecedented challenges. The development of the coronavirus pandemic and the recovery of the markets will dominate our business performance in the second half of the year. This is a time of uncertainty and upheaval, which we are tackling together with one clear message: We will overcome the crisis. Our strength is Audi’s sound basis: the expertise of all employees and our robust financial foundation. With innovative strength and pioneering spirit, we will once again demonstrate our technological leadership and “Vorsprung durch Technik.”

Kind regards,

Markus Duesmann

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

INTERIM MANAGEMENT REPORT OF THE AUDI GROUP FROM JANUARY 1 TO JUNE 30, 2020

EXTRAORDINARY EVENTS

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

At the end of December 2019, the first cases of a disease caused by a new type of virus from the coronavirus family (SARS-CoV-2) were reported in China. The number of people infected worldwide rose sharply in the first six months of 2020 – although there were regional differences in the intensity of the outbreaks. To slow the spread of SARS-CoV-2 and contain the resulting pandemic, many governments around the world have introduced measures since the first quarter of 2020. These include lockdowns, for example, which have led to massive restrictions on public life and economic activity. Many of the measures taken to curb the pandemic were gradually eased in the second quarter, especially in Europe and Asia. That included partial lifting of border checks and travel restrictions, easing of curfews, and opening more businesses and public amenities. In addition, the European Commission and many European governments adopted aid packages to support the economy. Governments outside Europe also introduced measures to support the economy and counter the massive disruption to social and economic life as a result of the coronavirus pandemic. The pandemic has given rise to massive challenges, both for the economy as a whole and for Audi, especially as a result of the drop in consumer demand and supply bottlenecks. At the German sites in Ingolstadt and Neckarsulm, this led to production stoppages and, consequently, to the introduction of short-time working in the areas affected. There were also production stoppages at many foreign sites. Audi has restarted automotive production stepwise at its sites since the end of April. To actively manage the crisis, a cross-divisional crisis management team was set up. This coordinates all measures, including the gradual restart of production with appropriate protective measures. The health of our employees has top priority. At the same time, the focus in the reporting period was on keeping core processes stable and optimizing cash outflows in order to protect Audi's ability to operate. In addition to production stoppages caused by low demand and the supply chain situation, the turbulence on the raw material and financial markets as a result of coronavirus pandemic had a significant impact on the performance of the Audi Group in the first six months 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.

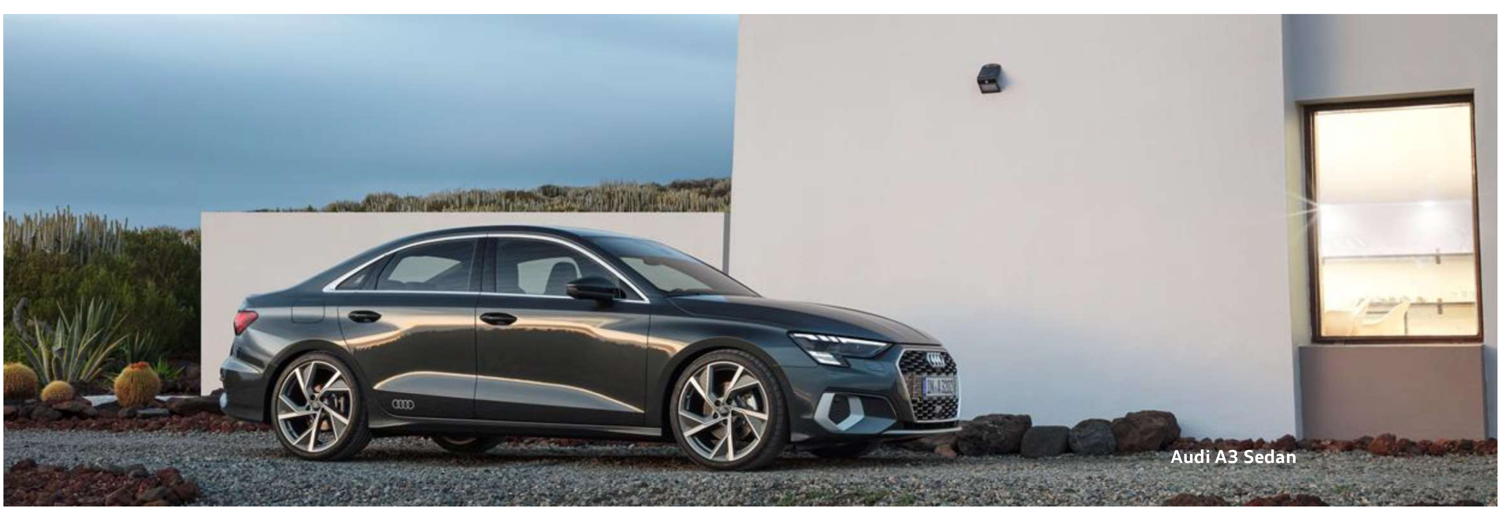
/ VOLKSWAGEN AG PLANS TO TAKE OVER ALL SHARES OF AUDI

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 on July 31, 2020. In an ad hoc announcement issued on June 16, 2020, AUDI AG reported that Volkswagen AG had set the cash settlement for the transfer of the shares in AUDI AG held by minority shareholders at EUR 1,551.53 per share. Employee codetermination, the independence of the Audi brand within the Volkswagen Group and the legal form as a German stock corporation (Aktiengesellschaft) will not be affected by the squeeze-out.

/ 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 Alexander Seitz. In addition, the following changes were made to the Board of Management of AUDI AG effective April 1, 2020: Markus Duesmann became the new Chairman of the Board of Management of AUDI AG as successor to Abraham Schot. Furthermore, responsibility for Procurement and IT within the

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi A3 Sedan

Board of Management was transferred from Dr. Bernd Martens to Dirk Große-Loheide, and Dr. Sabine Maaßen took over responsibility for Human Resources and Organization from Wendelin Göbel from the same date.

Hans-Joachim Rothenspieler, who was responsible for Technical Development within the Board of Management, left the company at his own request on June 18, 2020. Since then, Markus Duesmann has been responsible for Technical Development in addition to his other duties. This change marked the start of a realignment of the development division with a specific focus on process quality in the Product Emergence Process. On the same date, the Supervisory Board decided to transfer the product lines organization to a new "Product Lines" division focused on the vehicle project business. Markus Duesmann has assumed responsibility for this new business division in addition to his other duties.

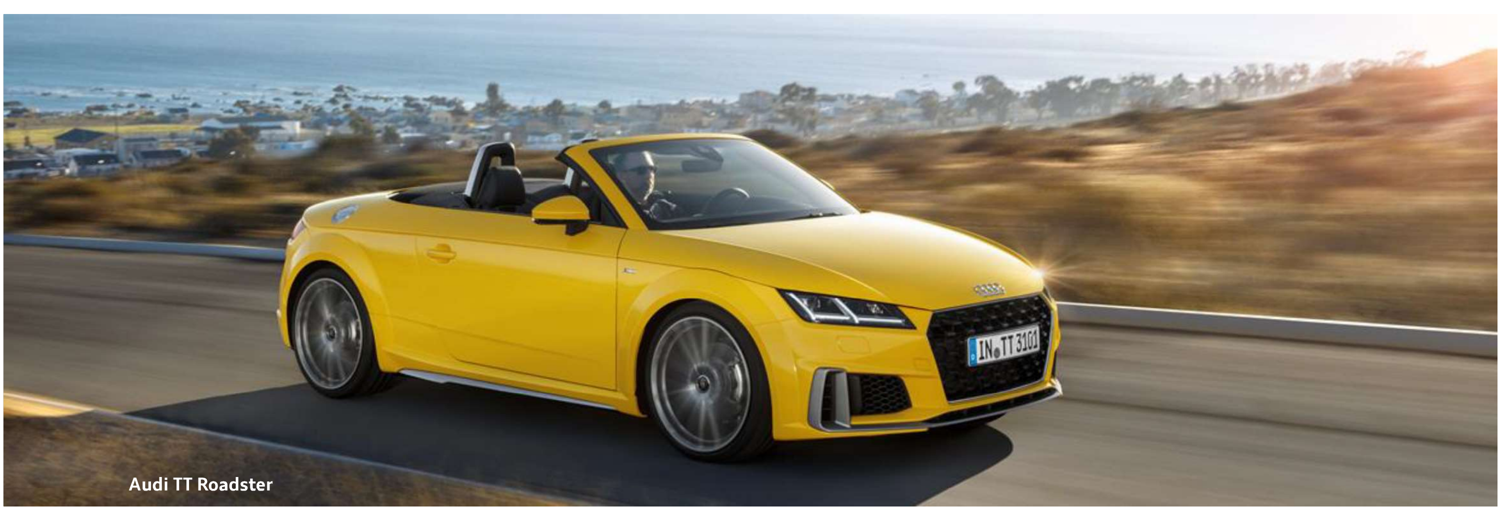
BUSINESS AND UNDERLYING SITUATION 1)

Growth in the gross domestic product and car markets of selected countries/regions

	Gross domestic product [in %]		Car markets [in vehicles]		
	1–6/2020	1–6/2019	1–6/2020	1–6/2019	Δ in %
Europe	–8.3	1.5	5,930,716	9,480,950	–37.4
of which: Western Europe	–8.8	1.4	4,636,168	7,748,035	–40.2
of which: Germany	*–6.8*	*0.7*	*1,210,622*	*1,849,000*	*–34.5*
United Kingdom	*–11.1*	*1.7*	*652,818*	*1,269,245*	*–48.6*
Italy	*–11.6*	*0.3*	*585,884*	*1,088,110*	*–46.2*
Spain	*–12.0*	*2.1*	*369,549*	*749,865*	*–50.7*
France	*–11.3*	*1.7*	*715,380*	*1,163,307*	*–38.5*
of which: Central/Eastern Europe	–5.9	1.3	1,294,548	1,732,915	–25.3
of which: Russia	*–5.4*	*0.8*	*594,970*	*774,016*	*–23.1*
China 2)	*–3.1*	*6.4*	*7,985,313*	*10,243,129*	*–22.0*
Japan	*–5.6*	*0.8*	*1,844,239*	*2,310,298*	*–20.2*
USA	*–5.2*	*2.5*	*6,441,572*	*8,438,518*	*–23.7*
Canada	*–6.0*	*1.7*	*643,434*	*979,718*	*–34.3*
Mexico	*–10.3*	*0.0*	*436,445*	*640,510*	*–31.9*
Brazil	*–7.6*	*0.9*	*765,247*	*1,251,769*	*–38.9*
Worldwide	**–5.6**	**2.7**	**28,674,204**	**39,866,925**	**–28.1**

1) The prior-year figures may have changed as a result of updated data; provisional figures for the first half of 2020.
2) Chinese car market including Hong Kong

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi TT Roadster

/ *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 extensive contact restrictions – 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, by –5.6 (2.7) percent in the first six months of 2020 compared with the same period of the previous year. The impact varied greatly from one country to another as there were time differences in the spread of the virus and the associated measures. Extensive 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. During the second quarter of 2020, the governments in many countries eased some of the restrictions. The Chinese economy even reported a positive trend in gross domestic product in the second quarter of 2020. The comparatively low interest rates dropped further in the reporting period. The currencies of several emerging markets decreased significantly in value in the first six months of 2020. In addition, the prices of many raw materials relevant for Audi fell significantly year-on-year and there was considerable price volatility on the financial markets in the first six months of 2020.

/ *INTERNATIONAL CAR MARKET*

Global demand for passenger cars declined considerably year-on-year in the first six months of 2020, dropping by –28.1 percent to 28.7 (39.9) million vehicles due to the coronavirus pandemic. All regions were affected by this downturn. Above-average declines were reported, in particular, by the Western Europe region, where demand fell by –40.2 percent to 4.6 (7.7) million vehicles. Significant declines were also reported in Central and Eastern Europe, where demand dropped –25.3 percent to 1.3 (1.7) million vehicles, in China including Hong Kong, with a drop of –22.0 percent to 8.0 (10.2) million vehicles, and the USA, where demand fell by –23.7 percent to 6.4 (8.4) million vehicles.

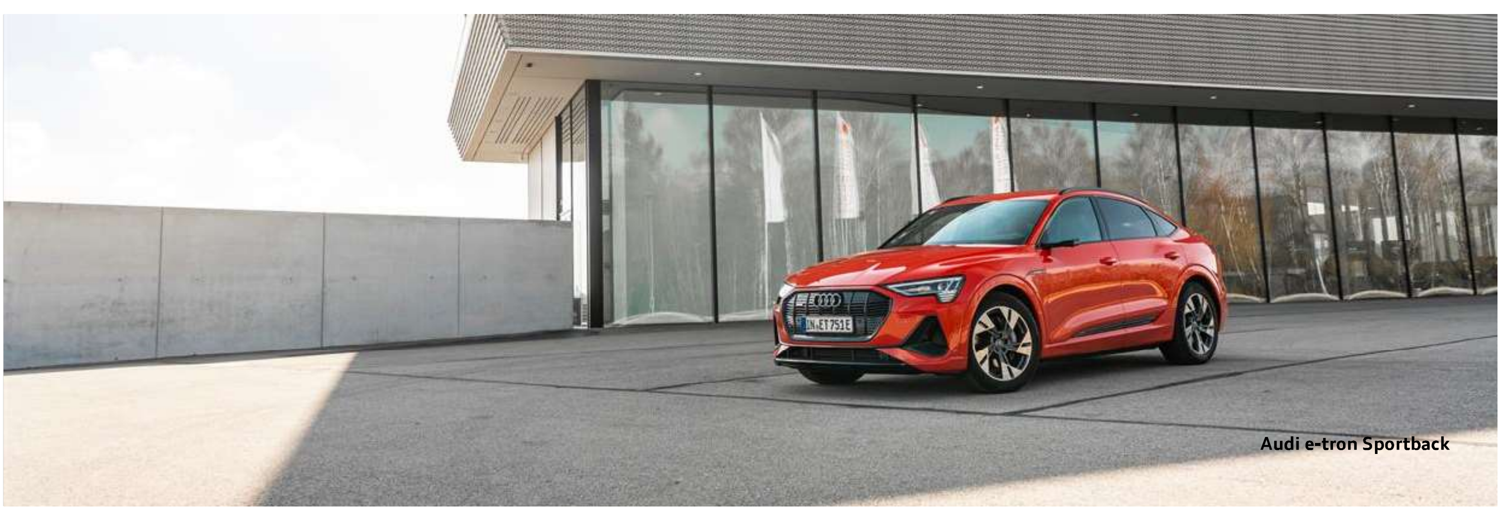
/ *INTERNATIONAL MOTORCYCLE MARKET*

From January to June 2020, the motorcycle markets in the displacement segment above 500 cc recorded a significant drop in demand of –14.7 percent due to the pandemic. The decline was particularly significant in the European motorcycle markets.

PRODUCTION

In the first half of 2020, the Audi Group produced a total of 675,647 (920,677) cars and 24,157 (34,759) motorcycles. The premium Audi brand accounted for 672,416 (916,084) cars. This figure includes 278,596 (267,104) Audi vehicles built locally by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Automobili Lamborghini S.p.A. built 3,231 (4,593) vehicles of the Lamborghini brand at its company headquarters in Sant’Agata Bolognese (Italy) in the reporting period.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi e-tron Sportback

The –26.6 percent decline in the Automotive segment compared with the prior-year period is principally attributable to the global economic situation in the context of the spread of coronavirus. During the first quarter of 2020, 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 at the Chinese facilities mainly had an impact in February 2020. Our production volume in China stabilized gratifyingly as early as March, and by the end of June 2020 there was actually a cumulative year-on-year rise of 4.3 percent. In the reporting period, the Audi Q3 Sportback was produced locally in Tianjin (China) for the first time by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
By contrast, the controlled production stoppages at the European locations only started in mid-March 2020. Production in this region has gradually been restarted since the end of April 2020, whereas our Mexican plant in San José Chiapa was only able to restart production in June as the pandemic spread later in Mexico.

Production of the new Audi A3 Sportback and the new Audi A3 Sedan started in Ingolstadt in the first half of 2020. That was a major milestone in the introduction of the new generation of the A3 family.

Production of Audi brand cars by site

	1–6/2020	1–6/2019
Germany	**204,818**	**331,989**
Ingolstadt	136,360	235,690
Neckarsulm	68,458	96,299
International	**467,598**	**584,095**
Changchun (China)	199,226	207,290
Győr (Hungary)	65,613	87,185
Foshan (China)	49,704	50,992
Bratislava (Slovakia)	41,159	67,650
San José Chiapa (Mexico)	36,174	90,721
Tianjin (China)	29,666	8,822
Martorell (Spain)	29,034	51,829
Brussels (Belgium)	15,751	16,978
São José dos Pinhais (Brazil)	1,003	867
Aurangabad (India)	268	1,761
Audi brand	**672,416**	**916,084**

Car production by model [1]

	1–6/2020	1–6/2019
Audi A1 Sportback	29,032	51,814
Audi Q2 [2]	45,398	65,101
Audi A3 Sportback	50,880	65,642
Audi A3 Sedan	37,209	50,208
Audi A3 Cabriolet	3,924	6,335
Audi Q3	65,179	88,440
Audi Q3 Sportback	22,005	141
Audi TT Coupé	3,066	7,819
Audi TT Roadster	1,105	2,282
Audi A4 Sedan	77,141	115,803
Audi A4 Avant	22,410	43,700
Audi A4 allroad quattro	2,770	3,989
Audi A5 Sportback	14,404	36,512
Audi A5 Coupé	1,993	7,522
Audi A5 Cabriolet	3,830	7,173
Audi Q5	102,820	142,538
Audi A6 Sedan	95,109	81,646
Audi A6 Avant	17,377	30,858
Audi A6 allroad quattro	4,059	294
Audi A7 Sportback	6,883	8,979
Audi e-tron	11,096	16,862
Audi e-tron Sportback	4,655	116
Audi Q7	26,400	42,029
Audi Q8	14,759	25,961
Audi A8	8,096	13,117
Audi R8 Coupé	508	792
Audi R8 Spyder	308	411
Audi brand	**672,416**	**916,084**
Lamborghini Urus	1,967	2,944
Lamborghini Huracán	871	1,117
Lamborghini Aventador	393	532
Lamborghini brand	**3,231**	**4,593**
Automotive segment	**675,647**	**920,677**

1) The table includes 278,596 (267,104) Audi models produced by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) This includes 520 (38) fully electric Audi Q2 L e-tron models built by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China), for the Chinese market.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

Production of engines and electric powertrains

	1–6/2020	1–6/2019
Audi Hungaria Zrt.	719,876	1,063,585
Automobili Lamborghini S.p.A.	380	520
Engines and electric powertrains	**720,256**	**1,064,105**

The Audi Group produced a total of 720,256 (1,064,105) engines and electric powertrains in the first six months of 2020. Output declined by –32.3 percent compared with the prior-year period due to the effects of the coronavirus pandemic. Audi Hungaria Zrt. in Győr (Hungary) responded with a controlled production stoppage in mid-March. However, production of engines and electric powertrains has resumed in stages since mid-April.

Motorcycle production

	1–6/2020	1–6/2019
Scrambler	4,706	6,277
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	8,731	10,050
Dual/Hyper (Hypermotard, Multistrada)	5,321	11,879
Sport (SuperSport, Panigale)	5,399	6,553
Motorcycles segment – Ducati brand	**24,157**	**34,759**

Worldwide, the Ducati brand produced a total of 24,157 (34,759) motorcycles in the first six months of 2020. The –30.5 percent decrease is likewise attributable to the effects of the coronavirus pandemic. 19,620 (30,159) units were built at the company headquarters in Bologna (Italy). In the same period, Ducati also produced 4,011 (4,261) motorcycles at the Amphur Pluakdaeng site in Thailand. In addition, 526 (339) motorcycles were built in Manaus (Brazil) on a contract manufacturing basis.

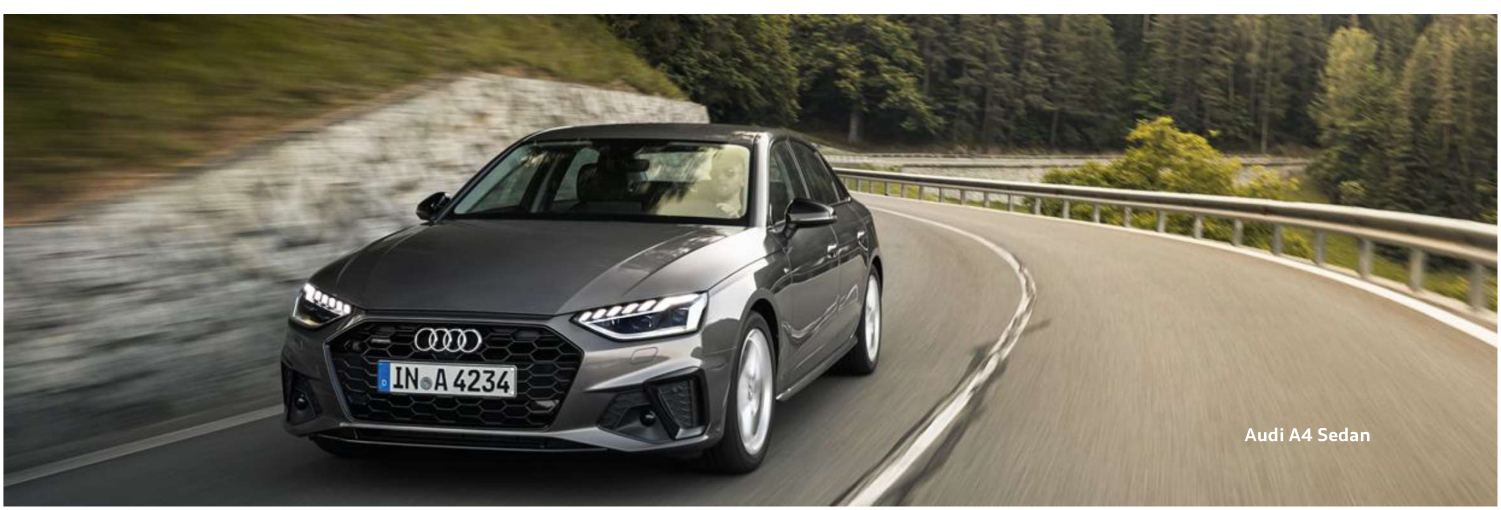
*Read more about the **production sites** of the individual models on **page 10** of the **Audi 2019 Financial Report**.*

DELIVERIES AND DISTRIBUTION [1)]

The Audi Group delivered 710,792 (910,760) cars to customers worldwide in the first half of the 2020 fiscal year. 707,225 (906,180) vehicles of the Audi brand were delivered to customers. With a pandemic-induced decline of –22.0 percent, deliveries of Audi brand vehicles developed less negatively than overall market demand, which recorded a considerable drop of

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

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi A4 Sedan

–28.1 percent. While the Chinese market was most severely affected by the impact of coronavirus in February 2020, the pandemic spread to other major markets in March. In particular, statutory measures such as the closure of dealerships and lockdowns led to a significant drop in deliveries. In China, the number of deliveries has picked up considerably since March 2020. Cumulative deliveries to customers in China in the first half of 2020 were only –3.2 percent lower than in the prior-year period.
In Europe too, dealerships have gradually been able to reopen since April 2020 as the authorities eased restrictions. Some dealerships in the USA have also been able to reopen since April 2020, depending on the regulations in place in individual states. Since then, there have been signs of an upturn in demand from customers and thus in order intake in Europe and North America, although with considerable regional differences. Despite the overall reduction in deliveries to customers in the reporting period, the Audi e-tron and Audi A6 car lines as well as the Audi Q3 family registered a positive year-on-year trend.

Deliveries of Audi brand cars to customers by region

	1–6/2020	1–6/2019
Europe	265,047	419,460
of which: Western Europe	246,862	396,220
of which: Germany	*98,381*	*152,431*
United Kingdom	*40,399*	*81,196*
Italy	*21,541*	*34,944*
France	*18,539*	*30,141*
Spain	*16,726*	*28,842*
Belgium	*10,172*	*16,427*
of which: Central/Eastern Europe	18,185	23,240
of which: Russia	*6,152*	*7,313*
China incl. Hong Kong	*302,512*	*312,502*
Japan	*9,272*	*11,291*
USA	*76,210*	*101,440*
Canada	*10,647*	*15,968*
Mexico	*3,703*	*5,966*
Brazil	*2,585*	*3,532*
Other markets	*37,249*	*36,021*
Worldwide	**707,225**	**906,180**

Car deliveries to customers by model [2]

	1–6/2020	1–6/2019
Audi A1	–	141
Audi A1 Sportback	30,953	45,744
Audi Q2 [3]	53,283	67,153
Audi A3	–	13
Audi A3 Sportback	48,714	80,596
Audi A3 Sedan	40,224	55,094
Audi A3 Cabriolet	3,417	5,749
Audi Q3	71,204	85,682
Audi Q3 Sportback	19,820	117
Audi TT Coupé	3,234	5,428
Audi TT Roadster	1,251	2,160
Audi A4 Sedan	73,101	118,875
Audi A4 Avant	27,560	44,978
Audi A4 allroad quattro	3,273	3,283
Audi A5 Sportback	23,301	39,809
Audi A5 Coupé	3,517	7,443
Audi A5 Cabriolet	4,457	6,527
Audi Q5	109,192	134,639
Audi A6 Sedan	95,133	75,425
Audi A6 Avant	15,772	33,606
Audi A6 allroad quattro	3,734	873
Audi A7 Sportback	7,209	9,969
Audi e-tron	16,898	9,444
Audi e-tron Sportback	743	–
Audi Q7	25,386	41,033
Audi Q8	15,993	21,192
Audi A8	9,263	10,245
Audi R8 Coupé	354	666
Audi R8 Spyder	239	296
Audi brand	**707,225**	**906,180**
Lamborghini Urus	2,064	2,693
Lamborghini Huracán	1,052	1,211
Lamborghini Aventador	432	649
Lamborghini brand	**3,548**	**4,553**
Other Volkswagen Group brands	19	27
Automotive segment	**710,792**	**910,760**

2) The table includes deliveries of 283,821 (279,276) vehicles built locally by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
3) This includes 1,718 (–) fully electric Audi Q2 L e-tron models for the Chinese market.

In April 2020, the new generation of the Audi A3 family was presented to dealers exclusively digitally for the first time, starting with the Audi A3 Sportback, which was then successively launched on markets. Further derivatives such as the Audi A3 Sedan, Audi A3 g-tron and a plug-in hybrid will be added to the portfolio during the year.
The second model in the successful Audi e-tron line, the fully electric Audi e-tron Sportback, was successfully launched in Europe in May 2020, followed by the stepwise introduction on further markets. Following on from the Audi A6 Sedan TFSI e, for which orders have been accepted since the first quarter of 2020, another plug-in hybrid, the Audi A6 Avant TFSI e quattro, was introduced in June 2020. We have therefore added three more electric models to our range.

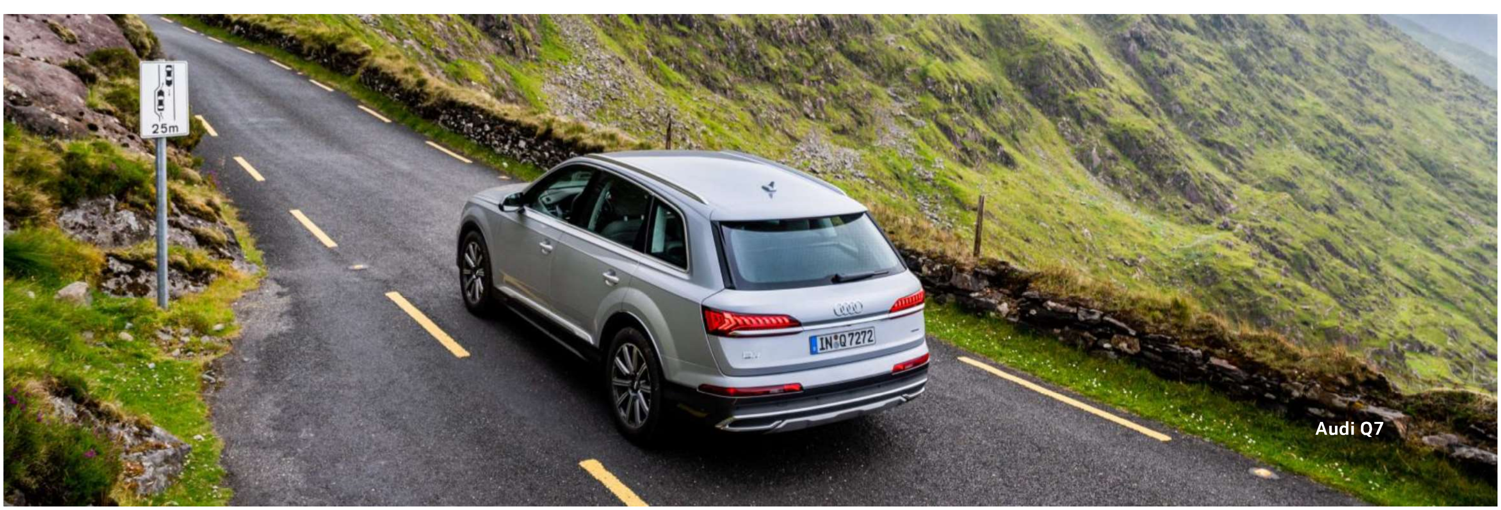
The Lamborghini brand delivered a total of 3,548 (4,553) vehicles to customers in the first six months of 2020. As a result of the global coronavirus pandemic, deliveries fell by –22.1 percent compared with the prior-year period, although orders on hand were stable.

Motorcycle deliveries to customers

	1–6/2020	1–6/2019
Scrambler	4,730	6,966
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	7,409	8,042
Dual/Hyper (Hypermotard, Multistrada)	6,496	10,501
Sport (SuperSport, Panigale)	5,397	6,213
Motorcycles segment – Ducati brand	**24,032**	**31,722**

The Ducati brand delivered 24,032 (31,722) motorcycles to customers worldwide in the first half of 2020. Here too, the sharp decline of –24.2 percent compared with the previous year was due to the worldwide spread of coronavirus. However, since the restrictions started to ease, the Motorcycles segment has registered a positive trend in deliveries. In June 2020, deliveries were 9.8 percent higher than in June 2019.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

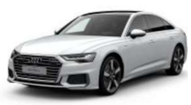


Audi Q7

Audi and Lamborghini models introduced in the period under review

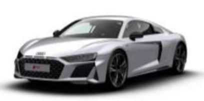
Q1/2020

Electric models

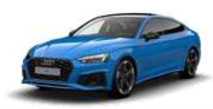


Audi A6 Sedan TFSI e

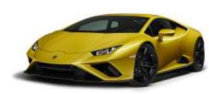
Models with conventional drive system



Audi R8 V10 RWD Coupé/Spyder



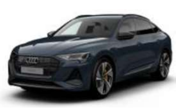
Audi A5/S5 family



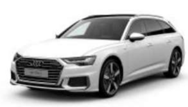
Lamborghini Huracán EVO RWD

Q2/2020

Electric models

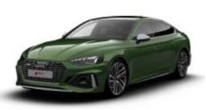


Audi e-tron Sportback

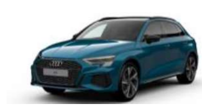


Audi A6 Avant TFSI e

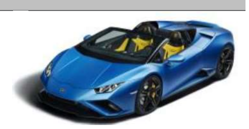
Models with conventional drive system



Audi RS 5 Sportback/Coupé



Audi A3 Sportback



Lamborghini Huracán EVO RWD Spyder

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 looks and performance. The new Panigale V4 with a range of improvements is already available from 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.

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 2020. In June 2020, production and deliveries started of the Superleggera V4, which is limited to an edition of 500 units. Also in June, Ducati presented the new Hypermotard 950 RVE. This has been available from dealers since June and has a special “graffiti” paint finish.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

FINANCIAL PERFORMANCE INDICATORS

/ CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES

Since January 1, 2020, the Volkswagen Group has consolidated participations and subsidiaries that develop software in the vehicle and for further digital applications in the Car.Software organization. In this connection, in January 2020, Audi sold Audi Electronics Venture GmbH, Gaimersheim, which had been included in the consolidated financial statements as a 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 30, 2020.

On July 12, 2019, Volkswagen AG, Wolfsburg, announced that, together with Ford Motors Corporation, Dearborn (USA), it would invest in Argo AI, Pittsburgh (USA), a company that specializes in software platforms for autonomous driving, and that this would be effected, among other things, by the contribution of Autonomous Intelligent Driving GmbH, Munich, a consolidated subsidiary of AUDI AG. The contribution of Autonomous Intelligent Driving GmbH was made as of June 1, 2020. Prior to that, AUDI AG had sold the company within the Volkswagen Group as of June 1, 2020.

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

/ INVESTMENTS IN ASSOCIATES

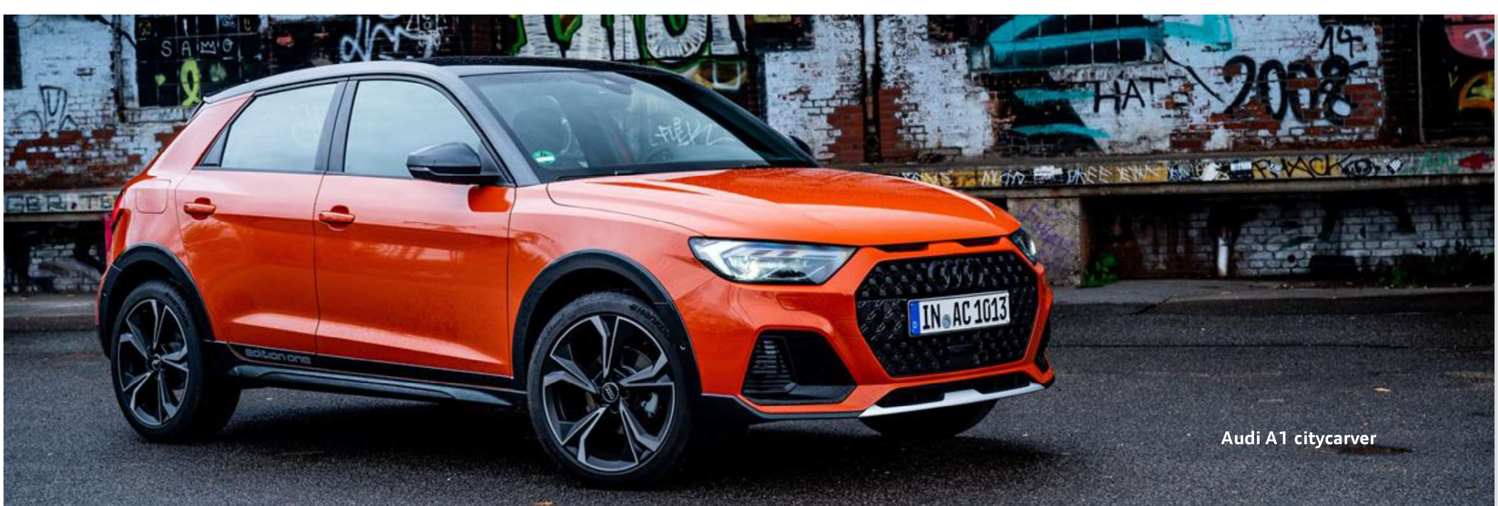
AUDI AG holds 5 percent of the shares in FAW-Volkswagen Automotive Co., Ltd., Changchun (China), which, among other activities, produces and distributes Audi brand vehicles for the Chinese market. On May 15, 2020, AUDI AG entered into a trust agreement under which it transferred the beneficial ownership of 4 percent of the shares of FAW-Volkswagen Automotive Co., Ltd., to Volkswagen AG. This means that the share of the investment accounted for using the equity method is now measured on the basis of an interest of 1 percent. Through its representation in this company's management and supervisory board, AUDI AG remains in a position to exercise significant influence.

In January 2020, a capital increase was implemented at THERE Holding B.V., Rijswijk (Netherlands), in which Audi participated. In December 2019, it was announced that additional investors would acquire shares in HERE International B.V., Eindhoven (Netherlands). Following the signing in December 2019, and approval by all antitrust authorities, Mitsubishi Corporation (MC), Tokyo (Japan), and Nippon Telegraph and Telephone Corporation of Japan (NTT), Tokyo (Japan), jointly acquired 30 percent of the shares in HERE International B.V. as of May 29, 2020. The interest held by THERE Holding B.V. In HERE International B.V. was reduced from approximately 85 percent to approximately 60 percent. As a result of the sale of the shares, a capital decrease was implemented at the level of THERE Holding B.V. in June 2020. Audi's interest in THERE Holding B.V. continues to amount to around 29.7 percent.

/ FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 20,476 (28,761) million in the first six months of 2020. The year-on-year decline was mainly due to lower demand in connection with the coronavirus pandemic and the resulting reduction in the number of cars and motorcycles sold.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi A1 citycarver

In the Automotive segment, revenue was EUR 20,144 (28,325) million.
Revenue from the sale of vehicles of the Audi brand fell to EUR 13,566 (20,517) million as a result of the market situation. Our fully electric Audi e-tron reported a positive year-on-year revenue trend.
Revenue from engines, powertrains and parts deliveries was close to the prior-year level at EUR 3,983 (4,154) million. Parts deliveries for our local production in China had a positive impact here. Due to the coronavirus pandemic, the Lamborghini brand reported a year-on-year drop in revenue to EUR 766 (978) million.
In the Motorcycles segment, the Ducati brand generated revenue of EUR 331 (435) million. The decrease is also attributable to the effects of the coronavirus pandemic.

Condensed income statement, Audi Group

EUR million	1–6/2020	1–6/2019
Revenue	20,476	28,761
Cost of goods sold	–19,596	–24,597
Gross profit	**880**	**4,163**
Distribution costs	–1,365	–1,598
Administrative expenses	–321	–331
Other operating result	56	66
Operating result	**–750**	**2,300**
Financial result	836	280
Profit before tax	**86**	**2,580**
Income tax expense	3	–588
Profit after tax	**88**	**1,992**

The cost of goods sold for the Audi Group decreased to EUR 19,596 (24,597) million in the period from January to June 2020, principally due to volumes. The cost of goods sold was also adversely affected by expenses for the early retirement program in connection with the “Audi.Zukunft” agreement. By contrast, measures related to labor organization and a considerable reduction in overhead costs thanks, among other things, to the Audi Transformation Plan had a beneficial effect on the cost of goods sold. Research and development activities amounted to EUR 1,732 (2,214) million. Development costs in the Audi Group were reduced principally by pooling software development in the Car.Software organization within the Volkswagen Group. In addition, expenses were reduced by greater focusing of project funding. The sharp drop in revenue resulted in a research and development ratio of 8.5 (7.7) percent. The Audi Group capitalized development spending amounting in total to EUR 578 (571) million in the first half of 2020, which is equivalent to a capitalization ratio of 33.4 (25.8) percent. This increase is mainly due to the changed definition of the cash-generating unit in the fourth quarter of 2019. Since then, the brands normally represent the cash-generating units in the Automotive segment. Detailed notes can be found in the corresponding sections of the 2019 Financial Report. Research and development expenditure recognized as an expense came to EUR 1,748 (2,126) million in the period under review. This figure also includes amortization and impairment losses as well as reversals of impairment losses on capitalized development costs in the amount of EUR 594 (483) million. The research expense and non-capitalized development costs came to EUR 1,154 (1,643) million.

In the first six months, the Audi Group’s distribution costs decreased to EUR 1,365 (1,598) million, mainly due to restricted distribution activities at the height of the coronavirus pandemic.

Administrative expenses were EUR 321 (331) million in the period under review.

The other operating result of the Audi Group for the first half of the year was EUR 56 (66) million. The sale of Autonomous Intelligent Driving GmbH, Munich, had a positive effect of EUR 495 million. The other principal drivers of the other operating result included the turbulence on the commodity and financial markets which led to a significant negative impact from the fair value measurement and accounting of commodity hedges and negative currency effects of EUR –281 (–47) million. A further negative valuation effect in the amount of EUR –280 (–27) million related to the residual value hedging model, which contains hedging agreements with dealers for leased vehicles. In connection with the diesel issue, expenses of EUR –108 million are recognized as special items.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

Key operating performance figures, Audi Group

EUR million	1–6/2020	1–6/2019
Operating result before special items	**–643**	**2,300**
Special items	–108	–
Operating result	**–750**	**2,300**
Automotive segment	–757	2,256
Motorcycles segment	7	44
adjusted for effects of PPA [1]	*18*	*56*
Profit before tax	**86**	**2,580**

in %	1–6/2020	1–6/2019
Operating return on sales before special items	**–3.1**	**8.0**
Operating return on sales	**–3.7**	**8.0**
Automotive segment	–3.8	8.0
Motorcycles segment	2.0	10.2
adjusted for effects of PPA [1]	*5.4*	*12.9*
Return on sales before tax	**0.4**	**9.0**

1) Effects of purchase price allocation

The operating activities are reflected in the operating result before special items of EUR –643 (2,300) million. The operating return on sales before special items was –3.1 (8.0) percent in the first six months. As a result of special items of EUR –108 (–) million in connection with the diesel issue, the operating result of the Audi Group was EUR –750 (2,300) million, giving an operating return on sales of –3.7 (8.0) percent. Special items are certain items that are reflected in the financial statements whose separate disclosure we believe allows a better assessment of the economic performance of the Audi Group.

In the Automotive segment, we generated an operating result of EUR –757 (2,256) million and an operating return on sales of –3.8 (8.0) percent.

In the Motorcycles segment, the operating result was EUR 7 (44) million in the first half of 2020. This represents an operating return on sales of 2.0 (10.2) percent. After elimination of the effects of purchase price allocation, our operating result came to EUR 18 (56) million and the operating return on sales was 5.4 (12.9) percent. The operating result in the Motorcycles segment was also impacted principally by the pandemic-related reduction in revenue.

Financial result, Audi Group

EUR million	1–6/2020	1–6/2019
Result from investments accounted for using the equity method	248	107
of which FAW-Volkswagen Automotive Company, Ltd.	*86*	*92*
of which Volkswagen Automatic Transmission (Tianjin) Company Ltd.	*100*	*103*
of which SAIC Volkswagen Automotive Company Ltd.	*8*	*12*
of which THERE Holding B.V.	*68*	*–73*
Net interest result	70	–63
Other financial result	518	236
of which brand settlement, China business [1]	*205*	*169*
Financial result	**836**	**280**
of which China business [2]	*398*	*376*

1) Financial brand settlement agreed between AUDI AG and Volkswagen AG, Wolfsburg, for China business in connection with associates.
2) Includes the items FAW-Volkswagen Automotive Company, Ltd., Volkswagen Automatic Transmission (Tianjin) Company Limited, SAIC Volkswagen Automotive Company Ltd., and brand settlement for China business.

The financial result of the Audi Group was EUR 836 (280) million in the first six months of 2020.
The result from investments accounted for using the equity method increased, principally at THERE Holding B.V., Rijswijk (Netherlands), at the level of HERE International B.V., Eindhoven (Netherlands), due to the sale of shares to Mitsubishi Corporation (MC), Tokyo (Japan), and Nippon Telegraph and Telephone Corporation of Japan (NTT), Tokyo (Japan). The net interest result improved due the compounding of interest on provisions. The increase in the other financial result was mainly due to the higher result from participations due to the sale of Audi Electronics Venture GmbH, Gaimersheim. Deconsolidation of this company contributed EUR 589 million to the result from participations. Measurement effects relating to securities funds resulting from turbulence on financial markets due to the pandemic had a negative effect. In addition, the year-on-year increase in the brand settlement of EUR 205 (169) million from Volkswagen AG, Wolfsburg, for the China business had a positive impact on the development of the other financial result.

In the reporting period, the profit before tax of the Audi Group decreased to EUR 86 (2,580) million and the return on sales before tax fell to 0.4 (9.0) percent. Profit after tax came to EUR 88 (1,992) million.

/ ASSETS AND LIABILITIES

As of June 30, 2020, the balance sheet total of the Audi Group decreased to EUR 63,455 (66,878) million compared with the position as of December 31, 2019.

Condensed balance sheet, Audi Group

EUR million	June 30, 2020	Dec. 31, 2019
Non-current assets	33,024	34,211
Current assets	30,432	32,422
Assets classified as held for sale	–	246
Total assets	**63,455**	**66,878**
Equity	29,096	28,395
Liabilities	34,359	38,431
of which non-current liabilities	*16,743*	*16,212*
of which current liabilities	*17,616*	*22,219*
Liabilities classified as held for sale	–	52
Total equity and liabilities	**63,455**	**66,878**

The non-current assets of the Audi Group amounted to EUR 33,024 (34,211) million. The development of non-current assets was driven principally by the decline in property, plant and equipment resulting from greater investment discipline as an active measure to manage liquidity during the coronavirus pandemic.
Current assets totaled EUR 30,432 million as of June 30, 2020, compared with EUR 32,422 million as of December 31, 2019. The main reason for the decrease, apart from lower inventories of new vehicles, was the reduction in cash and cash equivalents, which was due on the one hand to the transfer of the profit for 2019 to Volkswagen AG, Wolfsburg, in the first quarter of 2020. On the other hand, it should be noted that while business operations were restricted due to the pandemic, ongoing expenditures remained unchanged.

The equity of the Audi Group rose to EUR 29,096 (28,395) million as of June 30, 2020. This represents an equity ratio of 45.9 percent, compared with 42.5 percent as of December 31, 2019. The increase in equity was mainly due to higher reserves.

At the end of the first six months of 2020, non-current liabilities were EUR 16,743 million, compared with EUR 16,212 million at the end of 2019.
The current liabilities of the Audi Group declined to EUR 17,616 million compared with EUR 22,219 million as of December 31, 2019. The decline was attributable to the production-related reduction in trade payables and the transfer of the profit for 2019 to Volkswagen AG, Wolfsburg, in the first quarter of 2020.

/ FINANCIAL POSITION

The Audi Group generated a cash flow from operating activities of EUR 1,437 (4,145) million in the first half of 2020. The decline was mainly due to the pandemic-related reduction in the result and the unfavorable development of liabilities within the working capital. The change in inventories had a positive effect on the working capital. 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 had a positive impact on the cash flow from operating activities.

Condensed cash flow statement, Audi Group

EUR million	1–6/2020	1–6/2019
Cash and cash equivalents at beginning of period	11,747	8,550
Cash flow from operating activities	**1,437**	**4,145**
Investing activities attributable to operating activities [1]	516	–1,892
of which capital expenditure [2]	–490	–857
of which capitalized development costs	–578	–571
of which acquisition and sale of participations [3]	1,561	–470
Net cash flow	1,953	2,253
Change in cash deposits and loans extended	–755	744
Cash flow from investing activities	**–239**	**–1,148**
Cash flow from financing activities	**–3,847**	**–1,172**
Change in cash and cash equivalents due to changes in exchange rates	18	18
Change in cash and cash equivalents	**–2,631**	**1,843**
Cash and cash equivalents at end of period	**9,116**	**10,393**

1) This item includes other cash changes of EUR 22 (6) million
2) This includes investments in property, plant and equipment, investment property and other intangible assets
3) Including changes in capital; including subsidiaries and associates

EUR million	June 30, 2020	Dec. 31, 2019
Cash funds as per cash flow statement	9,116	11,747
Cash funds classified as held for sale	–	–115
Short-term fixed deposits	11,693	11,170
Gross liquidity	**20,809**	**22,802**
Credit outstanding [4]	–933	–1,048
Net liquidity	**19,875**	**21,754**

4) Current financial liabilities and non-current financial liabilities

The cash flow from investing activities attributable to operating activities came to EUR 516 (–1,892) million in the first half of 2020. As a result of a further improvement in our investment discipline, compared with June 30, 2019, capital expenditures were reduced by EUR 367 million to EUR –490 (–857) million and the ratio of capex was therefore 2.4 (3.0) percent. The capitalized development costs amounted to EUR 578 (571) million.

Overall, the net cash flow of the Audi Group was EUR 1,953 (2,253) million in the first half of 2020. The decline in the cash flow from operating activities was principally offset by divestments reflected in the cash flow from investing activities, including the sale of Audi Electronics Venture GmbH, Gaimersheim, in the amount of EUR 650 million, the sale of Autonomous Intelligent Driving GmbH, Munich, in the amount of EUR 500 million, the transfer of the beneficial ownership of 4 percent of the shares in FAW-Volkswagen Automotive Co., Ltd., Changchun (China), in the amount of EUR 311 million, and by the capital increase and decrease at THERE Holding B.V., Rijswijk (Netherlands), in the amount of EUR 164 million.

Overall, the cash flow from financing activities was EUR –3,847 (–1,172) million in the first half of 2020. It almost exclusively comprises the profit transfer of EUR –3,752 (–1,096) million to Volkswagen AG, Wolfsburg.

The closing position for cash funds as of June 30, 2020, was EUR 9,116 million.
As of June 30, 2020, the net liquidity of the Audi Group declined to EUR 19,875 million compared with EUR 21,754 million as of December 31, 2019.

EMPLOYEES

/ WORKFORCE

Average	1–6/2020	1–6/2019
Domestic companies [1]	**59,486**	**60,114**
of which AUDI AG	58,428	59,000
Ingolstadt plant	42,670	42,954
Neckarsulm plant	15,759	16,047
Foreign companies	**26,753**	**27,849**
of which Audi Brussels S.A./N.V.	3,058	2,856
of which Audi Hungaria Zrt.	12,524	13,277
of which Audi México S.A. de C.V.	5,182	5,290
of which Automobili Lamborghini S.p.A.	1,766	1,784
of which Ducati Motor Holding S.p.A.	1,366	1,374
Employees	**86,239**	**87,963**
Apprentices	2,382	2,414
Employees of Audi Group companies	**88,621**	**90,376**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	463	443
Workforce Audi Group	**89,084**	**90,819**

1) Of these employees, 2,046 (1,868) were in the passive stage of their partial retirement.

In the first half of 2020, the Audi Group workforce declined slightly year-on-year to an average of 89,084 (90,819) employees. The change was due mainly to demographic effects, the adjustment of the production programs at Audi Hungaria Zrt., Györ (Hungary), and the deconsolidation of Audi Japan Sales K.K., Tokyo (Japan), and Autonomous Intelligent Driving GmbH, Munich. In addition, to provide temporary support within the Volkswagen Group, employees from the Neckarsulm site were transferred to production at Dr. Ing. h.c. F. Porsche AG, Stuttgart.

In view of the difficult economic conditions caused by the coronavirus pandemic, AUDI AG and employee representatives agreed to introduce short-time working at the Ingolstadt and Neckarsulm sites from March 2020. 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. Between the end of March and mid-June 2020, an average of around 23,000 employees were working short-time. 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 absolutely necessary to maintain business operations, employees were able to use the increased possibility of working from home. Many safety precautions were also taken at the Audi Group's foreign sites to prevent coronavirus from spreading. The controlled, stepwise restart of production was driven forward in the second quarter of 2020, while respecting all health and safety aspects. By the end of the reporting period, all production sites had resumed operation. The Company's duty to protect its employees and their health has top priority.
In the first half of 2020, more than 1,300 employees took up the early-retirement program offered in connection with the "Audi.Zukunft" agreement. These employees left the company effective July 1, 2020.

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.

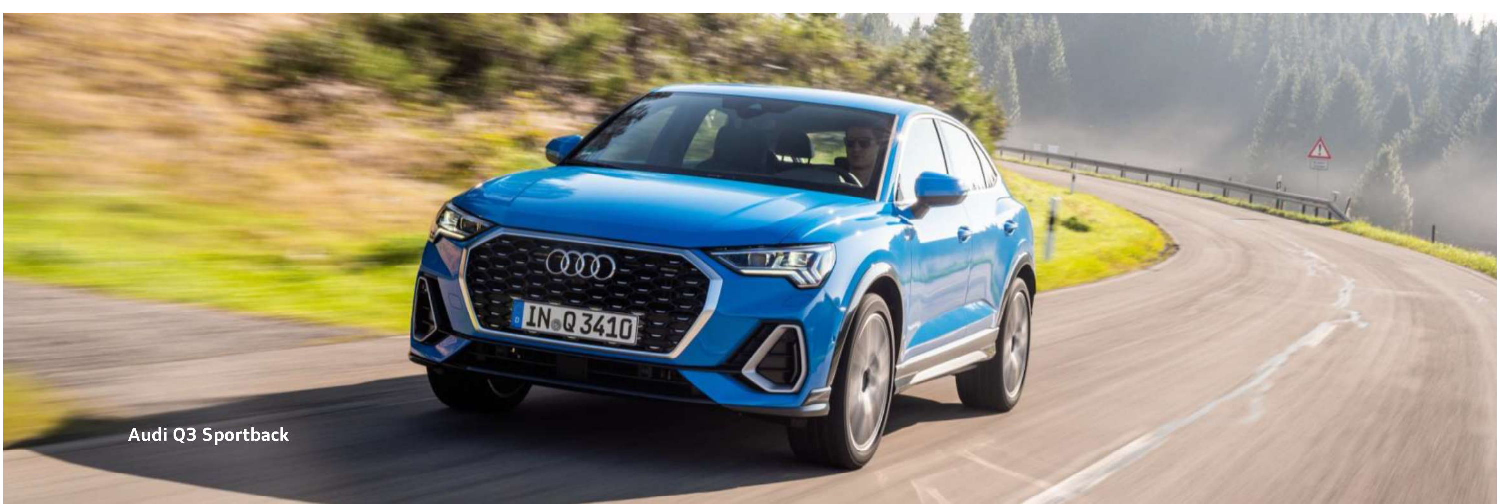
In light of the coronavirus pandemic, we have drawn up scenarios for the development of the passenger car markets in individual regions in 2020. These take into account current experience from the development in China, for example. The scenarios reflect geographical differences in the timing of how the 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 around 25 percent below the prior-year level. Following the massive drop at the beginning of the second quarter and the significant recovery during the remainder of the first half of the year, we assume the market will continue to pick up throughout the third and fourth quarter of 2020 and that the previous year’s level can be achieved in individual months.
Our scenario for the passenger car markets in Central and Eastern Europe is based on a similar, albeit more stable pattern, and 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 around 25 percent year-on-year. Following the dramatic decline at the beginning and a slight recovery throughout the rest of the second quarter, we anticipate that the market will see a sideways shift in the remaining quarters of 2020.
In South America, we expect to see an overall drop in new registrations of passenger cars and light commercial vehicles of up to 40 percent year-on-year in 2020. After the massive drop in the second quarter, the market is expected to only slowly and gradually recover in the third and fourth quarters, although there will not be a return to prior-year figures.
The passenger car markets in the Asia-Pacific region will probably contract by between 10 and 15 percent year-on-year in 2020. Following the very sharp decline in the first and the rapid recovery in the second quarter, we expect a performance that is on a par with the previous year’s level in the remaining quarters of 2020.

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 significantly lower than last year.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



Audi Q3 Sportback

At present, we currently also expect the Audi Group's operating result to be substantially lower than the prior-year level, but still clearly positive. 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. However, we expect passenger car markets in general to recover further in the second half of the year with a positive impact on our operating result.

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

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.

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, since March 2020 we have been reviewing investments in particular. Although revenue development is currently expected to be negative, we forecast that the ratio of capex will be below 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 that influence the Audi Group are presented in detail on pages 89 to 108 of the Audi 2019 Financial Report. The statements made there on the risk situation for the 2020 fiscal year are still fundamentally valid. There have been some changes in individual risks within the reported risk categories. These are explained below. Looking at the risk assessment by category, compared with the 2019 Financial Report, the only changes were in the categories "Operational risks" and "Legal risks". The overall risk situation is virtually unchanged compared with the Audi 2019 Financial Report as the risks relating to the coronavirus in particular have since been considered in our planning. The operational risks (quarterly risk process) and systemic risks (regular GRC process) were updated in the second quarter and the update was presented in detail to the top management at Audi. It was also reported to the Volkswagen Group.

// RISKS FROM GENERAL ECONOMY, INDUSTRY AND MARKETS

The risk situation in connection with the coronavirus pandemic increased after publication of the Audi 2019 Financial Report, but has now decreased again. In particular, the measures taken by many governments around the world had a major impact on sales and production volumes. The altered risk situation was outlined in the report on risks and opportunities in the Audi Group's interim report on the first quarter of 2020.

As a matter of principle, our risk identification process involves assessing risks that have not yet been included in the financial planning. Since the start of the coronavirus pandemic, the Audi Group has used planning scenarios. The pandemic-related volume risk has decreased because it is already included in the current planning scenario for the 2020 fiscal year. The risk of a second wave of the pandemic is currently being evaluated. A significant rise in coronavirus infections would result in renewed far-reaching restrictions on public life and economic activity. That would have negative implications for production and our key performance indicators for the whole of the 2020 fiscal year.

To actively manage the pandemic-related risks, Audi set up a cross-divisional crisis management team in March 2020. This is now established and is coordinating all countermeasures as well as 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. The pandemic will probably continue to affect the Audi Group in the remainder of the year.

There is currently complex CO_2 legislation in China. Alongside fleet emission stipulations (CAFC), it includes a quota arrangement for electric vehicles (NEV share) and various incentives such as tax relief and NEV super-credits. To qualify for these, it is necessary to meet constantly rising requirements. Compared with the 2019 Financial Report, there is an increased risk that Audi might not be able to benefit from incentive rules for its imported and locally produced vehicles. This, together with possible delays in the localized portfolio of electric vehicles, could result in Audi temporarily falling short of the CO_2 targets. In addition, this risk could materialize as a result of lower demand for imported vehicles (such as the Audi e-tron models). This could affect our delivery and profit figures. To reduce the risk, the portfolio, product and volume planning is constantly reviewed. In addition, options of buying

credits or transferring credits within the Volkswagen Group are examined.
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 countermeasures are still 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. The risk has increased as a result of the present market-driven shortage of resources and delays in the development of the cross-platform electronics architecture. This risk is being countered by further focusing project funding and resources within Technical Development.

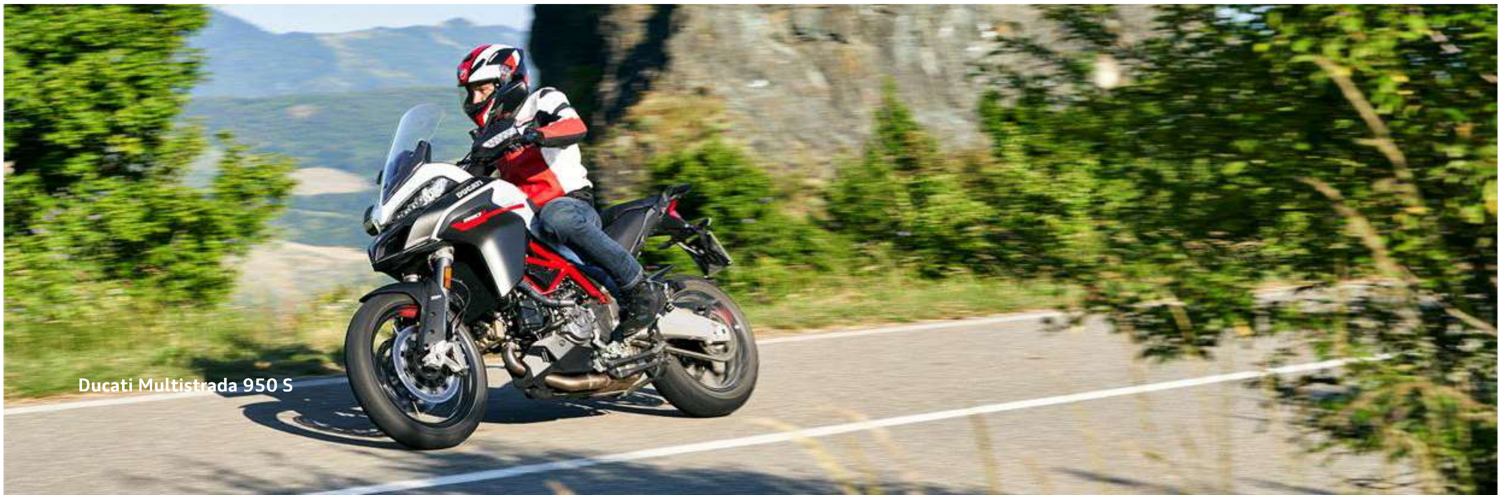
// OPERATIONAL RISKS

Compared with the 2019 Financial Report, the potential impact in the risk category “Operational risks” has changed from “medium” to “low.” The background is an improvement in the delivery situation for battery cells for our fully electric vehicles as our suppliers have increased capacity. The potential impact of this risk category has also been reduced by the lower classification of the risk of failing to meet certification requirements and/or registration-related standards thanks to established processes and control systems. By contrast, there are the following new and altered risks. However, overall the potential impact is considered to be lower.
For procurement, the Audi Group uses a worldwide network of suppliers. In principle, contractual agreements may result in compensation claims from suppliers in the event of significant deviations in call-off volumes, and these could be utilized in individual cases. In view of the present tense market situation, a risk assessment as of the reporting date was undertaken for the half-year report. The related risks are reviewed continuously. The basic non-availability of parts for the production process as a result of delivery problems or disruption by suppliers is another risk that has increased compared with the 2019 Financial Report – not least due to the coronavirus pandemic. This risk is being countered by active management of demand and close tracking and monitoring of suppliers so that potential bottlenecks can be identified at an early stage and suitable action can be taken to counter them.
Furthermore, there is a new risk relating to delays in the negotiations with our Chinese partner 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. We are negotiating closely with our partner on this.
The steadily increasing percentage of fully electric vehicles and the associated use of lithium-ion batteries is also altering the technical risks in the vehicles. Among other things, we are looking closely at the issue of thermal management in the batteries in order to exclude potential risks from the start. Numerous test and simulation processes are used to generate hazard and risk analyses in order to derive suitable measures.

// SALES RISKS

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. Overall, this risk has increased since the 2019 Financial Report. Risk management is conducted by means of an ongoing exchange with our partners on the specific structure of our collaboration, optimization of the distribution system and customer studies. It also includes regular reporting to top management.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.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// LEGAL RISKS

Compared with the 2019 Financial Report, the potential impact in the risk category "Legal risks" has decreased from "high" to "medium." This assessment takes into account the present situation with regard to the U.S. monitorship. We assume that the U.S. Compliance Monitor (USCM) will cease its monitorship in the third quarter of 2020.

In June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also charges the former Chairman of the Board of Management of AUDI AG, and opened the main trial proceedings.

In April 2020, the court in Australia approved the class action settlement that the parties, including AUDI AG, had agreed to. In April 2020, the High Court in England and Wales ruled in the group litigation, in which AUDI AG among others is involved, that the switch logic in the EA 189 engine constituted an unlawful defeat device; the court believed that it was also bound by the findings of the Kraftfahrtbundesamt (German Federal Motor Transport Authority) in this respect. The accused parties disagree with the High Court's legal position on these preliminary issues and have filed an appeal against this decision. The question of liability on the part of the manufacturer was not a matter addressed by the decision and will be dealt with at a later stage of the proceedings.

In April 2020, the Diesel Emissions Justice Foundation served an opt-out class action lawsuit on Volkswagen AG and other Volkswagen Group companies including AUDI AG seeking monetary damages on behalf of Dutch consumers. A change in the law in the Netherlands that took effect on January 1, 2020, permits consumers in the European Union to opt into the class action as well. The class action relates to vehicles with type EA 189 engines, among others.

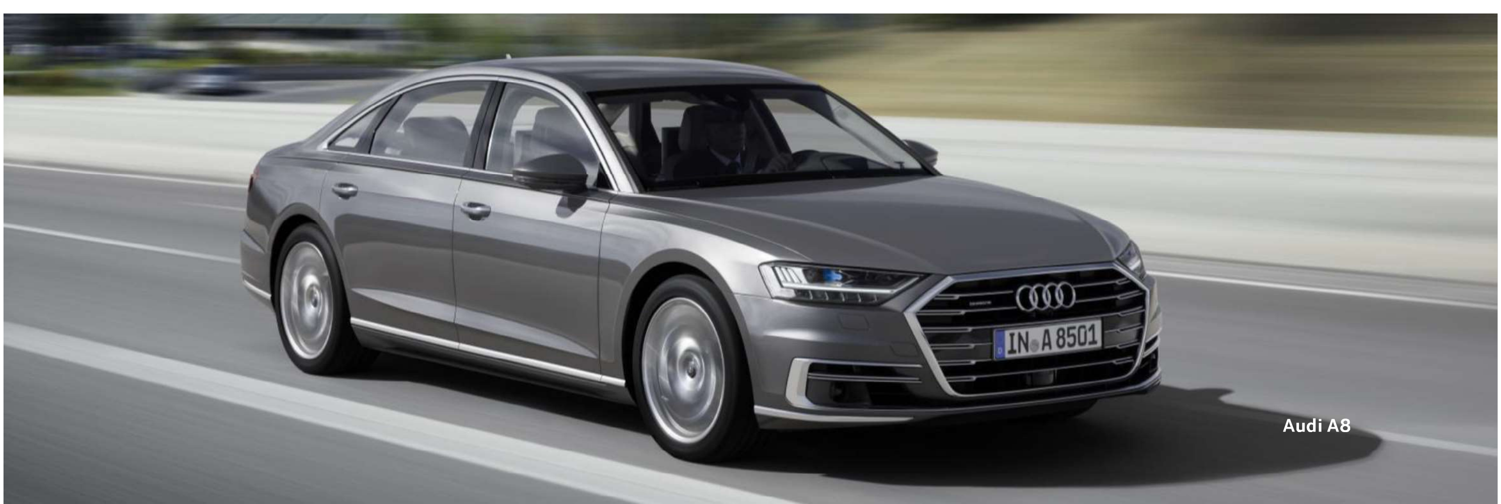
In February 2020, the Montana State Court dismissed certain of the environmental claims asserted by the Montana Attorney General, but allowed other claims to proceed. Volkswagen has asked the Montana Supreme Court to review this decision. In March 2020, the Ohio Supreme Court, at Volkswagen's request, agreed to hear an appeal of a lower court's decision concerning Ohio's remaining claims. In June 2020, the U.S. Court of Appeals for the Ninth Circuit partially reversed the trial court's decision and held that Hillsborough County, Florida, and Salt Lake County, Utah, can proceed with a subset of their claims.
In May 2020, the settlement program in the United States for Generation 2 3.0-liter TDI vehicles ended.

In the environmental class action lawsuit seeking damages on behalf of the residents of the Province of Quebec, after authorizing the case to proceed as a class, a Quebec court ruled in June 2020 that a motion to dismiss by Volkswagen is permissible at the present stage of the proceedings. Volkswagen noticed its motion in July 2020.

In connection with the factual matters that in principle also underlie the antitrust proceedings instituted by the European Commission against Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in April 2019, the South Korean competition authority searched the premises of Audi Volkswagen South Korea and Porsche South Korea in May 2020 and issued requests for information to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG. Furthermore, the Turkish competition authority commenced proceedings in the same matter in July 2020.

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 several automobile manufacturers, including Volkswagen AG and other Group companies, conspired to unlawfully increase the prices of German luxury vehicles in violation of U.S. antitrust

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.



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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. Plaintiffs filed a second set of amended complaints in June 2020.

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.

// FINANCIAL RISKS

The automotive industry's transformation led to increased uncertainty on the capital market regarding the future value of the Company. There was a risk that analysts and investors might place Audi and the Volkswagen Group in a much higher risk category, in the absence of established measurement models. This risk was reviewed in the second quarter of 2020, leading to the conclusion that the operationalization of the strategic realignment underpins the future viability of AUDI AG and counters this risk, so this risk is no longer reportable as part of the standardized risk process.

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 suggest that a different assessment of the associated risks should have been made.

EVENTS OCCURRING SUBSEQUENT TO THE REPORTING DATE

There were no reportable events of material significance after June 30, 2020.

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. If there are 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 or if the actual effects of the coronavirus pandemic differ from the scenario assumed in this report, this 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.

Fuel/power consumption and CO_2 emission figures as well as the efficiency classes can be found on page 47.

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CONSOLIDATED FINANCIAL STATEMENTS OF THE AUDI GROUP AS OF JUNE 30, 2020

INCOME STATEMENT OF THE AUDI GROUP

EUR million	Notes	1–6/2020	1–6/2019
Revenue	1	20,476	28,761
Cost of goods sold	2	– 19,596	– 24,597
Gross profit from sales		**880**	**4,163**
Distribution expenses	3	– 1,365	– 1,598
Administrative expenses		– 321	– 331
Other operating income	5	1,629	995
Other operating expenses	5	– 1,573	– 929
Operating result		**– 750**	**2,300**
Result from investments accounted for using the equity method		248	107
Interest income		93	129
Interest expenses		– 23	– 192
Other financial result		518	236
Financial result	**6**	**836**	**280**
Profit before tax		**86**	**2,580**
Income tax		3	– 588
Profit after tax		**88**	**1,992**
of which profit share of AUDI AG shareholders		*86*	*1,950*
of which profit share of non-controlling interests		*2*	*42*
Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code or the share of loss to be offset by Volkswagen AG		– 434	1,172

in EUR		1–6/2020	1–6/2019
Earnings per share	7	2.01	45.35
Diluted earnings per share	7	2.01	45.35

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	1–6/2020	1–6/2019
Profit after tax	**88**	**1,992**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income before tax	–38	–1,241
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	11	370
Pension plan remeasurements recognized in other comprehensive income after tax	–27	–871
Share of other comprehensive income of investments accounted for using the equity method that may not be reclassified subsequently to profit or loss after tax	1	0
Items that may not be reclassified to profit or loss after tax	**–26**	**–871**
Currency translation differences		
Gains and losses from currency translation recognized in other comprehensive income	–20	28
Currency translation differences transferred to profit or loss	0	–30
Currency translation differences before tax	–21	–3
Currency translation differences after tax	–21	–3
Hedging transactions		
Fair value changes of cash flow hedges recognized in other comprehensive income	609	–144
Fair value changes of cash flow hedges transferred to profit or loss	–85	–198
Cash flow hedges before tax	524	–342
Deferred taxes on cash flow hedges	–158	102
Cash flow hedges after tax	366	–240
Costs of hedging relationships recognized in other comprehensive income	–339	–295
Costs of hedging relationships transferred to profit or loss	211	167
Costs of hedging relationships before tax	–128	–128
Deferred taxes on costs of hedging relationships	39	38
Costs of hedging relationships after tax	–89	–90
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified to profit or loss after tax	–52	–3
Items that may be reclassified to profit or loss after tax	**204**	**–335**
Other comprehensive income before tax	285	–1,716
Deferred taxes relating to other comprehensive income	–107	510
Other comprehensive income after tax [1)]	**178**	**–1,206**
Total comprehensive income	**267**	**786**
of which profit share of AUDI AG shareholders	*264*	*735*
of which profit share of non-controlling interests	*3*	*50*

1) A share of EUR 1 (9) million of the other comprehensive income after tax from currency translation differences with no effect on profit or loss is attributable to non-controlling interests.

BALANCE SHEET OF THE AUDI GROUP

ASSETS *in EUR million*	Notes	June 30, 2020	Dec. 31, 2019
Intangible assets		7,651	7,723
Property, plant and equipment		13,584	14,618
Lease assets		12	8
Investment property		307	314
Investments accounted for using the equity method		2,342	2,681
Other participations		353	343
Deferred tax assets		3,031	2,957
Other financial assets		5,614	5,427
Other receivables		130	141
Non-current assets	**8**	**33,024**	**34,211**
Inventories	9	7,228	7,819
Trade receivables		4,858	5,011
Effective income tax assets		107	36
Other financial assets		2,035	1,273
Other receivables		854	960
Securities		6,125	5,592
Cash funds		9,224	11,731
Current assets		**30,432**	**32,422**
Assets classified as held for sale		**–**	**246**
Total assets		**63,455**	**66,878**

EQUITY AND LIABILITIES *in EUR million*	Notes	June 30, 2020	Dec. 31, 2019
Subscribed capital		110	110
Capital reserve		12,175	12,175
Retained earnings		15,928	15,435
Other reserves		143	–61
AUDI AG shareholders' interests		28,356	27,658
Non-controlling interests		740	737
Equity		**29,096**	**28,395**
Financial liabilities		772	810
Other financial liabilities		846	563
Other liabilities		1,285	1,092
Provisions for pensions		6,830	6,720
Other provisions		6,356	6,295
Effective income tax obligations		358	528
Deferred tax liabilities		297	204
Non-current liabilities		**16,743**	**16,212**
Financial liabilities		162	238
Trade payables		6,049	7,106
Other financial liabilities		3,208	6,789
Other liabilities		2,989	2,671
Other provisions		4,579	4,560
Effective income tax obligations		629	854
Current liabilities		**17,616**	**22,219**
Liabilities		**34,359**	**38,431**
Liabilities classified as held for sale		**–**	**52**
Total equity and liabilities		**63,455**	**66,878**

CASH FLOW STATEMENT OF THE AUDI GROUP

EUR million	1–6/2020	1–6/2019
Profit before profit transfer and income taxes	86	2,580
Income tax payments	–563	–728
Amortization of and impairment losses (reversals) on capitalized development costs	594	483
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, lease assets, investment property and other intangible assets	1,557	1,466
Depreciation of and impairment losses (reversals) on financial investments	2	–
Result from the disposal of assets and investments in associates and other participations	–1,063	4
Result from investments accounted for using the equity method	–145	–71
Change in inventories	512	–418
Change in receivables	94	–332
Change in liabilities	–369	933
Change in provisions	179	435
Change in lease assets	–5	0
Other non-cash income and expenses	561	–207
Cash flow from operating activities	**1,437**	**4,145**
Additions to capitalized development costs	–578	–571
Investments in property, plant and equipment, investment property and other intangible assets	–490	–857
Acquisition of subsidiaries and changes in capital [1)]	–3	16
Acquisition of investments in associates and other participations and changes in capital	–30	–69
Sale of subsidiaries, investments in associates, and other participations and changes in capital [1)]	1,595	–417
Other cash changes	22	6
Change in investments in securities	–713	92
Change in fixed deposits and loans extended	–41	652
Cash flow from investing activities	**–239**	**–1,148**
Transfer of profit	–3,752	–1,096
Change in financial liabilities	–34	–29
Lease payments made	–61	–47
Cash flow from financing activities	**–3,847**	**–1,172**
Change in cash and cash equivalents due to changes in exchange rates	18	18
Change in cash and cash equivalents	**–2,631**	**1,843**
Cash and cash equivalents at beginning of period	11,747	8,550
Cash and cash equivalents at end of period	**9,116**	**10,393**

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

EUR million	June 30, 2020	Dec. 31, 2019
Cash funds	9,116	11,747
Cash funds classified as held for sale	–	–115
Fixed deposits, securities and loans extended	11,693	11,170
Gross liquidity	**20,809**	**22,802**
Financial liabilities	–933	–1,048
Net liquidity	**19,875**	**21,754**

STATEMENT OF CHANGES IN EQUITY OF THE AUDI GROUP

EUR million	Subscribed capital	Capital reserve	Retained earnings	
			Statutory reserve and other retained earnings	
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**	
Position as of Jan. 1, 2020	110	12,175	15,435	
Profit after tax	–	–	86	
Other comprehensive income after tax	–	–	–27	
Total comprehensive income	**–**	**–**	**60**	
Miscellaneous changes [1]	–	–	434	
Position as of June 30, 2020	**110**	**12,175**	**15,928**	

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 or the share of loss to be offset by Volkswagen AG.

	Other reserves				Equity		
	Reserve for currency translation differences	Hedging transactions: Reserve for cash flow hedges	Hedging transactions: Costs of hedging relationships	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interest	Total
	55	685	–211	41	29,073	626	29,698
	–	–	–	–	1,950	42	1,992
	–11	–240	–90	–3	–1,215	9	–1,206
	–11	**–240**	**–90**	**–3**	**735**	**50**	**786**
	0	–	–	–	–1,172	–	–1,172
	44	**445**	**–301**	**38**	**28,636**	**676**	**29,312**
	65	156	–329	47	27,658	737	28,395
	–	–	–	–	86	2	88
	–21	366	–89	–52	177	1	178
	–21	**366**	**–89**	**–52**	**264**	**3**	**267**
	0	–	–	–	434	–	434
	43	**522**	**–418**	**–5**	**28,356**	**740**	**29,096**

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 half-year consolidated financial statements as of June 30, 2020, have been prepared on the basis of IAS 34 and, compared with the consolidated financial statements as of December 31, 2019, 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.

/ ACCOUNTING POLICIES

The Audi Group has applied all financial reporting standards adopted by the EU that became mandatory effective January 1, 2020.

/ OTHER ACCOUNTING POLICIES

In this Half-Year Financial Report, a discount rate of 1.1 (December 31, 2019: 1.1) percent was applied to provisions for pensions in Germany.

Income tax expense for the half-year 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 accounting policies have been applied in principle in the condensed presentation of the consolidated financial statements for the first six months of 2020 as in the consolidated financial statements for the 2019 fiscal year. A detailed description of these policies is published in the 2019 Financial Report. Explanations on the new or amended accounting standards approved by the IASB which do not yet need to be adopted can also be found in the corresponding section of the 2019 Financial Report. This is also available on the Internet at www.audi.com/annual-report.

/ KEY EVENTS

The coronavirus pandemic, which caused a global decline in demand and temporary production stoppages, adversely affected the financial position and financial performance of the Audi Group in the first half of the year.

In response to the coronavirus pandemic, the carrying amounts of assets, in particular goodwill, brand names and capitalized development costs, were reviewed as of June 30, 2020. Since the Audi Group currently assumes that the pandemic is a temporary event that will not have any lasting negative impact on the Group’s long-term business performance, the previous year’s impairment tests have been validated in light of the current circumstances. In this context, the cost of capital (WACC) has been adjusted to June 30, 2020. Overall, the review has not yet led to any impairment losses on assets at present.

The turbulence in the commodity and capital markets, combined with the treatment of derivatives to which hedge accounting is not applied and the measurement of receivables and liabilities denominated in foreign currencies, had a negative impact on the other operating result in an amount of EUR 281 (47) million.

Expenses in connection with the diesel issue is referred to in note 5, „Other operating income and expenses.“

/ CONSOLIDATED COMPANIES

In addition to AUDI AG, all of the material domestic and foreign subsidiaries are included in the consolidated financial statements in cases where AUDI AG has direct or indirect decision-making power over the relevant activities, thereby influencing its own variable returns. The inclusion in the group of consolidated companies begins or ends on the date on which the control is acquired or lost.

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

In addition, Audi Japan Sales K.K., Tokyo (Japan), was sold within the Volkswagen Group effective March 30, 2020.

On July 12, 2019, Volkswagen AG, Wolfsburg, had announced that, together with Ford Motors Corporation, Dearborn (USA), it would invest in Argo AI, Pittsburgh (USA), a company that specializes in software platforms for autonomous driving, and that this would be effected, among other things, by the contribution of Autonomous Intelligent Driving GmbH, Munich, a fully consolidated subsidiary of AUDI AG. The contribution of Autonomous Intelligent Driving GmbH was made as of June 1, 2020. Prior to that, AUDI AG had sold the company within the Volkswagen Group as of June 1, 2020.

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

/ *PARTICIPATIONS IN ASSOCIATES*

AUDI AG holds 5 percent of the shares in FAW-Volkswagen Automotive Co., Ltd., Changchun (China), a Chinese automotive manufacturer which, among other activities, produces and distributes Audi brand vehicles for the Chinese market. On May 15, 2020, AUDI AG entered into a trust agreement under which it transferred the beneficial ownership of 4 percent of the shares of FAW-Volkswagen Automotive Co., Ltd., to Volkswagen AG, Wolfsburg. This means that the share of the investment accounted for using the equity method is now measured on the basis of an interest of 1 percent.

Through its representation in this company's management and supervisory board, AUDI AG is still in a position to exercise significant influence.

In January 2020, a capital increase was implemented at THERE Holding B.V., Rijswijk (Netherlands), in which Audi participated. As a result, the investments accounted for using the equity method in THERE Holding B.V. increased by EUR 19 million. After the capital increase, the interest held remained at around 29.7 percent.

In December 2019, it was announced that additional investors would acquire shares in HERE International B.V., Eindhoven (Netherlands). Following the signing in December 2019, and approval by all antitrust authorities, Mitsubishi Corporation (MC), Tokyo (Japan), and Nippon Telegraph and Telephone Corporation of Japan (NTT), Tokyo (Japan), jointly acquired 30 percent of the shares of HERE International B.V. as of May 29, 2020. The interest held by THERE Holding B.V. in HERE International B.V. was reduced from around 85 percent to approximately 60 percent. As a result of the sale of the shares, a capital decrease was implemented at the level of THERE Holding B.V. in June 2020. EUR 184 million was attributable to the interest held by Audi. Audi's interest in THERE Holding B.V. continues to amount to around 29.7 percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 / *REVENUE*

EUR million	1–6/2020	1–6/2019
Audi brand	13,566	20,517
Lamborghini brand	766	978
Engines, powertrains and parts deliveries	3,983	4,154
Other automotive business	1,980	2,571
Effects from hedging transactions	– 151	106
Automotive	**20,144**	**28,325**
Ducati brand	279	381
Other motorcycles business	53	55
Motorcycles	331	435
Revenue	**20,476**	**28,761**

The decline in revenue in both the Automotive segment and the Motorcycles segment is largely attributable to the effects of the global coronavirus pandemic. Revenue from other automotive business operations primarily includes income from the genuine parts business and long-term development and tooling contracts.

2 / *COST OF GOODS SOLD*

Amounting to EUR 19,596 (24,597) million, the cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. Similar to the decline in revenue, the decrease in the cost of goods sold is due to the effects of the coronavirus pandemic. In the first six months of 2020, there were no impairment losses on property, plant and equipment (in the previous year EUR 59 million).

3 / *DISTRIBUTION EXPENSES*

Distribution expenses in the amount of EUR 1,365 (1,598) 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 distribution function. The decline is mainly attributable to scaled-back distribution activities due to the restrictions imposed during the peak of the coronavirus pandemic.

4 / *RESEARCH AND DEVELOPMENT EXPENDITURE*

EUR million	1–6/2020	1–6/2019
Total research and development costs	1,732	2,214
of which capitalized development costs	*578*	*571*
Capitalization ratio	33.4%	25.8%
Amortization of and impairment losses (reversals) on capitalized development costs	594	483
Research and development expenditure	1,748	2,126

The year-on-year decline in research and development costs is firstly attributable to the fact that software development activities were transferred to the Car.Software Organization within the Volkswagen Group. The second reason for the decrease is a more focused approach to project funding.

The increase in the capitalization ratio is mainly due to the changed definition of the cash-generating unit, which was implemented as of October 1, 2019. As from the fourth quarter of 2019, the brands normally represent the cash-generating units in the Automotive segment. Detailed notes can be found in the corresponding sections of the 2019 Financial Report.

5 / *OTHER OPERATING INCOME AND EXPENSES*

The other operating result of EUR 56 (66) million includes, among other things, income and expenses arising from derivative hedging transactions in commodities and from the residual value hedging model, deconsolidation effects, cost transfers as well as expenses relating to litigation.

Gains and losses on hedging and currency transactions had a negative effect in the current fiscal year, reducing profit by EUR 561 (74) million. This includes charges of EUR 281 (47) million in connection with the treatment of derivatives to which hedge accounting is not applied and the measurement of receivables and liabilities denominated in foreign currencies, and charges of EUR 280 (27) million related to the residual value hedging model.

A gain of EUR 495 million from the deconsolidation of Autonomous Intelligent Driving GmbH, Munich, is included. The deconsolidation of Audi Japan Sales K.K., Tokyo (Japan), resulted in a loss of EUR 49 million.

Expenses of EUR 108 (–) million were recognized in connection with the diesel issue.

6 / *FINANCIAL RESULT*

The result from investments accounted for using the equity method amounted to EUR 248 (107) million; it is based on measuring the shares using the equity method and on disposal gains or losses. The main contributions came from Volkswagen Automatic Transmission (Tianjin) Co., Ltd., Tianjin, in an amount of EUR 100 (103) million, FAW-Volkswagen Automotive Company, Ltd., Changchun, in an amount of EUR 86 (92) million, and THERE Holding B.V., Rijswijk (Netherlands), in an amount of EUR 68 (–73) million. In this context, the share of profit from the investment accounted for using the equity method in THERE Holding B.V. was influenced by the sale of shares to Mitsubishi Corporation (MC) and to Nippon Telegraph and Telephone Corporation of Japan (NTT) at the level of HERE International B.V., Eindhoven (Netherlands).

The interest expenses of EUR 23 (192) million mainly result from the compounding of non-current provisions.

The other financial result, which amounts to EUR 518 (236) million, includes a deconsolidation gain of around EUR 589 million on the sale of the holding company Audi Electronics Venture GmbH, Gaimersheim, in the current fiscal year. In addition, the other financial result includes income and expenses in connection with hedging transactions and securities, effects of the measurement of and impairment losses on financial instruments, as well as the unchanged 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 in total to EUR 205 (169) million.

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 outstanding during the reporting period. In the case of AUDI AG, diluted earnings per share are the same as basic earnings per share, since there were no potential shares outstanding as of either June 30, 2020, or June 30, 2019.

	1–6/2020	1–6/2019
Profit share of AUDI AG shareholders (EUR million)	86	1,950
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	**2.01**	**45.35**

8 / *NON-CURRENT ASSETS*

EUR million	Net carrying amount Jan. 1, 2020	Changes in scope of consolidated companies	Additions	Disposals/other movements	Depreciation and amortization/ reversals of impairment losses	Net carrying amount June 30, 2020
Intangible assets	7,723	– 1	604	– 3	677	7,651
Property, plant and equipment	14,618	– 80	574	63	1,465	13,584

The reported goodwill of EUR 378 (378) million retained its value during the first six months of the year. The value is also deemed retained in the event of a variation in the growth forecast and/or discount rate of +/-0.5 percentage points.

The reluctance to commit to capital expenditure in order to cushion the financial consequences of the coronavirus pandemic led to a decline in property, plant and equipment.

9 / *INVENTORIES*

EUR million	June 30, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	1,271	1,026
Work and services in progress	840	782
Finished goods and products	4,048	4,820
Current leased assets	1,069	1,193
Inventories	**7,228**	**7,819**

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 2019 Financial 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 financial 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 and liabilities that are held as part of the special securities fund.

Financial assets measured at fair value through other comprehensive income are mainly equity investments other than subsidiaries, associates or joint ventures. Changes in 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 at fair value through profit or loss, depending on the underlying transaction.

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

10.1 / *CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS*

The following information only relates to financial instruments and assets or liabilities 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 matching maturities. For reasons of materiality, the fair value for current balance sheet items is equated with the carrying amount.

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 relationships	Not allocated to a category	Carrying amount as per balance sheet as of June 30, 2020
	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount	
Other participations	–	–	–	1	–	–	1
Other financial assets	5,181	5,349	163	–	250	20	5,614
Non-current financial assets	**5,181**	**5,349**	**163**	**1**	**250**	**20**	**5,615**
Trade receivables	4,694	4,694	164	–	–	–	4,858
Effective income tax assets	37	37	–	–	–	–	37
Other financial assets	1,502	1,502	307	–	222	4	2,035
Securities	–	–	6,125	–	–	–	6,125
Cash funds	9,224	9,224	–	–	–	–	9,224
Current financial assets	**15,457**	**15,457**	**6,596**	**–**	**222**	**4**	**22,279**
Financial assets	**20,638**	**20,806**	**6,759**	**1**	**472**	**24**	**27,894**
Financial liabilities	29	29	–	–	–	743	772
Other financial liabilities	40	40	672	–	134	–	846
Effective income tax obligations	358	358	–	–	–	–	358
Non-current financial liabilities	**427**	**427**	**672**	**–**	**134**	**743**	**1,976**
Financial liabilities	43	43	–	–	–	118	162
Trade payables	6,049	6,049	–	–	–	–	6,049
Other financial liabilities	2,292	2,292	671	–	245	–	3,208
Effective income tax obligations	426	426	–	–	–	–	426
Current financial liabilities	**8,810**	**8,810**	**671**	**–**	**245**	**118**	**9,844**
Financial liabilities	**9,237**	**9,237**	**1,343**	**–**	**379**	**861**	**11,820**

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 relationships	Not allocated to a category	Carrying amount as per balance sheet as of Dec. 31, 2019
	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount	
Other participations	–	–	–	1	–	–	1
Other financial assets	5,205	5,396	139	–	62	21	5,427
Non-current financial assets	**5,205**	**5,396**	**139**	**1**	**62**	**21**	**5,427**
Trade receivables	5,009	5,009	1	–	–	–	5,011
Effective income tax assets	3	3	–	–	–	–	3
Other financial assets	778	778	351	–	140	4	1,273
Securities	–	–	5,592	–	–	–	5,592
Cash funds	11,731	11,731	–	–	–	–	11,731
Current financial assets	**17,522**	**17,522**	**5,944**	**–**	**140**	**4**	**23,610**
Financial assets	**22,727**	**22,918**	**6,083**	**1**	**202**	**25**	**29,037**
Financial liabilities	31	31	–	–	–	778	810
Other financial liabilities	8	8	385	–	170	–	563
Effective income tax obligations	528	528	–	–	–	–	528
Non-current financial liabilities	**567**	**567**	**385**	**–**	**170**	**778**	**1,900**
Financial liabilities	122	122	–	–	–	117	238
Trade payables	7,106	7,106	–	–	–	–	7,106
Other financial liabilities	6,132	6,132	264	–	393	–	6,789
Effective income tax obligations	723	723	–	–	–	–	723
Current financial liabilities	**14,083**	**14,083**	**264**	**–**	**393**	**117**	**14,856**
Financial liabilities	**14,650**	**14,650**	**649**	**–**	**562**	**895**	**16,756**

As of June 30, 2020, the carrying amount of lease receivables was EUR 24 (25) million. In the fiscal year and the previous year, the carrying amount corresponded to the fair value (level 3). The carrying amount of lease liabilities was EUR 861 (895) million.

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, 2020			
	Carrying amount	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	413	–	396	17
Non-current financial assets measured at fair value	**414**	**–**	**396**	**17**
Trade receivables	164	–	–	164
Other financial assets	529	–	529	0
Securities	6,125	6,125	–	–
Current financial assets measured at fair value	**6,818**	**6,125**	**529**	**164**
Financial assets measured at fair value	**7,232**	**6,125**	**925**	**182**
Other financial liabilities	806	–	266	541
Non-current financial liabilities measured at fair value	**806**	**–**	**266**	**541**
Other financial liabilities	916	–	664	252
Current financial liabilities measured at fair value	**916**	**–**	**664**	**252**
Financial liabilities measured at fair value	**1,722**	**–**	**929**	**793**

EUR million	Dec. 31, 2019			
	Carrying amount	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	201	–	157	44
Non-current financial assets measured at fair value	**202**	**–**	**157**	**45**
Trade receivables	1	–	–	1
Other financial assets	491	–	490	1
Securities	5,592	5,592	–	–
Current financial assets measured at fair value	**6,084**	**5,592**	**490**	**2**
Financial assets measured at fair value	**6,285**	**5,592**	**647**	**46**
Other financial liabilities	555	–	212	343
Non-current financial liabilities measured at fair value	**555**	**–**	**212**	**343**
Other financial liabilities	657	–	451	205
Current financial liabilities measured at fair value	**657**	**–**	**451**	**205**
Financial liabilities measured at fair value	**1,211**	**–**	**663**	**549**

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 techniques. Particular use is made of exchange rates, yield curves and commodity prices, which can be observed in the relevant markets and are acquired via price service agencies. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. Within the Audi Group, level 3 mainly covers residual value hedging arrangements with dealers. The inputs for measuring the future development of used car prices cannot be observed in active markets; they are forecast by various independent institutions. In addition, non-current commodity futures are allocated to level 3 because the prices available on the market need to be extrapolated for measurement purposes. The extrapolation for the respective commodities is carried out on the basis of observable input factors, acquired via rating agencies. In addition, level 3 includes trade receivables held under the "sell" business model. For their measurement, interest rates are relevant that cannot be observed on the market.

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

EUR million	2020	2019
Positive fair values of level 3 financial instruments as of Jan. 1	46	5
Currency changes	0	0
Income (+) and expense (–) recognized in the operating result	– 25	+ 14
Additions	163	212
Disposals	–	0
Settlements	0	0
Transfer from level 3 to level 2	– 2	– 2
Positive fair values of level 3 financial instruments as of June 30	**182**	**228**
Income (+) and expense (–) recognized in the operating result from level 3 financial instruments still held as of June 30	– 25	+ 14

EUR million	2020	2019
Negative fair values of level 3 financial instruments as of Jan. 1	549	625
Income (–) and expense (+) recognized in the operating result	+ 412	+ 36
Settlements	– 128	– 76
Transfer from level 3 to level 2	– 40	– 11
Negative fair values of level 3 financial instruments as of June 30	**793**	**573**
Income (–) and expense (+) recognized in the operating result from level 3 financial instruments still held as of June 30	+ 412	+ 36

Transfers between the levels of the fair value hierarchy are recognized at the respective reporting dates. Transfers from level 3 to level 2 relate to commodity futures for whose measurement extrapolation is no longer necessary because they can be observed on active markets.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used in the Audi Group to determine the effect of changes in commodity prices on profit after tax and on equity. If the commodity prices of commodity futures that are allocated to level 3 had been 10 percent higher or lower as of June 30, 2020, profit after tax would have been EUR 77 (20) million higher or lower. As in the prior year, there have been no effects on equity due to price changes in the current year.

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 or lower as of June 30, 2020, profit after tax would have been EUR 181 (263) million higher or lower.

11 / *CASH FLOW STATEMENT*

Cash flow from investing activities includes cash inflows, reduced by cash outflows, from the sale of subsidiaries, investments in associates and other equity investments, as well as capital decreases. In particular, this relates to inflows of EUR 650 million from the sale of Audi Electronics Venture GmbH, Gaimersheim, of EUR 500 million from the sale of Autonomous Intelligent Driving GmbH, Munich, of EUR 311 million from the transfer of beneficial ownership of the shares in FAW-Volkswagen Automotive Co., Ltd., and of EUR 164 million from the capital increase and decrease at THERE Holding B.V., Rijswijk (Netherlands).

The cash flow from operating activities was adjusted accordingly for the gain or loss on the disposal of non-current assets and other participations.

12 / *CONTINGENT LIABILITIES*

Compared with December 31, 2019, contingent liabilities increased from EUR 124 million to EUR 144 million.

No information was provided pursuant to IAS 37.92 regarding estimates of the financial impact or regarding uncertainties related to the amount of or due date of contingent liabilities connected with the anti-trust investigations of the European Commission in order not to adversely affect the outcome of the proceedings and the interests of the company.

Other than that, there were no material changes in the estimates of contingent liabilities compared to December 31, 2019. Further information on contingent liabilities in connection with this can be found in the Financial Report for the 2019 fiscal year.

13 / *LITIGATION*

13.1 / *DIESEL ISSUE*

In April 2020, the court in Australia approved the class action settlement that the parties, including AUDI AG, had agreed to.

In April 2020, the High Court in England and Wales ruled in the group litigation, in which AUDI AG among others is involved, that the switch logic in the EA 189 engine constituted an unlawful defeat device; the court believed that it was also bound by the findings of the Kraftfahrtbundesamt (German Federal Motor Transport Authority) in this respect. The accused parties disagree with the High Court’s legal position on these preliminary issues and have filed an appeal against this decision. The question of liability on the part of the manufacturer was not a matter addressed by the decision and will be dealt with at a later stage of the proceedings.

In April 2020, the Diesel Emissions Justice Foundation served an opt-out class action lawsuit on Volkswagen AG and other Volkswagen Group companies including AUDI AG seeking monetary damages on behalf of Dutch consumers. A change in the law in the Netherlands that took effect on January 1, 2020, permits consumers in the European Union to opt into the class action as well. The class action relates to vehicles with type EA 189 engines, among others.

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 March 2020, the Ohio Supreme Court, at Volkswagen’s request, agreed to hear an appeal of a lower court’s decision concerning Ohio’s remaining claims. In June 2020, the U.S. Court of Appeals for the Ninth Circuit partially reversed the trial court’s decision and held that Hillsborough County, Florida, and Salt Lake County, Utah, can proceed with a subset of their claims.

In May 2020, the settlement program in the United States for vehicles with Generation 2 3.0-liter TDI engines ended.

In the environmental class action lawsuit seeking damages on behalf of the residents of the Province of Quebec, after authorizing the case to proceed as a class, a Quebec court ruled in June 2020 that a motion to dismiss by Volkswagen is permissible at the present stage of the proceedings. Volkswagen noticed its motion in July 2020.

13.2 / *OTHER LITIGATION*

In connection with the factual matters that in principle also underlie the antitrust proceedings instituted by the European Commission against Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in April 2019, the South Korean competition authority searched the premises of Audi Volkswagen South Korea and Porsche South Korea in May 2020 and issued requests for information to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG. Furthermore, the Turkish competition authority commenced proceedings in the same matter in July 2020.

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 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 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. Plaintiffs filed a second set of amended complaints in June 2020.

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 June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also charges the former Chairman of the Board of Management of AUDI AG, and opened the main trial proceedings.

In connection with these matters, there is a risk of implications, which could affect the Audi Group's financial key figures in the 2020 fiscal year.

Further information can be found under "Report on expected developments, risks and opportunities" in the Half-Year Management Report. Aside from this, there have been no material changes in litigation compared to December 31, 2019. 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.

In line with IAS 37.92, no further information was provided regarding estimates of the financial impact or regarding uncertainties related to the amount of or due date of provisions and contingent liabilities connected with the legal risks in order not to adversely affect the outcome of the proceedings and the interests of the company.

14 / *OTHER FINANCIAL OBLIGATIONS*

Other financial obligations increased from EUR 3,021 million to EUR 3,400 million compared to December 31, 2019. The increase reflects the regular development of business between reporting dates. Compared with the prior-year period, a significant decline can be observed, which is attributable to the reluctance to commit to capital expenditure.

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

The remuneration system for the members of the Board of Management was altered at the end of 2018 by a resolution of the Supervisory Board, with effect from January 1, 2019. The new remuneration system of the Board of Management comprises fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive in the form of a performance share plan with a forward-looking three-year term (share-based payment).

Since the end of 2018, members of top management have also been beneficiaries of the performance share plan. They were granted performance shares for the first time in 2019. At the end of 2019, the group of beneficiaries was extended to include all non-pay-scale employees below top management level. These beneficiaries were granted performance shares for the first time in 2020.

Further information on share-based payment can be found in the relevant sections of the 2019 Financial Report.

16 / *RELATED PARTY DISCLOSURES*

EUR million	Goods and services supplied		Goods and services received	
	1–6/2020	1–6/2019	1–6/2020	1–6/2019
Volkswagen AG	2,691	3,310	1,355	1,296
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	6,424	7,891	2,683	3,777
Associates and joint ventures as well as their subsidiaries	5,350	5,679	170	277
Non-consolidated subsidiaries of AUDI AG	20	42	48	69

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.

Goods and services supplied to Volkswagen AG include the transfer of beneficial ownership of the shares in FAW-Volkswagen Automotive Co., Ltd. Goods and services supplied to Volkswagen subsidiaries and other participations not belonging to the Audi Group reflect the sales of Audi Electronics Venture GmbH, Gaimersheim, Autonomous Intelligent Driving GmbH, Munich, and Audi Japan Sales K.K., Tokyo (Japan).

In the first half of 2020, goods and services with a total value of EUR 137 (178) thousand were provided to the German State of Lower Saxony and to companies in which the German State of Lower Saxony holds a majority interest.

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 2020, totaled EUR 4 (9) thousand.

EUR million	Receivables from		Obligations to	
	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019
Volkswagen AG	7,257	6,887	3,110	7,016
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	1,933	1,643	5,860	6,023
Associates and joint ventures as well as their subsidiaries	1,864	1,362	708	1,005
Non-consolidated subsidiaries of AUDI AG	158	141	69	72

Loss allowances totaling EUR 75 (26) million were recognized on receivables from associates and joint ventures as well as non-consolidated subsidiaries. Of this amount, impairment losses of EUR 49 (–) million were recognized in profit or loss in the first half of the year. In addition, loss allowances for receivables from associates and non-consolidated subsidiaries were recognized in the amount of EUR 19 (19) million based on the expected credit loss model of IFRS 9. Loss allowances of EUR 38 (37) 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 reported in the balance sheet, EUR 8,336 (10,762) 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 2020, capital contributions totaling EUR 33 (80) million were made to non-consolidated subsidiaries, associates and joint ventures.

17 / *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 assessment 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 and accounting policies as applied to the consolidated financial statements. The business relations between the companies of the segments of 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 the operating result are shown in the income statement of the Audi Group on page 24 of the Half-Year Financial Report. For a breakdown of revenue, please refer to the corresponding note on page 32.

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 –3.7 (8.0) percent.

The Automotive segment recorded an operating return on sales of –3.8 (8.0) percent. The Motorcycles segment reported an operating result of EUR 7 (44) million and an operating return on sales of 2.0 (10.2) percent, taking into account additional depreciation and amortization due to the remeasurement of assets and liabilities as part of the purchase price allocation at that time. Adjusted for these effects, the operating result totaled EUR 18 (56) million and the operating return on sales 5.4 (12.9) percent.

17.1 / *RECONCILIATION OF THE SEGMENTS*

EUR million	1–6/2020			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	20,144	331	–	20,476
Revenue with other segments	–	0	0	–
Revenue	**20,144**	**331**	**0**	**20,476**
Segment result (operating result)	**–757**	**7**	**–**	**–750**

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 result (operating result)	**2,256**	**44**	**–**	**2,300**

17.2 / *RECONCILIATION STATEMENT*

EUR million	1–6/2020	1–6/2019
Segment result (operating result)	–750	2,300
Consolidation	–	–
Operating result	**–750**	**2,300**
Financial result	836	280
Group result before tax	**86**	**2,580**

17.3 / *REVENUE BY REGION*

	1–6/2020		1–6/2019	
	EUR million	*in %*	*EUR million*	*in %*
Germany	4,686	22.9	6,467	22.5
Rest of Europe	5,982	29.2	9,223	32.1
North America	3,578	17.5	6,423	22.3
Asia-Pacific	6,128	29.9	6,186	21.5
South America	169	0.8	193	0.7
Africa	83	0.4	163	0.6
Effects from hedging transactions	–151	–0.7	106	0.4
Revenue	**20,476**	**100.0**	**28,761**	**100.0**

Revenue by region pursuant to IFRS 8.33 has 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 AFTER THE REPORTING DATE

There were no events after June 30, 2020, 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 half-year financial reporting, the Half-Year Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group, and the Half-Year 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 material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.”

Ingolstadt, July 27, 2020

The Board of Management

Markus Duesmann

Dr. Arno Antlitz

Dirk Große-Loheide

Peter Kössler

Dr. Sabine Maaßen

Hildegard Wortmann

REVIEW REPORT

To AUDI Aktiengesellschaft, Ingolstadt

We have reviewed the condensed interim consolidated financial statements of AUDI Aktiengesellschaft, Ingolstadt, – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity as well as selected explanatory notes – and the interim group management report for the period from 1 January 2020 to 30 June 2020, which are part of the half-year financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs (International Financial Reporting Standards) on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated 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 to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and thus cannot issue an auditor’s report.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Without qualifying this conclusion, we refer to the updated information provided and statements made in connection with the diesel issue by the Board of Management in the “Diesel issue” and “Other litigation” sections in the notes to the condensed interim consolidated financial statements and in the “Report on expected developments, risks and opportunities“ section in the interim group management report, where the allegations made and claims asserted against AUDI Aktiengesellschaft are explained and where the information provided and statements made in the consolidated financial statements as of 31 December 2019 as well as in the combined management report in the 2019 annual report are referred to. On the basis of the underlying results to date of the various measures introduced to investigate the issue presented there and these condensed interim consolidated financial statements and interim group management report, there is in particular still no confirmation that members of the Company’s Board of Management were aware of the deliberate manipulation of the engine management software until the information provided by the US EPA (Environmental Protection Agency) in the fall of 2015. The provisions for warranty claims and legal risks recognized in the condensed interim consolidated financial statements as of 30 June 2020 are based on these results and the information presented. Due to the many technical solutions required as well as the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation presented there could change in the future.

Munich, July 28, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Matischiok
Wirtschaftsprüfer
(German Public Auditor)

Räpple
Wirtschaftsprüfer
(German Public Auditor)

FUEL/POWER CONSUMPTION AND EMISSION FIGURES

	Fuel/power consumption combined [l/100 km] or [kg/100 km] or [kWh/100 km]	CO_2 emissions combined [g/km]
Audi A1 Sportback	4.7-6.0	107-137
Audi A1 citycarver	5.1-5.5	117-124
Audi Q2	4.4-7.2	115-163
Audi A3 Sportback	3.5-8.5	92-194
Audi A3 Sedan	3.4-5.0	90-114
Audi A3 Cabriolet	5.2-7.3	119-165
Audi Q3	4.7-8.9	124-203
Audi Q3 Sportback	4.7-8.9	123-204
Audi TT Coupé	6.0-8.0	137-181
Audi TT Roadster	6.3-8.1	143-183
Audi A4 Sedan	3.7-7.1	98-163
Audi A4 Avant	3.8-9.2	100-211
Audi A4 allroad quattro	4.8-7.3	126-168
Audi A5 Sportback	3.7-9.2	98-209
Audi A5 Coupé	3.7-9.1	98-208
Audi A5 Cabriolet	4.0-8.9	106-203
Audi Q5	4.4-7.5	115-177
Audi A6 Sedan	4.0-7.4	104-170
Audi A6 Avant	4.2-7.6	109-268
Audi A6 allroad quattro	5.8-7.6	152-174
Audi A7 Sportback	4.3-11.6	113-265
Audi Q7	6.5-12.1	171-278
Audi Q8	6.5-12.1	172-277
Audi A8	5.7-11.4	151-260
Audi A8 L	5.8-11.1	152-254
Audi R8 Coupé	12.9-13.1	293-298
Audi R8 Spyder	13.0-13.3	297-302
Lamborghini Urus	12.6	292
Lamborghini Huracán	14.0-14.5	324-355
Lamborghini Aventador	19.6-20.1	452-464
Vehicles with natural gas drive		
Audi A4 Avant g-tron	3.9-4.1	105-111
Audi A5 Sportback g-tron	3.8-4.1	104-111
Plug-in hybrids		
Audi A3 Sportback e-tron	1.9/12.2-2.0/12.7	43-46
Audi Q5 TFSI e	2,0/17,5-2.2/18,2	46-49
Audi A6 Sedan TFSI e	1.7/16.6-2.1/17.9	39-47
Audi A6 Avant TFSI e	1.9/17.6-2.1/18.1	44-48
Audi A7 Sportback TFSI e	1.8/16.6-2.1/18.1	40-48
Audi Q7 TFSI e	2.8/21.9-3.0/22.9	64-69
Audi A8 TFSI e	2.5/20.8-2.6/21.2	57-60
Audi A8 L TFSI e	2.5/20.9-2.7/21.2	57-61
Fully electric vehicles		
Audi e-tron	20.9-23.6	–
Audi e-tron Sportback	20.9-23.8	–

The table shows the fuel/power consumption and emission figures as well as the efficiency classes for the passenger cars mentioned in the document.
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 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, CO_2 emissions and the performance figures for the vehicle.

Further information on official fuel and power 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.

AUDI GROUP KEY FIGURES

		1–6/2020	1–6/2019	Change in %
Production				
Automotive segment	Cars [1]	675,647	920,677	–26.6
	Engines and electric powertrains	720,256	1,064,105	–32.3
Motorcycles segment – Ducati brand	Motorcycles	24,157	34,759	–30.5
Deliveries to customers [2]				
Automotive segment	Cars	710,792	910,760	–22.0
of which Audi brand [3]	Cars	707,225	906,180	–22.0
of which Lamborghini brand	Cars	3,548	4,553	–22.1
Motorcycles segment – Ducati brand	Motorcycles	24,032	31,722	–24.2
Workforce	Average	89,084	90,819	–1.9
Revenue	EUR million	20,476	28,761	–28.8
Operating result before special items	EUR million	–643	2,300	–127.9
Operating result	EUR million	–750	2,300	–132.6
Profit before tax	EUR million	86	2,580	–96.7
Profit after tax	EUR million	88	1,992	–95.6
Operating return on sales before special items	%	–3.1	8.0	
Operating return on sales	%	–3.7	8.0	
Return on sales before tax	%	0.4	9.0	
Ration of capex [4]	%	2.4	3.0	
Research and development ratio	%	8.5	7.7	
Cash flow from operating activities	EUR million	1,437	4,145	–65.3
Net cash flow	EUR million	1,953	2,253	–13.3

		June 30, 2020	Dec 31, 2019	Change in %
Balance sheet total	EUR million	63,455	66,878	–5.1
Equity ratio	%	45.9	42.5	
Net Liquidity	EUR million	19,875	21,754	–8.6

1) Including vehicles built locally by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China)
2) The figures for the prior-year period have been adjusted slightly.
3) Including delivered vehicles built locally by the associate FAW-Volkswagen Automotive Company, Ltd., Changchun (China)
4) Investments in property, plant and equipment, investment property and other intangible assets according to the cash flow statement in relation to revenue

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