

China Site Communications

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Sites Communications

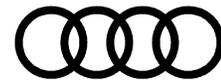
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BASIC PRESS INFORMATION

Audi in China

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▶ **The China sites**

Audi has been active in China since 1988 and has been the leader in the country's premium segment for most of the time. AUDI AG is represented in China by a joint venture (FAW-Volkswagen), where Audi has a minority share in, and a one-hundred-percent subsidiary, Audi China in Beijing. The joint venture FAW-Volkswagen produces the models Audi A4 L*, Audi A6 L*, Audi A6 L TFSIe* and Audi Q5 L* in Changchun in northeastern China. In 2020 also the Audi e-tron will be produced here. At the Foshan plant in the south of China, the joint venture produces the Audi A3 Sportback*, the Audi A3 Sedan*, the Audi Q2 L* and Audi Q2 L e-tron. The new FAW-VW plant in the northern Chinese city of Tianjin began production of the Audi Q3* in January 2019. The Audi A6 L, Audi A4 L, Audi Q5 L, the Audi Q2 L* and Audi Q2 L e-tron were developed especially for China with an extended wheelbase. In 2018, the four rings brand increased unit sales in China by 10.9 percent to 663,049 units. This new record restored Audi as the best-selling premium brand in the country. Until July 2019, 368, 867 Audis were sold in China.

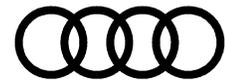
▶ **The site in brief**

Audi China

Audi China was founded in 2009 in Beijing as a one-hundred-percent subsidiary of AUDI AG. The company has approximately 750 employees and coordinates the business partnership between AUDI AG, the FAW Group and the joint venture FAW-Volkswagen. The President of Audi China is Gaby-Luise Wuest.

Audi China includes the divisions Audi China R&D, Brand Management and Sales & Marketing, Corporate Strategy and Planning, Audi China Purchasing and Quality/Technical Services. The Brand Management and Sales & Marketing departments are responsible for the Audi brand and sales strategy in China. The focus here is on the expansion of the digital business and the portfolio of products and mobility services. The department also supports the Sales & Marketing operations and development of the Audi dealer network.

Audi Sport customer racing Asia has been the organizer of the Audi Sport R8 LMS Cup since 2012. It is the only brand cup worldwide in which customers can race GT3 cars. Other Audi Sport customer racing Asia activities include supporting the Audi customer sport program in Asia and the sale of race cars and replacement parts. This includes technical support of the Audi teams in the region's most important race series and events. To publicize these myriad activities, Audi Sport customer racing has created Asia's largest motorsport communications



platform. Fans can intensely follow the R8 LMS Cup races via TV highlights shows and live online broadcasts. More than one million people follow the Audi R8 LMS Cup on social media channels.

Growth drivers

Driving growth are the locally produced models with 602,091 units delivered. In 2018, the Four Rings saw demand soar for the locally produced premium models Audi A4 L (+42.6% to 163,279 cars) and Audi A3 (+12.7% to 91,173 cars) in particular. The company sold more than 10,000 units (+4.0%) of the new edition of its full-size flagship, the Audi A8 L, in 2018. In October 2018, a long wheelbase version of the Audi Q2 tailored specifically to the Chinese market joined the local portfolio; this version is aimed particularly at young customers. With the Audi A3 Sportback*, the Audi A3 Sedan* and the Audi Q3*, the brand with the four rings is the leader in the growth segment of premium-compact cars.

China's overall car market is the world's largest. Deliveries in 2018 totaled 23.71 million units (Source: CAAM).

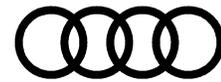
Audi and FAW are intensifying their partnership with a long-term business plan. This calls for an expansion of the locally produced Audi product portfolio by four models, for a total of twelve. With the Audi Q2 L e-tron and the Audi e-tron, which will be produced locally in 2019 and 2020, respectively, Audi is localizing the first fully electric vehicles in China. The Audi Q2 L e-tron has been specifically tailored to the requirements of the Chinese market. Audi and FAW are planning to establish a joint venture dedicated to mobility and digital services.

▶ Key pillars

Production

The production of automobiles by the joint venture in Changchun includes the four major areas of car manufacturing: press shop, body shop, paint shop and assembly. The plant currently produces the Audi A4 L, Audi A6 L, Audi A6 L TFSIe and the Audi Q5 L. The joint venture's production operations fulfill the AUDI AG standards for all of the company's plants worldwide. Audi had already brought state-of-the-art automotive and manufacturing technology, such as laser welding and hot-wax flooding, to China in the late 1990s. In 2012, with the new Audi A6 L, Audi became the first manufacturer to incorporate lightweight components into the models it builds locally in China.

Completed in late 2013, the FAW-Volkswagen plant in the southern Chinese city of Foshan produces the Audi A3 Sportback, the Audi A3 Sedan and the Audi Q2 L based on the MQB platform. Another localized model rolls off the assembly line in China starting 2019: the fully



electric Audi Q2 L e-tron*. The new FAW-VW plant in Tianjin began production of the Audi Q3 in January 2019.

The flexible plant structure allows the gradual expansion of capacity. Audi has a production capacity of over 600,000 vehicles in China. Over the next few years, Audi and its partner FAW-Volkswagen can flexibly increase capacity to over 700,000 units as a function of market demand.

The Audi transmission plant at Volkswagen Automatic Transmission Tianjin (AJT) has been producing highly efficient 7-speed S tronic transmissions for the locally produced Audi models Audi A4 L, Audi A6 L and Audi Q5 L since 2016. Audi can produce more than 390,000 transmissions per year at this plant.

Qingdao is the newest branch in the FAW-VW factory family. Opened in 2018, this FAW-VW production site is located in Jimo, about 60

km away from the city center of Qingdao. Its first Audi model produced will be the A3 Sportback, which starts production here in 2020, closely followed by the A3 Sedan in the same year.

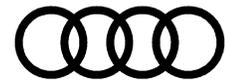
Besides car production, the branch also has production facilities for high-voltage batteries. The batteries from Qingdao electrify the VW eBora as well as the Q2 L e-tron.

Audi Sales and Marketing

Audi vehicles are sold in China through an exclusive dealer network. Sales operations are managed by the Audi Sales Division (ASD) at FAW-Volkswagen and encompass over 520 dealerships in over 200 cities.

In addition to the locally produced models Audi A6 L, Audi A6 L TFSI, Audi A4 L, Audi Q3, Audi Q5 L, Audi A3 Sportback, Audi A3 Sedan, Audi Q2 L and Audi Q2 L e-tron, 30 models are available in China as imported cars.

As the premium market leader, Audi continues to set standards for customer satisfaction and was once again the best premium brand according to the J.D. Power Customer Service Index (CSI). The 2018 J.D. Power study “Sales Satisfaction Index (SSI)” confirmed Audi as the test winner for the ninth time in a row.



As in the preceding years, Audi once again conducted extensive training and qualification measures in 2018 to guarantee the high level of customer advice and service of a premium manufacturer. More than 20,000 retail employees took part in classic face-to-face training. Audi also provides employees of the Chinese dealerships with access to an innovative e-learning platform available at any time on WeChat and on special training apps. Live broadcasts of the training sessions over WeChat enhance the efficiency of the training measures and increase participation rates. The Audi Sales Division operates the world's two largest Audi Training Centers in Beijing and the western Chinese city of Chengdu. The Audi Retail Consulting (ARC) team and the Audi Sales Division have offered the Chinese dealer network a targeted coaching program in results and competence development. The program promotes the individual and long-term development of the Audi dealers.

In 2017 Audi introduced Audi on demand+, a mobility service in which users can choose from a wide range of models and drive themselves. The service is currently available in Beijing and Sanya.

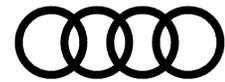
In the area of shared mobility, Audi services are offered in collaboration with Chinese partners. Audi launched Shouqiyueche, a premium ride hailing service, in 2018. This chauffeur service is currently available in Xi'an and Chengdu, with additional cities to follow in the course of 2019. Booking of these services can be done via WeChat.

Research and Development

Audi China R&D was established as part of Audi China in 2013. The development center in China's capital city is part of the global Technical Development division of AUDI AG. The engineering teams work closely with customers in Asia on regional product modifications. The products are then tested in the local market.

In the battery testing laboratory, for example, extreme temperatures from minus 40 to plus 120 degrees Celsius and relative humidity of up to 95 percent are simulated. The battery of the Audi e-tron is being tested here for China-specific requirements, for instance.

Furthermore, the R&D employees ensure that innovations and trends from Asia flow into the concept phase of future AUDI AG products. All areas of the global Technical Development division of AUDI AG are represented at Audi China R&D. The development center is located in the Audi China building in Beijing's 798 Art Zone. Designers at Audi China R&D create China-specific designs and concepts, while naturally collaborating closely with the headquarters in Ingolstadt.



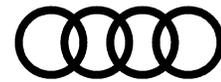
In addition, the engineers from Audi China R&D are working on the China-specific development of automated driving to adapt this technology to customer requirements and the local traffic conditions. In 2018, Audi China received two test licenses for the testing of autonomous driving functions on public streets in Beijing and in the eastern Chinese city of Wuxi. In 2015, during the first Consumer Electronics Show Asia (CES) in Shanghai, Audi became the first premium manufacturer to demonstrate the traffic jam pilot in everyday road traffic in the Chinese metropolis.

Audi expanded its involvement in the testing of Vehicle-to-X functions in 2018. In Wuxi, the model city for connected transportation in southeastern China, Audi demonstrated intelligent, connected driving for the second time since 2017 in a predevelopment project as part of the World Internet of Things Exposition. In numerous example applications, the exchange of information between cars, infrastructure and pedestrians using the latest generation of wireless communication, LTE-V2X, optimized both ride comfort and the flow of traffic. Audi also successfully tested Vehicle-to-X functions and autonomous driving on a closed section of a newly constructed smart highway in Beijing.

Audi China R&D collaborates with strong local partners. Memorandums of understanding have been signed with Alibaba, Baidu and Tencent to strengthen collaboration in the areas of data analysis, establishment of an internet-vehicle platform and intelligent urban traffic. The strategic partnership with Baidu integrates the Chinese internet company's popular CarLife services into the car. Audi worked with Tencent to integrate Tencent MyCar services, such as location sharing, into Audi models. The brand with the four rings worked with Alibaba-subsiary AutoNavi to become the first premium manufacturer in China to offer high-resolution 3D maps. In the area of data communication, Audi cooperates with the telecommunications equipment supplier Huawei and the mobile network operators China Mobile and China Unicom. Audi engineers are also working with local companies on the development of lithium ion cells and modules for the Chinese market.

Since 2008, Audi engineers in Beijing have been developing infotainment solutions for automobile customers in China, Japan and South Korea, including a touchpad for entering handwritten Asian characters into the navigation system.

Together with its Chinese partner FAW, Audi has been active in local automobile development in China for 30 years now. These activities include country-specific trials based in part on local geographic requirements, such as desert worthiness. The joint venture is also involved in the prequalification and testing of locally sourced parts.



Special long-wheelbase versions for the Chinese market (Audi A6 L, Audi A4 L, Audi Q5 L, Audi Q2 L) were also developed in close collaboration with FAW. The additional space in the back addresses the preferences of Chinese customers. Audi was the first premium manufacturer to offer a long-wheelbase version explicitly for the Chinese market. The long-wheelbase Audi A6 L TFSIe is the first locally produced Audi plug-in hybrid. Series production of the fully electric Audi Q2 L e-tron, which has been tailored specifically to the requirements of Chinese customers, is scheduled to begin at the end of 2019. Audi also plans to produce the Audi e-tron in China beginning in 2020.

In a next development phase, Audi China R&D will strongly build up headcounts and increase the number of fields in which it is active. At the same time, the Volkswagen Group in China is bundling R&D capacities into a joined Group R&D China.

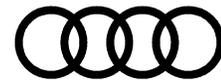
Head of this new department since July 1st is Dr. Thomas Müller. The **goal of the Group R&D China working model** is to **create synergies between the brands of Volkswagen Group on R&D projects in Region China**. Group R&D China will focus on the following **five strategic fields**: **NEV/Fuel Cell, autonomous driving, connectivity and digitalization, innovation, design, ICV and whole vehicle.**

► **Audi's engagement in China**

Environmental protection

AUDI AG aims to reconcile economy and ecology. It takes a transparent approach to operational environmental protection and involves all employees in such activities. This allows the company to sustainably implement its environmental policy objectives. The Audi Production System (APS) has been used intensively for this purpose in recent years as a means of implementing the numerous environmental aspects and Audi's environmental policy at all levels. Audi's environmental standards also apply to production in Changchun and Foshan within the framework of the APS.

The so called new Q plant was inaugurated at the Changchun site in 2018. It is equipped with cutting-edge technology. The paint shop, for example, uses the EcoDryScrubber dry separation process. Investments were also made in the existing buildings to help conserve resources. The existing paint shop was converted to use residual heat, with the use of a new dryer saving 18,000 gigajoules of heat. Furthermore, conventional lighting in the production hall is being gradually converted to LED. Audi performed comprehensive thermal insulation measures on 15



buildings. In addition, double-door systems and fast-opening doors were installed to keep heat in the building and thus protect the environment. These measures reduce annual CO₂ emissions at the Changchun site by approximately 100,000 metric tons.

The factory in Foshan was built in accordance with strong ecological criteria in mind. Examples include heat recovery, closed-loop use of process water and integrated recycling. Green spaces are watered using specially treated recycled water from a reverse osmosis system. In 2015, a ten-megawatt solar system was installed on the factory roofs. Since commissioning, the system has met five percent of the plant's annual electricity needs.

The paint shop has been using the state-of-the-art E-Cube paint separation system since 2017. This significantly reduces the energy requirement and water consumption compared with conventional paint separation systems. The Foshan press shop uses cutting-edge electric-powered servo presses, which reduces oil consumption and machine wear. Thanks to these and other measures, CO₂ emissions at Foshan can be reduced by as much as 300,000 metric tons per year.

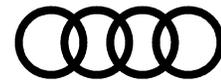
Waste management was also a focal point for FAW-Volkswagen in 2018. FAW-VW collaborated with its suppliers to develop and implement concepts for waste treatment. One example is the conversion of waste with a high heating value into biofuels. The amount of non-recyclable waste was reduced by 6,000 metric tons (21%) versus 2017.

Social involvement

Audi is involved in numerous cultural and sports initiatives in China. The company sponsors four Chinese winter sports national teams (speedskating, short track speedskating, snowboard halfpipe and freestyle skiing). Audi has also supported the Beijing Music Festival for fourteen years now and also supports other cultural projects, such as the Salzburg Music Festival in China. Since 2016, Audi has sponsored the FC Ingolstadt Soccer Camps in China as form of athletic support for dedicated pupils from Beijing, children from socially disadvantaged families as well as employees' children.

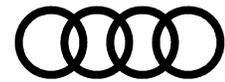
Audi has been involved in improving health care for orphans for over six years. Together with the Aiyou Charitable Foundation, Audi operates the Aiyou FAW-VW Audi Shanghai Babies' Home. Through the end of 2018, over 1,460 orphaned children with health problems have been taken in. 1,405 of them are now back in good health. Audi won three CSR prizes in China in 2018:

- 2018 Social Responsibility Public Welfare Award from Xinhua Net
- 2018 Top 10 Public Welfare Enterprise Award from ifeng.com
- 2018 China Public Welfare Enterprise Award from Jiemian.



► **The history of Audi's activities in China**

- 1988 On August 13, AUDI AG and First Automotive Works (FAW) signed the contracts for the production of the Audi 100 under license in Changchun. Assembly of the Audi 100 from imported component kits at the FAW plant begins and a customer service organization is established.
- 1995 Audi becomes a ten-percent stakeholder in the FAW-Volkswagen joint venture established in 1991. Volkswagen holds 30 percent, FAW 60 percent.
- 1996 The joint venture begins production of the Audi 200 (an updated Audi 100 with a V6 engine).
- 1999 Production of the Audi A6 in China begins. The model features an extended wheelbase and was developed especially for China.
- 2003 Market launch of the Audi A4 produced in Changchun.
- 2005 Market launch of the next Audi A6 generation. The long-wheelbase version produced in China bears the new name Audi A6 L.
- 2006 Establishment of the Audi Sales Division (ASD) as an independent Marketing and Sales department within the FAW-Volkswagen joint venture.
- 2009 Market launch of the Audi A4 L, the first long-wheelbase version of a premium car in the upper-midsize class.
Establishment of Audi China as a fully-owned subsidiary of AUDI AG in Beijing.
- 2010 Market launch of the Audi Q5 produced in Changchun.
In October, Audi and FAW celebrate the delivery of the one-millionth Audi in China.
- 2012 Market introduction of the new Audi A6 L.
- 2013 Opening of Audi City Beijing and Audi China R&D.
Market launch of the Audi Q3 produced in Changchun.
25 years of Audi in China.
Delivery of the two-millionth Audi in China.
- 2014 Market launch of the Audi A3 Sportback and Audi A3 Sedan produced in Foshan.
- 2015 Delivery of the three-millionth Audi in China.
The e-tron era begins in China with the imported Audi A3 e-tron.
Audi keynote at the first CES Asia in Shanghai.
- 2016 Market launch of the new Audi A4 L.



- First China brand summit in Shanghai.
- Start of production of the first locally produced PHEV model, the Audi A6L e-tron.
- Inauguration of the first local Audi transmission plant in Tianjin.
- 2017 Market launch of the Audi Q7 e-tron (import).
- Launch of Audi on demand+ in Beijing.
- 2018 Award of two test licenses for Level 4 highly automated driving in Wuxi and Beijing.
- Launch of the locally produced Audi Q2 L.
- Launch of the Audi Q5 with extended wheelbase.
- World premiere of the Audi Q8 in Shenzhen.
- Inauguration of the Q factory in Changchun.
- 2019 World Premier of Audi AI:ME concept at Shanghai Motorshow
- World Premiere of the next generation of Audi connect (China specific digital product)



► **Facts and Figures**

AUDI AG

Chairman of the Board of Management:	Abraham Schot
Chairman of the Supervisory Board:	Herbert Diess
Employees (AUDI AG):	61,497
Employees (Audi Group):	91,674
Deliveries to customers:	1,812,485 automobiles of the Audi brand
Production:	1,871,386 automobiles (including Lamborghini and CKD)

(all data as of December 31, 2018)

Audi production plant Changchun

Site:	FAW-Volkswagen Automotive Company Ltd.
Established:	1988
Plant director:	Wang Guofu
Plant manager Audi/Volkswagen:	Jörg Menges
Models*:	Audi A4 L, Audi A6 L, Audi A6 L e-tron, Audi Q3, Audi Q5 L, Audi Q5 (through end of 2018)
Production (2018):	511,177 automobiles

(all data as of December 31, 2018)

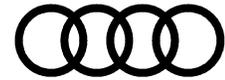
Audi production plant Foshan

Site:	FAW-Volkswagen Automotive Company Ltd.
Established:	2013
Plant director:	Holger Nestler
Models*:	Audi A3 Sportback, Audi A3 Sedan, Audi Q2 L, Audi Q2 L e-tron
Production (2018):	106,647 automobiles

(all data as of December 31, 2018)

Audi production plant Tianjin (Audi production since January 2019)

Site:	FAW Volkswagen Automotive Company Ltd.
Established:	2018
Plant director:	Bruno Torres
Models*:	Audi Q3



(all data as of January 28, 2018)

► **Fuel consumption of the models cited and currently available on the market***

Fuel consumption of the Audi Q2 L:

Model not currently available (as of March 14, 2019)

Fuel consumption of the Audi A3 Sportback:

Combined fuel consumption in l/100 km: 7 – 3.9

Combined CO₂ emissions in g/km: 158 – 103

Fuel consumption of the Audi A3 Sedan:

Combined fuel consumption in l/100 km: 6.9 – 3.8

Combined CO₂ emissions in g/km: 158 – 101

Fuel consumption of the Audi Q3:

Combined fuel consumption in l/100 km: 7.6 – 4.7

Combined CO₂ emissions in g/km: 173 – 123

Fuel consumption of the Audi A4 L:

Model not currently available (as of March 14, 2019)

Fuel consumption of the Audi Q5:

Combined fuel consumption in l/100 km: 7.5 – 5.4

Combined CO₂ emissions in g/km: 172 – 142

Fuel consumption of the Audi Q5 L:

Model not currently available (as of March 14, 2019)

Fuel consumption of the Audi A6 L:

Model not currently available (as of March 14, 2019)

Fuel consumption of the Audi A6 L TFSIe:

Model not currently available (as of March 14, 2019)

*Fuel consumption and CO₂ emissions figures given in ranges depend on the tires/wheels used and chosen equipment level. Further information on official fuel consumption figures and the official specific CO₂ emissions of new passenger cars can be found in the “Guide on the fuel economy, CO₂ emissions and power consumption of all new passenger car models,” which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany (www.dat.de).