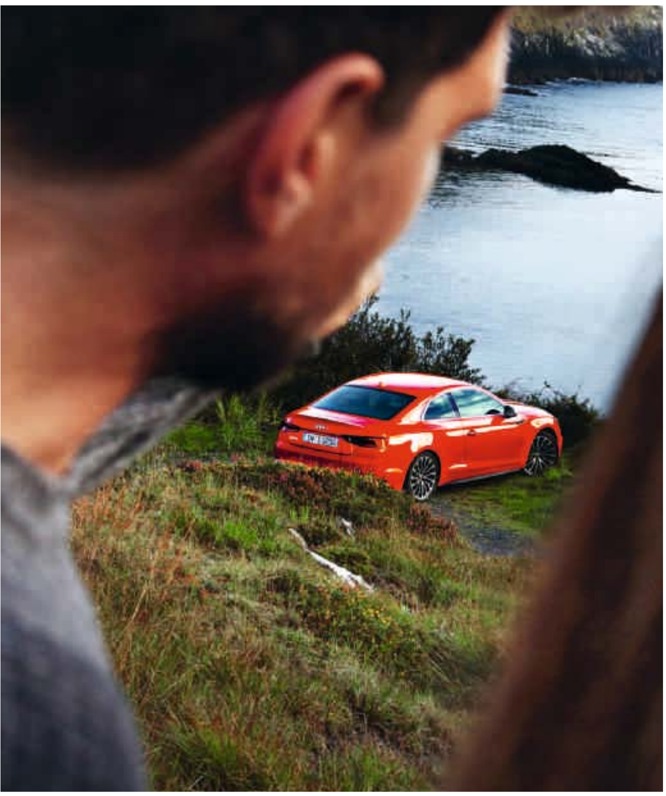
Annual Financial Report
2016

turning.moment

PHOTOS: *Sjoerd Ten Kate*

Fuel consumption and emission figures at the end of the Annual Report



The automotive industry is experiencing the biggest transformation in its history. A challenge we are facing full of confidence – while remaining **open, agile and positive.** From the revolutionary quattro drive to piloted driving: Change is in our DNA. We view it as an opportunity for continuous improvement. And we have now set new goals for ourselves:

turning.moment

With this mindset, we live the concept of “Vorsprung” for our customers each day. And look forward to the future.


PHOTO: *Uli Weber*

Dear Readers,
Dear Shareholders,

“Vorsprung” is our promise. Sustainable, customized premium automobiles, intelligent mobility offerings and services delight our customers worldwide. That is our vision for Audi in 2025.

We are realizing that vision step by step, making rapid yet cautious progress. We are in the midst of the largest transformation in our brand’s history. Changed customer behavior, additional business segments, new competitors – all these are business opportunities associated with the global megatrends of digitalization, sustainability and urbanization.

This transformation takes center stage in our 2016 Annual Report. Discover our open, agile and positive approach to shaping the future of mobility and an extended brand experience – with artificial intelligence, alternative drive systems and the digital ecosystem myAudi being key concepts here.

The future cannot exist without the present, which sees public attention still largely focused on the emissions issue. We deliver solutions – for all of our stakeholders. That entails providing full explanations, putting inspiring products on the road and giving our customers tailor-made products and services.

“Vorsprung” is our promise. A promise we will keep.

R. Stadler

Prof. Rupert Stadler
Chairman of the Board of Management of AUDI AG

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www.audi-reports.com

agile

positive

THE BOARD
DISCUSSES
CHANGE
AT AUDI

1/12/2017
10:23 a.m.

FREEDOM IS THE FUTURE

PHOTOS: *Uli Weber* / TEXT: *Jan Rentzow, Stefan Kemmerer*

Audi has written a laudable success story with "Vorsprung durch Technik." With a consistent focus on delighting customers. Today, megatrends like digitalization, sustainability and urbanization are fundamentally changing the automotive industry. Audi is playing a leading role in shaping this change and is defining new strategic focuses: **turning.moment.**

"NO COMPANY CARRIES CHANGE IN ITS DNA LIKE AUDI."

Prof. Rupert Stadler
Chairman of the Board of Management

"We are setting new goals for ourselves now and working on future areas that define the brand with the pioneering spirit we are known for," says CEO Prof. Rupert Stadler.

For Axel Strotbek, Board Member for Finance and IT, agility is the central success factor for change at Audi: "At ever-shorter intervals, we are seeing new technical developments and disruptive innovations are having an impact."

"AGILE ENTREPRENEURSHIP IS A PRECONDITION FOR DOING THINGS RIGHT LONG TERM."

Axel Strotbek
Board Member for Finance and IT

This is the way – the only way – Audi can remain competitive and profitable in the future. "With this we are managing the investments required for the transformation from our own resources," says Strotbek.

Audi has initiated product line management to further strengthen its core business, car manufacturing. "Entrepreneurs within the company" now work together with their teams on one product line, throughout its entire life cycle. "The new organizational form leads to clear lines of accountability and facilitates faster decision-making paths," explains Strotbek.

Everyone at Audi knows: continuing the success story will require courage. And the freedom to think in new ways. Especially in challenging times, Audi benefits from the creativity and competence of its workforce. With the "Audi.Future." pact, the company is sending a clear signal and supporting its strategic focus with a far-reaching job guarantee. "At the same time we are sustainably changing the working world of the Four Rings," emphasizes Prof. h. c. Thomas Sigi, Board Member for Human Resources and Organization.

"YOU CAN'T SHAPE TOMORROW WITH YESTERDAY'S PROCESSES AND STRUCTURES."

Prof. h. c. Thomas Sigi
Board Member for Human Resources and Organization

New formats for working and refined leadership principles are creating room for innovation, while employees prepare for the issues of the future with a training initiative. Job profiles that used to be unusual in the industry are becoming increasingly important – from programmers and data analysts to battery chemists. Audi experts expand their network, enter into dialogue with startups and explore potential cooperation in places like Silicon Valley, Tel Aviv and Berlin – innovation meets innovation.

San José Chiapa, Mexico: The signs here also point to a **turning.moment**. During the 2016 fiscal year, Audi opened its first factory that was fully planned in the virtual world using computer simulation – a first in the automotive industry. At the new plant all data, logistics and IT for the Audi Q5 run together in the central production control station, making it possible to connect from partner sites at any time.

PHOTOS: *Uli Weber* / TEXT: *Jan Rentzow, Stefan Kemmerer*

“We have consistently digitalized the entire process chain and put the new plant into operation very quickly,” explains Prof. Dr.-Ing. Hubert Waltl, Board Member for Production and Logistics. Artificial intelligence is enabling a new production environment where human-robot cooperation could become standard along with 3D printers and drones. “A production facility will eventually be possible in which our cars are no longer produced on a production line, but instead according to a radically new concept – modular assembly,” says Waltl.

“THE SMART FACTORY IS BECOMING REALITY BIT BY BIT. HOWEVER, PEOPLE REMAIN THE FOCUS OF ALL INNOVATIONS.”

Prof. Dr.-Ing. Hubert Waltl
Board Member for Production and Logistics

Continuing to perfect the product of the automobile technologically is an essential building block – but the needs of modern customers go much further.

“FREEDOM IS THE MOST IMPORTANT CURRENCY FOR THE PREMIUM OF THE FUTURE.”

Dr. Dietmar Voggenreiter
Board Member for Marketing and Sales

Freedom for customers who live in the connected world and increasingly in urban spaces. For these customers, time, independence and sustainability are becoming increasingly important, while consumption, status and ownership are losing priority. “The car becomes a platform in the myAudi digital ecosystem – a diverse, personalized service, seamlessly linked with the customer’s living environment,” says Dr. Voggenreiter, Board Member for Marketing and Sales.

In addition to the possibilities of digitalization, Audi is rethinking sustainability.

PHOTOS: *Uli Weber* / TEXT: *Jan Rentzow, Stefan Kemmerer*

“SUSTAINABILITY MEANS WE ARE READY FOR THE FUTURE, AND THAT APPLIES TO MORE THAN JUST OUR PRODUCTS.”

Dr. Bernd Martens
Board Member for Procurement

“In essence this involves combining ecological, economic and social standards in our corporate activities. Within Audi. Throughout our entire value chain,” says Dr. Martens, Board Member for Procurement. This also means acquiring and retaining the right suppliers at an early stage. Suppliers that can be depended on to act responsibly. And that are some of the most innovative in strategic areas for the future – in electric mobility as well as in piloted driving. “To shape the mobility of tomorrow, you need strong partners. We are developing cooperation with selected suppliers and, in this

way, are achieving a new quality of strategic dialogue. With this, we also want to safeguard ´Vorsprung durch Technik' for the long term," says Martens.

Audi is looking for intelligent solutions in the urban environment to ensure that sustainable, individual premium mobility is enjoyable and does not contribute to congestion in the cities. There is currently a paradigm shift away from the car-friendly city to mobility that is compatible with the city. The vision of a wide array of projects in cooperation with cities: an intelligent, sustainable and livable city with zero emissions and a networked traffic concept. "For Audi, digitalization, sustainability and urbanization go together," says Stadler.

And the automobile? It remains the focus. Audi will present groundbreaking product innovations this year and the next. For example, our full-size sedan, the new A8, debuts in 2017. It heralds the next phase for Audi in piloted driving. At the same time, it marks the beginning of a new styling direction that was primarily shaped by Audi design chief Marc Lichte. The Audi design of the future is also defined by the Q8 concept presented in Detroit in January 2017. Starting in 2018, Audi is opening up a new segment in the full-size class with the new design – with the elegant styling of a coupe and the typical spaciousness of an SUV. During the same year, Audi will bring all-electric driving to series production with an emotional electric SUV – sporty, with appealing driving dynamics and impressive range capacity.

"AUDI HAS MADE 'VORSPRUNG' IN MOBILITY DESIRABLE. THE AUTOMOBILE IS NOW SURPASSING ITSELF AND OFFERING SOLUTIONS THAT PEOPLE HAVE ALWAYS DREAMED OF. 'VORSPRUNG' IS OUR PROMISE."

Prof. Rupert Stadler
Chairman of the Board of Management

“We look forward to shaping change.”

Axel Strotbek
Finance and IT

Dr. Dietmar Voggenreiter
Marketing and Sales

Prof. h. c. Thomas Sigi
Human Resources and Organization

PHOTO: *Uli Weber*

Prof. Rupert Stadler
Chairman of the
Board of Management

Prof. Dr.-Ing. Hubert Waltl
Production and Logistics

Dr. Bernd Martens
Procurement

PHOTO: Sjoerd Ten Kate

Fuel consumption and emission figures at the end of the Annual Report

visionary

... possibilities thanks to **artificial intelligence.** Prof. Rupert Stadler converses with experts Prof. Alan N. Shapiro and Dr. David Hanson, and with a humanoid robot called Sophia.

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Audi is using new formats to shape the **working world of the future.**

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01 / visionary

MEGATREND
ARTIFICIAL
INTELLIGENCE

12/12/2016
4:18 p.m.

AI'S AGE

PHOTO: *Christian Maislinger* / TEXT: *Susanne Mellinghoff*

Intelligent machines, humanoid robots and disruptive research are turning science fiction into science fact, accompanying humans and society into a new age. What possibilities will artificial intelligence (AI) open up for the automobile of the future? CEO Rupert Stadler, robot developer David Hanson and science fiction researcher Alan N. Shapiro meet in an Audi future lab to discuss these controversial issues. A conversation about knowledge pills, algorithms, self-learning and self-driving cars as well as the ethics and simplicity of humans.

You've created an attractive female robot that answers to the name of Sophia. Why do your robots look like humans, Mr. Hanson?
HANSON: People like people. That's why humanoid robots appeal to our emotions and our nervous system. We feel attracted to them, we admire their looks and we identify with them. That's why children like playing with dolls. Humanoid robots make it easier for us to access artificial intelligence and make AI intuitively tangible. So why shouldn't they look like humans? We can even fall in love with these robots.

Can you also develop feelings for cars?
STADLER: Think of a thoroughbred sports car, and the butterflies in your stomach that it produces. We like our cars and definitely develop passionate feelings for them. In the future though, the car will also reciprocate these feelings. It will recognize us and understand us better. Maybe even better than we do ourselves. When we get into the car after a stressful day, for instance, it will play our favorite music, massage our back and know what we need. At Audi, we call it PIA, the personal intelligent assistant.

We're all already familiar with robots as lawnmowers or in industrial manufacturing. But what do we need humanoid robots for?
SHAPIRO: Androids like Sophia will play a role in all areas of life. You can think of it like in a science fiction film. Androids will be our friends and partners, and will also support us at home.

So we humans are inadequate on our own?
SHAPIRO: To be honest, we're actually pretty bad. In my view, the essential aim of AI should be to transform humans themselves to make them more empathetic and more ethical. To surpass themselves. The relationship between humans and AI should be a partnership in which we also learn what really constitutes human intelligence.

For example?
SHAPIRO: Intelligence consists of many facets. There are significantly more exciting aspects than those associated with rational, calculating intelligence. Think of a human's social intelligence, being able to behave appropriately in interpersonal situations.
STADLER: Another example is emotional intelligence, that is, the ability to perceive, interpret feelings and subsequently act accordingly.

So we do know precisely what constitutes intelligence?
SHAPIRO: No. The assumption that you can reproduce human intelligence in artificial intelligence is totally wrong. The idea of transferring biological algorithms to mathematical algorithms shows just how simplistic we humans are.

Are you serious?
SHAPIRO: Of course. We have huge shortcomings. People are dying of starvation around the world, there are wars and dictatorships. Another example is climate change, which we are unable to get under control. We obviously can't come up with solutions to serious man-made problems. On the contrary, we're doing everything we can to wipe out our world and ultimately ourselves.

So we're simply not viable. And that's why we need AI?
STADLER: That alone is surely not the sole motivation, but AI will enable us to use our resources much more efficiently. But self-learning machines can undoubtedly also make our everyday lives much easier.
HANSON: There are things that we humans simply cannot do. Machines and robots can, for instance, lift much heavier loads. They're more precise and much faster than we are. They don't get tired, get sick or need a vacation.

Are humans becoming superfluous?
HANSON: No, because we ultimately also have some outstanding strengths. Not everything is based on logic. Humans tend to make personal decisions in particular based on gut instinct. This intuitive did-everything-right feeling is alien to a robot. It's not about replacing us humans, but about extending our human potential. Assisted by robots, we can achieve more, become better and surpass ourselves.
STADLER: That applies equally to using AI in the working world. Robots are already working hand in hand with humans in our factories and are taking over strenuous tasks.
SHAPIRO: All of the technology that humans have developed thus far has been aimed at extending our possibilities. For many years, humans have had the benefit, for example, of

PHOTOS: *Christian Maislinger* / TEXT: *Susanne Mellinghoff*

Future talk: (from left) Android Sophia, science fiction researcher Alan N. Shapiro, robot developer David Hanson, CEO Rupert Stadler and author Susanne Mellinghoff gaze into the future.

PROF. RUPERT STADLER

Born in 1963. Chairman of the Board of Management of AUDI AG. A graduate in business administration, he joined Audi in 1990, working in Controlling for Marketing and Sales. In 1994 he was appointed Commercial Director of Volkswagen/Audi España S.A. in Barcelona. Rupert Stadler became Head of the Board of Management's Office for Volkswagen AG in 1997, and additionally Head of Group Product Planning starting in 2002. He joined the Board of Management of AUDI AG in 2003 and has been its Chairman since 2007. Stadler was also appointed to the Board of Management of Volkswagen AG in 2010. He lives in Ingolstadt with his wife Angelika and has three children.

medical implants that prolong life. In the future, though, this will go much further still. We will extend our cognitive skills, our intellectual capacity. We will, for instance, be able to assimilate things and knowledge, as and when required, with a pill. Such as a foreign language or a particular skill.

Does that mean in the future I'll board a plane to Beijing, pop in a pill and be speaking fluent Mandarin when I land?
SHAPIRO: Believe it or not, you won't need a dictionary anymore. You will become the dictionary yourself.

Sounds tempting. And when will all this be possible?
SHAPIRO: It'll be some time yet. There are many obstacles to overcome before we can actually turn all science fiction technologies into reality. We still don't have the right IT systems and what we're still missing in AI research is an interdisciplinary approach. This is why I don't believe that machines will be equal to us or even exceed our abilities in the foreseeable future.

So at the end of the day it's all just fiction?
HANSON: It is in fact still very early days. AI is already much more reliable than we humans when it comes to analyzing medical images, or rapid stock exchange trading. But the

breakthrough will come. And it isn't an issue for our children's children, it's something we ourselves will experience.

Mr. Stadler, can you imagine, given these enormous prospects, soon working with an android as a colleague on the Board of Management?
STADLER: As a next step, I would prefer to have a woman on the Board of Management ...

... but hypothetically speaking, an android certainly acts with less emotion than we humans, right?
STADLER: Absolutely. A touch of rationality wouldn't hurt in certain decisions made by humans. It's the interplay of the two that makes all the difference.

Mr. Shapiro is skeptical about crediting humans with intelligence, while Mr. Hanson is working on the robot of the future. What is Audi doing, Mr. Stadler?
STADLER: We're looking at machine learning, among other things. This means a computer, in our case the car's operating system, learns to act without being preprogrammed explicitly for a certain situation. Machine learning is essential for piloted driving and enables the car to act autonomously even in unforeseen situations. The car initially learns from specific situations, but can later generalize what it has learned. The more miles it clocks, the better it becomes. We are working hard on this issue and that is also why we went to one of the world's most important conferences for experts in AI in 2016. We presented a model car that uses machine learning to develop intelligent parking strategies. In the next step we will transfer that to a real car. The goal is the intelligent car that can make independent decisions even in complex situations.

DR. DAVID HANSON

Born in 1969, Hanson is a robot developer, founder and CEO of the startup Hanson Robotics in Hong Kong. His company is renowned worldwide for humanoid robots. Hanson's best-known android "Sophia" understands language and is able to hold conversations and imitate more than 60 human facial expressions. In 2013, Hanson won the World Technology Award for IT hardware.

Isn't the expertise for programming artificial intelligence actually in other sectors?
STADLER: You might not necessarily associate AI with a car manufacturer. But to push piloted driving forward, we need to assimilate AI as a core competence. Meantime, consortia such as the one between Audi, Mercedes and BMW with the HERE map service are becoming increasingly important as a way of pooling expertise.

Is that why Intel suddenly decided to join this alliance?
STADLER: Intel brings enormous expertise in developing and optimizing hardware and will support us decisively in our future projects. Together we want to develop a digital platform so that we can update high-resolution maps in real time.

Automobile literally means self-driving. Why has it taken the car industry over 130 years to discover automated driving?
STADLER: The dream of the self-driving car is as old as the dream of perpetual motion. Only so far, we haven't had the technology to fulfill this dream. Now solutions are emerging to some of the problems that have for a long time been regarded as insurmountable. And so, enhanced computing power is finally allowing us to utilize the huge amounts of information and take the next step toward piloted driving.

What does that do for me personally?
SHAPIRO: You get freedom back. For us Americans, the automobile is synonymous with freedom. The American way of driving, so to speak. But since I'm not the only person with a car, particularly in urban areas, then I'm constantly stuck in a traffic jam. My car becomes a sort of cage, the traffic jam therefore a form of confinement.
STADLER: You call it confinement, for me it's wasting time. That's why we want to give our customers a 25th hour with piloted driving ...

... my day only has 24 hours.
STADLER: Mine too. But what we tend not to have is time for ourselves, a personal 25th hour. Piloted driving is no longer about getting from A to B. If the car of tomorrow has piloted driving, people will be able to use their time differently. You won't waste time in traffic jams. The Audi of the future will be a place to work, relax and enjoy experiences. Finally, we will once again have time to listen to music, read a good book, watch movies or Skype with the family.
SHAPIRO: Generally speaking, technology should no longer be seen as just a tool. Instead, it should be a living environment.

PHOTOS: *Christian Maislinger* / TEXT: *Susanne Mellinghoff*


First lady: (from left) Android Sophia converses with David Hanson, Rupert Stadler and Alan N. Shapiro.

The car collects masses of data to facilitate automated driving. Can we use that data for anything else?
HANSON: Instead of cars, imagine fish, birds or insects. Many species of animals move in swarms, orient themselves with members of their species and benefit from doing so. The same applies to swarm intelligence in traffic. One car on its own knows little, many cars know a lot. Each individual car can help enhance the overall performance of all cars. It works by providing the data to all other cars via a cloud. Taking that idea further, you can end up with a brand-new value creation system. Data becomes currency. The more data a car collects, the more value it adds for society.

Is that really what your customers want, Mr. Stadler?
STADLER: The data belongs to the customer. What happens to that data is entirely up to him or her. But it is also clear that with artificial intelligence, Big Data will be the oil of the twenty-first century. We are in the age of the Big Data Economy.

If someone hacks into my computer at home, my data is at risk. What happens if they hack into my car as I'm driving – is my life then in danger?
STADLER: No. Safety is our top priority. We're running through every possible scenario in the development process to identify vulnerabilities and eliminate them in advance.

Automated driving raises ethical questions in particular. How should a self-driving car respond in an unavoidable accident situation where either a child in the road, or the occupant, could be killed?
STADLER: No car manufacturer can decide on its own how to resolve this kind of dilemma. To define a binding framework for action we need a broad public debate with all the affected stakeholders – from insurers to accident researchers and courts that deal with traffic issues. I'm confident that piloted driving will substantially reduce the number of traffic accidents overall. After all, human error currently accounts for more than 90 percent.

How realistic do you find the idea of one day having zero accidents?
SHAPIRO: It's an interesting vision. But you need to realize that accidents are inherent in any technology. They are the midwives for progress. Airplanes may crash, power plants explode. It's inevitable. But that's no reason to fear technology will lead to dystopia and the end of mankind. We need instead to foster trust in technology. Think of it as making our lives and our world better.

You have a great deal of trust in these supposedly intelligent machines. How should we integrate them into our society?
SHAPIRO: First we need to understand that machines are not dead. They are alive and equal to us. So we need to treat them sympathetically, show them feelings, appreciate them and grant them autonomy and rights.

PROF. ALAN N. SHAPIRO

Born in 1956, Shapiro is a science fiction expert, software developer and interdisciplinary thinker. He lectures in Transdisciplinary Design as visiting professor at the Folkwang University of the Arts in Essen and regularly gives presentations at academic conferences. His book “Star Trek: Technologies of Disappearance” continues to be regarded as a seminal work in the field of science fiction studies.

I beg your pardon? Did you say rights?
SHAPIRO: Yes. We need to grant them the same rights as a human. That way, we'll also surpass ourselves.

Will we then need a separate jurisdiction for machines?
HANSON: Absolutely. As soon as machines have consciousness and a will, the law and statutes will change around the globe. In the future, machines will even be morally, ethically and, ultimately, also legally responsible for their actions.

Back in 1942, Isaac Asimov described three robot laws in a science fiction story. Are the Asimov laws now obsolete?
HANSON: The three laws – that robots may not harm a human being, must obey their orders, and should protect their own existence as long as that does not conflict with the first two laws – still apply. Yet the machines and robots of the future will be far better morally than we are. This notion goes way beyond the Asimov laws.

What does that mean?
HANSON: Machines will make impartial decisions so that, at some stage, we will call for them to be given power. Companies, legislators, and indeed society as a whole will demand this happens. Gradually, we will leave the field to robot judges, robot politicians and robot cars.

Isn't there the risk that machines will eventually see us as a problem and want to wipe us out, just like the Terminator scenario?
HANSON: No. If machines not only exceed human capabilities but are also far superior to us morally, they won't be able to turn against us.

That sounds like conflict. The renowned physicist Stephen Hawking warns us that AI could destroy us some day. Aren't you being overly optimistic, Mr. Hanson?
HANSON: We're treading a fine line here. Of course there are risks, and some of these are big. But without optimistic visions, progress will elude us. For an AI enthusiast like me, it is absolutely clear that a positive future awaits us. I'm convinced that AI will usher in a golden age for us.

Let's just return to the self-driving car for a moment. Why would I buy an Audi R8 if I'm not even allowed to drive it myself?
STADLER: An R8 will also benefit from piloted driving. Imagine you're on a racetrack. As a self-driving car, the R8 will show you how to achieve your best time. It monitors you and coaches you. Believe me, it's an entirely new experience!

The film of the interview and a dialogue with the female robot Sophia can be found online.

EXPERIENCE MORE

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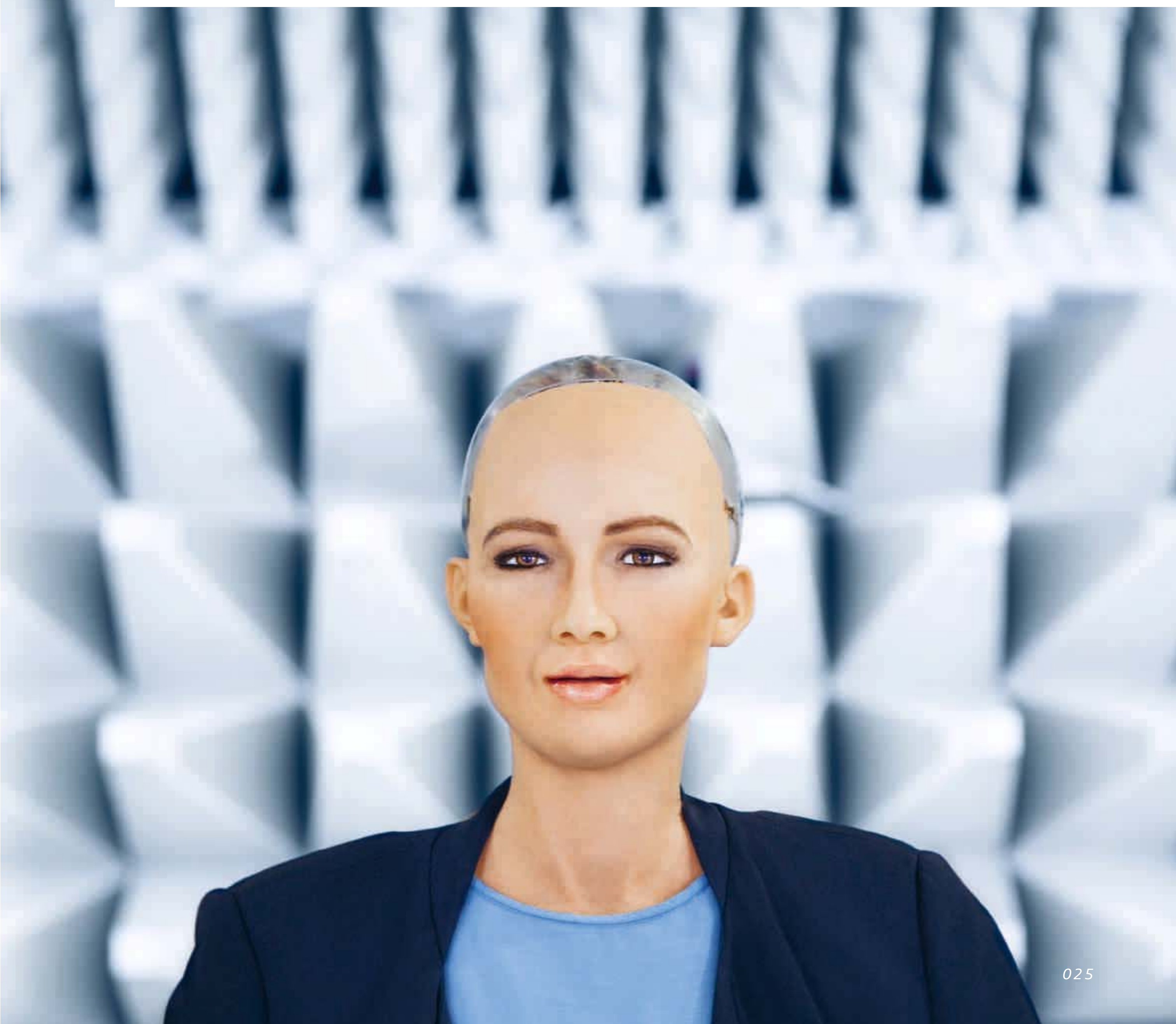
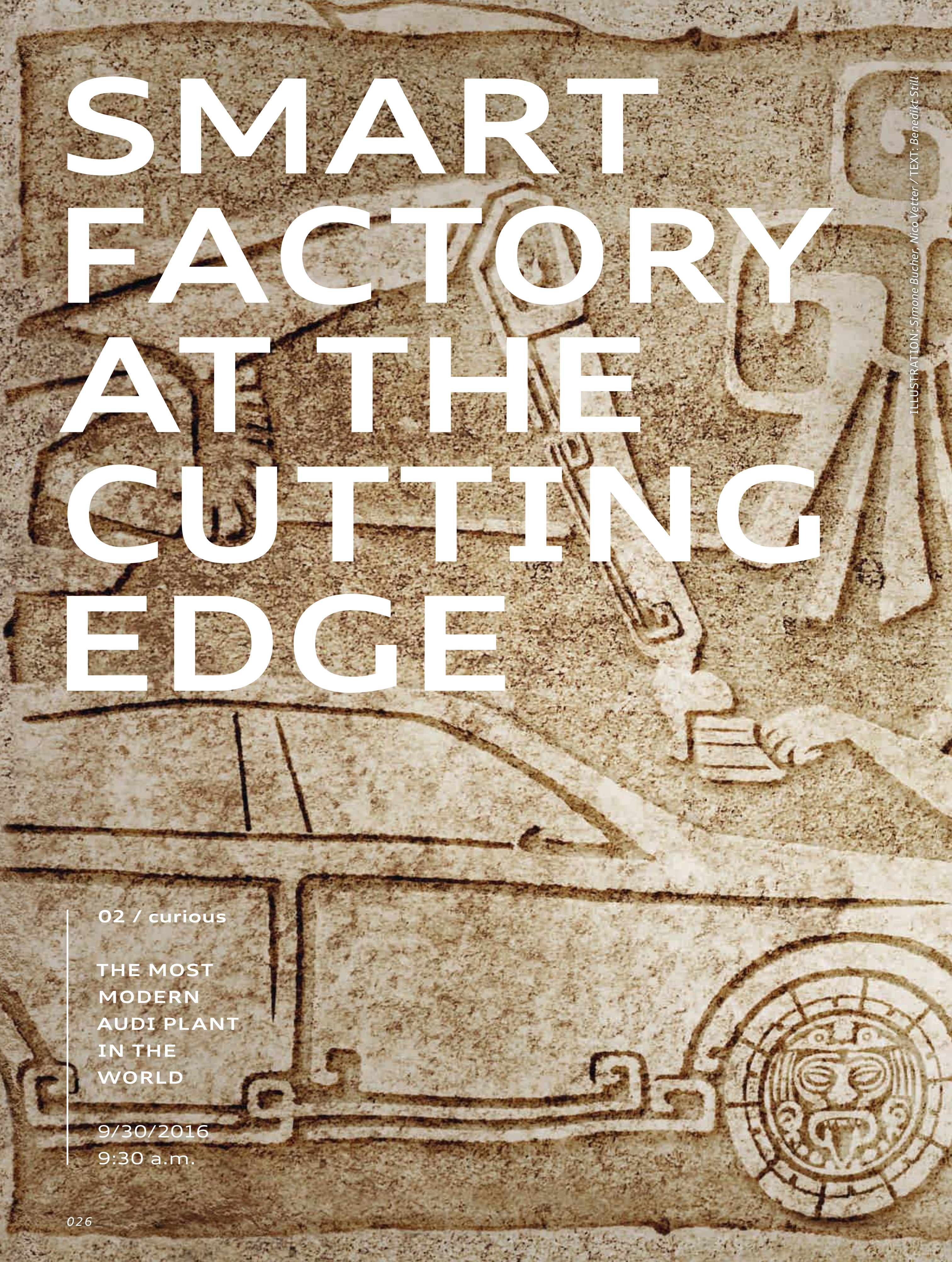
PHOTOS: *Christian Maislinger* / TEXT: *Susanne Mellinghoff*

ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) is a branch of computer science that aims to replicate human-like intelligence in machines and software. Strictly speaking it entails intelligent software that constantly gets better by itself so it can solve problems and achieve goals autonomously. Research into artificial intelligence is geared to making all areas of life easier for humans, from robots taking over tedious tasks to greater safety and reliability in the area of transportation. Constantly increasing computing power, the huge growth in data and intelligent algorithms are currently helping AI research make enormous progress.

The term was popularized in 1950 by British mathematician Alan Turing and the Turing test named after him. To verify the point at which a machine can be regarded as intelligent, a test person communicates via a computer terminal with two partners, which the person cannot see, namely a machine and a human. If the test person cannot distinguish between the human and machine, the machine is said to be intelligent. Whether a machine has already passed the Turing test is open to debate. The computer program Eliza developed by computer scientist Joseph Weizenbaum at MIT (Massachusetts Institute of Technology) in 1966 is one early implementation test. The program simulates a psychotherapist, can conduct a dialogue and is regarded as the precursor of modern-day chatbots.





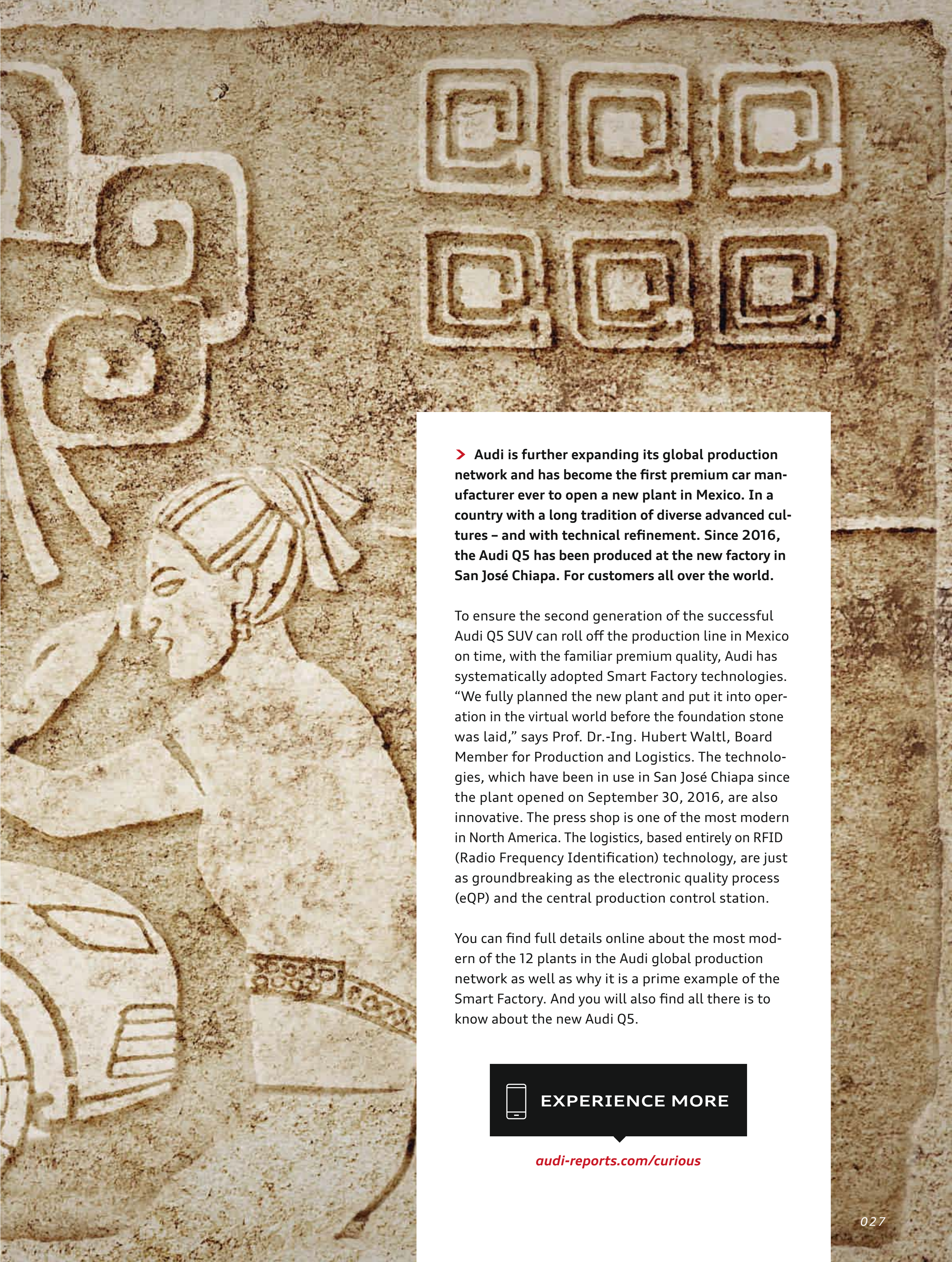
SMART FACTORY AT THE CUTTING EDGE

ILLUSTRATION: *Simone Bucher, Nico Vetter* / TEXT: *Benedikt Still*

02 / curious

THE MOST MODERN AUDI PLANT IN THE WORLD

9/30/2016
9:30 a.m.



Audi is further expanding its global production network and has become the first premium car manufacturer ever to open a new plant in Mexico. In a country with a long tradition of diverse advanced cultures – and with technical refinement. Since 2016, the Audi Q5 has been produced at the new factory in San José Chiapa. For customers all over the world.

To ensure the second generation of the successful Audi Q5 SUV can roll off the production line in Mexico on time, with the familiar premium quality, Audi has systematically adopted Smart Factory technologies. “We fully planned the new plant and put it into operation in the virtual world before the foundation stone was laid,” says Prof. Dr.-Ing. Hubert Waltl, Board Member for Production and Logistics. The technologies, which have been in use in San José Chiapa since the plant opened on September 30, 2016, are also innovative. The press shop is one of the most modern in North America. The logistics, based entirely on RFID (Radio Frequency Identification) technology, are just as groundbreaking as the electronic quality process (eQP) and the central production control station.

You can find full details online about the most modern of the 12 plants in the Audi global production network as well as why it is a prime example of the Smart Factory. And you will also find all there is to know about the new Audi Q5.

EXPERIENCE MORE

audi-reports.com/curious

PHOTO: *Shutterstock* / TEXT: *Jan Rentzow*

TALKING BUSINESS

How smart logistics combines time and space

Audi produced around 1.9 million cars in the 2016 fiscal year, which means that the production volume has almost doubled in 10 years. And no longer at just three sites as at the turn of the millennium, but at 12 factories, spread across the entire globe.

A complex task therefore also for Audi Logistics: networking people, processes and knowledge in the best way possible. Or in other words, production with zero empty runs and the availability of all the necessary information and components in the right place at the right time.

One particular challenge that needs to be mastered is the increasingly varied product portfolio due to individual customer requirements for equipment and variants. In this way, hardly any two Audi cars are the same.

And what about employees? They play the central role in this cross-site network. The diversity of the multinational workforce is the key to international markets, with very different customer needs in each region.

Faster, more efficient, more sustainable – that is the logistics of the future. Digital information flows speed up processes, and real-time data allows complexity to be managed. Take a look at Talking Business online to find out how Audi, with its global growth, resolves the differences between space and time, and what role a strong corporate culture plays in this respect.

Prof. Dr.-Ing. Hubert Waltl, Board Member for Production and Logistics: “With the aid of Big Data, we provide the right information at the right time and place.”

- **Every Audi model can be individually configured by the customer – down to the smallest equipment detail. The result: a constantly growing range of variants.**
- **The Smart Factory helps manage the complexity of production, makes processes more flexible and efficient, and further enhances the high level of quality at Audi.**
- **A global production network requires intelligent logistics to optimize inventories and material flows.**

MORE FACTS

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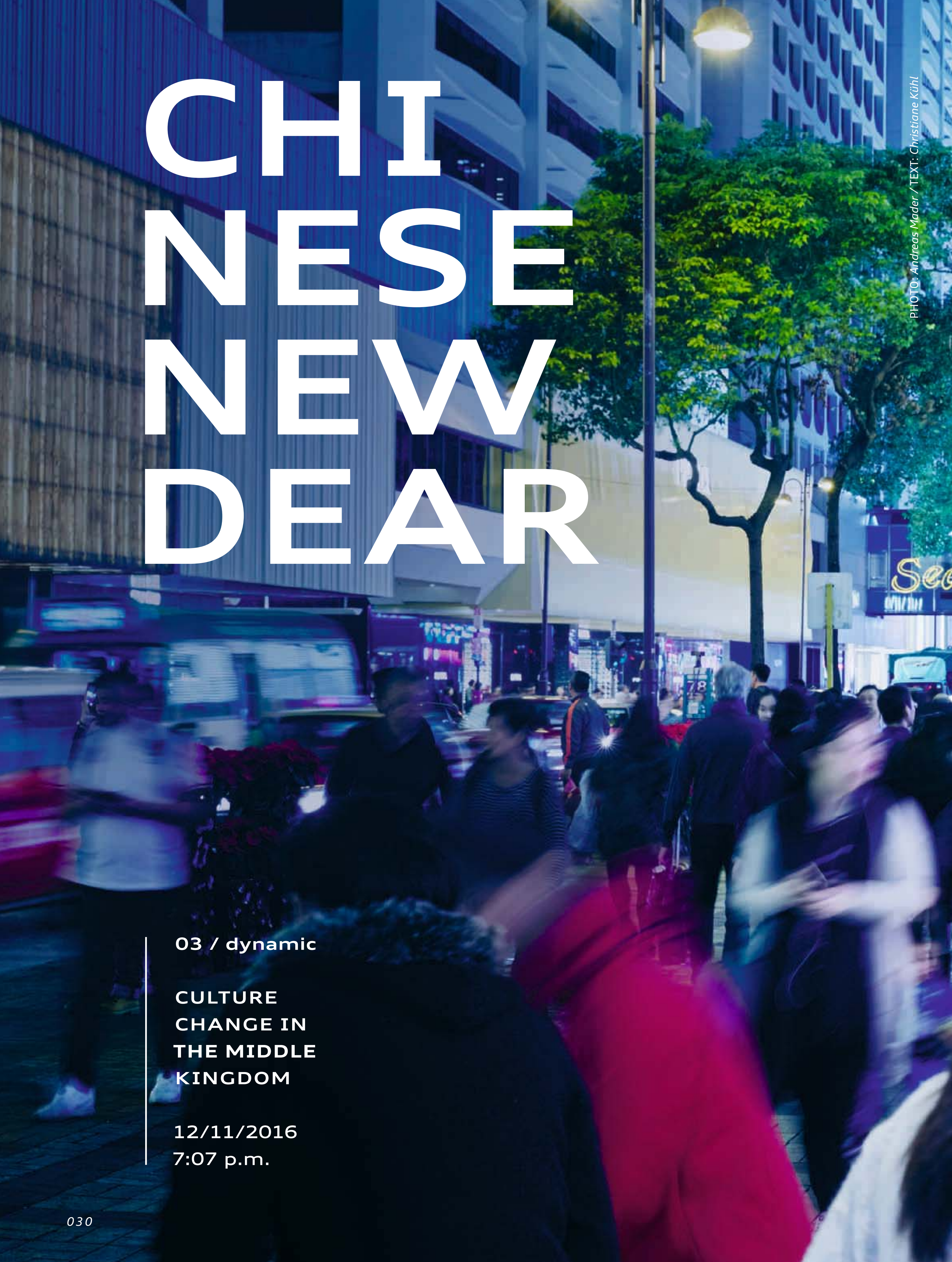

CHI NESE NEW DEAR

PHOTO: *Andreas Mader* / TEXT: *Christiane Kühl*

03 / dynamic

CULTURE CHANGE IN THE MIDDLE KINGDOM

12/11/2016
7:07 p.m.

China's economic development over the last few decades is unprecedented. As a result, gross domestic product has grown consistently over the past 30 years. Thanks to its economic muscle, the Middle Kingdom now ranks only behind the United States in terms of GDP. The income of the 1.3 billion inhabitants has grown steadily on the whole, increasing more than eight-fold since 1990. Anyone who was successful during this boom openly enjoyed the fruits of their success. This gave rise to the cliché of wealth reflected in purses, chandeliers and luxury cars covered in brand logos.

And today? The demonstration of wealth is changing. Success and prosperity now mean freedom and the opportunity to express your personality – but in a rather more subtle way. This shift in values is being driven by a younger generation that is letting go of the traditional values of their elders. This generation no longer wants to please society at all costs. Personal needs are increasingly coming to the fore. Their generation is also the first to grow up as digital natives – always connected with their environment. That has shaped them – they not only know more about the world and are more open than the generations before them. They also want to be online all the time, and they primarily use mobile internet due to its unbeatable convenience.

How should a premium car manufacturer respond to these changes? How should this new generation be understood? How can you find out what they want? And what services suit their lifestyle?

The Audi answer is to create innovative access to the brand's products in order to serve the young, urban Chinese generation, too. Find out online how this actually works. With no clichés whatsoever.

EXPERIENCE MORE

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PHOTO: Andreas Mader / TEXT: Jan Rentzow

TALKING BUSINESS

Urban agenda

Tomorrow's cities are being planned today. What role will the car play here?

Audi is working to ensure it will be a decisive one. One that benefits cities. One that completely reinterprets how we handle space and time. There will be no traffic jams in this future. Instead there will be lush inner cities and people with more leisure time.

By 2030 there will be 41 megacities around the globe with more than ten million inhabitants. Parking space, which is already well beyond the means of many families in China, will become increasingly expensive. Superblocks will become exclusive pedestrian areas to create space for nature and leisure.

And the car of all things is set to become the game changer here? Absolutely! Future Audi solutions are as multifaceted as the challenges they address. With electric mobility to reduce emissions. With self-parking automobiles that cut the space needed for parking, freeing up room in downtown areas to improve urban quality of life. With Car-to-X communication to eliminate hours wasted in traffic jams. With autonomous vehicles for greater freedom on the move. With premium mobility services, tailored to individual needs.

Read Talking Business online to find out where the Audi urban agenda is already taking effect and how Audi is gradually getting closer to the Smart City.

A quick sneak preview of the smart Audi world of tomorrow:

- **Piloted parking will save commuters up to 100 hours annually in the future and reduce parking space by up to 60 percent because, for example, driving lanes and parking spaces can be reduced to a minimum size.**
- **The Audi connect service traffic light information helps make the best possible use of green light phases and therefore optimizes traffic flow.**
- **The new A8 is already setting new standards for Audi in 2017. In piloted driving mode, it steers its driver through congested traffic at speeds up to 60 kilometers per hour to reduce stress.**

MORE FACTS

audi-reports.com/dynamic_tb

TIME OUT FROM PERFEC TION ISM

04 / courageous

NEW WAYS OF WORKING AT AUDI

10/10/2016
9:47 a.m.

PHOTO: *Katrin Ebner* / TEXT: *Lisa Först*

How can a company claim “Vorsprung durch Technik”? With innovations, of course. But these don’t develop by chance – especially when the basic parameters for automotive companies are changing as drastically as they are at the moment.

On the road to becoming a digital car company, courage is essential. The courage to question proven technologies as well as time-tested structures and learned ways of thinking, and to try something new. In certain projects, Audi is already deliberately using unconventional new formats and configurations for working that offer employees completely new freedoms. This releases abundant potential for creativity and innovation, since employees can collaborate here in a self-organized and interdisciplinary way, free of silo mentality. In different cities, in different countries, newly inspired and full of enthusiasm. And all the while they are allowed to make an occasional mistake.

Which new locations employees are discovering as their place of work, what has triggered a startup boom in Tel Aviv, why red beanbag chairs encourage innovation, and why working while standing up makes you more creative: All answers are online – including the answer to why taking time out from perfectionism is actually a true innovation booster.

EXPERIENCE MORE

audi-reports.com/courageous

A breath of fresh air for the working world of the future

"When the winds of change blow, some build walls while others build windmills" – this saying is a metaphor for transformation. Driven by the megatrends digitalization, sustainability and urbanization, customer requirements are also changing radically in the automotive industry.

The result: Existing value chains that had been stable for decades are being forced open and new competitors are pushing into the market. The decisive point is to view this as an opportunity rather than as a setback. Established car manufacturers are working steadily to advance development of business models that have worked for them up to now. There is no formula for success here. The winners in this transformation will include those able to offer sustainable, individual premium mobility in the future – with the automobile as a digital platform at the center. Audi is positioning itself clearly here with its Strategy 2025 and, during fiscal 2016 alone, has hired around 1,200 experts in future-focused areas such as electric mobility and digitalization.

"I am certain that in 10 years, our daily work routine will look completely different."

Dr. Jochen Haberland,
Head of HR Policy and Key Issues

Companies that enjoy sustained success continuously reinvent themselves. This transformation is shaped by

APPRECIATION AND RESPECT

SUPPORTING EMPLOYEES AND OFFERING THEM CHALLENGES

DEALING WITH MISTAKES

people but requires a work environment that encourages creativity and strengthens the ability to innovate. "I am certain that in 10 years, our daily work routine

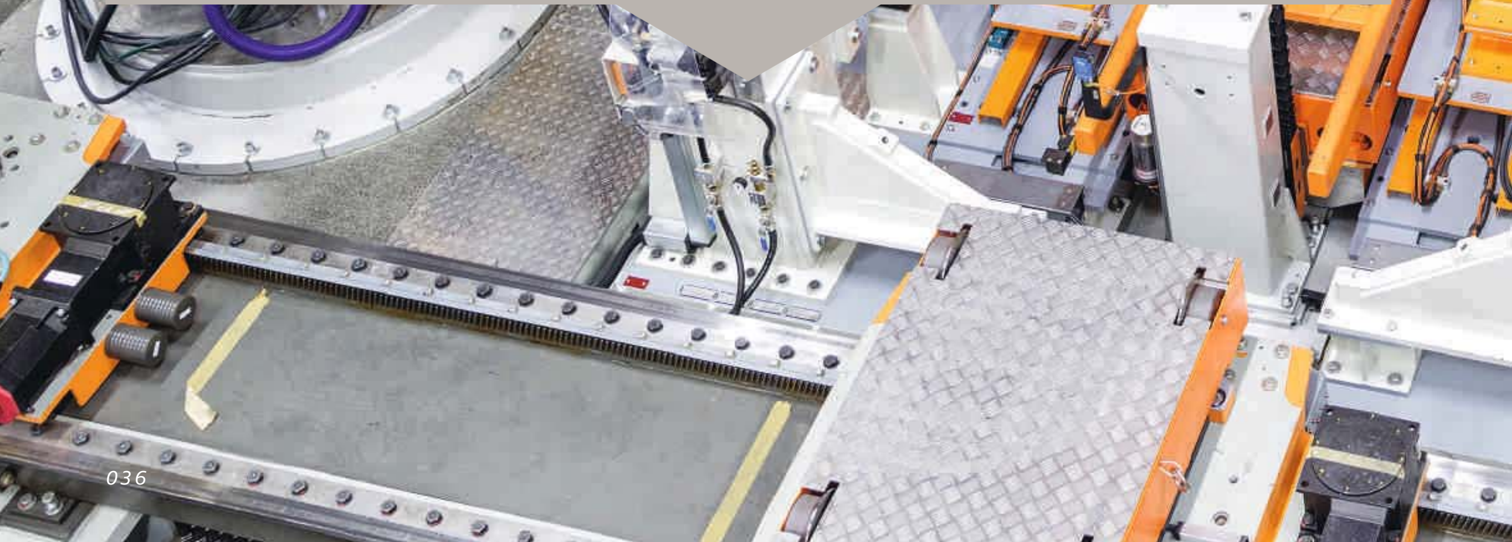


PHOTO: AUDI AG / TEXT: Peter Gaide

will look completely different," says Dr. Jochen Haberland, Head of HR Policy and Key Issues at AUDI AG. In the digital age, for example, new models for collaborating will become much more important.

Short decision-making paths are a must – this also means greater responsibility and focus on results for project managers and employees, flatter hierarchies and less need for coordination. The basis for this is provided by the refined leadership principles at Audi which have been developed successively since 2013 with the participation of managers, employees and the Works Council. Aspects such as "appreciation and respect," "supporting employees and offering them challenges" and the principle of "dealing with mistakes" motivate employees and exemplify a corporate culture that offers room for innovation.

The Board of Management and Group Works Council of AUDI AG reached a company agreement in 2016 regarding mobile working. The agreement gives Audi employees a right to work independent of location and at flexible times, provided that this is compatible with their specific duties. This policy not only covers office jobs, but also offers variable flexitime and part-time arrangements in production areas, along with pilot projects aimed at adding more flexibility to shift systems. In addition, organizing work schedules based on the employee's life phase will in the future help individuals adapt their own work to their respective life situations. For instance, employees could free up time this way for pursuing a degree while they work, for parental leave, for traveling the world or for caring for a family member at home.

Thinking out of the box

Especially in times of transformation, Audi benefits tremendously from the creativity and the competence of its team. To successfully conclude strategic initiatives, it is important to strengthen employees' readiness and will to change. The company has therefore launched various measures that further boost the creative potential of its workforce.

For instance, interdisciplinary teams meet up at events like the Audi Innovation Sprint in Berlin. The goal here is to develop a "minimum viable product" – the first executable version of a digital software service – within 100 days. At the Audi X-Labs, groups of Audi employees aim to develop an innovative product and business idea, and then present it directly to the Board of Management.

In the Audi Fellowship Program, on the other hand, managers from all business divisions experience the digital hot spots Silicon Valley, Berlin and Tel Aviv firsthand. When they return, they bring back with them valuable networks and strategic partnerships, platform know-how and starting points for digital business models. All these initiatives help develop new business segments at Audi.

Audi is also taking an innovative approach to workplace design. In a new office building in Ingolstadt for up to 2,500 people, an open design promotes direct interaction, facilitates teamwork and offers a high degree of flexibility. "Quiet work stations" are available for tasks that require full concentration. In addition, a modular building structure allows for variable use of space, such as for individual offices or open-space work stations.

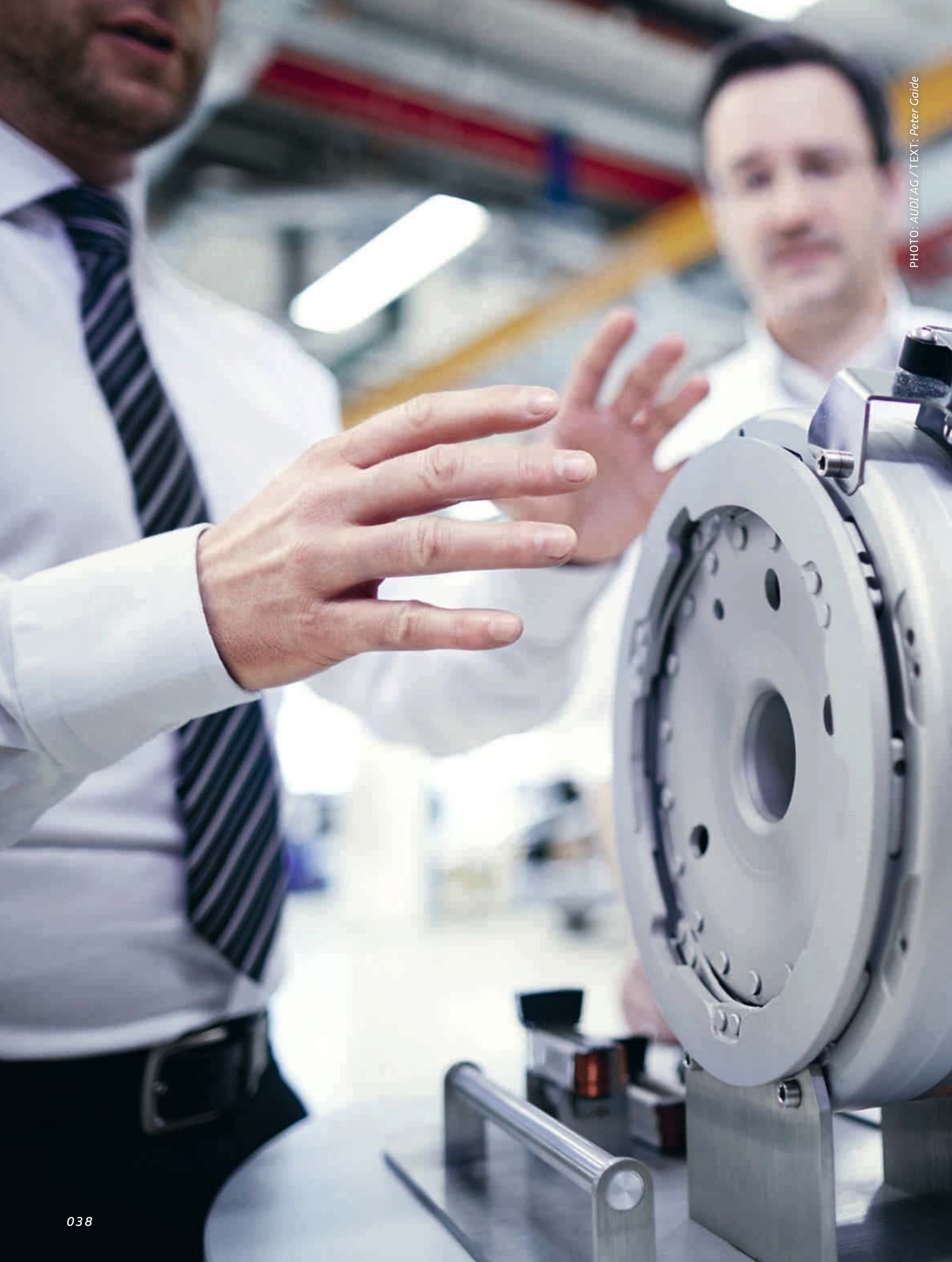


PHOTO: *AUDI AG* / TEXT: *Peter Gaide*

TALKING BUSINESS

Customized training
Custom-tailored qualification creates a breeding ground for successful transformation of the automotive industry. One example of this is the significant issue of electric mobility. The ambitious strategic goal for 2025 is for one-third of all automobiles produced by Audi to be electric cars. “The automotive industry is in a period of transition,” says Thomas Sigi, Board Member for Human Resources and Organization. “New competencies in innovative fields like electrification, urbanization and digitalization are more important today than ever before in terms of strategic human resource planning. This is why we are also increasingly focusing on partnering with science and education.”

> **“We are in the middle of shaping the working world of tomorrow and positioning ourselves to be future-proof in all business divisions.”**

Thomas Sigi, Board Member for Human Resources and Organization

For example, a partnership initiated with the Technical University of Ingolstadt offers drive system developers the chance to further expand their expertise in the field of electric mobility. The lesson plan includes topics such as “Electric Machines and Power Electronics” and “Concepts for Electrified Vehicles and Energy Storage.” The first participants from Drive Development completed their training in January 2017. The partnership serves as a kind of model. If the project runs successfully, similar programs will follow for employees throughout the entire company.

Ultimately, all of the projects and measures described are helping to accelerate the transformation of Audi into an even more agile organization and to make the company even more competitive in an age of electrification and digital automobility: a company where employees transform their visions into innovations.

MORE FACTS

audi-reports.com/courageous_tb

open

for intelligent
solutions

PHOTOS: *AUDI AG, iStock* / TEXT: *Kerrin Nausch*

Artificial intelligence //

Audi at NIPS

Self-learning systems are a **key technology for piloted driving.** That is why Audi has already built up a wealth of know-how in machine learning. In 2016, the company was the only car manufacturer represented at **NIPS** (Conference and Workshop on Neural Information Processing Systems) in Barcelona. As one of the world's leading conferences on artificial intelligence, NIPS showcases advancements made each year in the areas of machine learning and computational neuroscience. Audi used a 1:8 scale model car, the **Audi Q2 deep learning concept,** at NIPS to demonstrate an **intelligent parking procedure.**

In January 2017, Audi presented the next step toward piloted driving with artificial intelligence at the **CES** (Consumer Electronics Show) in Las Vegas: the **Audi Q7 deep learning concept.** In the context of the NVIDIA keynote, the brand demonstrated the intelligence of the concept car on a specially designed, variable open course.

EXPERIENCE MORE

audi-reports.com/open

Intelligent assistant //

PIA thinks for itself

Unveiled in September 2016, PIA, the **personal intelligent assistant,** is due to enter series production by 2019 and assist Audi drivers on the road. **PIA** is one of the first in-car systems that continually learns. When activated, it remembers the driver's decisions and **assists automatically** as soon as it detects a pattern. The vehicle gets to know drivers in this way and acts in accordance with their preferences.

Digital payment systems //

On the move with AudiPay

Audi and Volkswagen Financial Services worked together to create **AudiPay, a global platform that offers a smart, safe and fast way for customers to bill and pay** for new digital products and services. With AudiPay customers will be able to do things like purchase function-on-demand features with their preferred methods of payment. In the future, AudiPay will be expanded with additional functionalities. An e-wallet function, a bonus system and payment with crypto-currencies are among the possibilities.

agile

PHOTO: *Sjoerd Ten Kate*

ZERO?

05 / on the way

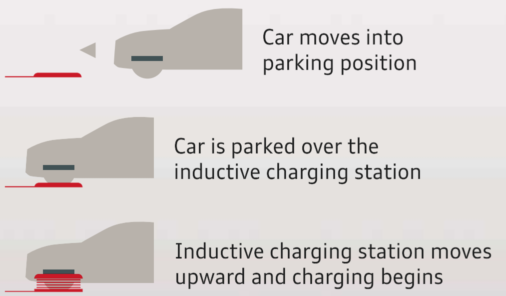
PREMIUM MOBILITY OF THE FUTURE

7/20/2016
10:02 a.m.

ILLUSTRATION: *Golden Section Graphics* / TEXT: *Lisa Feldmann*

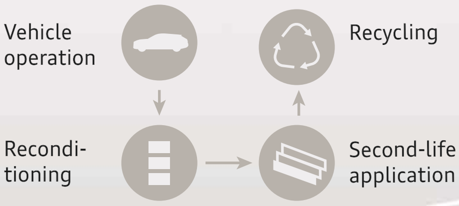
Audi e-tron inductive charging

With this technology, Audi is developing a solution that makes it possible to automatically charge overnight with the amount of energy required for the distance driven daily – in the convenience of your own garage or private parking space. The energy is transferred via a floor charging plate connected to the electric grid.



Second life for used batteries

After they have been used in cars, batteries still possess a large portion of their capacity – too high for them simply to be recycled. Audi is therefore working on a concept for turning the used batteries into stationary energy storage devices. These can be used in the future to compensate for large fluctuations when generating electricity from renewable energy sources.



2017
Creation of a high-power charging network as part of a joint venture in Europe

Audi e-tron quattro concept
Local CO_2 emissions*: 0 g

e-tron

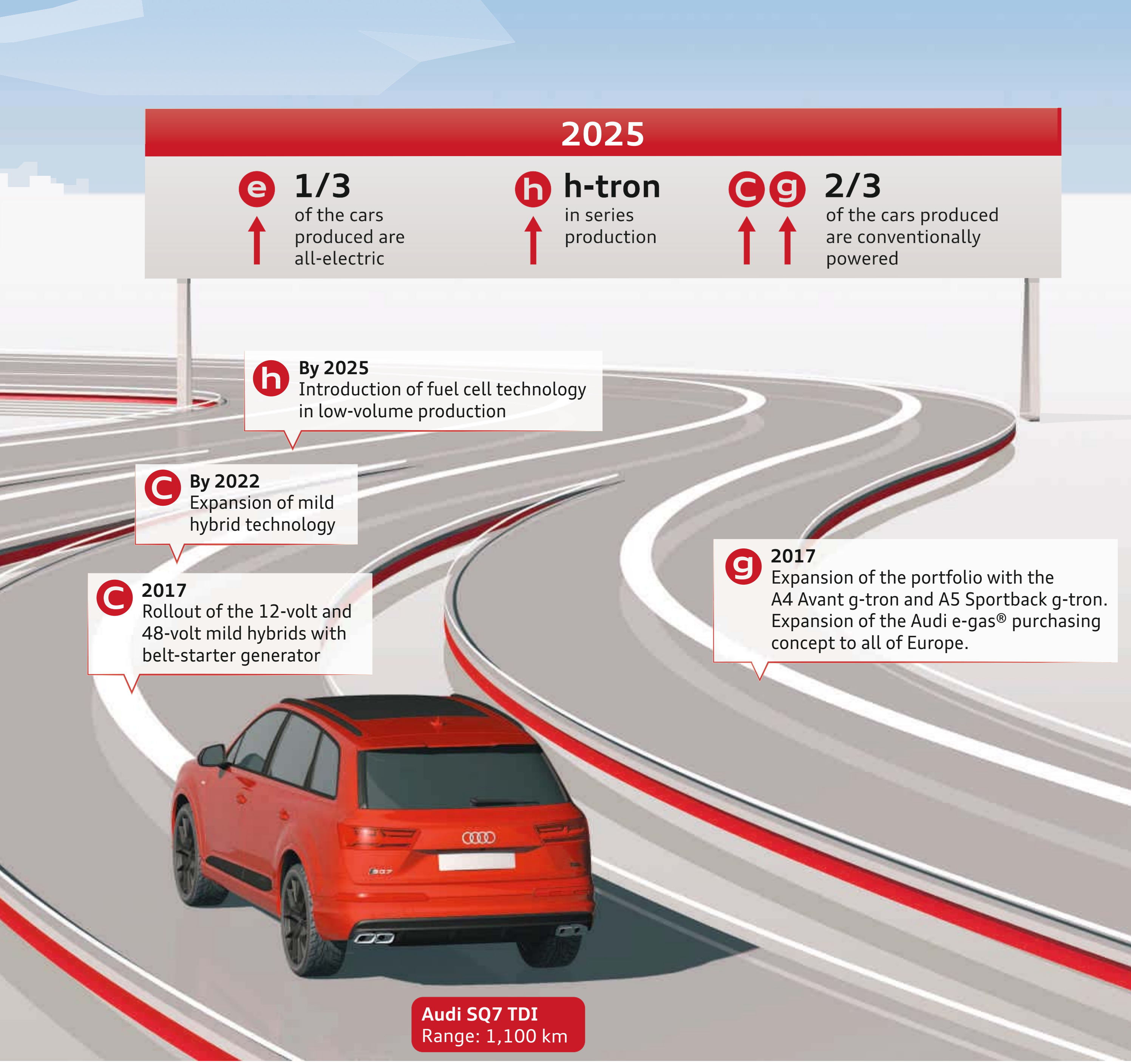
Electric mobility is a key topic for the company. The strategic goal for 2025 is for one-third of all automobiles produced by Audi to be electric cars. The focus during development is on a holistic approach in which all systems and components are matched as well as possible. As a premium manufacturer, Audi has high standards for the everyday practicality of its automobiles, such as with respect to range and charging convenience. This applies to the existing plug-in hybrids of the A3 and Q7 models as well as to the first all-electric series-production SUV from Audi, which will be delivered to customers from 2018 with a range of more than 500 kilometers. Based on the **Audi e-tron quattro concept,** the model will be produced at the Brussels site, which is building a battery production facility especially for it. At the same time, Audi continues to work systematically toward attractive parameters for electric mobility, such as with the charging infrastructure. With renewable electricity from wind and solar energy, it is possible to drive the Audi e-tron models almost carbon neutrally.

*Fuel consumption and emission figures at the end of the Annual Report / * zero local emissions in all-electric mode*

Vision: emission-free mobility made by Audi

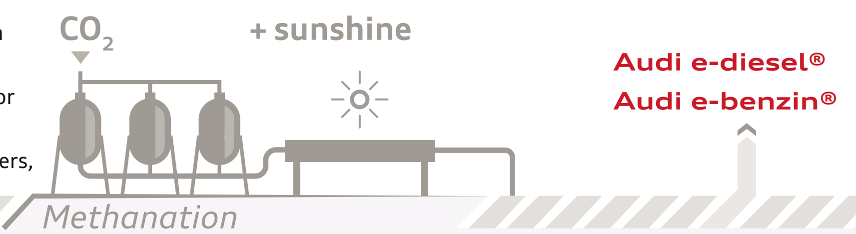
h-tron

Emotional, highly efficient and clean – fuel cell technology from Audi, in which hydrogen serves as the energy source, offers numerous advantages. The **Audi h-tron quattro concept** study combines a highly efficient fuel cell achieving an output of up to 110 kW, with a battery that provides a temporary boost of 100 kW. The Audi h-tron quattro concept uses only around one kilogram of hydrogen per 100 kilometers. The car can be completely refueled in four minutes, has a range of up to 600 kilometers and, rather than exhaust gases, emits nothing more than a few drops of water. Audi is responsible for fuel cell technology within the Volkswagen Group, with the Neckarsulm site designated as a competence center. The Audi h-tron quattro concept drives with not just zero local emissions, but also virtually zero global emissions – when renewable energy is used to produce the hydrogen, like it is at the Audi e-gas plant in Werlte, Lower Saxony.



Combustion engines

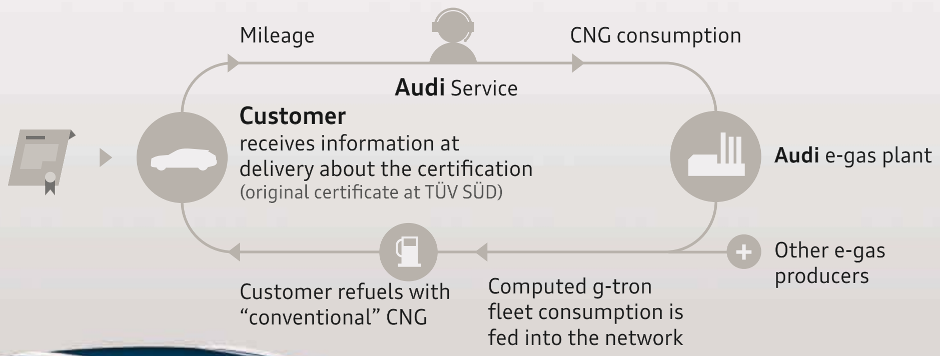
Audi combustion engines are steadily becoming more efficient. The Four Rings are turning primarily to mild hybrids that support the combustion engine electrically and can use recuperation, for example, to reduce fuel consumption. Within the next ten years, Audi is planning to offer this technology in all models with a conventional drive system. The higher-power 48-volt electrical system, which made its series-production debut as an electrical subsystem in the **Audi SQ7 TDI,** enables a multitude of innovative and attractive technologies for the drive system and suspension, such as the electric powered compressor. This supports the two turbochargers, especially at lower engine speeds, to provide for very dynamic off-the-line performance. To also reduce the CO_2 emissions of its combustion engines, Audi is developing synthetic and therefore petroleum-independent fuels such as Audi e-benzin® or Audi e-diesel®. Fuel production follows the Audi e-fuels formula: The amount of CO_2 captured is precisely the amount emitted when the car is driven.



Fuel consumption and emission figures at the end of the Annual Report

Driving “greener” with Audi e-gas®

Determining the carbon footprint of the Audi g-tron fleet is simple: Audi calculates the total consumption of the g-tron fleet based on measured and standardized consumption figures as well as statistical data and feeds the corresponding amount of Audi e-gas® into the public natural gas network. Audi began rolling out the intelligent purchasing system for all g-tron models throughout Europe in early 2017. The best part is that every g-tron customer ordering in 2017 receives a free three-year package so that they can drive “greener.” Audi is also working to successively increase production capacities for Audi e-gas®.



g-tron

The drive system portfolio is rounded out by the Audi g-tron models with CNG technology. These automobiles can be fueled with either natural gas or particularly climate-friendly Audi e-gas®. This is a regenerative fuel that Audi produces itself from water and CO_2 using wind power at its power-to-gas plant in Werlte, Lower Saxony, for example. Depending on demand, it can also be supplemented with biomethane from waste. Electrolysis and methanation are used to produce the synthetic methane, which is fed into the public natural gas network. Large quantities of electricity produced from fluctuating wind and solar energy can thus be stored, and CNG fueling stations can be supplied with renewable energy. Audi introduced the brand’s first series-production model with a CNG-powered drive system back in 2014: the A3 Sportback g-tron. The **Audi A4 Avant g-tron** and Audi A5 Sportback g-tron available from 2017 consume less than four kilograms of gas per 100 kilometers (combined), with customers benefiting from low fuel costs as a result. The CNG share at Audi is set to expand by 2025.

Audi is already developing the emission-free mobility of the future today with alternative drive concepts tailored to the needs of customers. With a holistic consideration of the energy and emissions footprint. A look at the premium mobility of tomorrow.

EXPERIENCE MORE

audi-reports.com/ontheway

VISION POS SIBLE

06 / interactive

REVO LUTION IN THE INTERIOR

1/16/2017
11:07 a.m.

PHOTO: *Michael Schnabel* / TEXT: *Franziska Queling*

Cars have always needed someone to steer them. Now we are approaching the point where we can let go of the steering wheel and surrender control – a strange idea for many. For some it's simply inconceivable. But of those who have tested the concept, most sum it up with the very words that make it possible: I trusted the car.

This is the trust that the "senses" of a piloted driving car work just as effectively as those of a human driver. Even better, in fact. For example, through cameras, radar sensors, ultrasound, laser scanners and phenomenal computing power. Information is gathered all around the car, many miles in advance, and used to define spot-on responses. It all happens unseen. But how can the passenger inside be convinced to feel trust?

It is all a question of transparency and communication. A new dialogue is taking shape between car and driver – the design of the Human Machine Interface is becoming more important than ever before.

But what does that mean for the designers? How do you design an interior that acts as a relaxing oasis for the driver even though they surrender control?

And, in straightforward practical terms, how do you actually create trust that makes the driver feel safe? Read online to find out more about the vision and mission of the interior of the future.

EXPERIENCE MORE

audi-reports.com/interactive

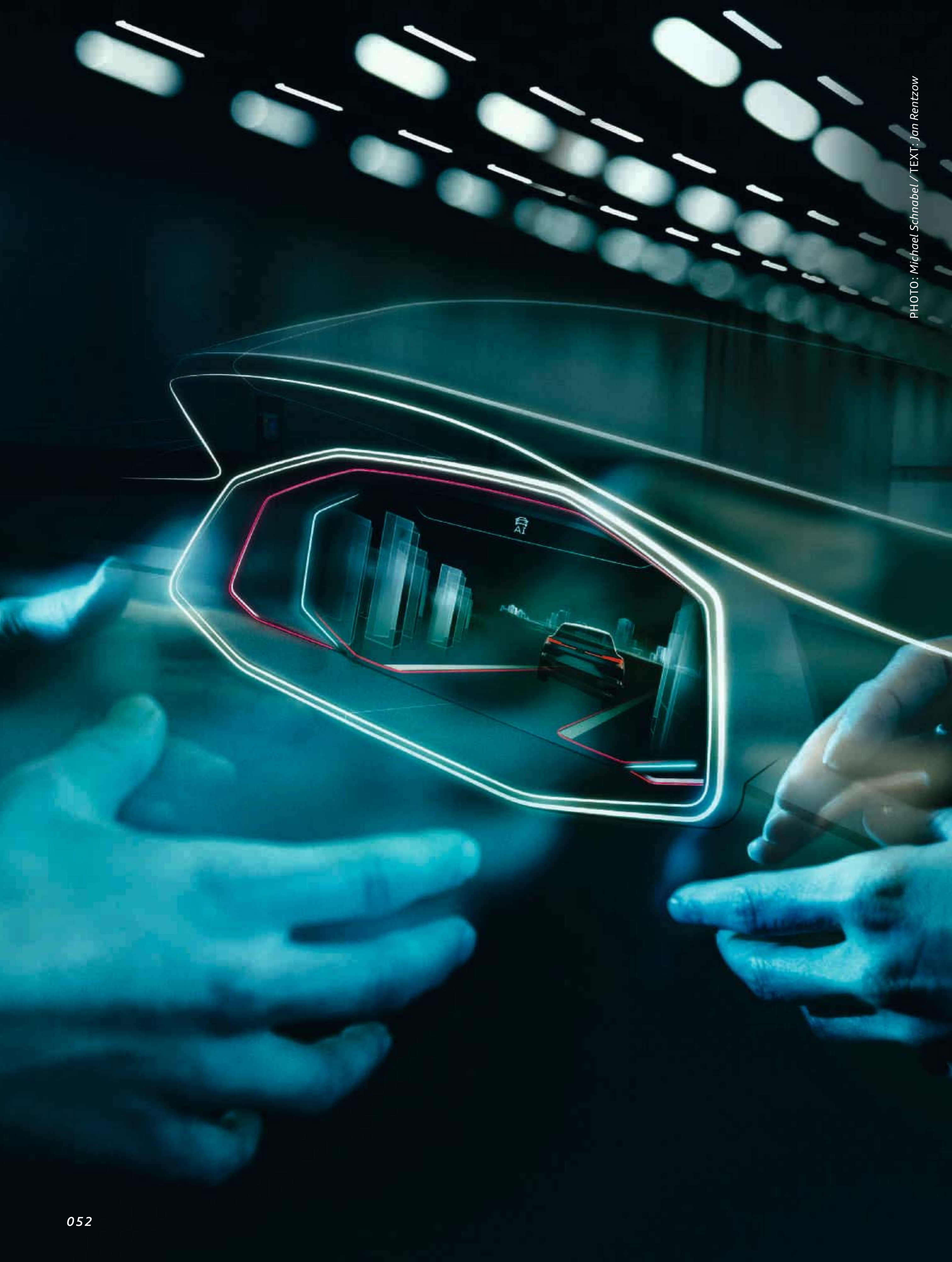


PHOTO: *Michael Schnabel* / TEXT: *Jan Rentzow*

TALKING BUSINESS

Rethinking sustainability

Over 60 percent of millennials would rather live in the city. Around half of those in the United States believe it is more important for a house to be environmentally friendly than to have luxury furnishings. The majority of consumers say they are interested in battery-powered vehicles.

The common thread running through these statements is the importance that leading a sustainable lifestyle already occupies in many people's minds. It is more than just a trend. Sustainability is becoming a lifestyle, a movement that more and more people are joining.

Audi is developing sustainable solutions required for the connected, individual mobility of the future. This creates fresh experiences and frees up time. That is the goal. "We're giving our customers a 25th hour in the day, and with it, more freedom and independence," declares Prof. Rupert Stadler, Chairman of the Board of Management. The company is thus redefining the requirements of sustainability – along with the implications of the megatrends digitalization and urbanization – at the strategic level.

"Our understanding of sustainability is all-encompassing. This is a task that includes processes along the entire value chain," explains Dr. Bernd Martens, Board Member for Procurement. "The circular economy, for example, is becoming a fundamental principle for the production and marketing of our products," says Prof. Dr.-Ing. Hubert Waltl, Board Member for Production and Logistics. Read more about sustainable "Vorsprung" at Audi in the detailed Talking Business online.

Three important goals at a glance:

- **The electrification roadmap is ready: By 2025, one-third of the vehicles built by Audi will be electric cars.**
- **The circular economy will be a fundamental principle in the entire value chain at Audi in the future. The vision is to use raw materials in a closed loop wherever possible.**
- **Audi is aware of its responsibility as part of this society. Integrity as well as maintaining high social and ecological standards are essential aspects of the strategic focus of Audi.**

MORE FACTS

audi-reports.com/interactive_tb

07 / versatile

URBAN SUV
MEETS
HAVANA

5/29/2016
3:38 p.m.

#VIVA EL Q2

PHOTO: *Tobias Sagmeister* / TEXT: *Lidija Marinkovic*

People standing in the middle of the street to wave enthusiastically at a new car with its Tango Red paintwork? Where would you actually find anyone doing that? In Cuba! Or, to be more precise, on the bustling streets of Havana. The first vehicle presentation in decades took place here in May 2016. But why is Audi showcasing the new Q2 on the once-forbidden island, of all places?

Because it is hip to blaze a new trail here, 60 years after Fidel Castro declared the revolution that changed everything? Or maybe because the new Audi Q2 and Cuba are both equally multifaceted, exciting and surprising? And because both are almost impossible to pigeonhole?

Learn why the new Audi Q2 is not a traditional SUV and why Cuba's classic cars remain forever young. Why Tango Red is the new black, and German and Russian are sometimes more useful than English in Cuba. Why Q2 drivers always have a guardian angel on board and "head-up" takes on a whole new meaning at Audi. This is something you cannot explain. You have to experience it. Come with us to Cuba and find out for yourself – by taking an online sightseeing tour. Just as unconventional as the Audi Q2. **#untaggable**

EXPERIENCE MORE

audi-reports.com/versatile

With foresight into the future

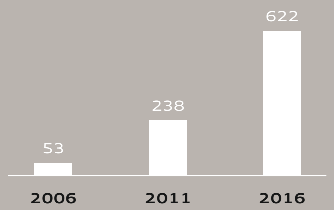
There is no doubt. The most interesting segment in the automotive industry at present has three letters: SUV. No other type of car has higher growth figures at the moment. With the Q2, the sporty, compact city SUV for young urban trendsetters, Audi is expanding its premium portfolio for entirely new target groups and shoring up the future success of the popular Q family.

Yet where is the SUV market really heading? How much are the challenges of the future associated with digitalization, sustainability and urbanization really changing this segment?

A look ahead: Tomorrow's automobile buyers will also expect attractive design from low-emission vehicles. And no compromises in terms of performance. Here the inventor of the quattro drive can fully leverage its know-how for the benefit of customers.

SUVs have clear package advantages on the way to the electric mobility era. Will tomorrow's world be driving electric vehicles? If so, then that world will very probably also be driving an SUV.

SUV deliveries of the Audi brand (in thousands)



SUV share of Audi brand deliveries: 6% (2006), 18% (2011), 33% (2016)

Audi is set to launch the first all-electric series-production SUV as early as 2018. It will offer a compelling range of over 500 kilometers combined with everyday practicality.

From the Q7 and Q5 to the Q3, Audi has rolled its SUVs out onto the market and more than doubled the sales volume of SUVs over the past five years.

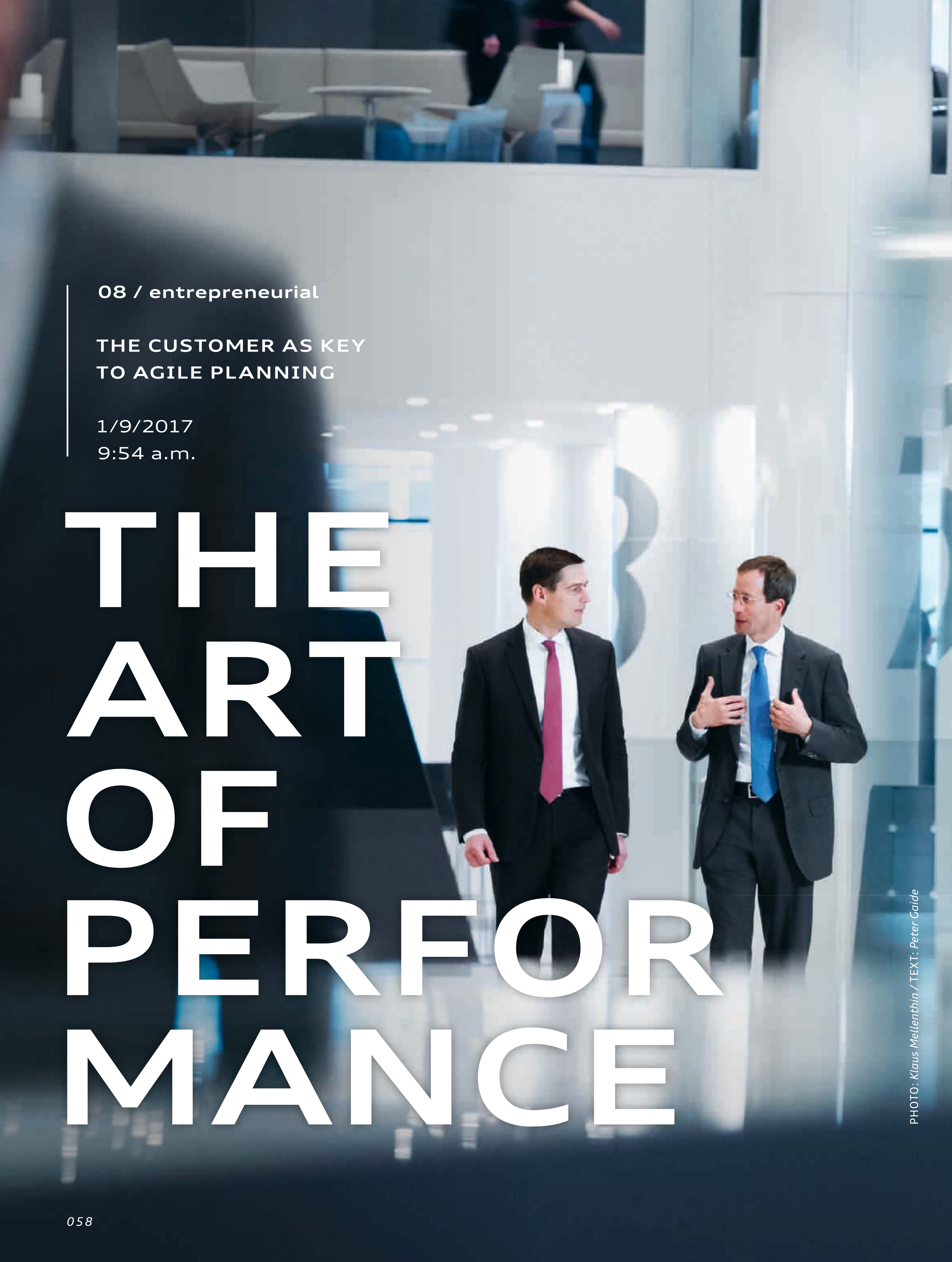
What indicators point to the ongoing success of the SUVs? Additional facts at a glance:

- **The Audi Q5 is the brand's best-selling SUV model worldwide.**
- **2018 will not only see the launch of the first all-electric series-production Audi SUV, it will also be the debut year of the first series-production SUV from Lamborghini.**
- **The world's first TDI plug-in hybrid with quattro drive, the new Audi Q7 e-tron quattro, already impresses with the intelligence of two drive worlds and low fuel consumption.**

MORE FACTS

audi-reports.com/versatile_tb

PHOTO: *Tobias Sagmeister* / TEXT: *Jan Rentzow*



08 / entrepreneurial

THE CUSTOMER AS KEY
TO AGILE PLANNING

1/9/2017
9:54 a.m.

THE ART OF PERFORMANCE

PHOTO: *Klaus Mellenthin* / TEXT: *Peter Gaide*

New customer requirements, new competitors, new business segments, an increasingly volatile environment. And, despite all that, highly profitable? There is no doubt: The time has come for new strategic impetus. For Audi. For the Finance division. Axel Strotbek, Board Member for Finance and IT, and Dr. Klaus Möller, Professor at the University of St.Gallen, talk about agile entrepreneurship.

Mr. Strotbek, the automotive industry is currently reinventing itself. The megatrends of digitalization, sustainability and urbanization are in the spotlight. How is Audi responding?
STROTBEK: Audi was very successful over the past few years. We managed to break into the premium segment and established a sustainably profitable business model. But it is also clear that our business model needs to be refined. We now face changes which are unprecedented in terms of their intensity and pace. Changes that to a certain extent also require high upfront expenditure on our part without immediately seeing higher revenue in return. For that reason we've not only approved a new strategy in 2016, but have also underpinned it with a wide-ranging package of measures – SPEED UP! Both represent in equal measure a paradigm shift at Audi. It's not about being number one in terms of volume, whatever the cost. It's increasingly about the number of customer contacts and about the quality of customer relationships. And about doing business profitably over the long term. That's what our stakeholders expect from us.

Professor Möller, as an academic and controlling expert, how do you perceive the transformation in the automotive industry?
MÖLLER: I basically see two challenges for this industry. First, we have a political and economic environment that is uncertain, complex and volatile. At the same time, car manufacturers have to reconcile two different worlds – the world of digital apps and services, characterized by much shorter cycles, with the world of industrialized, capital-intensive series production. The automotive industry needs to adapt to this change by thinking and making decisions with greater agility than ever before.

Agility is a complex term. What lies behind it and to what extent does it benefit companies?
MÖLLER: Agility means the ability to adapt an organization and the ability to respond flexibly. In recent years software development has particularly focused on agile principles. The idea behind it is to work closely with customers and their requirements with few rules and with quick iterations. Particularly in times of change, you can work more entrepreneurially and quickly with principles like transparency, flexibility and self-organization.

Is Audi embracing these principles, Mr. Strotbek?
STROTBEK: I believe we've taken a significant step over the past few years. One example is the newly created post of Chief Digital Officer, who prioritizes our digital activities and defines strategic roadmaps. With product line management, we have also set up a new concept that allows us to control and monitor product development more stringently than ever. And we're creating the conditions for a future-proof working world, such as with new leadership principles – that way, we can embrace more efficient processes and strengthen the spirit of innovation among our employees.

MÖLLER: Agility is extremely important in times of major change. But it also leads to uncertainty and can bring inefficiency in its wake. Organizations must therefore analyze very closely in which areas they want to be agile and where they would prefer to focus on efficiency. There are more than enough well-known examples of businesses that unintentionally embarked on the road to ruin due to a reluctance to change. It seems important to me that the area of finance also assumes responsibility and takes on a driving role with regard to agility. Only this area can map the financial repercussions of changing business models and point out opportunities and threats.

STROTBEK: Finance is synonymous on the one hand with accuracy, with precise statements, good analysis and reliability. That is something it must and will continue to do. Yet, on the other hand, we also need new rules. We need to focus considerably more on issues like bandwidths, scenarios, sensitivities and best-estimate calculations for project invoices and planning processes. Employees in finance are increasingly helping maximize business value for operational and strategic business.

MÖLLER: Absolutely, in my opinion that gives rise to three core tasks in the finance area. In addition to meeting compliance and governance requirements as well as continually handling core financial processes, performance management is becoming a particularly important task. Performance management provides important impetus for necessary organizational change and is therefore increasingly relevant in terms of strategy. Put simply, every undertaking needs clear goals and tensions. And the controller must also systematically ensure this is embraced. That also applies increasingly to non-financial value drivers. With our SPMM – St. Gallen Performance Management Model – we are proposing a specific structure in this respect.

STROTBEK: The core of our business will continue to be attractive, emotive and innovative automobiles. At the same time, we are opening up new business segments around this core product. We will maintain closer, more dynamic contact with our customers and offer them not just a vehicle, but also a digital ecosystem with myAudi. This will allow customers to acquire upgrades in the future, such as the Matrix function for LED headlights before a long nighttime journey. Features that are already fitted to the vehicle can then be activated digitally afterwards. We call it function on demand. With AudiPay we will offer a global platform that provides simple, secure payment of these new services.

What do you expect from the new feature?
STROTBEK: For our customers it means greater flexibility, greater individuality, greater convenience. Nowadays, we all decide spontaneously to order one thing or another with our smartphone. People don't do "one" big shopping trip anymore, but consume in smaller units, buy more often. And of course we also hope to gain additional business potential as a result. Starting from 2025, we want to generate a substantial operating profit with digital services and new business models.

Professor Möller, are you aware of any companies that have similarly extended their business model and reaped the benefits?
MÖLLER: Hilti for example. The company extended its sales model – beyond classic sales of top-quality power tools – several years ago. After all, customers using the tools are primarily interested in reliability. That calls for technologically advanced products, but you don't necessarily have to own them. Hilti therefore offers a flexible leasing model, which means you need to be very close to customers. That of course changes a great deal for the company: everything from sales through to profit and loss account, since now you need to analyze and calculate the success of a customer relationship above all else. Car manufacturers are also now facing a similar challenge.

And financial planning and control may well change as a result, right?
STROTBEK: The interesting question is how many customers order optional equipment as part of the initial purchase and how many will select a certain feature down the line through add-on options. We are currently expanding our methods for assessing these things. In the past we – put simply – would forecast a price and an installation rate, and multiply the two. Then we knew roughly what cost target we could assign for product development. In the future we will need to increasingly include the customer life cycle factor in the calculation. This will also change our pricing and incentive logic – here we are increasingly using algorithm-based, dynamic models. For Audi that means the return for each vehicle remains crucial, but the return per customer will increasingly become a key control value.

PHOTO: *Klaus Mellenthin* / TEXT: *Peter Gaide*

AXEL STROTBEK

Board Member for Finance and IT

Axel Strotbek was born in 1964 in Hamlin in Lower Saxony and studied Industrial Engineering in Karlsruhe and Linköping (Sweden). After earning his MBA at the University of Illinois in Chicago, he joined the Volkswagen Group in 1991 as Assistant to the Board Member for Controlling and Accounting of the Volkswagen brand. Following various posts within the Group he served as Executive Vice President Finance of Volkswagen Group China from 2004 to 2007. In 2007, Strotbek joined the Board of Management of AUDI AG with responsibility for Finance and IT.

PROF. DR. KLAUS MÖLLER

Professor of Performance Management/Controlling

Prof. Dr. Klaus Möller was born in 1969 in Mannheim. After studying Industrial Engineering (Mechanical Engineering) at TU Darmstadt, Klaus Möller obtained a doctorate and qualified as a professor in the Chair of Controlling at the University of Stuttgart under Prof. Dr. Dr. h. c. mult. Péter Horváth. Following academic posts in Munich and Göttingen, he was appointed Professor of Performance Management/Controlling at the University of St.Gallen in 2011. Among other things, he is Academic Director of the Hilti Lab for Integrated Performance Management and has co-published various trade journals.

PHOTO: *Klaus Mellenthin* / TEXT: *Peter Gaide*

MÖLLER: As part of overall digitalization, we're seeing a substantial increase in the pace of change through the enormous scaling opportunities. Never before in economic history was it possible to grow so fast. Take the IT giants from Silicon Valley, for instance. On the other hand, these kinds of business models are also vulnerable, since they are based less on physical assets and increasingly on intangible assets. Innovation, employee and process expertise and network effects are thus becoming key success drivers, but do not appear in any of today's balance sheets. So the days of complex, tedious planning and budgeting processes are numbered. Tech companies are justifiably pursuing different approaches: a strong vision, intensive and continual strategy work, followed by rolling, quarterly-based control.

Mr. Strotbek, you said before that the Finance division will in the future have to establish itself more as an adviser and business enabler. How do you intend to do that?

STROTBEK: We are essentially trying to facilitate that internally by reducing complexity in existing core processes and increasingly digitizing these processes in order to generate scope for new ideas and projects. But we need to support this through additional valuation methods, which will also fit in with new topics such as function on demand, electric mobility and piloted driving. We are now preparing intensively for these changes – our 1Finance program is a key driver. In this way we are optimizing, digitizing and fine-tuning our financial processes.

MÖLLER: In the financial and controlling environment, we have generally been discussing for several years the skills that will be needed in the finance area going forward. One insight from this debate is that in the past we focused relatively strongly on specialist and methodological skills. Now, everyone involved more or less agrees that we need to concentrate on a broader set of skills that includes more interaction, communication, analysis and interpretation skills. And that is precisely what Audi is now doing.

> The customer's living environment is coming into focus. Audi premium automobiles are increasingly becoming a platform and enriched with services. One example: function on demand.

> Growth is important – yet seen in isolation, it does not tell you anything. The key indicator is primarily the return and not the volume.

> The return targets Audi has set remain ambitious. Agile planning and control as well as fully digital financial processes ensure effective performance management.

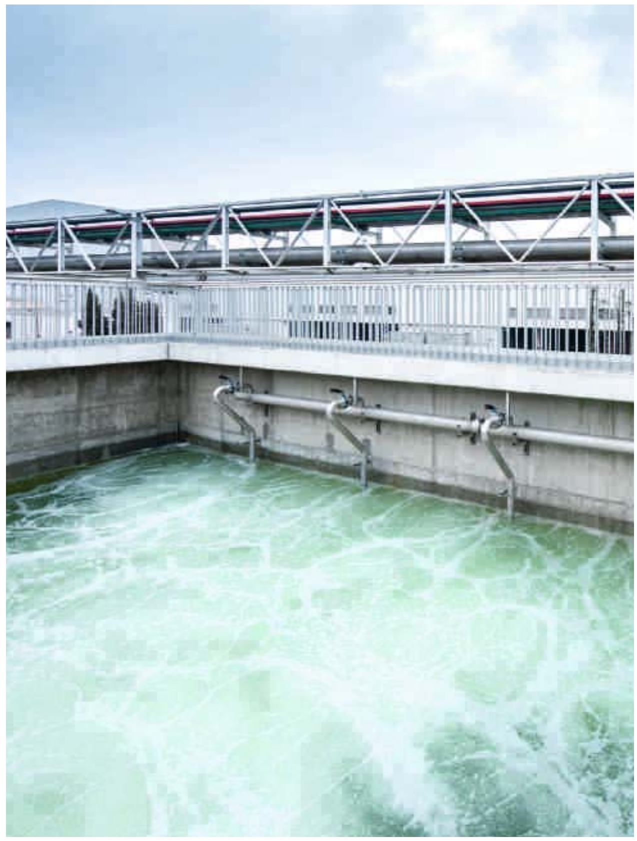
MORE FACTS

audi-reports.com/entrepreneurial_tb

agile

with straightforward concepts

PHOTOS: *AUDI AG* / TEXT: *Lidjia Marinkovic*



Environmental progress in production //

More from less

In 2016, Audi opened one of the **world's most environmentally friendly paint shops** at its **Ingolstadt site.** State-of-the-art technologies such as air recirculation, dry separation and exhaust air cleaning reduce heating energy and water consumption, for example, by 20 percent per car. In addition, CO_2 emissions are 30 percent lower per painted car and VOC (volatile organic compounds) emissions are cut by 90 percent. The **Győr** and **San José Chiapa** sites are also using technologies to permanently improve **sustainability in the production chain.**

Circular economy //

Water recycling

Audi is building **a membrane bioreactor** at its Ingolstadt plant to save water. Three treatment stages turn wastewater into hygienic process water. In the first stage, organic pollutants are degraded microbiologically. This is followed by ultrafiltration, while the final stage removes minerals from the water. The process eliminates **one third of the freshwater requirements in production.** A pioneering project.

EXPERIENCE MORE

audi-reports.com/agile

Production in the future //

Revolutionary assembly

Production lines make way for assembly workshops. After over 100 years of the production line setup, Audi is gradually introducing **modular assembly.** Unlike on the production line, the processes are completed here **with a great deal of flexibility in terms of time and space,** and divided up into individual work steps. For employees, that means they no longer have to work in sync with machinery or move along the line. In the future, **Automated Guided Vehicles** will bring the vehicles to the right station instead.

Smart Factory //

Flying transport with express drones

As automobile plants grow over time, space for **additional transport paths** often runs out. In the future, the airspace in the factory halls could be used to **transport goods quickly with no barriers.** The first test flights with drones were conducted in September 2016. Further series of tests are due to follow soon – enabling Audi to open up the **third dimension** in production.

PHOTO: *Sjoerd Ten Kate*

09 / individual

FIT DRIVER
@ FC BAYERN

11/15/2016
1:17 p.m.

A TEAM OF FIT DRIVERS

PHOTOS: *Peter Schreiber* / TEXT: *Lidija Marinkovic*

It is cold in Munich. An icy wind is blowing. But even at two degrees Celsius, FC Bayern Munich's players are still out on the pitch at the Säbener Strasse training ground. "Three fast laps, short steps, stick close to the cones!" Dr. Holger Broich not only gives the instructions, he also performs the routine himself. The scientific director of the Fitness and Health department at Germany's record-breaking champions is an absolute expert in his field. As is Christiane Stark, who is observing training from the sidelines. The Audi manager and her team study automotive health. The name of the project: "Audi Fit Driver."

The project brings together two key requirements of our age: mobility and personal well-being. The car, as a private place of retreat but also a connected space, is ideal not only for monitoring fitness and health, but also for actively improving a person's health and general condition. By drawing on intelligent services and functions, according to the vision, Audi will give drivers a luxury that everyone appreciates: well-being.

> "Our vision is of drivers who step out of their car at their destination more relaxed than when they climbed in."
>
> **Christiane Stark**
> Audi Fit Driver Project Manager

The fitness and health market has experienced rapid growth in recent years. This is evident not only in gym membership figures, but also in booming digital business in the sphere of health and e-health: Revenue for the sector worldwide reached some USD 160 billion in 2016. Fitness behind the wheel is also a crucial aspect of safe driving.

Audi has recognized the potential of topics such as fitness, health and well-being, and now has launched the Audi Fit Driver research project. "Customer studies show that Audi drivers are especially passionate about sport and fitness," explains Christiane Stark.

So who better to discuss the topic with than a genuine expert on sport? Dr. Holger Broich makes the fittest athletes even fitter. The doctor of sports science and performance diagnostics has been in charge of Fitness and Health at FC Bayern Munich since 2014.

FITNESS AT THE PUSH OF A BUTTON

Holger Broich has invited Christiane Stark to observe a very special training session for the professional team. Today the players are being given rigorous fitness checks, and are kitted out with GPS and a heart rate monitor. Holger Broich is monitoring the readings as they come in, out on the soccer field. At first glance there appears to be little common ground between professional sport and Audi Fit Driver – but the sports scientist and project manager quickly put that assumption to rest. After only a short while, they are engaged in lively discussion. And the similarities between what each expects of their system soon become clear: "Monitoring important

PHOTOS: *Peter Schreiber* / TEXT: *Lidija Marinkovic*

physiological functions and performance optimization are precisely the issues that preoccupy us here at FC Bayern. We gather about four-and-a-half million snippets of data per match!" declares Dr. Broich. The specialist is particularly interested in how to process it all. "Producing the data is easily done, but evaluating it is a real challenge. We need to specify what the decisive parameters are," he reports. "We, too, treat data evaluation as a priority. We find that self-learning algorithms deliver the best possible results," replies Christiane Stark. One particularly important aspect: regularity. "That's definitely an important point! Daily monitoring is the basis for meaningful data – and professional soccer is no exception. Only by doing that can we genuinely keep tabs on stress and performance development. And a complete overview gives us scope to protect our players better against injury," adds Dr. Broich. He is an ardent advocate of the topic. It is clearly more than merely a job for him. "I need regular monitoring, ideally daily. The scientific basics and precision are, of course, also essential." This is the perfect lead-in for Christiane Stark. She interjects with a smile: "In the future, an Audi could offer you all that." For example, some of the data Dr. Broich and FC Bayern need from their players could simply be gathered while they are driving to training – with no extra effort. This includes vital functions such as pulse and breathing. Condition analysis at the push of a button, so to speak.

"The players wouldn't lose any time and we'd have initial information even before starting training. That would make my job easier and open up whole new horizons for me."

Dr. Holger Broich
Scientific Director of Fitness and Health,
FC Bayern Munich

RELAX, REFOCUS, REFUEL

Whenever sensitive data is being accessed, people instinctively want reassurances about data protection. Christiane Stark understands the delicate nature of the topic: “At Audi, data protection and security is our primary quality criterion when handling customer data. Our privacy-by-design data protection concept ensures that customers decide for themselves when and with whom to share specific data. We therefore consistently offer customers high transparency when handling their data.” Dr. Broich nods in agreement and explains: “Data protection is right at the top of our agenda, too – after all, the players’ privacy is at stake. Because we use a web-based program to gather the data, we work closely with our trusted partner SAP. That gives us the reassurance that all data is treated in the strictest confidence.”

With the new possibilities, the focus is even more intensively concentrated on the individual condition of each driver. The future Audi is more than simply an automobile equipped with cutting-edge technology – it is also beginning to develop a kind of “emotional intelligence.” It analyzes the vital functions of the person behind the wheel and considers what might be helpful to them at any given moment. “Thanks to intelligent algorithms, over time the car gets to know the driver better and better, and knows what will suit them in a specific situation. This will make the Audi more than just a car. It will be more like a digital companion with the mission of making the trip a relaxing, stress-free experience. This can be summed up in three words: relax, refocus, refuel,” explains Christiane Stark.

PHOTOS: *Peter Schreiber* / TEXT: *Lidija Marinkovic*

That also tallies with Holger Broich's approach. Consistent performance at the limit is vitally important in professional soccer, of course, but it is not the whole picture: "Rejuvenation and prevention are just as important as performance. Here at FC Bayern, we usually have to handle Champions League games as well as our league and cup commitments, and most of the players in our squad also play in internationals for their countries. That's a double or triple burden. But our players obviously still need to be fit and healthy at all times. So it's part of my job to work with my team to keep them consistently at a high level physically and mentally. Physiotherapy and massages are also part of our program. One of many techniques that we use at FC Bayern is whole-body cryotherapy, for instance. Of course, the players also need to follow the correct diet to aid carbohydrate and protein metabolism." He adds: "It's important to respect the fact that humans are humans. We are not machines, nor are our players. That's why we try to keep the checkups we need for diagnostic purposes and for application in training as simple as possible." Christiane Stark also works toward the same goal with her team of researchers, and she shows him the technology demonstrator, based on the Audi Q7 e-tron quattro – a car he knows inside out, since he drives one himself.

myAudi

With myAudi, the company is creating a digital ecosystem that will shift the focus in the future from the product to the customer: A unique personal customer identifier paves the way for comprehensive customer care at all touchpoints. The main advantages for the customer are that personal settings and preferences are fully transferable, regardless of which Audi they are currently traveling in, and that there is easy access to Audi and third-party products and services. With this, Audi is creating a diverse, personalized portfolio of solutions for the car and beyond, seamlessly connected to the world of the customer.

EXPERIENCE MORE

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MY AUDI CARES FOR ME

Christiane Stark briefs him on the system's functions: "We want to create an empathetic car, an intelligent guardian angel, in Audi Fit Driver. In keeping with our motto: My Audi cares for me. So we're employing cutting-edge technologies, including stress and health monitoring. The driver's current condition is determined from vital parameters and vehicle sensors. Innovative interior lighting concepts, adaptive infotainment, massage seats and intelligent break management are also conducive to relaxation," explains the project manager. And that's not all. In the future, an app could be used to collect individual data, with the driver receiving a monthly health report. Dr. Broich is especially taken with the music massage in the technology demonstrator: "It's like listening to music through the seats. Even through the thick fabric of your jacket."

Another innovative feature would be the ability to actively reduce stress in the car and improve concentration. A high stress level could, for example, be reduced by a special breathing technique initiated in the cockpit. According to Christiane Stark, other functions that will help address the driver's individual needs are possible in the future: "The car is ideal for offering certain health services such as measuring health data, basic diagnoses and communicating with your doctor or personal trainer by telephone or video appointment. And we have plenty more ideas for the future well-being of our customers."

FIVE FOR THE FUTURE

10 / exciting

ROLE MODEL
AUDI SPORT

10/26/2016
7:28 a.m.

PHOTO: *Dan Bathie (Spacesuit Media)* / TEXT: *Berthold Dörrich*

> In racing, the truth is found out on the track. In the DTM, at Le Mans, on dusty rally courses – with the pioneering spirit of Audi Sport. And in the future this spirit will also stay alive in Formula E.

Audi always makes consistent use of racing to test and refine new technologies for later series production. With its races in the hearts of major cities, Formula E is the ideal stage for this – and the ABT Schaeffler Audi Sport team is a logical partner.

The split-second decisions are mainly made by the people behind the scenes, who determine the success of the entire team and have to accept responsibility themselves in the process. They are often working without any kind of safety net.

Is it really a surprise then that Audi Sport vehicles have for decades been successful in a variety of racing series?

How do you manage to grow from the setbacks and defeats experienced along the way? And what can an entire company group take from the experiences of a successful racing history to master the challenges of the future?

Listen to what five pioneers, who themselves live the spirit of Audi Sport, have to say.

EXPERIENCE MORE

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TALKING BUSINESS

The race is on!

Volume or exclusivity? From a business perspective, the answer seems simple: More is more. More creates more revenue. More creates a faster return on investment. But other rules apply at the top of the automotive dream scale.

Not being found on every street corner is not a flaw here, but rather the whole point. Only the sportiest and most prestigious Audi models are allowed to bear the Audi Sport label. Having said that, the R and RS derivatives pack some successful DNA. They combine more than 80 years of successful racing with the engineering and manufacturing methods of one of the most modern handcrafted production facilities in the world, the Böllinger Höfe outside Neckarsulm. Efficiency here is not the result of volume, but rather of intelligent production methods. Individuality, high manufacturing quality and flexibility are not in conflict here, but instead are ideal complements. For example, R8 series-production models and R8 race cars for customer racing are built on one and the same line. A unique concept that is moving into the future with a new name: quattro GmbH is now Audi Sport GmbH.

Find out more about the new focus of the brand with the red rhombus, the enthusiasm of the customers and the strategy for the future. After the name change, Audi Sport includes the following four business segments under its umbrella:

- **The high-performance Audi RS and Audi R8 families.**
- **The racing activities under Audi Sport customer racing.**
- **The Audi exclusive customization division.**
- **The accessories and lifestyle articles in the Audi Sport collection.**

MORE FACTS

audi-reports.com/exciting_tb

PHOTO: *AUDI AG* / TEXT: *Berthold Dörrich*


Audi Sport
Team WRT
down
TC
L
R

CARBON COUTURE

11 / captivating

HAUTE COUTURE IN PARIS

9/28/2016
8:03 p.m.

PHOTO: *Steffen Jahn* / TEXT: *Claudia Rülke*

 Fuel consumption and emission figures at the end of the Annual Report

When tout Paris is abuzz and the elite of the fashion world patiently waits in line for hours, it can only mean one thing: It is Fashion Week in the fashion capital and therefore high season for haute couture. The Paris fashion association “Chambre Syndicale de la Haute Couture” decides who is allowed to present their exclusive creations here. And the association is strict. Only a few “membres invités” are invited to the twice-yearly High Mass of the fashion industry.

Also in Paris this year: Lamborghini. And how! The Centro Stile in the Italian town of Sant’Agata Bolognese has defined the trend for the season with a real eye-catcher – the Centenario Roadster. A supercar built entirely by hand: carbon couture.

What is it about the hypercar that starts established captains of industry raving like little boys, the same effect that the latest must-have designer bag has on fashionistas the world over? Is it the unmistakable sound of the supercar with the bull in the logo? The silhouette shimmering in the new Argento Centenario matte silver? The lines, which are sharp and edgy up front and powerful and masculine in the rear? Or the intoxicating idea of driving faster than 350 kilometers an hour with the top down, thanks to its output of 556 kW (770 hp)? The show took place in top secret behind locked doors, of course. But online, you are in the front row. Without even having to wait in line.

EXPERIENCE MORE

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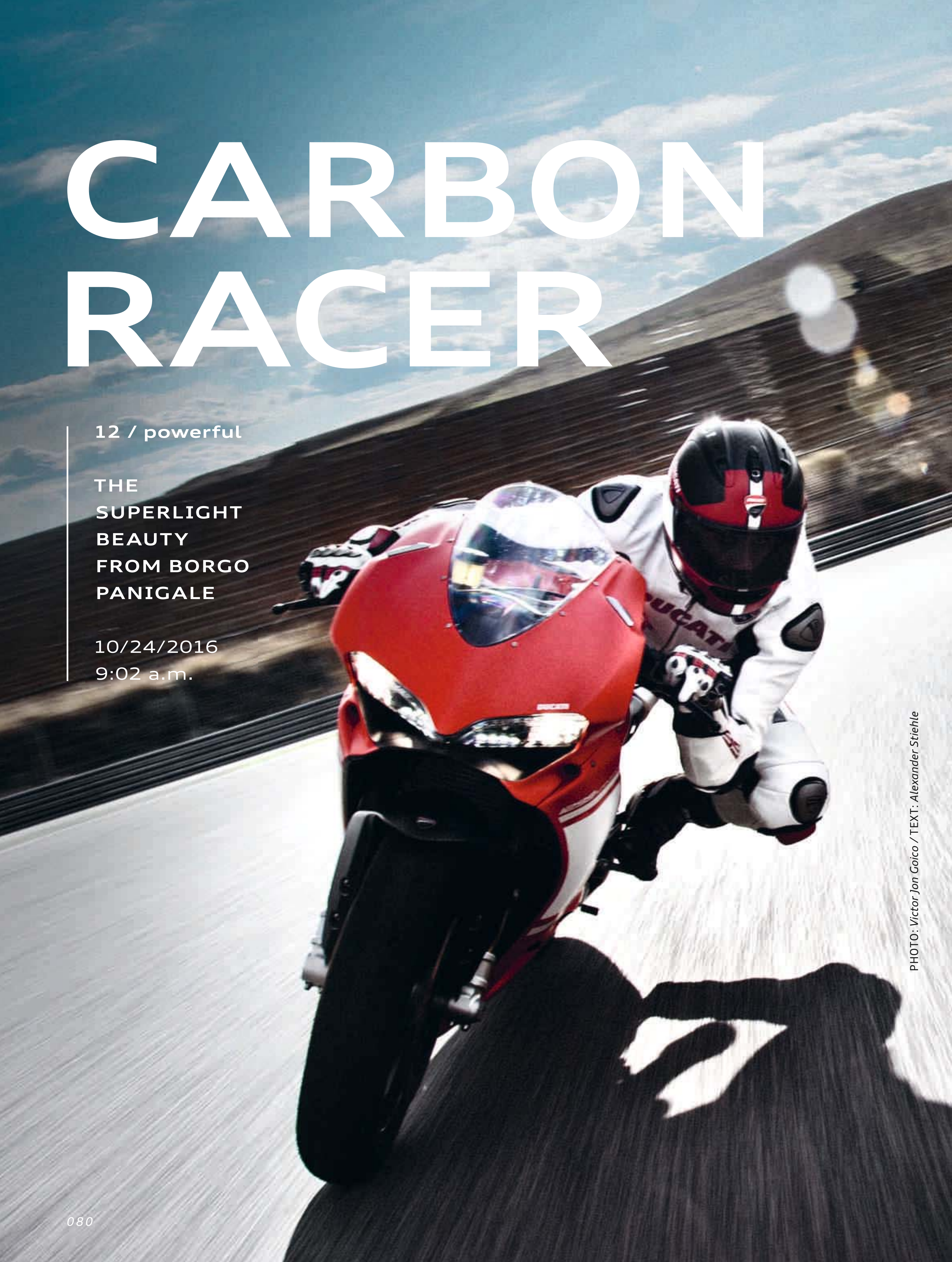


CARBON RACER

12 / powerful

THE SUPERLIGHT BEAUTY FROM BORGO PANIGALE

10/24/2016
9:02 a.m.

PHOTO: *Victor Jon Goico* / TEXT: *Alexander Stiehle*

9 a.m. at the Motorland racetrack in Aragón. Grey skies. Air temperature 20 degrees Celsius, asphalt temperature 15 degrees Celsius. Perfect conditions for the first ride on the latest masterpiece from the Ducati motorcycle foundry.

You hear it long before you see it. Aggressive. It approaches at full throttle. Then an abrupt downshift before the legendary corner, the Aragón Corkscrew. Your pulse races. You hold your breath: Finally! There she is: the 158 kW (215 hp) beauty from Borgo Panigale. Like a fire-red cannonball, the Ducati 1299 Superleggera shoots left, out of the spectacular downhill curve. Time to breathe. But only briefly. The next corner is approaching. Barely two minutes later the spectacle repeats itself. It doesn't need any longer than that for the 5,345 meter long racetrack. What a rocket!

Is it because it has the most powerful two-cylinder engine Ducati has ever built? Or because the Superleggera is the world's first series-production motorcycle whose frame, swingarm, subframe and even wheels are made of carbon fiber? Because all this carbon makes the bike extremely light, with a dry weight of just 156 kilograms? Or is it maybe precision and exceptional handcraftsmanship that makes it so damned fast? All the answers are online. And you had better click pronto! There are only 500 units of the strictly limited Ducati 1299 Superleggera.

EXPERIENCE MORE

audi-reports.com/powerful

Premium³

Three strong brands – under one roof
In 1998, AUDI AG acquired the supercar manufacturer Automobili Lamborghini. Thanks to large investments in the model lineup and in technological innovations, the acquisition has developed into a success story. And the legendary brand from Sant'Agata Bolognese is entering a new business dimension with a third model series, an SUV based on the Ursus concept car.

Located about 30 kilometers from Automobili Lamborghini headquarters, Bologna is home to the Italian motorcycle manufacturer Ducati, which has been a member of the Audi family since 2012. Thanks primarily to new models, Ducati is on track economically as it pursues ambitious growth targets. Recently, the 1299 Panigale S, Multistrada 1200 S, Scrambler Icon and XDiavel S models joined the Audi select mobility range.

The two brands share more than just passionately loyal fans, high design competence and sporty DNA. Lamborghini and Ducati as well as Audi are members of a strong family of brands and thus a solid foundation for the financial success of the Audi Group in past years.

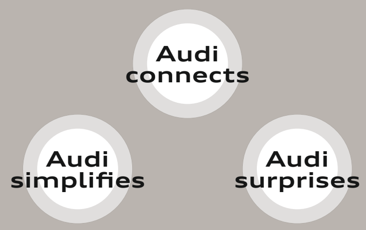
PHOTOS: *Steffen Jahn, Victor Jon Goico* / TEXT: *Jan Rentzow*

 Fuel consumption and emission figures at the end of the Annual Report

When "Vorsprung" creates freedom

What do tomorrow's customers expect? What must sustainable, personalized premium mobility offer? On the way into the future, Audi has developed a new brand strategy. And is making its customers a promise that goes far beyond the exceptional quality of the product: the promise of freedom, their very own "Vorsprung." Audi is consistently exploiting the possibilities of digitalization and is radically rethinking all of its processes, services and products. Under the roof of the Four Rings, the brand is creating a progressive, sophisticated mobile ecosystem that anticipates the wishes of its customers not just in the automobile, but along the entire mobility chain.

"The old brand model was based at its core on a hardware product – sporty, sophisticated, progressive," says Dr. Dietmar Voggenreiter, Board Member for Marketing and Sales. "Now digitalization, sustainability and urbanization have moved us into complementary digital services fields. We will concentrate in the future on the complete system with digital services focused around the automobile."



The new brand model focuses on the goal of creating more personal freedom for customers: Audi connects, simplifies and surprises.

MORE FACTS

audi-reports.com/brand2025_tb

positive

focus on customers

PHOTOS: *AUDI AG* / TEXT: *Lisa Altrath*

Mobility services //

Audi select now also on two wheels

A Ducati in your own garage. This idea can now become reality for Audi select customers. The **mobility portfolio,** which already allows customers to drive **up to three different Audi models** a year, has been extended to include selected **Ducati** models. Audi select customers can now also ride the models **1299 Panigale S, Multistrada 1200 S, Scrambler Icon or XDiavel S** for six months. Besides Germany and Denmark, Audi select will be available in other markets as well in the future.

Viral marketing //

The comeback

What do a **T-Rex** and a **piloted driving Audi** have in common? Exactly: they are both heroes in a brand **commercial** – and have become a **runaway success. "The Comeback"** video was a **viral hit,** receiving over 14.3 million clicks in 2016. Audi also captured the public's imagination with other commercials – managing to generate **a total of 44 million clicks** on its German YouTube channel alone in 2016 with its videos.

EXPERIENCE MORE

audi-reports.com/positive

Light technology //

Into the future with OLED technology

Rear lights in **Matrix OLED technology** (organic light emitting diode) are available for the first time as an option for a series-production Audi. They produce an **extremely homogeneous and precise** light which does not cast any hard shadows and does not require any reflectors. This makes the OLEDs in 3D design efficient, lightweight and visually impressive. In the future, OLED technology will also play a major role in the interior.

Virtual reality in sales //

Perfect settings for digital innovations

myAudi Sphere at Munich Airport covers 700 square meters and provides virtual demonstrations of assistance and lighting systems and **cutting-edge technology.** VR glasses provide a **virtual experience** of the current Audi **product range.** You can even take a virtual seat in your car of choice. At the same time, the **Audi City** showroom concept is being extended. Following London and Berlin, 2016 saw **Istanbul, Moscow and Paris** also open their doors.

REPORT OF THE SUPERVISORY BOARD

FINANCES

INFORMATION:
The fuel consumption and emission figures for the vehicles mentioned in the Combined Management Report of the Audi Group and AUDI AG are listed starting on page 246. All figures are rounded off, which may lead to minor deviations when added up. The figures in brackets refer to the figures for the previous year. Internet sources refer to the status as of February 13, 2017. The Management Report contains forward-looking statements relating to anticipated developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.

Matthias Müller,
Chairman of the Supervisory Board

Dear Shareholders,

2016 was a year of many challenges for Audi, but also brought important decisions about the future. The focus was on such aspects as resolving the emissions issue and preparing customer-oriented solutions.

As a supplier of sustainable, individual premium mobility, Audi will continue to delight customers worldwide in the future. That represents the core of the new Strategy 2025. Against the backdrop of the megatrends of digitalization, sustainability and urbanization, Audi is consistently building on the existing business model and unlocking new potential with an eye to seizing opportunities. By introducing product line organization and pooling digital business activities, the Company has prepared the ground for these ventures to succeed.

Another important milestone was the opening of the new car plant in Mexico. In addition, Audi expanded the product portfolio with the introduction of numerous new models such as the Audi Q2, the Q5 and the A5 family. Thanks in part to these new products, the Audi brand increased deliveries to customers to 1,867,738 cars – a slight gain of 3.6 percent compared with the previous year's high level – in a market environment that presented many challenges. The Italian subsidiaries Lamborghini and Ducati also achieved volume growth – a clear indication of the strong brand substance within the Audi family. The operating return on sales of the Audi Group was impacted by special items in connection with the diesel issue and came to 5.1 percent. Before special items, the operating return on sales reached 8.2 percent.

The Supervisory Board would like to thank all employees of the Audi Group for their huge personal commitment in the 2016 fiscal year. With its capabilities and immense dedication, the Audi team will successfully accomplish the tasks that lie ahead in the coming years.

The Board of Management gave regular, up-to-date and comprehensive accounts of its actions to the Supervisory Board. Decisions of fundamental importance were discussed in detail by the Board of Management and the Supervisory Board. The Supervisory Board considered the economic framework and the Company's business development and policy as well as its risk management and risk situation at ordinary meetings of the Supervisory Board convened each quarter, as well as on the basis of regular oral and written reports from the Board of Management, and consulted with the Board of Management closely on these matters. The Chairman of the Supervisory Board also consulted with

PHOTO: *Volkswagen AG*

the Chairman of the Board of Management in between the regular meetings, on such topics as the Company's strategy, business policy, business performance and also risk management.

At its four ordinary meetings in 2016, the Supervisory Board also considered at length the opportunities and risks for Audi in key markets such as the United States, China, Russia and other European markets. The Supervisory Board also consulted with the Board of Management on the further approach to participations, the proportion of women in the Company and especially on the Board of Management, digitalization, the connectivity of vehicles with their environment and alternative drive systems.

It resolved a cap both on individual remuneration components and on overall remuneration for the members of the Board of Management and was informed in depth about the reorganization of business processes in Technical Development, with the accompanying measures that this involves.

In approving the plans for human resources, financial and investment planning, the Supervisory Board once again confirmed the Board of Management's strategic decisions.

At its fourth ordinary meeting during the past fiscal year, the Supervisory Board together with the Board of Management routinely determined the content of the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG).

The diesel issue, in particular concerning the V6 3.0 TDI engine, accounted for a significant portion of the Supervisory Board's work in the reporting year. In this connection the Supervisory Board held two extraordinary meetings in the past fiscal year and in January 2017. In addition to its four ordinary meetings, the Presiding Committee of the Supervisory Board held four extraordinary meetings in 2016. These extraordinary meetings served for preparation purposes and resolutions regarding the "DOJ Criminal Settlement Agreement," the "2nd" and "3rd Partial Consent Decree" as well as the "CBP Settlement Agreement." Before the respective resolutions were passed, the Supervisory Board sought comprehensive technical and legal advice from internal and, in particular, external experts and took account of their assessments in the decision-making process. The Supervisory Board and Board of Management reiterate that they will not tolerate any breaches of the law. As is known, the law firm Jones Day is conducting the investigations into the V6 3.0 TDI diesel issue at Audi and is being assisted operationally by the auditors Deloitte. Jones Day has been updating the Supervisory Board on the current results of its investigations on an ongoing basis.

The Supervisory Board was kept constantly informed of the diesel issue by the Board of Management in the past fiscal year, both in writing and orally. This applies in particular to the V6 3.0 TDI diesel engine developed by Audi and concerns the processes both in the United States and in other countries worldwide, such as South Korea, Japan and Australia.

All Supervisory Board members were present at more than half of the meetings. The average attendance rate in the past fiscal year was 95 percent. The members of the Presiding Committee held full consultations before each ordinary meeting. The Negotiating Committee did not need to be convened in 2016. The Audit Committee met once per quarter in the past fiscal year. At its meetings, this committee considered the Annual and Consolidated Financial Statements for the 2015 fiscal year as well as other topics such as risk management, compliance and auditing work. In addition, the Audit Committee scrutinized the 2016 Interim Financial Report prior to its publication and discussed its contents with the Board of Management and representatives of the auditing firm. The Audit Committee also advised on the independence of the auditor, the findings of additional audits commissioned,

> **"Together with the entire Audi team, the Board of Management and Supervisory Board will seek to transform Audi systematically into a provider of sustainable, individual premium mobility."**
>
> **Matthias Müller,**
> Chairman of the Supervisory Board

and the situation of the Company at the end of 2016.

After the diesel issue became known, the Audit Committee immediately examined the subject area of “risk management, compliance and auditing.” In connection with this, the Audit Committee acknowledged and agreed with the decision by the Board of Management to further optimize the risk management process in the Audi Group.

Upon the proposal of the Supervisory Board, the Annual General Meeting of AUDI AG appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditor of the accounts for the 2016 fiscal year. The Supervisory Board awarded the audit assignment to the auditing firm after its election. The auditor of the accounts confirmed the Annual Financial Statements of AUDI AG, the Consolidated Financial Statements as well as the Combined Management Report of the Audi Group and AUDI AG for the 2016 fiscal year, and in each case issued its unqualified certification with an additional note.

The members of the Audit Committee and Supervisory Board received the documentation for the Annual and Consolidated Financial Statements, together with the corresponding audit reports by the auditor, in advance of their meeting on February 23, 2017. The auditing firm’s representatives explained the key findings of their audit in detail at the meetings of the Audit Committee and Supervisory Board, and then answered queries from members of both bodies. According to information supplied by the auditing firm, there were no circumstances that might give cause for concern about the auditor’s partiality.

Following examination of the audit documents received and in-depth discussions with the auditing firm’s representatives, and based on its own conclusions, the Audit Committee recommended to the Supervisory Board at the meeting on February 23, 2017, that the Annual and Consolidated Financial Statements each be signed off. After appropriate discussions, the Supervisory Board accepted this recommendation and signed off the Annual and Consolidated Financial Statements prepared by the Board of Management. The Annual Financial Statements are thus established.

There were the following changes in the composition of the Supervisory Board during the past fiscal year: Sibylle Wankel resigned as a member of the Supervisory Board of AUDI AG at the close of June 30, 2016.

With effect from November 30, 2016, Norbert Rank left the Supervisory Board of AUDI AG at his own request. He had been a member for over 17 years.

Dr. Christine Hohmann-Dennhardt resigned as a member of the Supervisory Board of AUDI AG at the close of January 31, 2017.

The Supervisory Board would like to express its thanks to all these former members in recognition of the work they performed at Audi.

In response to the requests of the Board of Management of AUDI AG, the Local Court of Ingolstadt appointed Irene Schulz, Rita Beck and Hiltrud Dorothea Werner to fill the vacant positions on the Supervisory Board with effect from July 11, 2016, December 13, 2016, and February 16, 2017, respectively.

At its meeting on May 11, 2016, the Supervisory Board elected Dr. jur. Hans Michel Piëch to the Negotiating Committee and Presiding Committee of the Supervisory Board of AUDI AG.

There were the following changes in the composition of the Company’s Board of Management during the past fiscal year:

With effect from September 23, 2016, Dr.-Ing. Stefan Knirsch stepped down from the Board of Management of AUDI AG, on which he was responsible for the “Technical Development” division, by agreement with the Supervisory Board. The Supervisory Board appointed Dr.-Ing. Peter Mertens as his successor. The date on which Dr.-Ing. Peter Mertens assumes his duties will be mutually agreed between the parties.

The Board of Management has suitably taken account of the economic environment as well as future challenges when making its plans. Together with the entire Audi team, it will seek to maintain the qualitative growth of recent years and transform Audi systematically into a provider of sustainable, individual premium mobility. The Supervisory Board will continue to support the Board of Management in this undertaking to the very best of its ability.

Ingolstadt, February 23, 2017

Sincerely Matthias Müller

Matthias Müller,
Chairman of the Supervisory Board of AUDI AG

AUDI GROUP KEY FIGURES

		2016	2015	Change in %
Production				
Automotive segment	Cars [1]	1,903,259	1,828,683	4.1
	Engines	1,927,838	2,023,618	– 4.7
Motorcycles segment	Motorcycles	56,978	55,551	2.6
Deliveries to customers				
Automotive segment	Cars	2,088,187	2,024,881	3.1
Audi brand [2]	Cars	1,867,738	1,803,246	3.6
Lamborghini brand	Cars	3,457	3,245	6.5
Other Volkswagen Group brands	Cars	216,992	218,390	– 0.6
Motorcycles segment	Motorcycles	55,451	54,809	1.2
Ducati brand	Motorcycles	55,451	54,809	1.2
Workforce	Average	87,112	82,838	5.2
Revenue	EUR million	59,317	58,420	1.5
Operating profit before special items	EUR million	4,846	5,134	– 5.6
Operating profit	EUR million	3,052	4,836	– 36.9
Profit before tax	EUR million	3,047	5,284	– 42.3
Profit after tax	EUR million	2,066	4,297	– 51.9
Operating return on sales before special items	Percent	8.2	8.8	
Operating return on sales	Percent	5.1	8.3	
Return on sales before tax	Percent	5.1	9.0	
Return on investment (ROI)	Percent	10.7	19.4	
Ratio of capex [3]	Percent	5.7	6.0	
Research and development ratio	Percent	7.5	7.3	
Cash flow from operating activities	EUR million	7,517	7,203	4.4
Net cash flow [4]	EUR million	2,094	1,627	28.7
Balance sheet total (Dec. 31)	EUR million	61,090	56,763	7.6
Equity ratio (Dec. 31)	Percent	41.4	38.4	

[1] Including vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China); the figure for the prior-year period has been adjusted to reflect the amended counting method

[2] Including delivered vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)

[3] Investments in property, plant and equipment, investment property and other intangible assets (without capitalized development costs) according to the Cash Flow Statement in relation to revenue

[4] Prior-year figure taking into account the participation in There Holding B.V., Rijswijk (Netherlands), in connection with the HERE transaction

COMBINED MANAGEMENT REPORT

OF THE AUDI GROUP AND AUDI AG
FOR THE FISCAL YEAR
FROM JANUARY 1 TO DECEMBER 31, 2016

BASIS OF THE AUDI GROUP

The Audi Group, comprising the Audi, Lamborghini and Ducati brands, is among the most successful manufacturers of premium automobiles, supercars and sporty motorcycles. With the new Strategy 2025, we want to develop into a worldwide provider of sustainable, individual premium mobility.

STRUCTURE

/ *COMPANY*

AUDI AG is the parent company of the Audi Group and, in supplying the products of the Audi brand, is among the leading manufacturers of premium automobiles. The business activities of AUDI AG mainly comprise the development, production and sale of cars, along with the task of managing the Audi Group.

In addition to AUDI AG, the Audi Group comprises all companies or entities over which AUDI AG exercises direct or indirect influence. The Audi Group is a decentralized organization, with the individual subsidiaries conducting their business activities independently. Group management and governance are ensured through guidelines, channels of reporting and committees.

The Management Reports of the Audi Group and AUDI AG are combined in this report.

/ *CONSOLIDATED COMPANIES*

In the 2016 fiscal year, there were no changes to the group of consolidated companies with a material impact on the presentation of the net worth, financial position and financial performance.

*Read more online about the Group companies in the **statement of interests** pursuant to Sections 285 and 313 of the German Commercial Code (HGB) at **www.audi.com/subsidiaries.***

/ *BRANDS AND PRODUCT PORTFOLIO*

The Audi Group, comprising the Audi, Lamborghini and Ducati brands, is a manufacturer of premium automobiles, supercars and sporty motorcycles.

The Audi brand stands for “Vorsprung durch Technik.” With the new emphasis of the brand strategy, this “Vorsprung” is being redefined. The focus is shifting increasingly from the product to the customer. For customers of the Audi brand, “Vorsprung” will express an extension of their personal freedom in the future.
The model portfolio of the Audi brand spans all major automobile segments. Our customers can select whichever model in our product range meets their individual requirements, from the compact Audi A1 car line across the A3, A4 and A5 product families right up to the full-size car lines A6, A7 and A8. In addition, the Audi TT models and our Audi R8 models are very special expressions of our brand’s sportiness. We also enjoy a broad presence in the SUV segment with the Audi Q2, Q3, Q5 and Audi Q7. In many of our vehicle lines, we also offer top-of-the-line S and RS models with high performance and extensive equipment.

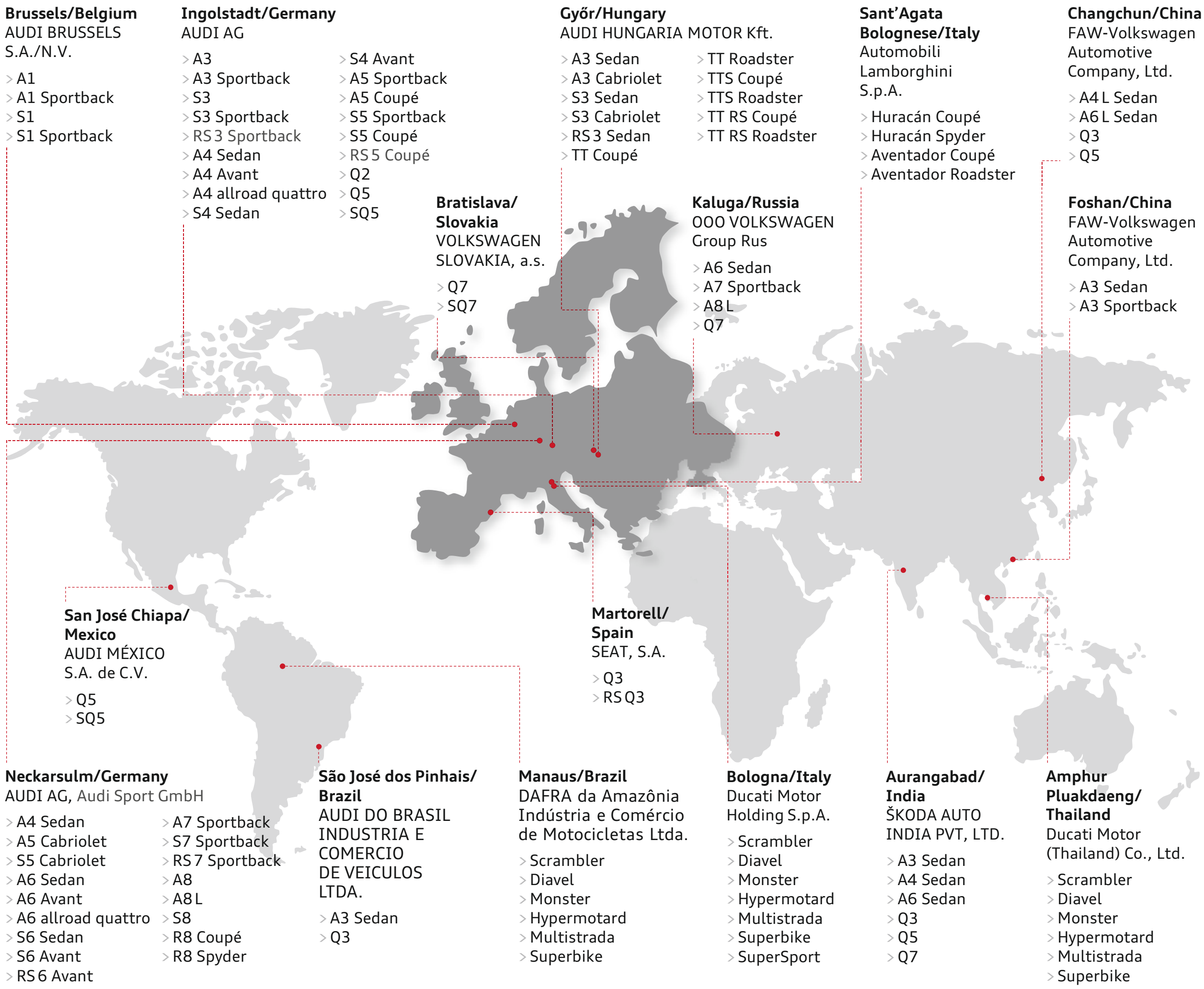
The exclusive high-performance models of the Lamborghini brand are renowned for their excellent driving dynamics, unique design, consistent use of lightweight construction and high quality of materials and finish. The product portfolio of this traditional Italian brand includes the models of the Huracán and Aventador car lines as well as exclusive special editions.

With its motorcycles, the Ducati brand particularly embodies unmistakable design, sportiness, lightweight construction and high-performance engines. Its product range extends from the Ducati Scrambler series – an attractive blend of the traditional and the modern – through the Diavel, Hypermotard, Monster and Multistrada models to the Superbike series. Starting in the 2017 fiscal year, the new SuperSport models – sport road motorcycles that offer a combination of sportiness and versatility – will tap into different customer segments.

Read more online about our ***product portfolio*** *on our brand websites* ***www.audi.com, www.lamborghini.com*** *and* ***www.ducati.com.***

/ MAIN PRODUCTION SITES

The following diagram shows the sites at which cars of the Audi and Lamborghini brands as well as motorcycles of the Ducati brand were manufactured in the 2016 reporting year.



Neckarsulm is also home to Audi Sport GmbH, a fully owned subsidiary of AUDI AG. Audi Sport GmbH was established in the 2016 fiscal year through the renaming of quattro GmbH. As well as the high-performance models of the R8 car line and the RS models, Audi Sport GmbH offers a broad range of customization options under the name Audi exclusive, plus sophisticated lifestyle articles marketed as the Audi collection. Audi Sport GmbH also takes charge of Audi Sport customer racing.

In addition to vehicle production, AUDI HUNGARIA MOTOR Kft., Győr (Hungary), develops and manufactures engines for AUDI AG, other Volkswagen Group companies and third-party companies.

/ SALES STRUCTURES

The Audi Group sells vehicles of the Audi and Lamborghini brands as well as motorcycles of the Ducati brand internationally through Group-owned sales companies and also through partnerships with local importers. In addition, vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands are sold through the Group-owned sales subsidiaries VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), AUDI VOLKSWAGEN MIDDLE EAST FZE, Dubai (United Arab Emirates), AUDI SINGAPORE PTE. LTD., Singapore (Singapore), and Audi Volkswagen Taiwan Co., Ltd., Taipei.

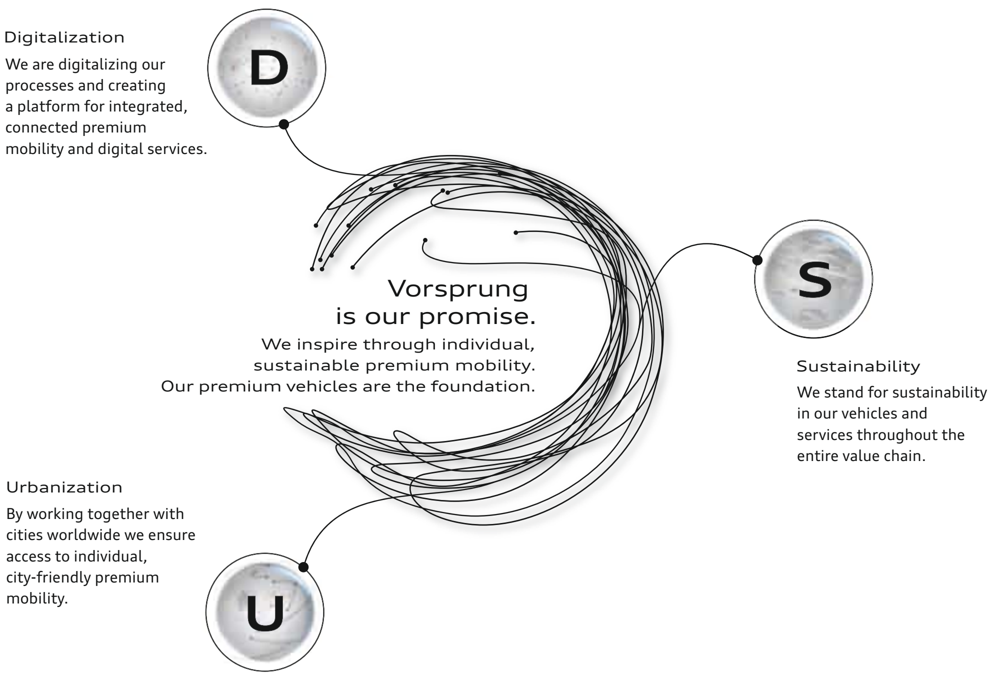
*Read more about our **deliveries** on pages 114 ff.*

STRATEGY

/ *VISION: "VORSPRUNG IS OUR PROMISE"*

The megatrends of digitalization, sustainability and urbanization are transforming the automotive industry. With its new Strategy 2025, the Audi Group is also driving this change as one of the most successful manufacturers of premium automobiles, supercars and sporty motorcycles. We have anchored our overriding strategic goal in the new vision: We want to become a provider of sustainable, individual premium mobility and to use that role to delight customers worldwide. Our premium vehicles will remain the basis of what we do – so our core business will continue to be fundamentally important to our future success.

The new Audi Strategy 2025



/ *MISSION*

Megatrends are changing people's everyday lives. Life in the urban environment is moving at an even quicker pace and even more information is available. Traffic growth is pushing urban infrastructures to the limits of their capacity, while rising pressure on the environment and increasingly scarce resources are forcing a change in thinking. This is where digitalization, sustainability and urbanization become tightly interlinked. In order to succeed as a provider of sustainable premium mobility, we need to be receptive to these trends, understand what is driving them, link them intelligently and provide the relevant answers.

// DIGITALIZATION

For us, the mission to digitalize means consistently digitalizing our processes and creating a central platform for integrated, connected premium mobility and digital services.

With digital services for our customers, we will develop new business models and exploit new sales potential – in trade, in the vehicle and, above all, with mobility offerings which extend beyond the vehicle. Our digital platform myAudi forms the common basis for this – a digital ecosystem which is equally attractive to customers and partners. Artificial intelligence enables faster and, most importantly, self-learning systems. Moving forward, the further development of these systems will present us with the opportunity to shape new customer experiences and processes. Digitalization also enables us to realize substantial efficiency potential along our entire value chain and therefore to continue financing investments in future topics ourselves.

By 2025 we want to achieve:

- The best digital processes in the industry
- 10 million users on the digital platform myAudi
- A superior user experience – number one for customer experience
- Audi connect fitted in our vehicles as standard
- Substantial operating profit through digital services and new business models
- Comprehensive digitalization of the sales processes with potential to cut distribution costs by 1 percentage point

Read more about the ***possibilities of artificial intelligence*** *on pages 18 ff.*

// SUSTAINABILITY

To us, sustainability means future viability. We are pursuing the mission of promoting sustainability in our vehicles and services along the entire value chain.

With sustainable products and services, we want to provide our customers with individual, premium mobility that lives up to the pressing challenges of the future: resource scarcity, environmental destruction and climate change. This is why we are advancing the development of innovative drive technologies. We are investing in fuels that allow for climate-neutral driving and are reducing the ecological footprint of our production facilities. And we are working on material cycles that leave no room for waste. Sustainability not only encompasses product-related environmental aspects, but it also applies to civic and social issues. Our demand for social sustainability also applies to our supply chain. We want it to be free of child labor and human rights violations, for example.

By 2025 we want to achieve:

- 1/3 of the vehicles produced are electrically powered
- Fuel cell vehicle in series production
- Upscaling Audi g-tron
- Scaling up Audi e-fuels/e-power, so that all Audi tron customers can drive without impacting the climate
- Best system range for alternative powertrains
- Circular economy in value creation

Read more about the holistic approach of Audi in the direction of ***emission-free future mobility*** *on pages 44 ff. and 128 f.*

// URBANIZATION

By working together with cities among other things, we are pursuing the mission to guarantee access to individual, city-friendly premium mobility.

Urban areas need new solutions to ensure that personal mobility does not cause things to grind to a halt. Instead of banning cars from the city, they should become part of the solution and help to create an intelligent, sustainable and livable city with zero emissions and a connected traffic concept. Within the scope of Audi Urban Solutions, we are kicking off various initiatives and pilot projects to develop new solutions and business models. We are also creating mobility services, including in collaboration with other providers. Piloted driving and piloted parking are taking on a key role here. Automation will become an integral part of future intelligent, sustainable and connected mobility. It is designed to increase the safety of all road users, improve traffic flows and help to make more effective use of urban space.

By 2025 we want to achieve:

- Worldwide piloting of Audi Urban Solutions
- Inclusion of our services in city-wide intermodal mobility concepts
- Upscaling of mobility services into an open, independent mobility platform
- Leading position in piloted and autonomous driving

*Read more online about **urbanization** at **www.audi-reports.com/dynamic_tb.***

/ GOALS

At the heart of our strategy is the vision of delighting customers through sustainable, individual premium mobility. To achieve this, we must accomplish our mission in the future areas of digitalization, sustainability and urbanization. We have also set ourselves the following corporate targets:

// 1. RETURN

We want qualitative growth – volume is not the primary consideration. The following financial targets are used in assessing our performance:

- 8 to 10 percent operating return on sales
- 21 percent return on investment (ROI)
- Positive net cash flow
- 6.0 to 6.5 percent research and development ratio
- 5.0 to 5.5 percent ratio of capex

*Read more about our **management system** and our **key financial indicators** on pages 97 f. and 119 ff.*

// 2. PROFITABLE MARKET PENETRATION

Audi is committed to a comprehensive premium business model. Profitable growth in our core business means that the most important indicator is first and foremost the return and not the volume.

New products, services and business models – especially in the digital world – only become profitable above a certain volume. Rapid upscaling of new digital services is a crucial factor in this.

// 3. AGILITY

Audi wants to be an agile company that adapts to new challenges quickly and flexibly. This includes speed in decision-making and discipline in implementation. Against that backdrop, we are focusing on the following goals:

- Structural agility – the ability to act flexibly, actively and with a high level of adaptability and initiative
- Evolution of expertise – a key requirement for taking on a leading role in the future areas of digitalization, sustainability and urbanization
- Operative agility – being among the best in the industry for decision-making speed and disciplined implementation

// 4. CORPORATE IMAGE

The goal is an image superior to that of our competitors as the main driver of our premium business model. In the interests of our stakeholders, we also sponsor projects that make life better for people inside and outside the Company. Specifically, we have set ourselves the following goals:

- Brand image superior to that of competitors in Europe, the United States and China
- Leader for innovation, quality and design
- Even greater attractiveness as an employer
- Building on corporate culture in keeping with our leadership principles
- Securing integrity and adopting social responsibility

/ IMPLEMENTATION OF OUR STRATEGY 2025

To achieve the goals which we have set ourselves in Strategy 2025, we have defined 40 projects. The projects have mentors on the Board of Management and a project manager at top or senior management level who is responsible for its implementation. The status of the projects is reported on continuously at closed meetings of the Board of Management. We therefore follow the principle: “Clear objective, clear measurability, clear responsibility.” For example, we already made good progress with the “China Strategy” top project in the 2016 fiscal year. In conjunction with the local partner FAW Group, Changchun (China), 21 strategic areas of focus were defined in a ten-year business plan and the corresponding targets agreed in January 2017. There are plans, for example, for local production of five e-tron models within the next five years so that we can be certain of having a future-viable model portfolio. Another venture will be the establishment of a dedicated company for mobility services and digital services and increased collaboration within the area of financial services.

MANAGEMENT SYSTEM

We apply central benchmarks in the Audi Group to manage and monitor our strategic and operational goals. Alongside important financial key figures, the Audi Group management system also contains non-financial performance indicators. In the course of repositioning the Company under Strategy 2025, the Audi Group's management system will also undergo various changes in the future, for instance through a clearer distinction between vehicle and service business. We outline the current internal management process below and describe the current key performance indicators in the management system.

/ MANAGEMENT PROCESS IN THE AUDI GROUP

The Audi Group is incorporated as an integral part into the Volkswagen Group's management process. Management of the Audi Group encompasses AUDI AG and the consolidated companies. Appropriate account is taken of the complex value chains and organizational structures as well as the legal requirements. The starting point for the management of the Audi Group is the long-term strategic planning prepared once a year for ten years, as well as the medium-term planning derived from this for a three to five-year period. This process incorporates significant aspects of our operational planning.

In order to shape our future corporate development, the individual planning topics are defined on the basis of their time horizons:

- The product range is the strategic, long-term determinant of corporate policy.
- The long-term sales plan, which highlights market and segment trends, is the starting point for identifying the volume of deliveries.
- Planning for the individual production sites is based on the capacity and utilization plan.

The coordinated results of the upstream planning processes are fed into the financial medium-term planning. This includes investment planning as an input for determining future alternatives for products and courses of action, financial planning of the income statement, financial and balance sheet planning, and also profitability and liquidity planning.

A binding first-year plan is derived from the medium-term planning and a budget for operations is drawn up on a month-by-month basis. The level of budgetary target attainment is tracked and reviewed each month with the help of various management tools such as target/actual analyses, year-on-year comparisons and deviation analyses. If necessary, action plans are additionally developed and implemented to back up the budgeted objectives. On a rolling monthly basis, detailed advance estimates are drawn up for the full year and also for the following three-month period. Measures developed to reflect the prevailing opportunity and risk position are also taken into account. Continuously adapting to internal and external changes is therefore of central importance for management during the year. At the same time, the current forecast constitutes the basis for the next medium-term and budget planning.

/ KEY PERFORMANCE INDICATORS OF GROUP MANAGEMENT

The basis for the management of the Audi Group is a value-oriented corporate management approach in combination with the following key performance indicators, which are important drivers of our corporate development or have been derived from the strategic goals:

- Deliveries to customers of the Audi brand
- Revenue
- Operating profit/operating return on sales
- Return on investment (ROI)
- Net cash flow
- Research and development ratio
- Ratio of capex

The non-financial indicator of deliveries to customers reflects the number of new vehicles handed over to customers. This performance indicator reflects demand from customers for products of the Audi brand and indicates our competitive position in the various markets worldwide. Strong demand for our products has a major impact on deliveries and production, and consequently also on the capacity utilization of our sites. In addition, a continuing high level of deliveries to customers reflects a high level of satisfaction among our customers.

With the adoption of Strategy 2025, the focus within our Company is now shifting even more strongly towards qualitative growth. In order to guarantee profitable market penetration, we systematically examine the profitability of our regional sales planning with the help of financial performance indicators.

The financial key performance indicators of the Audi Group include revenue, which is a financial reflection of our market success. Operating profit is the balance of revenue and resources deployed (cost of goods sold, distribution costs and administrative expenses), also including the other operating result. Operating profit represents the economic performance of our core business and our fundamental operational activity. We place particular emphasis on our return ratios. For example, the operating return on sales is the operating profit generated in relation to revenue. The return on investment (ROI) expresses the return achieved on the capital employed. We obtain this indicator by determining the ratio of operating profit after tax to average invested assets.

Net cash flow indicates the cash flow from operating activities less the cash flow from investing activities, not including the change in investments in securities as well as in fixed deposits and loans extended. This key performance indicator serves as a measure of our Company's level of self-financing.

Strategy 2025 will bring the new key performance indicator of research and development ratio more sharply into focus. This key performance indicator expresses the innovative strength of the Company and also ensures that it maintains competitive cost structures. Research and development ratio is the ratio of research and development activities to the revenue of the Audi Group. Development projects take shape from product or technology decisions or are launched in response to strategic directions.

The ratio of capex is another indicator of our Company's innovative strength and competitiveness. For this purpose, capex according to the Cash Flow Statement is considered in relation to revenue. Capex includes property, plant and equipment, investment property and other intangible assets (without capitalized development costs). Capital investment in essence comprises financial resources for modernizing and expanding the product range, for increasing our capacity, as well as for improving the Audi Group's production processes. Investment decisions are requested by the specialist areas, then scrutinized and prioritized by Investment Controlling and the Investment Group corporate committee. Major decisions affecting investment policy are also approved by the Company's Supervisory Board.

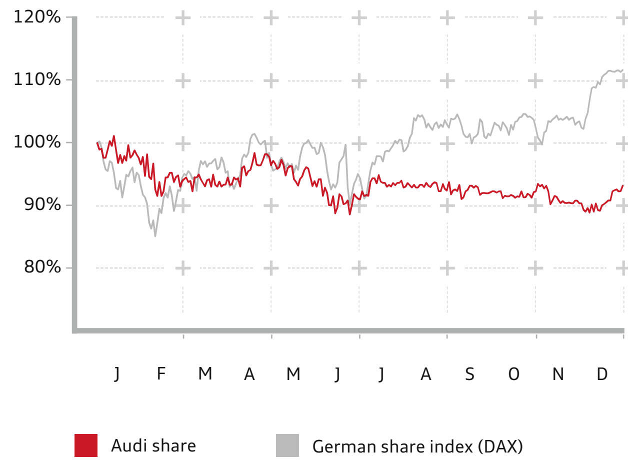
Read more about our ***key performance indicators*** *under "Research and development," "Deliveries and distribution" and "Financial performance indicators" on pages 109 f., 114 ff. and 119 ff.*

SHARES

/ *AUDI TRADING PRICE TREND*

The German Share Index (DAX) showed a positive overall development in 2016 in line with major international indices, despite volatility in the course of the year. By contrast, the shares of most German car manufacturers and suppliers listed in the DAX experienced price declines. Generally speaking, the shares of AUDI AG trade at a comparatively low volume as a result of the low free float of 0.45 percent of the share capital. In the past fiscal year, the Audi share price showed lower volatility than the DAX, tending to move sideways in the course of the year. After starting the year at EUR 677.10, Audi shares touched a year-high of EUR 684.90 just a few days later, on January 14. Particularly in the wake of growing uncertainty about the Chinese economy and following the vote on the withdrawal of the United Kingdom from the European Union (EU) in the first half of the year, the trading price fell to EUR 600.05 on June 27. In the second half of the year, following a brief recovery, there was a slightly negative trend until mid-December, with the outcome of the U.S. elections having little impact. Against the backdrop of a robust operating performance, the Company itself was able to provide positive momentum for the trading price, in particular in the form of numerous new products and the strategic repositioning. However, speculation and media reports throughout the year on the further outcome of the diesel issue could have weighed on the trading price of Audi shares. The visible progress in solving the diesel issue provided a lift towards the end of the year despite the crystallization of its financial impact and the downgraded forecast disclosed in an ad hoc announcement on October 27, 2016. On the final trading day of 2016, Audi shares closed at EUR 631.00, 6.8 percent lower than the level at the start of the year.

Indexed Audi trading price trend in 2016 (ISIN: DE0006757008, WKN: 675700)



*Read more about **Audi shares** at **www.audi.com/corporate/en/investor-relations.html.***

DISCLOSURES REQUIRED UNDER TAKEOVER LAW

The following disclosures under takeover law are made pursuant to Section 289, Para. 4 and Section 315, Para. 4 of the German Commercial Code (HGB).

/ *CAPITAL STRUCTURE*

On December 31, 2016, the issued stock of AUDI AG remained unchanged at EUR 110,080,000 and comprised 43,000,000 no-par bearer shares. Each share represents a notional share of EUR 2.56 of the subscribed capital.

/ *SHAREHOLDERS' RIGHTS AND OBLIGATIONS*

Shareholders enjoy property and administrative rights. The property rights include, above all, the right to a share in the profit (Section 58, Para. 4 of the German Stock Corporation Act [AktG]) and in the proceeds of liquidation (Section 271 of the German Stock Corporation Act [AktG]), as well as a subscription right to shares in the event of capital increases (Section 186 of the German Stock Corporation Act [AktG]).

The administrative rights include the right to participate in the Annual General Meeting and the right to speak, ask questions, table motions and exercise voting rights there. Shareholders may assert these rights in particular by means of a disclosure and avoidance action.

Each share carries an entitlement to one vote at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board to be appointed by it, as well as the auditor; in particular, it decides on the ratification of the acts of members of the Board of Management and Supervisory Board, on amendments to the Articles of Incorporation and Bylaws, as well as on capital measures, on authorizations to acquire treasury shares and, if necessary, on the conducting of a special audit, the dismissal of members of the Supervisory Board within their term of office and on liquidation of the Company.

The Annual General Meeting normally adopts resolutions by a simple majority of votes cast, unless a qualified majority is specified by statute. A control and profit transfer agreement exists between AUDI AG and Volkswagen AG, Wolfsburg, as the controlling company. This agreement permits the Board of Management of Volkswagen AG to issue instructions. The profit after tax of AUDI AG is transferred to Volkswagen AG. Volkswagen AG is obliged to make good any loss. All Audi shareholders (with the exception of Volkswagen AG) receive a compensatory payment in lieu of a dividend. The amount of the compensatory payment corresponds to the dividend that is distributed in the same fiscal year to Volkswagen AG shareholders for each Volkswagen ordinary share.

/ CAPITAL INTERESTS EXCEEDING 10 PERCENT OF THE VOTING RIGHTS

Volkswagen AG, Wolfsburg, holds around 99.55 percent of the voting rights in AUDI AG. For details of the voting rights held in Volkswagen AG, please refer to the Management Report of Volkswagen AG.

/ STATUTORY REQUIREMENTS AND PROVISIONS UNDER THE ARTICLES OF INCORPORATION AND BYLAWS ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT AND ON THE AMENDMENT OF THE ARTICLES OF INCORPORATION AND BYLAWS

The appointment and dismissal of members of the Board of Management are stipulated in Sections 84 and 85 of the German Stock Corporation Act (AktG). Members of the Board of Management are accordingly appointed by the Supervisory Board for a period of no more than five years. A renewal of the term of office, in each case for no more than five years, is permitted. Section 6 of the Articles of Incorporation and Bylaws further stipulates that the number of members of the Board of Management is to be determined by the Supervisory Board and that the Board of Management must comprise at least two persons.

/ AUTHORIZATIONS OF THE BOARD OF MANAGEMENT IN PARTICULAR TO ISSUE NEW SHARES AND TO REPURCHASE TREASURY SHARES

According to stock corporation regulations, the Annual General Meeting may grant authorization to the Board of Management for a maximum of five years to issue new shares. The meeting may authorize the Board of Management, again for a maximum of five years, to issue convertible bonds on the basis of which new shares are to be issued. The extent to which the shareholders have an option on these new shares is likewise decided upon by the Annual General Meeting. The acquisition of treasury shares is regulated by Section 71 of the German Stock Corporation Act (AktG).

/ KEY AGREEMENTS BY THE PARENT COMPANY THAT ARE CONDITIONAL ON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

Pursuant to the agreement concluded between AUDI AG, BMW AG and Daimler AG on the acquisition of the companies of the HERE Group and on the associated establishment of There Holding B.V., Rijswijk (Netherlands), in the event of a change of control at one party to the agreement it must offer its shares in There Holding B.V. to the other shareholders for purchase. If neither of the other parties takes on these shares, the other parties have the right to resolve the dissolution of There Holding B.V.

Other than the above, AUDI AG has not reached any key agreements that are conditional on a change of control following a takeover bid. Nor has any compensation been agreed with members of the Board of Management or employees in the event of a takeover bid.

ECONOMIC REPORT

Key strategic decisions, such as the opening of our first automobile plant in North America and the healthy volume development of our vehicles influenced our business performance in 2016. In addition to what was for us in some cases a challenging market situation, the effects of the diesel issue in particular negatively impacted our business activity.

BUSINESS AND UNDERLYING SITUATION

/ GLOBAL ECONOMIC SITUATION

The global economy experienced moderate growth of 2.5 (2.8) percent in 2016. Economic momentum in most industrial nations was lower than in the previous year, while the pace of growth in emerging economies remained largely constant overall year on year. Inflation increased as a result of the expansionary monetary policy of many central banks as well as rising energy and commodity prices.

In Western Europe, gross domestic product grew by 1.7 (2.0) percent. Economic development in Western European countries showed a mixed picture. Germany, the region's largest national economy, achieved 1.8 (1.5) percent growth in economic output, in particular thanks to positive consumer sentiment and the stable situation on the labor market. The referendum held in the United Kingdom in June 2016, in which a majority of voters supported a withdrawal from the European Union, prompted political and economic uncertainty in Europe and also temporarily increased volatility on financial markets worldwide. The unemployment rate in Western Europe fell further to 9.3 (9.9) percent. However, the level of unemployment in Greece and Spain remains more than twice as high.

Economic growth in Central and Eastern Europe reached 1.3 (0.8) percent. While the pace of growth in Central Europe slowed, there were signs of an end to the recession in Eastern Europe based mainly on the recovery in energy prices. One consequence of this was that the decline in Russia's economic output of –0.6 (–3.7) percent was much milder than in the previous year. The tense political situation between Russia and Ukraine continued to weigh on the region's economic development.

The U.S. economy expanded by 1.6 (2.6) percent in 2016 and therefore at a markedly slower rate than in the previous year. This development is especially attributable to weaker investment activity and the strength of the U.S. dollar, which had a dampening effect on exports. By contrast, consumer spending and interest rates remaining at a low level supported economic activity.

Brazil's economic output declined by –3.6 (–3.8) percent and – as the region's largest national economy – had a negative impact on the economic situation of South America as a whole. The major drivers of this economic downturn were the political uncertainty in the country, weak domestic demand and still relatively low commodity prices.

The Asia-Pacific region again delivered the highest growth rate worldwide in 2016. With a rate of expansion of 6.7 (6.9) percent, China remained one of the fastest-growing national economies despite the structural change in its economy. Most notably, the robust performance of the service sector along with the government's economic stimulus measures underpinned economic development.
Japan's modest economic growth of 1.0 (1.2) percent was attributable particularly to weak consumer demand coupled with low corporate investment activity.

/ *INTERNATIONAL CAR MARKET*

Worldwide demand for cars rose by 5.4 percent in 2016 to a new record level of 81.1 (76.9) million vehicles. Western Europe, Central Europe, North America and the Asia-Pacific region each recorded growth in new registrations. In contrast, sales of cars in Eastern Europe and South America fell.

In Western Europe, there was a continuing positive development in demand for cars as a consequence of favorable general economic conditions, with growth of 5.8 percent to 14.0 (13.2) million new registrations. The German car market made healthy progress thanks to increased demand from private and corporate customers. New registrations in Western Europe's largest market climbed by 4.5 percent to a volume of 3.4 (3.2) million passenger cars. In the United Kingdom, new registrations rose by 2.3 percent to a new all-time high. However, the pattern of demand was well down on the previous year. The French passenger car market also registered higher sales of passenger cars with growth of 5.2 percent. The car markets in Italy and Spain expanded at the much faster rates of 15.4 and 10.9 percent respectively. In both countries, state measures and the clearing of pent-up demand for replacement vehicles stimulated sales.

New registrations of automobiles in Central and Eastern Europe were 2.3 percent down on the previous year, at 2.7 (2.8) million cars. While most passenger car markets in Central Europe enjoyed rising sales figures, demand for cars in Eastern Europe was down due to fewer new registrations in Russia. Continuing economic weakness led to a –11.7 percent drop in vehicle sales in Russia to 1.3 (1.5) million units, the lowest level since 2004.

In the United States, a 0.5 percent rise in sales of passenger cars and light commercial vehicles to 17.6 (17.5) million units took the total past the previous year's record level. The robust U.S. labor market, low fuel prices and attractive financing terms had a favorable impact on sales. However, increasing signs of market saturation meant that demand was distinctly weaker compared with the previous year.

The Brazilian market for passenger cars and light commercial vehicles reached a new registration volume of only 2.0 (2.5) million units. The continuing recession prompted a substantial drop in demand of –19.9 percent in South America's biggest automobile market to its lowest level since 2006. Higher unemployment and restricted access to credit also impacted the negative development.

The Asia-Pacific region was the main driver of global demand for cars with 35.3 (31.6) million newly registered passenger cars. The main pillar of growth was the Chinese car market, which expanded by 17.9 percent to 22.9 (19.4) million units. Positive factors included in particular the halving of the consumer tax rate at the start of October 2015 for buyers of vehicles with a displacement of up to 1.6 liters, as well as high demand for SUV models. By contrast, the car market in Japan contracted by –1.6 percent to 4.1 (4.2) million units, most notably as a result of the considerable contraction of the minicar segment.

/ *INTERNATIONAL MOTORCYCLE MARKET*

In 2016, international registrations of new motorcycles in the displacement segment above 500 cc rose slightly by just 1.6 percent. In Western Europe, on the other hand, almost all motorcycle markets benefited from the healthy overall economic situation. In Germany, for example, new registrations of motorcycles were up 12.2 percent. Demand in Italy also grew by a healthy 15.6 percent. Motorcycle sales in France increased by 7.2 percent. By contrast, new registrations in the United States – the world's largest motorcycle market – were down by –5.4 percent. In Japan, too, fewer motorcycles in the displacement segment above 500 cc were registered than in the previous year. Demand there declined by –5.6 percent.

/ MANAGEMENT'S OVERALL ASSESSMENT

// COURSE OF BUSINESS

The Audi Group made important decisions in the 2016 fiscal year, setting the course for the future. These included the announcement of our new Strategy 2025 in the summer, followed later in the year by the launching of the first initiatives for its implementation. We also want to respond even more quickly and flexibly to the volatile market environment and handle the increasing diversity and complexity of our products more effectively – such as by introducing complexity management and shortening decision-making paths. The product line organization newly introduced in 2016, structured by vehicle product lines, now holds central management responsibility for our products. The “SPEED UP!” program of measures launched in the past fiscal year provides the necessary resources and the financial basis for the rapid and competitive transformation of our business model.
Besides the strategic focus on the future and the many new models introduced – such as our Audi Q2 – we opened our first own automotive plant on the North American continent in San José Chiapa (Mexico). Here we are producing the new, second-generation Audi Q5 for the world market.
Our business activity in 2016 was hampered by market restrictions, increased regulatory requirements and the effects of the diesel issue. In addition, individual potential growth markets are performing more weakly than expected due to unfavorable economic developments.

We were nevertheless able to slightly increase deliveries to customers of the core brand Audi and record a growth of 3.6 percent to 1,867,738 (1,803,246) cars. Consequently, we achieved our highest delivery volume to date. In the 2015 Annual Report, we had anticipated a moderate rise. While our actual performance exceeded expectations in Western Europe and China from the very start of the year, we were unable to defy the adverse overall market conditions especially in Russia and Brazil. We had also expected a better performance in our deliveries in the other countries of the Asia-Pacific region.
Taking into account both the overall positive development in volume and unfavorable exchange rates, revenue for the Audi Group of EUR 59,317 (58,420) million was slightly up on the prior-year level. We had anticipated a moderate increase in the 2015 Annual Report. We had already adjusted our forecast ahead of the report on the third quarter of 2016, mainly to reflect altered exchange rate assumptions. The Audi Group achieved an operating profit of EUR 3,052 (4,836) million. Before special items, the operating profit came to EUR 4,846 (5,134) million. Negative special items amounting to EUR –1,794 (–298) million are in connection with the diesel issue and recalls of vehicles equipped with airbags made by the Japanese manufacturer Takata. Profit performance was influenced positively above all by volume growth along with process and cost optimization measures. Apart from the special items, other factors negatively impacting profit included, in particular, the ongoing expansion of our model and technology portfolio as well as our international manufacturing structures. Difficult conditions in individual markets, the unfavorable currency environment compared with the previous year and intense competition also influenced the development in operating profit in the past fiscal year. As a result of the effects described above, the operating return on sales reached 5.1 (8.3) percent and was therefore clearly below the strategic target corridor of 8 to 10 percent. In the 2015 Annual Report, we had anticipated an operating return on sales within the target corridor. However, as a result of developments taking shape in connection with the solution to the diesel issue, we had adjusted our forecast in the Interim Financial Report to slightly below the strategic target corridor, then to well below it in the Third Quarter Report, in order to reflect the special items. Before special items, the operating return on sales came to 8.2 (8.8) percent. The return on investment (ROI), which was also negatively impacted by the special items, reached 10.7 (19.4) percent and thus exceeded the minimum rate of return of 9 percent. In the 2015 Annual Report, we had planned an ROI of between 16 and 18 percent. The capital market was informed that the ROI had fallen below the target corridor due to the diesel issue in the course of our financial reporting on the third quarter.

Thanks to its financial strength, the Audi Group generated a net cash flow of EUR 2,094 (1,627) million in the past fiscal year. We therefore achieved our forecast from the start of 2016.

The ratio of capex for the 2016 fiscal year of 5.7 (6.0) percent was slightly above our strategic target corridor of 5.0 to 5.5 percent and therefore in the range of our updated forecast in the Interim Financial Report. In the 2015 Annual Report, we had anticipated that the ratio of capex would be within the strategic target corridor.

*Read more about the **development in the key performance indicators** under "Deliveries and distribution" on pages 114 ff. and "Financial performance indicators" on pages 119 ff.*

Forecast/actual comparison Audi Group

	Actual 2015	Forecast for 2016	Actual 2016
Deliveries of cars of the Audi brand to customers	1,803,246	moderate increase	1,867,738
Revenue in EUR million	58,420	moderate increase [1]	59,317
Operating profit in EUR million	4,836	within the strategic target corridor of 8 to 10 percent [2]	3,052
Operating return on sales in percent	8.3		5.1
Return on investment (ROI) in percent	19.4	between 16 and 18 percent and therefore significantly above the minimum rate of return of 9 percent [3]	10.7
Net cash flow in EUR million	1,627	between EUR 2.0 and 2.5 billion	2,094
Ratio of capex in percent	6.0	within the strategic target corridor of 5.0 to 5.5 percent [4]	5.7

1) Updated to the prior-year level in the Third Quarter Report 2016
2) Updated in the Interim Financial Report 2016 to slightly below and in the Third Quarter Report 2016 to significantly below the strategic target corridor of 8 to 10 percent
3) Updated in the Third Quarter Report 2016 to below 16 percent, but significantly above the minimum rate of return of 9 percent
4) Updated in the Interim Financial Report 2016 to slightly above the strategic target corridor of 5.0 to 5.5 percent

// EXCEPTIONAL EVENTS

/// DIESEL ISSUE

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. The California Air Resources Board (CARB) also issued a compliance letter announcing an investigation on the same day. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. In this context the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around 11 million vehicles worldwide with certain diesel engines, including 2.4 million Audi vehicles.

On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in certain vehicles with six-cylinder diesel engines of type V6 3.0 TDI. Also on November 2, 2015, and in a supplement on November 25, 2015, CARB issued letters stating that engine management software was installed in certain vehicles with type V6 3.0 TDI diesel engines developed by the Audi Group to circumvent NO_x emissions testing regulations in the United States in order to comply with certification requirements. Audi has confirmed that at least a total of three auxiliary emission control devices (AECDs) were not declared in the course of the U.S. approval documentation of vehicles with six-cylinder V6 3.0 TDI diesel engines. These relate to approximately 83,000 vehicles of model years 2009 through 2016 of the Audi, Volkswagen Passenger Cars and Porsche brands in the United States.

Volkswagen AG holds internal development responsibility for the four-cylinder diesel engines within the Group and AUDI AG for the six-cylinder V6 3.0 TDI diesel engines.

Volkswagen and Audi are working intensively to clarify the issue. To this end, Volkswagen has ordered both internal inquiries and external investigations. The external investigation has been conducted with the involvement of external lawyers in Germany and the USA. To clarify this issue, Audi set up an internal task force, furnished committees with the necessary resources and launched a program of cooperation for employees covered by collective agreements in 2015. Regular reporting, in particular to the Board of Management, has been part of the initiatives as well. The law firm Jones Day also has conducted independent and comprehensive investigations into this matter and received operational support from the auditing firm Deloitte. We are cooperating with all the responsible authorities to clarify these matters completely and transparently.

On January 4, 2016, the Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG. The claims asserted under civil law are based on the alleged use of the defeat device software as defined under U.S. law in violation of the U.S. Clean Air Act. The complaint's allegations relate to both the four-cylinder and the V6 3.0 TDI diesel engines.

In June and December 2016 as well as in January 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG, reached settlement agreements in the USA with the DOJ on behalf of the EPA, the CARB and the California Attorney General, as well as the U.S. Federal Trade Commission (FTC) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California.

The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles in the USA. Vehicles with four-cylinder diesel engines from the Volkswagen Passenger Cars and Audi brands and vehicles with V6 3.0 TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands are affected. In October 2016, the court finally approved the settlement agreements in connection with the four-cylinder diesel engines. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlements in connection with the four-cylinder diesel engines. The court has yet to approve the settlement agreements in relation to the V6 3.0 TDI diesel engines, which were filed on January 31, 2017.

The settlements with respect to the four-cylinder diesel engine vehicles provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification.

The settlements with respect to the V6 3.0 TDI diesel engine vehicles, which remain subject to court approval, provide affected customers of so-called Generation 1 vehicles (model years 2009 to 2012) with the option of a buyback or, for leased vehicles, early lease termination, trade-in, or emissions modification of the vehicles free of charge for customers, provided that EPA and CARB approve the modification for vehicles. Additionally, Generation 1 owners and lessees, as well as certain former owners and lessees, will be eligible to receive cash payments. With respect to so-called Generation 2 vehicles (model years 2013 to 2016), customers will receive a free emissions compliant repair to bring the vehicles into compliance with the emissions standards to which they were originally certified – provided that EPA and CARB grant approval – as well as cash payments. If approval ultimately cannot be obtained from EPA and CARB for emissions compliant repairs within the time limits set out in the settlement agreement, Generation 2 customers will be offered the options for buyback, lease termination, trade-in or – if approved by EPA and CARB – an emissions modification that reduces the amount of emissions but does not bring the vehicles into compliance with original certification standards, in addition to cash payments. Only in the event that the modifications for vehicles with V6 3.0 TDI diesel engines of Generation 2 should not be approved would Audi have to offer a buyback or, for leased vehicles, early lease termination in accordance with the agreements. Certain former Generation 2 owners or lessees would also receive additional cash payments. Together with Volkswagen, AUDI AG is responsible for implementing these agreements.

Pursuant to the settlements reached in June 2016, Volkswagen in addition agreed to support environmental programs. Under this arrangement payments will be made for a period of three years to an environmental trust managed by a court-appointed trustee to offset excessive NO_x emissions. For a period of ten years, Volkswagen will additionally invest in the infrastructure for zero emissions vehicles as well as in initiatives that promote the corresponding access to and awareness for this technology. Pursuant to the settlements reached in December 2016, which remain subject to court approval, Volkswagen has agreed to make a payment into an environmental mitigation trust and implement a "Green City" initiative in the USA. AUDI AG's share of the payments in connection with the V6 3.0 TDI diesel engines to this trust amounts to USD 225 million. Furthermore, Volkswagen will make a payment to CARB to support the availability of battery electric vehicles in California. AUDI AG's share of this payment amounts to USD 25 million.

*Information about the **settlement agreements** and the **customer program** are available at **www.audicourtsettlement.com**.*

In January 2017, Volkswagen AG, Volkswagen Group of America, Inc. as well as certain affiliates, including AUDI AG, agreed with the U.S. government to resolve federal criminal claims relating to the diesel issue. The Volkswagen Group also agreed with the U.S. government to resolve civil penalties and injunctive relief under the Clean Air Act, as well as other civil claims against the company relating to the diesel issue.

The coordinated resolutions involve four agreements, including a plea agreement between Volkswagen AG and the DOJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts concerning the diesel issue acknowledged by Volkswagen AG.

The plea agreement, which is subject to U.S. federal court approval, provides for payment of a criminal fine and the appointment of an independent monitor for three years. The independent monitor will assess and oversee the company's compliance with the terms of the resolution and oversee the implementation of measures to further strengthen compliance, reporting and monitoring mechanisms, including an enhanced ethics program at the affected Volkswagen Group companies including AUDI AG.

Volkswagen AG, Volkswagen Group of America, Inc. as well as certain affiliates, including AUDI AG, have also agreed to pay – subject to court approval – a combined penalty to resolve U.S. federal environmental and customs-related civil claims. Separately, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a civil penalty to the Civil Division of the DOJ to settle potential claims asserted under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

By their terms, these agreements resolve the liability of Volkswagen and Audi under U.S. law and are not intended to address their liability, if any, under the laws or regulations of any jurisdiction outside the United States. Volkswagen continues to cooperate in full with investigations by the DOJ into the conduct of individuals.

*The **background documents** are available on the web pages of the DOJ at **www.justice.gov**.*

Furthermore, Volkswagen reached settlement agreements with the attorneys general of 44 U.S. states, the District of Columbia and Puerto Rico to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with vehicles in the USA fitted with four-cylinder and six-cylinder diesel engines.

These settlements do not resolve potential state environmental claims related to the affected vehicles or certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In Canada, the NO_x emission limits are the same as those in the United States, and civil consumer claims and regulatory investigations have been initiated for vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines. In December 2016, Volkswagen AG and other companies of the Volkswagen Group reached a settlement in Canada in connection with class actions by Canadian consumers relating to certain four-cylinder diesel vehicles. The settlement provides for cash payments to eligible owners and lessees, as well as the option of a buyback or exchange or, for leased vehicles, early lease termination or a free emissions modification of the vehicle, if approved by the regulators. The settlement is still awaiting court approval; the hearing has been scheduled for March 2017. Concurrently with the announcement of the class action settlement in December 2016, Volkswagen Group Canada reached a civil resolution with the Canadian Commissioner of Competition in relation to the regulator's investigation of certain four-cylinder diesel vehicles. This resolution is based on the agreement reached in the class action settlement; Volkswagen Group Canada will in addition pay a civil administrative monetary penalty.
The consumer actions and the investigations by the Commissioner of Competition regarding the V6 3.0 TDI diesel engine vehicles remain pending. In addition, criminal investigations by the Canadian Environmental Law Agency and quasi-criminal investigations by regional environmental agencies in Canada relating to certain vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines are pending.

In the 2016 fiscal year, the Kraftfahrzeug-Bundesamt (KBA – the German Federal Motor Transport Authority) issued official approvals needed for modification of the Volkswagen Group vehicles fitted with certain four-cylinder diesel engines falling within its remit. Only 14,000 vehicles await approval, which is expected to be granted in the first quarter of 2017. The implementation of the technical solution began at the beginning of 2016. Based on current planning, implementation of measures will take the full 2017 calendar year to complete. We are now working expeditiously to implement the technical solutions. In agreement with the relevant authorities, the owners of the affected vehicles will be notified and can then make an appointment for modification of their vehicle in an authorized workshop. Customers are guaranteed that the solutions will be implemented free of charge.

There are presently no direct effects on profit arising for the Audi Group for the 2016 fiscal year on the basis of existing contractual agreements with Volkswagen AG, Wolfsburg, related to the four-cylinder diesel engine issue.

In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation.

Based on the facts of the diesel issue available to and assessed by the incumbent Board of Management of AUDI AG at the time of preparation of the financial statements, relating both to the four-cylinder diesel engines for which Volkswagen AG is accountable and to the V6 3.0 TDI diesel engines of AUDI AG, it is the opinion of the Board of Management of AUDI AG that adequate risk provisioning has been made in the form of provisions for technical measures and legal risks in connection with the settlement agreements for the diesel issue in the United States. The provisioning also covers diesel issues in Canada and sales measures in the markets affected by the suspension of sales. Additional information regarding the provisions created at the Audi Group in connection with the diesel issue is available in the Notes to the Consolidated Financial Statements under Note 33 “Other provisions.” Based on pending court approval and the ongoing reconciliations with the authorities, the calculation of these provisions is affected by multiple uncertain factors and thus subject to significant evaluation risks. The financial effects of the special items as a result of the diesel issue reduced the operating profit of the Audi Group in the 2016 fiscal year by EUR –1,632 (–228) million.

The incumbent members of the Board of Management of AUDI AG have declared as already in the previous year that prior to their notification by the U.S. Environmental Protection Agency EPA in November 2015, they had no knowledge of the use of an unlawful “defeat device software” under U.S. law in the V6 3.0 TDI engines.

Investigation of the four-cylinder diesel engine issue was conducted at Volkswagen AG. Also, the publications released and agreements concluded regarding the V6 3.0 TDI diesel issue in the USA by the reporting date, as well as the continued investigations and interviews in connection with the diesel issue, did not provide the incumbent Board of Management with any reliable findings or assessments suggesting that the Annual and Consolidated Financial Statements as well as the Combined Management Report for the 2016 fiscal year and previous years were materially incorrect. However if, in the course of further investigations, new findings should come to light that indicate that individual members of the Board of Management at that time were aware of the diesel issue earlier, this could potentially have an effect on the Annual and Consolidated Financial Statements as well as on the Combined Management Report for the 2016 fiscal year and previous years.
Financial effects that could impact the 2017 fiscal year are considered or presented in the report on expected developments, risks and opportunities.

AUDI AG thoroughly analyzed and revised the operational processes in automotive development in the year under review as a result of the diesel issue. The newly formulated “Golden Rules” of the Volkswagen Group play a key role in this respect. They include agreed minimum requirements for the relevant processes in the areas of control unit software development, emission classification and escalation management. Other actions include changes to committees and scopes of responsibility, organizational and process changes, as well as stepping up compliance and integrity activities. These measures will be vigorously pursued further in the 2017 fiscal year. The implementation status will be checked regularly by the independent monitor. Reports will be submitted to the Board of Management on a regular basis.

AUDI AG will continue to show zero tolerance towards violation of rules and laws. The trust of our customers, shareholders, partners, employees and the public at large is our most vital asset. We will do all in our power to strengthen that trust in the best way possible.

/// PRECAUTIONARY AIRBAG RECALL

The Audi Group, together with the Volkswagen Group and in consultation with a variety of traffic safety agencies, is carrying out in-depth analyses on possible effects of the use of potentially defective airbags made by Takata. Vehicle recalls have been ordered by the authorities in the United States, Canada, Japan and South Korea. We have set aside appropriate provisions for these measures based on current findings. In connection with this, the operating profit of the Audi Group was reduced by special items amounting to EUR –162 (–70) million in the 2016 fiscal year.

RESEARCH AND DEVELOPMENT

The Research and Development area is of key importance for the future viability of a premium car manufacturer. We employed an average of 13,562 (12,646) people in that area of the Audi Group in the 2016 reporting year.

Workforce in the Research and Development area

Average for the year	2016	2015
AUDI AG	10,714	9,947
AUDI HUNGARIA MOTOR Kft.	321	290
Automobili Lamborghini S.p.A.	347	305
Italdesign Giugiaro S.p.A.	788	783
PSW automotive engineering GmbH	892	827
Ducati Motor Holding S.p.A.	229	220
Other	271	274
Workforce in the Research and Development area	**13,562**	**12,646**

In the 2016 fiscal year, the research and development activities of the Audi Group reached a total of EUR 4,446 (4,240) million. This represents a research and development ratio of 7.5 (7.3) percent. We capitalized development costs totaling EUR 1,676 (1,262) million – above all in light of the forthcoming introduction of new models of the car lines in the upper segments. The capitalization ratio came to 37.7 (29.8) percent. The amortization of capitalized development costs totaled EUR 871 (739) million for the year under review.

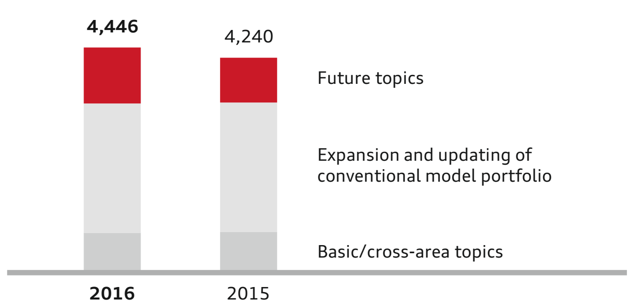
Research and development activities

EUR million	2016	2015
Research expense and non-capitalized development costs	2,770	2,979
Capitalized development costs	1,676	1,262
Research and development activities	**4,446**	**4,240**

Research and development activities are an important indicator of the innovative strength and future viability of our Company. However, to assure the long-term success of Audi, cost structures also need to be competitive. Within the scope of our Strategy 2025, we have therefore defined the research and development ratio as a new strategic target and key performance indicator for financial management. With the strategic objective of achieving a research and development ratio within the corridor of 6.0 to 6.5 percent, we will focus even more in the future on systematically managing the allocation of resources in the Research and Development area.

Our activities in the Research and Development area fall into three main subject areas: “future topics,” “expansion and updating of the conventional model portfolio” and “basic/cross-area topics.” The “future topics” include research and development activities that are of pivotal importance particularly to the implementation of our Strategy 2025. Currently, “expansion and updating of the conventional model portfolio” mainly reflects our model initiative. The updating of our upper car lines, for example, is planned for the near future. Here, too, even greater efficiency is our medium-term goal, which we seek to achieve by prioritizing particularly high-margin models and greater use of digital development tools. Under “basic/cross-area topics” we address traditional motorsport along with cross-model activities in the Research and Development area as well as trial runs and tests, among other things. We also took important decisions in this subject area and, for instance, terminated our brand-defining, long-running involvement in the FIA World Endurance Championship (WEC) in the 2016 fiscal year – to enable us to focus on new motorsport activities associated with future topics. For example, we are stepping up our involvement in Formula E in the future.

Research and development activities by subject area (EUR million)



Selected activities in the Research and Development area in the 2016 fiscal year

Future topics	
Electrification, sustainability and efficiency	> quattro drive with ultra technology (already in the new Audi A4 allroad quattro) > 48-volt electrification (new Audi SQ7 already equipped with 48-volt electrical subsystem) > Addition of more e-tron models (market introduction of Audi Q7 e-tron quattro) > Expansion of g-tron product range (Audi A4 g-tron and A5 g-tron from 2017) > Electrically powered models (first all-electric vehicle by 2018, two more by 2020; 1/3 of vehicles produced are electrically powered by 2025) > Further development of fuel cell technology (h-tron model in series production by 2025) > Alternative fuels (further development of Audi e-fuels) > Charging infrastructure/systems
Driver assistance systems and piloted driving	> Connected suspension systems (Audi SQ7 with electromechanical roll stabilization) > Continuous expansion of the range of assistance systems (adaptive cruise control – ACC) > Piloted driving (in new Audi A8, level 3 automation) > Groundbreaking in-vehicle computing power (zFAS in new Audi A8 from 2017)
Audi connect and artificial intelligence	> Audi connect (e.g. if MMI Navigation plus chosen in the new Audi A5, up to three years' free use of LTE network available) > Broadband connectivity (LTE, LTE-V, 5G) > Artificial intelligence as a key factor for piloted driving
Audi design and aerodynamics	> Progressive, sophisticated design solutions for exterior and interior > Consistent aerodynamics developments
Audi Sport	> Formula E

Expansion and updating of conventional model portfolio	

Expansion of model portfolio	> Expansion of the model portfolio to tap into new customer segments:
	  > Audi Q2
	  > Audi RS 3 Sedan (market introduction in 2017)
	  > Audi SQ7
	> Updating of existing model portfolio:
	  > Audi TT RS Coupé and Audi TT RS Roadster
	  > Audi A4 allroad quattro and Audi S4
	  > Audi A5 Coupé and Audi S5 Coupé
	  > Audi Q5 (market introduction in 2017)
	  > Audi R8 Spyder
	> Preparations for models appearing on the market in the near future, including:
	  > Audi A6
	  > Audi A7
	  > Audi A8
	  > New full-size SUV derived from Audi Q8 concept

Updating of model portfolio	> Model updates to existing product portfolio: > Audi A3

Basic/cross-area topics	
Basic/cross-area topics	> Cross-model activities, e.g. trial runs and tests > Traditional motorsport (WEC and DTM)

*Read more about our innovations and technologies at **www.audi.com, www.audi-mediacenter.com** and **www.audi.com/en/innovation.html.***

*Read more online about **interior design** and **piloted driving** at **www.audi-reports.com/interactive.***

PROCUREMENT

Changing framework conditions in the automotive industry along with the Audi Group's strategic shift also present specific challenges for our procurement activities. Against the backdrop of the electrification and digitalization of our products as well as our own sustainability requirements, both the procured goods and the partners and value chains involved are undergoing change. In 2016, Audi Group Procurement once again focused on achieving cost targets, premium quality and the availability of purchased parts as well as on stable and efficient goods flows. Procurement also became established as a driver of innovation processes.

Read more online about ***sustainability in our value chain*** *at* ***www.audi-reports.com/interactive_tb.***

In a change from previous years, the world market prices of most commodities relevant for the Audi Group rose in the 2016 fiscal year. Thanks to procurement strategies tailored individually to the commodity markets, we were nevertheless able to minimize commodity price risks. The cost of materials, which also includes expenses for raw materials and supplies as well as for purchased goods and services, amounted to EUR 40,596 (37,583) million in the 2016 fiscal year.
As well as effects relating to volume and model mix, the increase compared with the previous year is due to expenses in connection with the diesel issue.

/ SYNERGY POTENTIAL

In order to maximize the benefit of synergy potential, we select suppliers in close consultation with Volkswagen Group Procurement. We are able, for example, to pool procurement volumes within the entire Volkswagen Group across multiple brands and models. The use of common parts is an important aspect of the Group-wide modular platform strategy. We advanced our common parts strategy still further in the past fiscal year. However, wherever a component has a brand-differentiating function we do not use common parts.
In addition, we continued to methodically pursue our sourcing strategy for cost-competitive countries in 2016. We identify the lowest-cost country of production and continuously monitor the combination of supplier base, cost structures and exchange rate developments, while upholding our quality standards for every goods group.

/ INNOVATION IN THE SUPPLY CHAIN

We ensure a close strategic dialogue with selected suppliers through our suppliers program FAST (Future Automotive Supply Tracks). We seek to adopt a global outlook together with our partners and jointly promote innovations from an early stage. In an early phase – possibly even before a specific vehicle project has started – we enter into dialogue with selected suppliers and involve them in our innovation process. The aim of this approach is to increase the number of innovations and to implement these even more efficiently and effectively.
Innovation management at Audi Procurement draws in both established and new partners, such as startups. Our suppliers benefit here from extra planning certainty and close links to our internal Development division. Procurement acts as the interface between the external innovation partners and our internal experts. Under the FAST program we have introduced various formats through which we engage in dialogue with our external innovation partners when looking for solutions in specific areas. For example, we invited over 60 suppliers to Innovation Days in the year under review. This format enabled in-house experts from Development, Sales and Procurement to identify exceptionally innovative topics and reach a decision on their rapid implementation.

/ GLOBALIZATION THROUGH LOCALIZATION

Our ambition is to ensure premium quality at all sites. We therefore only work with partners who are able to meet our quality criteria. To guarantee the quality and availability of our purchased parts as well as competitive cost structures, we are, on the one hand, increasing the capacities of existing suppliers. On the other hand, we are identifying and developing new local suppliers at our sites.
In time for the production start of the new Audi Q5 at San José Chiapa (Mexico) in September 2016, we trained around 170 suppliers as partners of the Audi Group. We source over 70 percent of the purchased parts from suppliers in North America. This enables us to reduce risks from exchange rate fluctuations, improve our costs for parts and logistics, and increase the reliability of supplies.

PRODUCTION

/ AUTOMOTIVE SEGMENT [1) 2)]

Car production by model

	2016	2015
Audi A1	23,652	32,271
Audi A1 Sportback	81,600	83,979
Audi Q2	19,419	67
Audi A3	14,736	19,463
Audi A3 Sportback	198,086	190,733
Audi A3 Sedan	134,145	142,546
Audi A3 Cabriolet	15,029	16,862
Audi Q3	231,451	204,801
Audi TT Coupé	21,562	28,093
Audi TT Roadster	5,324	7,417
Audi A4 Sedan	222,566	215,964
Audi A4 Avant	119,271	86,168
Audi A4 allroad quattro	16,160	16,076
Audi A5 Sportback	34,782	46,253
Audi A5 Coupé	18,484	19,153
Audi A5 Cabriolet	11,851	13,727
Audi Q5	297,750	267,555
Audi A6 Sedan	203,766	220,470
Audi A6 Avant	61,508	60,414
Audi A6 allroad quattro	10,889	12,494
Audi A7 Sportback	26,307	29,131
Audi Q7	103,507	82,188
Audi A8	24,147	27,077
Audi R8 Coupé	3,050	1,717
Audi R8 Spyder	638	357
Audi brand	**1,899,680**	**1,824,976**
Lamborghini Huracán	2,419	2,628
Lamborghini Aventador	1,160	1,079
Lamborghini brand	**3,579**	**3,707**
Automotive segment	**1,903,259**	**1,828,683**

// AUDI BRAND

In the 2016 reporting year, we produced 1,899,680 (1,824,976) premium cars of the Audi brand.
We built 592,337 (566,290) automobiles at our Group headquarters in Ingolstadt. In Neckarsulm we manufactured 260,603 (271,806) Audi models, fewer than in the previous year mainly due to model cycle factors.
In the same period, the Audi Group produced a total of 122,975 (159,842) cars at AUDI HUNGARIA MOTOR Kft. in Győr (Hungary). This year-on-year decrease is attributable, among other factors, to conversions being carried out to prepare for the production start of the updated Audi A3 models. In addition, the prior-year production volume of the Audi TT car line was influenced by the market introduction of the third-generation Audi TT.
We produced a total of 105,252 (116,250) vehicles at AUDI BRUSSELS S.A./N.V. in Brussels (Belgium).
AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo (Brazil), built a total of 7,846 (1,423) cars in São José dos Pinhais, near Curitiba, in the 2016 fiscal year.
In the same period we manufactured 10,746 (139) of the second-generation Audi Q5 at AUDI MÉXICO S.A. de C.V. in San José Chiapa (Mexico), our newest production site.
In 2016, a total of 135,852 (136,778) and 102,614 (82,188) cars left the production lines at the Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia) respectively.
We manufactured 5,667 cars in Aurangabad (India), another Volkswagen Group site. In the prior-year period, parts and components had been delivered from other sites for the production of a total of 8,874 cars.
From January through December 2016, the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), produced a total of 471,975 (433,864) automobiles at the company headquarters in Changchun and 83,813 (56,396) vehicles in the southern Chinese city of Foshan.

// LAMBORGHINI BRAND

Automobili Lamborghini S.p.A. built 3,579 (3,707) supercars at its company headquarters in Sant'Agata Bolognese (Italy) in the 2016 fiscal year.

// ENGINE PRODUCTION

The Audi Group produced a total of 1,927,838 (2,023,618) engines for cars in the 2016 fiscal year. Of this total, 1,926,638 (2,022,520) were manufactured by AUDI HUNGARIA MOTOR Kft. in Győr (Hungary). The most notable change here compared with the previous year was the reduction in the production total for other Volkswagen Group brands. Over the same period, Automobili Lamborghini S.p.A. built 1,200 (1,098) 12-cylinder engines in Sant'Agata Bolognese (Italy).

1) The prior-year figures have been adjusted.
2) This includes 555,788 (490,260) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

/ MOTORCYCLES SEGMENT

The Ducati brand produced 56,978 (55,551) motorcycles worldwide in the past fiscal year. Of this total, 47,193 (43,250) units were manufactured at the company headquarters in Bologna (Italy). Ducati produced 8,761 (11,278) motorcycles at the Amphur Pluakdaeng (Thailand) plant. In addition, 1,024 (1,023) bikes were built on a contract manufacturing basis in Manaus (Brazil).

Motorcycle production

	2016	2015
Scrambler	17,254	19,577
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	17,697	14,697
Dual/Hyper (Hypermotard, Multistrada)	14,556	11,877
Sport (SuperSport, Superbike)	7,471	9,400
Ducati brand	**56,978**	**55,551**
Motorcycles segment	**56,978**	**55,551**

*Read more about the **production sites** of the individual models on page 93.*

/ SIGNIFICANT EXPANSIONS AT THE GROUP SITES

// NEW DEVELOPMENTS AT INGOLSTADT SITE

In fall 2016, we completed the first construction phase of the new “Areal Süd” office complex at the Ingolstadt site. The open, spacious and flexible layout provides ample space for networking and creativity, further promoting modern ways of working at Audi. According to the current usage concept, the building with a total floor area of 24,500 square meters will house around 2,500 modern office workstations in the future.

A new paint shop went into operation at the north end of the site. The building, with 12,000 square meters of floor space, has been painting up to 900 car bodies per day since fall 2016.

Series production of the new Audi Q2 also got off to a successful start at our Group headquarters in Ingolstadt. We integrated the new model into the existing production process for the Audi A3. This necessitated extensive conversions during production operations and new logistics plans.

The new Design Center is currently taking shape at the north end of the factory site. Here, designers, project managers and model engineers will all be able to work together on future series-production models and showcars.

// EXPANSION IN NECKARSULM

In Neckarsulm, we opened new production halls – for part assembly and a body shop – for the Audi A8 in spring 2016.

// PREPARATIONS FOR VOLUME PRODUCTION OF OUR ALL-ELECTRIC SUV IN BRUSSELS

Volume production of our first all-electric SUV will start at the Brussels site in 2018. Preparations for this event include the extension of the existing body shop, which began in the 2016 reporting year. The plant will also be equipped in the future with its own battery assembly facility. Production of the Audi A1 is to be relocated from Belgium to Martorell (Spain). The Audi Q3 currently being built in Martorell will then be produced in Győr (Hungary).

// PREPARING FOR THE FUTURE IN HUNGARY

In Győr we began preparations for the future production of the Audi Q3 with work on a new body shop.

Starting in the 2018 fiscal year, we want to produce electric motors in Győr and expand the current engine range as a result. For this purpose, we have already set up a competence center and started preparations for future series production.

// EXPANSION AT BRAZILIAN SITE

In March 2016, we opened a production line for the Audi Q3 at our Brazilian site in São José dos Pinhais, near Curitiba.

// NEW PLANT IN MEXICO OPENED

In fall 2016, we opened our first own automotive plant on the North American continent in San José Chiapa (Mexico). This is also our very first plant to have been fully planned in the virtual world. In all, the Audi Group has invested over one billion euros in the production site, which will build up to 150,000 units of the Audi Q5 annually for the world market.

/ DIGITALIZATION OF PRODUCTION – THE VISION: SMART FACTORY

In the context of digitalizing our production operations, we are pursuing the vision of a so-called Smart Factory – an intelligent, digitally connected approach to manufacturing. We place the emphasis here on managing the large number of variants and therefore complexity in production even more effectively, on making processes even more efficient and on further optimizing inventories. The new high-tech solutions are also intended to increase production flexibility and our high standard of quality further. Meanwhile, they will improve ergonomics with the effect of making numerous production steps easier. In the future, further flexibility and productivity potential can be expected from a possible switch from traditional line assembly to modular assembly using highly automated conveyor systems and synchronized assembly bays.

*Read more online about the **Smart Factory** at* ***www.audi-reports.com/curious.***

DELIVERIES AND DISTRIBUTION

/ AUTOMOTIVE SEGMENT [1)]

Car deliveries to customers by model

	2016	2015
Audi A1	27,190	32,479
Audi A1 Sportback	87,256	78,957
Audi Q2	8,797	–
Audi A3	16,624	19,231
Audi A3 Sportback	196,616	194,144
Audi A3 Sedan	142,035	140,097
Audi A3 Cabriolet	14,596	19,292
Audi Q3	232,045	199,830
Audi TT Coupé	24,681	24,622
Audi TT Roadster	6,386	5,338
Audi A4 Sedan	211,512	210,346
Audi A4 Avant	110,338	86,410
Audi A4 allroad quattro	15,012	16,946
Audi A5 Sportback	37,868	44,595
Audi A5 Coupé	16,251	20,511
Audi A5 Cabriolet	13,468	13,578
Audi Q5	278,968	266,968
Audi A6 Sedan	203,492	226,805
Audi A6 Avant	59,113	58,119
Audi A6 allroad quattro	10,776	11,689
Audi A7 Sportback	25,399	28,779
Audi Q7	102,038	71,173
Audi A8	24,399	31,146
Audi R8 Coupé	2,576	1,577
Audi R8 Spyder	302	614
Audi brand	**1,867,738**	**1,803,246**
Lamborghini Huracán	2,353	2,242
Lamborghini Aventador	1,104	1,003
Lamborghini brand	**3,457**	**3,245**
Other Volkswagen Group brands	**216,992**	**218,390**
Automotive segment	**2,088,187**	**2,024,881**

// AUDI BRAND

In the 2016 fiscal year, we delivered 1,867,738 (1,803,246) automobiles of the core brand Audi to customers worldwide – an increase of 3.6 percent compared with the previous year. This is our highest delivery volume to date. The rise in deliveries is mainly attributable to our attractive product portfolio as well as to higher overall market demand worldwide, even if we faced very challenging conditions in certain individual markets.

In Western Europe, we increased our delivery volume by 7.5 percent to 801,116 (745,049) Audi vehicles. Demand for our models developed especially well in the home market Germany, outperforming the market as a whole. We delivered 293,307 (270,063) automobiles there, 8.6 percent more than in the previous year. In the United Kingdom – our biggest European export market – a total of 177,565 (166,817) customers chose vehicles of the brand with the Four Rings in the 2016 fiscal year. This represented an increase of 6.4 percent, maintaining our course of growth of the past few years and surpassing the market as a whole. Deliveries of the Audi brand in Italy also developed very pleasingly. We delivered 62,430 (54,054) Audi vehicles there, an increase of 15.5 percent. In France, we delivered 61,752 (60,216) cars, a rise of 2.6 percent. Deliveries in Spain were again dynamic. With 51,879 (44,587) Audi vehicles, we increased our delivery volume by 16.4 percent. We were also able to improve on the prior-year level in Belgium, where we delivered 33,270 (32,007) vehicles.
The development in demand in Western Europe is also reflected in our orders received, which rose by 3.2 percent year on year.

1) This includes 539,000 (512,198) delivered Audi models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

In the Central and Eastern Europe region, the pleasing growth in deliveries compensated for a continuing weak volume development in Russia. From January through December 2016, we registered deliveries of 55,853 (54,891) Audi models in this region, representing volume growth of 1.8 percent. Our deliveries in Russia declined by –19.3 percent to 20,705 (25,650) vehicles in a reflection of the poor overall economic situation.

In the North America region, we delivered 256,087 (243,103) units in the 2016 fiscal year, 5.3 percent more automobiles than in the previous year. We handed 210,213 (202,202) models with the Four Rings over to customers in the United States – an increase of 4.0 percent even though the market as a whole remained virtually flat. Volume growth in Canada of 14.2 percent to 30,544 (26,754) automobiles was especially positive. In the 2016 reporting year, the development of our volume in the United States and Canada was influenced by temporary sales restrictions, especially on vehicles with V6 3.0 TDI engines.

With 22,589 (27,234) automobiles delivered in the South America region, we saw demand fall by –17.1 percent. The main factor at work here was the cyclical contraction in the overall market in Brazil – the largest national market in the region. With our performance strongly influenced by this situation, we were able to deliver only 12,011 (17,130) Audi vehicles in Brazil in the 2016 fiscal year – a decline of 29.9 percent.

In the Asia-Pacific region we handed 680,507 (677,199) Audi vehicles over to customers from January through December 2016 and thus succeeded in increasing total deliveries year on year by 0.5 percent. The growth driver was our biggest market China. With 591,554 (570,889) Audi vehicles and growth of 3.6 percent, we increased our delivery volume there, although growth was less dynamic than that of the market as a whole. In contrast, the development in deliveries in the region excluding the Chinese market was negative. Among the inhibiting factors were registration-based sales restrictions in South Korea. In Japan, our deliveries of 28,452 (29,357) units represented a fall of –3.1 percent amid weak overall market demand.

Market introductions of new Audi models in the 2016 fiscal year

Models	Main characteristics and new features
Audi Q2 *(new model, no predecessor)* 	> Our entry-level SUV in the compact segment > Progressive design with powerful appearance and high functionality > Progressive steering as standard and optional adaptive dampers enable excellent driving dynamics > Numerous optional infotainment and driver assistance systems, e.g. head-up display > First deliveries to customers since November 2016
Audi A4 allroad quattro *(new model)* 	> quattro drive as standard and increased ground clearance > New, efficient quattro drive with ultra technology makes its debut in the gasoline engine version > Numerous driver assistance and safety systems, e.g. optional adaptive cruise control (ACC) with traffic jam assist > Phased market introduction since June 2016
Audi S4 Sedan and Audi S4 Avant *(new models)* 	> Newly developed engine with turbocharging and direct injection > Numerous driver assistance systems, e.g. Audi pre sense city as standard > Optional MMI navigation with free-text search > Gradual market introduction since August 2016

Models	Main characteristics and new features
Audi A3 car line *(product improvement)* 	› Redesigned headlights and rear lights, Matrix LED headlights optionally available for first time › Audi virtual cockpit available as an option › Optionally with a wide range of driver assistance systems, e.g. traffic jam assist and emergency assist › Extensively revised engine range › Gradual market introduction since July 2016
Audi Q7 e-tron quattro *(new model, no predecessor)* 	› First plug-in hybrid model with six-cylinder TDI engine and quattro drive › Combines the advantages of electric drive with those of the internal combustion engine › Equipped with the e-tron charging system › Has been available at the first dealers in most European markets since mid-2016
Audi SQ7 *(new model, no predecessor)* 	› First S model in our Q7 car line › Equipped with 48-volt electrical subsystem › New engine uses electric powered compressor for dynamic starting performance › Optional advanced driving dynamics package with electromechanical, active roll stabilization, including quattro drive with sport differential and all-wheel steering › First deliveries to customers since September 2016
Audi R8 Spyder *(new model)* 	› Sharper design and special dynamism combined with the fascination of open-top driving › V10 engine delivers high performance and a special sound experience › Gradual market introduction since October 2016
Audi TT RS Roadster and Audi TT RS Coupé *(new models)* 	› Top models of the Audi TT car line with newly developed engine › Equipped optionally with visually impressive rear lights with Matrix OLED technology › With Audi virtual cockpit in 12.3-inch format as standard › First deliveries to customers since November 2016
Audi S5 Coupé and Audi A5 Coupé *(new models)* 	› Sharper appearance › Newly developed suspension and high-performance drives › Audi virtual cockpit and Audi connect can be ordered as options › Customers choosing MMI Navigation plus can use the diverse Audi connect services over the LTE network for up to three years free of charge › Gradual market introduction since November 2016

Audi models presented in the 2016 fiscal year with phased market introduction in 2017

Models	Main characteristics and new features
Audi S5 Sportback and Audi A5 Sportback *(new models)* 	› New, elegant and emotional design › Newly developed suspension and high-performance drives › Innovative driver assistance systems, e.g. optional adaptive cruise control (ACC) with traffic jam assist › Now also available for the first time as A5 Sportback g-tron
Audi S5 Cabriolet and Audi A5 Cabriolet *(new models)* 	› Sporty, elegant design › Fully automatic acoustic hood opens and closes up to a speed of 50 km/h › Optionally available with efficient quattro drive with ultra technology or permanent all-wheel drive

Models	Main characteristics and new features
Audi Q5 *(new model)* 	> Three out of the five new engine versions have efficient quattro drive with ultra technology at market launch in Europe > New adaptive air suspension as an option, e.g. to adapt damping characteristics > Efficiency enhanced by improved aerodynamics and a reduced unladen weight of up to 90 kilograms compared with the predecessor model, depending on engine version
Audi RS 3 Sedan *(new model, no predecessor)* 	> Most powerful model in our updated A3 car line > First compact Audi sedan with the RS label > Powerful engine, quattro permanent all-wheel drive and numerous optional assistance systems

Read more online about our ***Audi models*** *at* ***www.audi.com/en/models.html.***

Read more online about our ***SUV strategy*** *at* ***www.audi-reports.com/versatile_tb.***

// LAMBORGHINI BRAND

The Italian brand Lamborghini increased deliveries to customers in the 2016 fiscal year by 6.5 percent to 3,457 (3,245) supercars, with the U.S. market remaining the largest single market for the Lamborghini brand.

Lamborghini models presented or introduced in the 2016 fiscal year

Models	Main characteristics and new features
Lamborghini Huracán Avio *(limited special series)* 	> Functional addition of lifting system, cruise control and GPS to EU standard configuration > Customized interior equipment through the Lamborghini Ad Personam program > Aesthetic design based on the world of aviation with new, specially developed body colors
Lamborghini Centenario Coupé und Roadster *(limited special series, so-called "one-off")* 	> Body and monocoque made entirely of carbon fiber, groundbreaking aerodynamics > Active rear-wheel steering for extra agility and stability > Modern infotainment enables online applications and telemetric driving data measurement > Market introduction in 2017
Lamborghini Aventador Miura Homage *(limited special series)* 	> Available in 18 traditional colors of the original Miura > Equipped with various special features of the original Miura models, e.g. lower body in a contrasting tone > Dione rims visually matching the paint finish
Lamborghini Huracán RWD Spyder *(new model)* 	> New front and rear design for a powerful look > Modern infotainment with high-resolution 12.3-inch TFT display > Exclusively rear-wheel drive for dynamic handling > Market introduction in 2017
Lamborghini Aventador S *(product improvement)* 	> Large number of new design features with focus on aerodynamic optimization > New four-wheel steering provides improved agility and stability > Individually configurable EGO driving mode and adaptive dampers > Market introduction in 2017

// OTHER VOLKSWAGEN GROUP BRANDS

The sales companies VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), AUDI VOLKSWAGEN MIDDLE EAST FZE, Dubai (United Arab Emirates), AUDI SINGAPORE PTE. LTD., Singapore (Singapore), and Audi Volkswagen Taiwan Co., Ltd., Taipei, delivered a total of 216,992 (218,390) vehicles of other Volkswagen Group brands to customers in the 2016 fiscal year. These include vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands.

/ MOTORCYCLES SEGMENT

Our Italian motorcycle manufacturer Ducati delivered 55,451 (54,809) motorcycles to customers worldwide – an increase of 1.2 percent. The Ducati brand achieved substantial growth in deliveries particularly in its home market Italy. Deliveries to customers were also up on the previous year in the German market. This was in contrast to a largely market-led decline in volume in the United States.

Motorcycle deliveries to customers

	2016	2015
Scrambler	15,527	16,049
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	18,114	18,054
Dual/Hyper (Hypermotard, Multistrada)	13,528	11,679
Sport (Superbike)	8,282	9,027
Ducati brand	**55,451**	**54,809**
Motorcycles segment	**55,451**	**54,809**

Since the start of 2016, Ducati has been rolling out the Scrambler Sixty2 and the Scrambler Flat Track Pro as the two latest versions of the Scrambler model series. In addition, the models XDiavel and XDiavel S as well as the Multistrada 1200 Enduro have been available to customers since the first quarter of 2016, enabling Ducati to serve two entirely new segments. The Multistrada 1200 Pikes Peak, the Hypermotard 939 and 939 SP as well as the Hyperstrada 939 and the 959 Panigale were also introduced to markets in the 2016 fiscal year. The 1299 Panigale S Anniversario – a numbered special edition of just 500 bikes – has also been available at dealers since July 2016.

FINANCIAL PERFORMANCE INDICATORS

The Audi Group generated revenue of EUR 59.3 billion in the 2016 fiscal year despite a difficult environment for the Company in certain respects. The operating return on sales was impacted by special items in connection with the diesel issue and came to 5.1 percent. Before special items, we achieved our strategic target with an operating return on sales of 8.2 percent.

FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 59,317 (58,420) million in the 2016 fiscal year. Positive effects mainly resulted from the healthy development in other automotive business – especially deliveries of parts sets for local production in China – and the volume growth in the vehicle business. Revenue was negatively impacted by the unfavorable currency environment compared with the prior-year period – influenced primarily by the devaluation of the pound sterling – as well as the challenging conditions that we faced in individual vehicle segments and markets, and intense competition.
In the Automotive segment revenue came to EUR 58,587 (57,719) million. We generated revenue of EUR 41,556 (41,428) million through sales of vehicles of the core brand Audi. The main driving forces were in particular the positive volume trend for our new models Audi A4 and Audi Q7 as well as growth in the Western Europe region. However, this was offset by the adverse currency effects as well as, among other things, model cycle-related developments in individual vehicle segments and the difficult conditions in certain markets. Intense competition also had a negative impact on revenue. The Lamborghini brand increased revenue from the sale of vehicles to EUR 853 (811) million thanks to high demand for the Lamborghini Aventador. In addition to cars of the Audi and Lamborghini brands, the Audi Group sells vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands through Group-owned sales subsidiaries. Revenue from the sale of vehicles of these other brands came to EUR 3,599 (3,860) million. The decrease compared with the previous year is mainly attributable to weaker sales of automobiles of the Volkswagen Passenger Cars brand. By contrast, revenue from other automotive business reached a very healthy EUR 12,579 (11,620) million. The main driver here was higher revenue from deliveries of parts sets for local production in China.

In the Motorcycles segment we achieved an increase in revenue in the 2016 reporting year to EUR 731 (702) million, above all thanks to the healthy volume trend for the Diavel series.

Condensed Income Statement, Audi Group

EUR million	2016	2015
Revenue	59,317	58,420
Cost of goods sold	– 49,390	– 47,043
Gross profit	**9,927**	**11,376**
Distribution costs	– 5,807	– 5,782
Administrative expenses	– 663	– 640
Other operating result	– 405	– 119
Operating profit	**3,052**	**4,836**
Financial result	– 5	448
Profit before tax	**3,047**	**5,284**
Income tax expense	– 980	– 987
Profit after tax	**2,066**	**4,297**

Operating profit, Audi Group

EUR million	2016	2015
Operating profit before special items	**4,846**	**5,134**
Special items	– 1,794	– 298
of which diesel issue	*– 1,632*	*– 228*
of which Takata	*– 162*	*– 70*
Operating profit	**3,052**	**4,836**

In the 2016 reporting year, the cost of goods sold for the Audi Group increased to EUR 49,390 (47,043) million. Negative impacts included, among other things, higher direct material costs attributable to the rise in volume and expenses related mainly to special items from the diesel issue and airbags made by Takata.

In addition, the expansion of our model and technology portfolio and our international manufacturing structures is reflected in increased depreciation and amortization as well as costs for production starts.
Research and development expenditure for the past fiscal year reached EUR 3,640 (3,718) million. Within this, research expense and non-capitalized development costs came to EUR 2,770 (2,979) million. The amortization of capitalized development costs increased to EUR 871 (739) million. Of research and development activities amounting to EUR 4,446 (4,240) million in total, the amount of EUR 1,676 (1,262) million was capitalized – among other things in light of the forthcoming introduction of new models of the car lines in the upper segments. The capitalization ratio came to 37.7 (29.8) percent.

The Audi Group posted a gross profit of EUR 9,927 (11,376) million for the 2016 fiscal year.

Distribution costs of the Audi Group were on a par with the previous year at EUR 5,807 (5,782) million. While marketing costs were slightly lower compared with the previous year, there were additional costs in connection with the diesel issue, for example.

Administrative expenses of EUR 663 (640) million rose, among other reasons, due to collectively negotiated pay increases.

The other operating result of the Audi Group for the 2016 fiscal year came to EUR –405 (–119) million. Expenses for legal risks in particular in connection with the diesel issue worked against a significantly improved result from the settlement of currency hedging transactions.

Key earnings figures, Audi Group

in %	2016	2015
Operating return on sales before special items	**8.2**	**8.8**
Operating return on sales	**5.1**	**8.3**
Automotive segment	5.2	8.3
Motorcycles segment	3.4	4.5
adjusted for effects of PPA and intercompany profits [1]	*7.0*	*7.8*
Return on sales before tax	**5.1**	**9.0**

1) Adjusted for the effects of subsequent measurement in connection with the purchase price allocation (PPA) amounting to EUR 23 million and the elimination of intercompany profits following the first-time inclusion of the activities of the Chinese importer in the Motorcycles segment

The operating activities of the Audi Group are reflected in the operating profit before special items of EUR 4,846 (5,134) million. The operating return on sales before special items in the 2016 fiscal year was 8.2 (8.8) percent and therefore within our strategic target corridor of 8 to 10 percent. With the adverse effect of special items totaling EUR –1,794 (–298) million, the operating profit of the Audi Group declined to EUR 3,052 (4,836) million. This corresponds to an operating return on sales of 5.1 (8.3) percent.

Special items reflect certain matters in the financial statements in cases where we believe their separate disclosure, based on our assessment, permits a more accurate evaluation of the operating economic performance of the Audi Group. In response to the diesel issue, we adjusted risk provisioning in the form of provisions in the 2016 fiscal year. This takes account above all of expenses for legal risks and technical measures in connection with settlements relating to the diesel issue in the United States. Provisions for the diesel issue in Canada and sales measures in the markets affected by the suspension of sales are also included. From January through December 2016, the corresponding special items totaled EUR –1,632 (–228) million. It cannot be ruled out that the assessment of the risks may change in the future. Further special items amounting to EUR –162 (–70) million are in connection with recalls ordered of vehicles that are equipped with airbags from the Japanese manufacturer Takata.

Read more about the ***diesel issue*** *and the* ***airbag recall*** *on pages 104 ff.*

In the Automotive segment, taking into account the negative special items, we achieved an operating profit of EUR 3,027 (4,804) million – the operating return on sales reached 5.2 (8.3) percent. The operating profit was influenced favorably mainly by the revenue performance as well as by our ongoing process and cost optimizations. In addition, the “SPEED UP!” program of measures launched in the 2016 fiscal year started to take effect. Apart from the special items, other factors negatively impacting profit included, in particular, the ongoing expansion of our model and technology portfolio as well as our international manufacturing structures, which led to higher depreciation, amortization and costs for production starts in the period under review. Difficult conditions in individual markets, the unfavorable currency environment compared with the previous year and intense competition also influenced the operating profit of the Automotive segment.

In the Motorcycles segment, the higher expenses in connection with the market introduction of many new models meant that we achieved an operating profit of EUR 25 (31) million, representing an operating return on sales of 3.4 (4.5) percent. After adjusting for the effects of subsequent measurement in connection with the purchase price allocation amounting to EUR 23 (23) million and the elimination of intercompany profits following the first-time inclusion of the activities of the Chinese importer in the Motorcycles segment, operating profit came to EUR 51 (54) million and the operating return on sales to 7.0 (7.8) percent.

The financial result of the Audi Group comprises the result from investments accounted for using the equity method, the finance expenses and the other financial result, and fell to EUR –5 (448) million in the past fiscal year. This decrease is attributable, among other factors, to higher finance expenses from the measurement of long-term provisions due to the fall in interest rates. The result from investments accounted for using the equity method amounting to EUR 365 (451) million is also reflected in the financial result – of which the result from the measurement of shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), accounts for EUR 398 (473) million. The other financial result declined to EUR –31 (152) million. It also includes financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, concerning the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd., totaling EUR 237 (476) million.

The Audi Group posted a profit before tax of EUR 3,047 (5,284) million in the 2016 fiscal year. The return on sales before tax was 5.1 (9.0) percent. After deduction of income tax expense, we generated a profit of EUR 2,066 (4,297) million.

Return on investment, Audi Group

EUR million	2016	2015
Operating profit after tax	2,136	3,385
Invested assets (average)	19,978	17,467
Return on investment (ROI) in %	**10.7**	**19.4**

The return on investment (ROI) expresses the return achieved on the capital employed. We obtain this indicator by determining the ratio of operating profit after tax to average invested assets. For the 2016 fiscal year, the Audi Group achieved a ROI of 10.7 (19.4) percent. As a consequence, ROI for the 2016 fiscal year was once again above our minimum rate of return of 9 percent of invested assets. The decline in the return on investment compared with the previous year is attributable to the development in operating profit due to negative special items. Increased invested assets in the current investment phase also impacted this ratio. The operating profit after tax of the Audi Group for the 2016 fiscal year totaled EUR 2,136 (3,385) million. The standardized average tax rate for the Volkswagen Group of 30 percent was assumed for this purpose. The average invested assets came to EUR 19,978 (17,467) million and are calculated from the asset items on the balance sheet that serve the core business purpose (intangible assets, property, plant and equipment, leased assets, investment property, inventories and receivables) less non-interest-bearing liabilities (trade payables and advances received). The average of the value of invested assets at the start and the value of the invested assets at the end of the fiscal year is then calculated.

NET WORTH

As of December 31, 2016, the balance sheet total of the Audi Group increased to EUR 61,090 (56,763) million.

Condensed Balance Sheet, Audi Group

EUR million	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	28,599	25,963
Current assets	32,403	30,800
Available-for-sale assets	87	–
Balance sheet total	**61,090**	**56,763**
Equity	25,321	21,779
Liabilities	35,685	34,985
of which non-current liabilities	*14,980*	*13,431*
of which current liabilities	*20,705*	*21,554*
Liabilities classified as held for sale	84	–
Balance sheet total	**61,090**	**56,763**

Non-current assets of the Audi Group amounted to EUR 28,599 (25,963) million. This increase is principally attributable to the investment-led increase in property, plant and equipment – this item totaled EUR 12,591 (11,380) million at the end of 2016. Furthermore, intangible assets grew to EUR 6,550 (5,787) million as a result of the rise in the balance sheet item capitalized development costs. Other financial assets rose to EUR 1,275 (580) million mainly because of the market performance of derivative currency hedging instruments.

Total capital investments in the 2016 fiscal year amounted to EUR 5,466 (5,700) million.

The rise in current assets to EUR 32,403 (30,800) million is mainly attributable to the increase in the level of securities as well as higher inventories. Trade receivables were also higher at the end of 2016, as a result of expanded business operations among other reasons. The significant reduction in factoring measures compared with the previous year also had an influence on the level of receivables.

As of December 31, 2016, Audi Group equity increased to EUR 25,321 (21,779) million. The increase resulted in particular from the capital injection by Volkswagen AG, Wolfsburg, of EUR 1,526 million into the capital reserve of AUDI AG. The balance remaining after the transfer of profit in accordance with IFRS furthermore increased retained earnings by EUR 1,067 million. Measurement effects to be recognized under IFRS rules with no effect on profit or loss led to an increase in equity by EUR 868 million. These resulted primarily from fluctuations in the market value of hedge-effective currency hedging instruments mainly in connection with the devaluation of the pound sterling and the Chinese renminbi against the euro. However, there was an opposite effect from higher actuarial losses from the measurement of provisions for pensions following the drop in interest rates. The equity ratio of the Audi Group as of December 31, 2016, was 41.4 (38.4) percent.

As of the end of 2016, non-current liabilities of the Audi Group totaled EUR 14,980 (13,431) million. The rise resulted above all from the interest-led higher provisions for pensions. Other provisions, which include, among other things, provisions recognized on the balance sheet in connection with the diesel issue and with the recall of vehicles with airbags made by the Japanese manufacturer Takata, also increased.

Current liabilities of the Audi Group as of December 31, 2016, declined to EUR 20,705 (21,554) million. The fall is mainly attributable to lower other financial liabilities. These comprise liabilities in connection with the forthcoming profit transfer to Volkswagen AG, Wolfsburg, for the 2016 fiscal year, which fell as a result of the profit performance. We also posted a fall in financial liabilities. The rise in other provisions had the opposite effect. The provisions recognized on the balance sheet for the diesel issue are also reflected here. The other provisions also include risk provisioning measures in connection with the recalls of vehicles with airbags made by Takata.

The balance sheet items available-for-sale assets and liabilities classified as held for sale relate to a contract signed in November 2016 on the sale of Volkswagen Group Firenze S.p.A., Florence (Italy). The purpose of the sale is to separate importer and dealer operations and became effective in January 2017.

FINANCIAL POSITION

/ PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

The Audi Group is integrated into the financial management of the Volkswagen Group. This encompasses, for example, the subject areas of liquidity management as well as the management of exchange rate and commodity price risks. Within the Audi Group, the management of financial risks is organizationally a matter for the Treasury area, which handles these centrally for all Audi Group companies on the basis of internal guidelines and risk parameters.

Our overriding financial goal is to ensure the solvency and financing of the Audi Group at all times, while at the same time achieving a suitable return on the investment of surplus liquidity. To that end, we identify cash flows in a multi-stage liquidity planning process and consolidate them at Audi Group level. The main companies of the Audi Group are included in the cash pooling of the Volkswagen Group. This permits the efficient handling of intragroup and external transactions, and also reduces transaction costs for the Audi Group.

As a globally active company, the Audi Group also manages exchange rate and commodity price risks. Exchange rate risks are minimized by natural hedging, along with foreign currency hedging transactions with matching currencies and maturities. Our goal here is to hedge planned payment streams in particular from investment, production and sales planning. With regard to commodity price risks, the Audi Group pursues the goal of achieving stability for cash flows in connection with costs of materials by entering into long-term agreements and hedging transactions that involve derivative financial instruments, as well as by exploiting synergies within the Volkswagen Group.

Creditworthiness and country risks are managed centrally by Volkswagen Group Treasury. A diversification strategy is applied and contracting partners are evaluated to counter the risk of losses or defaults.

Through cooperation with Volkswagen Financial Services AG, Braunschweig, the Audi Group is able to offer its customers access to borrowing and leasing arrangements. The Audi Group consequently sets up hedging arrangements with the retailer or partner company to guard against fluctuations in residual values.

/ FINANCIAL SITUATION

The Audi Group generated cash flow from operating activities of EUR 7,517 (7,203) million in the 2016 fiscal year. This positive development is principally attributable to the improvement in working capital.

The cash outflow for investing activities attributable to operating activities came to EUR 5,423 (5,576) million.
The greater part of this amount was for still considerable capital expenditure, which at EUR 3,409 (3,534) million was however down on the previous year's level. As well as investments in property, plant and equipment, this includes investment property and other intangible assets (excluding capitalized development costs). The investment priorities for the 2016 fiscal year included the expansion of our manufacturing structures and of the product range. We opened our new plant in Mexico, for example, and introduced our new Audi Q2 and new Audi A5 Coupé into the market. We also made preparations for the market introductions of the new Audi Q5 and new A5 Sportback. The ratio of capex (investments in property, plant and equipment, investment property and other intangible assets, without capitalized development costs) in the 2016 fiscal year was 5.7 (6.0) percent.
In terms of the segments, EUR 5,021 (4,737) million of investments in property, plant and equipment, investment property and intangible assets (including capitalized development costs) was for the Automotive segment and EUR 64 (58) million for the Motorcycles segment.
The investing activities attributable to operating activities also include capitalized development costs amounting to EUR 1,676 (1,262) million. Compared with the previous year, this reflects such factors as the forthcoming introduction of new models of the car lines in the upper and high-margin segments.
Furthermore, the Audi Group additionally used EUR 366 (856) million in cash for the acquisition and sale of participations and for capital increases. This includes EUR 300 million for a capital increase at Volkswagen Group Services S.A., Brussels (Belgium).

Despite extensive investments, we again generated a clearly positive net cash flow of EUR 2,094 (1,627) million in the 2016 fiscal year.

Overall, cash flow from investing activities, taking account of changes in cash deposits and loans extended, came to EUR –943 (–2,204) million.

Cash flow from financing activities amounted to EUR –2,454 (–1,575) million. It includes both the profit transfer to Volkswagen AG, Wolfsburg, in the amount of EUR 2,752 million, and the capital injection into AUDI AG by Volkswagen AG in the amount of EUR 1,526 million. Lower financial liabilities also impacted the cash flow from financial activities.

As of the balance sheet date, cash funds showed an increase of EUR 4,177 million to EUR 11,395 (7,218) million.

The net liquidity of the Audi Group as of December 31, 2016, rose to EUR 17,232 (16,420) million. This sum includes an amount of EUR 80 (50) million on deposit at Volkswagen Bank GmbH, Braunschweig, for the financing of independent dealers and which is only available to a limited extent. Furthermore, the Audi Group has committed but currently unused external credit lines amounting to EUR 282 million.

Other financial obligations, which comprise ordering commitments in particular, totaled EUR 5,155 (5,311) million as of December 31, 2016. There were other off-balance-sheet obligations in the form of contingent liabilities and financial guarantees amounting to EUR 217 (339) million.

*Read more about **other financial obligations** and **contingent liabilities** in the Notes to the Consolidated Financial Statements under Note 42 and Note 39.*

Condensed Cash Flow Statement, Audi Group

EUR million	2016	2015
Cash and cash equivalents at beginning of period	7,218	3,689
Cash flow from operating activities	**7,517**	**7,203**
Investing activities attributable to operating activities [1]	– 5,423	– 5,576
of which investments in property, plant and equipment, investment property and other intangible assets [2]	*– 3,409*	*– 3,534*
of which capitalized development costs	*– 1,676*	*– 1,262*
of which acquisition and sale of participations	*– 366*	*– 856*
Net cash flow	2,094	1,627
Change in cash deposits and loans extended	4,480	3,372
Cash flow from investing activities	**– 943**	**– 2,204**
Cash flow from financing activities	**– 2,454**	**– 1,575**
Change in cash and cash equivalents due to changes in exchange rates	56	105
Change in cash and cash equivalents	**4,177**	**3,529**
Cash and cash equivalents at end of period	**11,395**	**7,218**

1) The item also includes other cash changes amounting to EUR 28 (75) million.
2) This includes investments in property, plant and equipment, investment property and other intangible assets.

EUR million	Dec. 31, 2016	Dec. 31, 2015
Cash funds as per Cash Flow Statement	11,395	7,218
Fixed deposits, securities and loans extended to participations	6,653	11,086
Gross liquidity	**18,048**	**18,304**
Credit outstanding [1]	– 816	– 1,885
Net liquidity	**17,232**	**16,420**

1) Current financial liabilities and non-current financial liabilities

AUDI AG (SHORT VERSION ACCORDING TO GERMAN COMMERCIAL CODE, HGB)

In the 2016 fiscal year, AUDI AG achieved revenue of EUR 50.3 billion despite a difficult environment. Negatively impacted by special items for the diesel issue and recalls of vehicles with airbags made by Takata, profit before tax amounted to EUR 1.5 billion.

FINANCIAL PERFORMANCE

AUDI AG increased its revenue in the 2016 fiscal year by 3.0 percent to EUR 50,305 (48,825) million despite unfavorable exchange rates compared with the previous year and intense competition. Disregarding the adjustments in connection with the Accounting Directive Implementation Act (BilRUG), revenue increased by 1.6 percent. This was attributable mainly to other automotive business, especially from higher revenue from deliveries of parts sets for local production in China. Revenue from the sale of automobiles of the Audi brand came to EUR 38,976 (39,078) million. Despite intensive competition, demand for our cars showed a very healthy development in Western Europe in particular. The main driver was the volume development of our new models Audi A4 and Q7. However, this contrasted with unfavorable exchange rates as well as model cycle-based challenges in individual vehicle segments.

Condensed Income Statement, AUDI AG

EUR million	2016	2015 [1]
Revenue	50,305	48,825
Cost of goods sold	–45,115	–41,816
Gross profit	**5,190**	**7,009**
Distribution costs	–3,591	–3,810
Administrative expenses	–345	–334
Other operating result	–245	291
Financial result	527	585
Profit before tax	**1,536**	**3,741**
Income tax expense	–618	–989
Profit transferred under a profit transfer agreement	–918	–2,752
Net profit for the year	**–**	**–**

1) Values before first-time application of the Accounting Directive Implementation Act (BilRUG)

The cost of goods sold increased to EUR 45,115 (41,816) million, reflecting the influence of such factors as volume-led higher costs for direct materials as well as higher purchase costs. Higher warranty costs, caused above all by the diesel issue, also influenced the rise in cost of goods sold.

AUDI AG thus achieved a gross profit for the past fiscal year of EUR 5,190 (7,009) million.

Distribution costs of EUR 3,591 (3,810) million were below the prior-year level as a result of lower marketing costs.

Administrative expenses increased to EUR 345 (334) million.

The other operating result of AUDI AG amounted to EUR –245 (291) million in the past fiscal year. The decrease is mainly attributable to risk provisioning measures taken in the form of provisions for legal risks in connection with the diesel issue. In addition, the broadening of the definition of revenue following first-time adoption of the Accounting Directive Implementation Act (BilRUG) led to reclassifications from the other operating result to revenue and cost of goods sold. There was an offsetting effect from the improved result from the settlement of currency hedging transactions.

The financial result for the past fiscal year totaled EUR 527 (585) million. The result from participations reflected in the financial result fell to EUR 900 (1,318) million. Net interest is also included in the financial result. This rose to EUR –244 (–568) million, in particular in response to the change in the actuarial interest rate applied in measuring pension obligations.

As a result of the effects described above and due to special items from the diesel issue and the recalls of vehicles with airbags made by Takata, AUDI AG profit before tax fell to EUR 1,536 (3,741) million.

*Read more about the **diesel issue** and the **recalls of vehicles with airbags made by Takata** on pages 104 ff.*

After deduction of income tax expense, AUDI AG earned EUR 918 (2,752) million. Consequently, the return on sales after tax was 1.8 (5.6) percent.

NET WORTH

The balance sheet total of AUDI AG as of December 31, 2016, rose by 8.1 percent to EUR 36,591 (33,839) million. Fixed assets of EUR 15,122 (13,286) million were up on the previous year's level as a result of capital investments in property, plant and equipment and long-term financial investments.

Total capital investments by AUDI AG fell to EUR 3,539 (4,376) million. The prior-year figure was affected by participation in the map information service HERE amounting to EUR 668 million.

As of the balance sheet date, current assets (including deferred expenses) rose to EUR 21,469 (20,553) million.

The past fiscal year saw equity, including special reserve with an equity portion, rise to EUR 13,249 (11,723) million as a result of the capital injection of EUR 1,526 million into the capital reserve by Volkswagen AG, Wolfsburg. The equity ratio of AUDI AG therefore climbed to 36.2 (34.6) percent.

Borrowed capital (including deferred income) showed a year-on-year rise to EUR 23,342 (22,116) million. Provisions in particular increased to EUR 16,500 (13,352) million as a result of risk provisioning in connection with the diesel issue and with the recalls of vehicles with airbags made by Takata.

Condensed Balance Sheet, AUDI AG

EUR million	Dec. 31, 2016	Dec. 31, 2015
Fixed assets	15,122	13,286
Current assets incl. deferred expenses	21,469	20,553
Balance sheet total	**36,591**	**33,839**
Equity incl. special reserve with an equity portion	13,249	11,723
Provisions	16,500	13,352
Liabilities incl. deferred income	6,842	8,764
Balance sheet total	**36,591**	**33,839**

FINANCIAL POSITION

AUDI AG generated a cash flow from operating activities totaling EUR 3,571 (5,319) million in the 2016 fiscal year.

In the same period, the cash used in investing activities attributable to operating activities, excluding the change in securities, amounted to EUR 3,524 (4,282) million. The spotlight in the 2016 fiscal year was on capital investments in property, plant and equipment and long-term financial investments. The focus here was on the expansion of our manufacturing structures and of the product range. We opened our new plant in Mexico, for example, and introduced our new Audi Q2 and the new Audi A5 Coupé into markets. We also prepared the market introduction of the second generation of the Audi Q5 and the Audi A5 Sportback. Long-term financial investments were lower than in the previous year. However, the prior-year figure was affected by participation in the map information service HERE.

Despite the extensive investments, net cash flow before the change in cash deposits in marketable securities came to EUR 47 (1,037) million, meaning that we were once again able to finance all capital investments from our own resources. Including cash deposits in securities, the cash used in investing activities reached a figure of EUR 4,714 (5,763) million, representing a net cash flow of EUR –1,143 (–444) million. Net liquidity as of December 31, 2016, was down on the previous year's level at EUR 12,507 (13,138) million.

PRODUCTION

In the 2016 fiscal year, AUDI AG increased production of cars of the Audi brand to 1,303,493 (1,299,434) units. It also manufactured a total of 551,509 (451,505) parts sets for local production in China.

DELIVERIES AND DISTRIBUTION

In the past fiscal year, 1,867,738 (1,803,246) cars of the Audi brand were delivered to customers worldwide. A total of 293,307 (270,063) vehicles were handed over to customers in the home market Germany. Deliveries to international customers rose to 1,574,431 (1,533,183) cars.

EMPLOYEES

Workforce, AUDI AG

Average for the year	2016	2015
Ingolstadt plant	42,412	40,724
Neckarsulm plant	15,655	15,334
Employees	**58,067**	**56,058**
Apprentices	2,390	2,318
Workforce	**60,457**	**58,376**

AUDI AG had an average total of 60,457 (58,376) employees in 2016. As of the end of the year, the workforce increased to 60,655 (59,506) employees. The year-on-year increase is mainly attributable to the new recruitment of experts in strategic future areas such as electric mobility and digitalization.

RESEARCH AND DEVELOPMENT

On average, 10,714 (9,947) people were employed in the Research and Development area of AUDI AG in the past fiscal year. Research and development activities amounted to EUR 3,991 (3,640) million.

PROCUREMENT

The cost of materials for AUDI AG totaled EUR 36,789 (34,482) million in the 2016 fiscal year.

REPORT ON RISKS AND OPPORTUNITIES

In essence, the risks and opportunities affecting the business performance of AUDI AG are the same as for the Audi Group.

Read more about the risks and opportunities of the Audi Group on pages 140 ff.

SUSTAINABILITY ASPECTS

To us, sustainability means future viability. We therefore take economic, social and ecological aspects into account when making corporate decisions. Our ambition is to act in a comprehensively responsible manner. This applies to our products and services, the entire value chain, our employees and social involvement by Audi.

PRODUCT-BASED ENVIRONMENTAL ASPECTS

/ *FUTURE MOBILITY*

We have the ambition to act holistically and responsibly, and we promote change in the automotive industry through sustainable products and services along the entire value chain. To this end, we invest in the development of innovative drive technologies, as well as in carbon-neutral synthetic fuels. And we are working on material cycles that leave no room for waste.
We will consistently draw on what we have learned from the diesel issue in implementing further improvements and will apply this knowledge in current and future development projects.

/ *SUSTAINABLE DRIVE CONCEPTS*

We are consistently refining our conventional drive concepts to improve their efficiency further. In the 2016 reporting year, we brought quattro drive with ultra technology onto the market, for example. The technology decouples the rear-axle drive whenever it is not needed, and re-engages it proactively where necessary. This boosts efficiency without diminishing traction or driving dynamics. In the 2016 fiscal year, we also continued our work on the 48-volt electrical system for mild hybrid technology. This technology provides the basis for further improvements in the efficiency of our vehicles with conventional drive.

Our Strategy 2025 brings the development of alternative drive concepts more sharply into focus among our research and development activities. We continue to work on refining the Audi tron technologies.

Our activities in the area of electric driving are grouped together under the umbrella term Audi e-tron. We already provided a firm vision of the shape of electric mobility at Audi in the 2015 fiscal year with the Audi e-tron quattro concept. We plan to have the first all-electric vehicle of the Audi brand on the market in 2018. Audi models with plug-in hybrid drives such as the Audi A3 Sportback e-tron and the Audi Q7 e-tron 3.0 TDI quattro are already available. We have also developed the e-tron models Audi A6 L e-tron and Audi Q7 e-tron 2.0 TFSI quattro specifically for the Chinese market.
In addition, we continue our development work on charging technologies and the charging infrastructure, and as such are adopting a holistic approach to electric mobility. In conjunction with other car manufacturers, for example, we are planning a joint venture to establish a charging network for electric vehicles in Europe. The corresponding memorandum of understanding was already signed in the 2016 fiscal year.
Development work also continues on Audi g-tron technology. In 2017, we will have three models to offer that can run on natural gas, conventional fuel or Audi e-gas: the Audi A3 Sportback g-tron, the Audi A4 Avant g-tron and the Audi A5 Sportback g-tron.
The Audi h-tron quattro concept, which was unveiled in January 2016, represents another step on the road to the future of mobility. With its efficient fuel cell and powerful battery, the concept car's attributes include both a long driving range and quick refueling, thus underlining the possibilities for fuel cell technology.

/ AUDI E-GAS AND SYNTHETIC FUELS

Audi has been involved in the development of synthetic fuels since the year 2009. The Audi e-gas plant in Werlte, Lower Saxony, has now been producing synthetic methane – known as Audi e-gas – from green electricity, water and CO_2 since 2013. This power-to-gas facility converts power from a variety of sources such as wind and solar into synthetic gas. Drivers of Audi g-tron models can pay for fuel at CNG (compressed natural gas) filling stations with the Audi e-gas fuel card. Audi then supplies the corresponding amount of e-gas into the public natural gas network. Audi is also working with various partners in pilot projects on the development of synthetic fuels that can unlock scope for a noticeable reduction in CO_2 emissions.

Read more about the holistic approach of Audi in the direction of ***emission-free future mobility*** *on pages 44 ff.*

/ MODULAR EFFICIENCY PLATFORM

We bring together all technologies that help to make our vehicles more efficient on what we refer to as the modular efficiency platform. This contains an array of building blocks in many different areas of technology that are being steadily refined and elaborated. We are gradually integrating these efficiency technologies into our model series in the form of product improvements and at model changeovers. Along with our alternative drive concepts, lightweight construction is another key technology and part of the modular efficiency platform. Our achievements include reducing the unladen weight of the new Audi Q5 by up to 90 kilograms compared with its predecessor, depending on engine version.

/ CO_2 EMISSION STATISTICS FOR AUDI MODELS

As of the end of the 2016 reporting year, there were 195 (188) Audi models available with CO_2 emissions averaging up to 140 g/km in the combined cycle. Of these, 121 (114) drive versions achieved combined CO_2 emissions of 120 g/km or less. 28 (24) Audi models had combined CO_2 emissions of 100 g/km or less, with 6 (5) drive versions achieving a combined figure of 95 g CO_2/km or less.[1)]

According to official figures released by the European Commission, the average CO_2 emissions figure for newly registered Audi vehicles in the European Union (EU 28) in 2015 was 126 g/km. Based on our provisional calculations, the average CO_2 emissions of newly registered Audi vehicles in the EU 28 is expected to be around 126 g/km in 2016.[2)]

/ LIFE-CYCLE ASSESSMENTS

Besides reducing fuel consumption and CO_2 emissions, we also look at the entire value chain of our products and processes as part of our holistic approach. For this, we analyze and evaluate all phases of the life cycle – from development, through the utilization phase, all the way to recycling. We have set ourselves the goal of reducing the environmental impact of every new model compared with its predecessor. In order to evaluate this accurately, we will gradually draw up detailed life-cycle assessments for further vehicle lines. This will deliver transparency regarding the environmental impact of every vehicle over its entire life cycle.

Read more about our ***life-cycle assessments*** *and* ***sustainability at Audi*** *at* ***www.audi.com/corporate/en/sustainability.html.***

1) All data apply to features of the German market. Figures take account of models with standard tires.

2) Provisional internal calculations for 2016 subject to confirmation by the EU. Based on regulation UN ECE R83/101 on the measurement of CO_2 emissions. According to EU Directive 1999/94/EC relating to the availability of consumer information on fuel economy, the official fuel consumption must be stated as determined by the approval authorities under the type approval procedure pursuant to Directive 80/1268/EEC, taking the UN-specified type approval approach of the NEDC (New European Driving Cycle) as the basis. Differences may occur in everyday practical operation as a result, for example, of different speed profiles, payloads or auxiliary systems, because not all possible factors influencing consumption have been standardized for the type approval approach.

SITE-BASED ENVIRONMENTAL ASPECTS

Our holistic approach involves considering not only the emissions generated and resources used by a vehicle's operation, but also site-based environmental aspects of the Company's value creation.

/ *EMISSIONS REDUCTION AND RESOURCE EFFICIENCY*

Our site-based environmental activities focus on reducing energy consumption and the associated emissions, along with using production resources efficiently.

Our goal is to reduce our specific CO_2 emissions by 25 percent by 2018 compared with emissions in 2010. In addition, by 2020 we aim to reduce carbon dioxide emissions from the energy supply at the Ingolstadt and Neckarsulm sites by 40 percent compared with the specific figure for 2010. Audi is pursuing the long-term vision of an entirely carbon-neutral automotive manufacturing process. In addition to the ongoing optimization of our processes, we place particular focus on energy-saving measures when planning production and supply facilities, buildings and when defining logistics processes.

In addition to CO_2 emissions, we look at the key environmental metrics for energy, organic solvents (volatile organic compounds), fresh water, waste water and solid waste. The Audi Group has set challenging targets with regard to the sparing use of resources. The Group is striving for a 25 percent reduction per unit produced in the key environmental metrics for energy, fresh water, waste requiring disposal and organic solvents (volatile organic compounds) over the period between 2010 and 2018.

Environmental structural data [1]

		2016	2015
Direct CO_2 emissions [2]	t	238,399	220,364
Energy consumption [3]	GWh	2,884	2,706
VOC emissions [4]	t	1,730	1,814
Fresh water purchased	m³	4,231,809	4,044,587
Volume of waste water	m³	2,502,719	2,694,337
Total volume of waste [5]	t	98,388	89,515
of which recyclable waste	*t*	*86,982*	*75,415*
of which disposable waste	*t*	*11,407*	*14,100*
Metallic waste [6]	t	385,959	353,741

1) Ingolstadt, Neckarsulm, Brussels, Győr, Sant'Agata Bolognese and Bologna plants; 2016 figures provisional and including San José Chiapa
2) This figure is made up of CO_2 emissions generated by the use of fuel at the plant, and CO_2 emissions produced by the operation of test rigs.
3) Total electrical energy, heat, fuel gases for production processes and externally supplied refrigeration
4) VOC emissions (volatile organic compounds): This figure is made up of emissions from the paint shops, test rigs and other facilities.
5) Including non-production-specific waste
6) 100 percent recycling

New projects and measures implemented at all sites of the Audi Group in the 2016 fiscal year contributed to further reductions in emissions and the more efficient use of resources. When constructing new sites, our plants around the world meet high standards for environmental compatibility. At our San José Chiapa site in Mexico, which we opened in September 2016, modern equipment enables us to use resources efficiently in manufacturing the new Audi Q5. In the paint shop, for example, the use of dry separation of paint particles, air recirculation and exhaust air treatment significantly cuts consumption of heating energy and water as well as CO_2 emissions compared with conventional equipment, and emissions of volatile organic compounds (VOC) are even reduced by over 90 percent. This system has already been in use at the Győr (Hungary) site since 2013 and at the Ingolstadt site since 2016.

Furthermore, a water purification plant has been installed at the San José Chiapa site. It is fed by groundwater from two wells, which is then purified by ultra-filtration and reverse osmosis. The purified, low-sodium water is of drinking water quality and is used in the kitchens and washrooms.
In addition, 91 percent of the waste arising at our Mexican site is recycled.

/ EMISSIONS TRADING

The third trading period in the EU-wide trading of CO_2 emission rights has been running since 2013. This phase ends in 2020. The Ingolstadt, Neckarsulm, Brussels (Belgium) and Győr sites are subject to EU emissions trading rules. Unused certificates from past trading periods were carried forward to the third trading period to minimize the risk of a future shortfall in cover, through which the Audi Group would potentially incur costs.

/ ENVIRONMENTAL MANAGEMENT

Our environmental management goals include the effective and efficient use of the resources required, and they are intended to promote a culture of innovation aimed at making our products and processes more environmentally acceptable. Consequently, we have installed the rigorous environment system of the European Union, EMAS (Eco-Management and Audit Scheme), at all European automotive plants of the Audi Group. In view of the diesel issue, the Ingolstadt and Neckarsulm sites have temporarily suspended EMAS accreditation. EMAS accreditation of the Győr, Brussels and Sant'Agata Bolognese (Italy) sites is not affected.

The environmental management systems for the Ingolstadt, Neckarsulm, Győr, Brussels and Sant'Agata Bolognese sites also meet the requirements of DIN EN ISO 50001, which sets particularly high standards for continuous, systematic reductions in energy consumption. Furthermore, our plants in Ingolstadt, Győr, Sant'Agata Bolognese and São José dos Pinhais (Brazil) along with our motorcycle plant in Bologna (Italy) are accredited under the worldwide DIN EN ISO 14001 standard. The same accreditation has been received for the Volkswagen Group production sites that we use in Bratislava (Slovakia), Martorell (Spain) and Aurangabad (India) as well as for the Changchun and Foshan plants of the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). In addition, our Ingolstadt and Győr sites are already accredited under the amended DIN EN ISO 14001:2015 standard.

Since 2014, and the first premium car manufacturer to do so, we disclose our corporate carbon footprint pursuant to DIN EN ISO 14064 and have it certified accordingly. This process involves disclosing our Company-wide greenhouse gas emissions along the entire value chain so that we can analyze them even more specifically and reduce them further.

/ AUDI ENVIRONMENTAL FOUNDATION

The charitable organization Audi Environmental Foundation is part of AUDI AG's commitment to environmental issues. The foundation supports projects designed to protect the natural livelihood of humans, animals and plants, and promotes scientific research in this context. The aim of the foundation is to support the development of environmentally acceptable technologies and to promote educational work on environmental issues.

*Read more online (in German only) about the **Audi Environmental Foundation** at **www.audi-umweltstiftung.de.***

EMPLOYEES

/ WORKFORCE

Average for the year	2016	2015
Domestic companies [1]	**59,029**	**57,191**
of which AUDI AG	*58,067*	*56,058*
Ingolstadt plant	*42,412*	*40,724*
Neckarsulm plant	*15,655*	*15,334*
Foreign companies	**25,111**	**22,775**
of which AUDI BRUSSELS S.A./N.V.	*2,514*	*2,520*
of which AUDI HUNGARIA MOTOR Kft.	*11,420*	*11,367*
of which AUDI MÉXICO S.A. de C.V.	*3,895*	*2,006*
of which Automobili Lamborghini S.p.A.	*1,312*	*1,146*
of which Ducati Motor Holding S.p.A.	*1,232*	*1,168*
Employees	**84,140**	**79,966**
Apprentices	2,555	2,486
Employees of Audi Group companies	**86,695**	**82,452**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	417	386
Workforce Audi Group	**87,112**	**82,838**
Workforce Audi Group at year-end	**88,453**	**84,435**

1) Of these, 1,003 (1,159) employees were in the passive stage of their partial retirement.

Employee structural data (AUDI AG)

		2016	2015
Average age [1,2]	Years	40.3	40.3
Average length of service [2]	Years	16.3	16.1
Proportion of women [1,2]	Percent	14.4	14.3
Proportion of academics (indirect employees) [2]	Percent	49.3	48.0
Proportion of foreign nationals	Percent	8.4	8.3
Proportion of people with severe disabilities [2]	Percent	5.8	5.8
Contracts to workshops for people with mental disabilities	EUR million	7.8	6.8
Frequency of accidents [3]		4.0	3.9
Attendance rate [2]	Percent	95.9	96.0
Savings through Audi Ideas Program	EUR million	88.0	84.1
of which implementation rate	*Percent*	*55.1*	*57.0*

1) Audi Group
2) Excluding apprentices
3) The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked.

The Audi Group employed an average of 87,112 (82,838) people in the past fiscal year. At the end of 2016, our workforce reached a level of 88,453 (84,435) employees. The increase compared with the previous year is attributable mainly to the hiring of personnel in connection with the production start for the new Audi Q5 in Mexico as well as to the recruitment of more than 1,000 new experts in strategic future areas such as electric mobility and digitalization, especially at AUDI AG. New recruitment in the Audi Group came to a total of 7,308 employees.

/ THE AUDI GROUP'S HUMAN RESOURCES POLICY

As part of our human resources policy, we create a needs-based human resources structure as well as an attractive social and working environment for our workforce. We seek to accommodate the needs of our employees while pursuing the economic objectives of the Audi Group. In the year under review, for example, the Board of Management and General Works Council extended the employment guarantee for the workforce of AUDI AG until 2020. Further negotiations with the General Works Council will follow this latest agreement. The goal is to implement the Company's Strategy 2025 in a comprehensive agreement while also safeguarding competitiveness and job security, among other aspects, over the long term.

To be able to operate more flexibly as an international corporation while further enhancing our appeal as an employer, we also made additional improvements to the Audi working world in the past fiscal year. For example, the Board of Management and General Works Council reached a company agreement regarding mobile working. Employees now have greater scope to balance their work and personal lives. We believe the new approach will also improve the health of our workforce in the long term. The Company will benefit from greater flexibility in the global context, as well as from growing diversity and innovativeness. Pilot projects in the production areas are also aimed at creating greater flexibility in the shift systems.

As well as flexible working forms and processes, a trust-based relationship is an important pillar of the corporate culture and the way the working world is organized at Audi.

In dialogue with employees in all of our divisions, we have therefore drawn up 10 principles of leadership culture at Audi. The core aspects are appreciation and respect. The leadership principles continued to be implemented and refined at our German and international sites in the year under review.

*Read about **new ways of working at Audi** on pages 36 ff.*

*Read more online about numerous awards presented to the **Audi Group as an attractive employer** at **www.audi-reports.com/courageous_tb.***

Another important component of our human resources policy involves allowing all employees to participate in the success of Audi – with profit-sharing arrangements for the workforce constituting a core element. Based on an agreement between the Board of Management and the Works Council of AUDI AG, profit shares are determined from a combination of the previous year's profit and the attainment of certain goals. There are also specific profit-sharing arrangements for a large number of domestic and international subsidiaries.

/ TRAINING AND DEVELOPMENT

For the first time, more than 800 young people started their apprenticeship at the German sites in 2016. The range of around 20 apprenticeship vocations is tailored entirely to our future priorities. The number of apprentice mechatronics technicians, for example, was increased compared with the previous year because we will need more experts for the digital factory of the future. We have also expanded the vocational profile of the IT specialist for systems integration with an additional qualification as electrical specialist.

Over and above that, the Audi Group promotes life-long learning as a means of enhancing the Company's future viability. At the same time, this approach ensures the employability of our workforce. All authority for training and development is pooled internally at Audi Akademie. It organizes specialist and interdisciplinary training for employees and managers, and assists the various areas of the Company in an advisory capacity. Through a pilot project in collaboration with the Technical University of Ingolstadt, we provided in-service training of experienced drive developers for the electrification of the Audi vehicle fleet. If this project is successful, this training approach will be offered to other employees.

/ HEALTH MANAGEMENT

The central goal of our occupational health management is to maintain and promote the health of our employees. Our health management work therefore adopts a holistic approach and addresses a variety of topics ranging from workplace design and providing advice on health-appropriate working assignments to gradual reintegration after a lengthy illness. All measures and programs to protect and promote the physical and mental health of the Audi workforce are additionally anchored in a company agreement

Audi also motivates and sensitizes its workforce to the importance of exercise, a healthy diet and mental well-being through Company-backed health activities and fitness programs. A variety of seminars and workshops are available to help individual employees improve their personal health literacy.

One core element of our occupational health management is the Audi Checkup. The aim of this individual preventive program is the prevention and early detection of health risks. It was used by around 10,000 employees in the year under review.

/ JOB AND PERSONAL LIFE

The company agreement on mobile working opens up even greater scope for individual employees to organize their own working hours. In addition, we offer our employees numerous working hours models. Our employees can also take time off for family reasons – for instance to look after their children or to care for close relatives. We make it possible for them to arrange their work to suit their current life phase.

In addition, to achieve a better balance between work and family life, we organize a wide range of child care arrangements for our employees' children under the "Audi Spielraum" program.

*Read more online (in German only) about **Audi Spielraum** at **www.familien-spielraum.de.***

/ EQUAL OPPORTUNITIES

Equal opportunities are anchored in our self-perception. Against a backdrop of the strategic shift at our Company, diversity in our workforce represents a significant resource more than ever before. There are currently people from 94 different nations working at AUDI AG.

Another focus of our human resources strategy is to recruit and promote well-qualified women. AUDI AG has set itself specific goals in connection with this. The proportion of women on the Board of Management of AUDI AG will be increased in the long term. At the time it was legally required to define a target, the Supervisory Board had seen no option to increase the proportion of women on the Board of Management in the short term – meaning by December 31, 2016 – among other things because of ongoing employment contracts. It therefore formally resolved to set a target of zero. There were no women on the Board of Management at the end of the reporting year.

Pursuant to legal requirements, the Board of Management of AUDI AG had set the goal of 5.6 percent women in the first management tier below the Board of Management by December 31, 2016. We exceeded the target in this management tier with a year-end level of 6.0 percent. For the second management tier, our target was 13.3 percent women. That target had not quite been reached by the end of the year, with the figure at 12.4 percent. This is due to the high number of external appointments to positions of leadership that are of a mainly technical nature. There is only a limited pool of female applicants for these functions, and this correspondingly affected target attainment in the second management tier. Nevertheless, the number of women in this tier has been increased significantly in the past two years, by almost 25 percent.

In the year under review, the Company set itself new targets for the proportion of women holding leadership positions for the time horizon up until 2021. By the end of 2021, there are to be 8 percent women in the first management tier below the Board of Management, and 16 percent in the second management tier. Furthermore, for the sake of formality, the Supervisory Board of AUDI AG has also resolved a target level of zero percent women on the Board of Management until December 31, 2017. The Supervisory Board also determined that the target would be redefined every year.

The legally prescribed 30 percent quota also applies to the Supervisory Board. As of December 31, 2016, there were 20 percent women on the Supervisory Board of AUDI AG. It should be noted that existing mandates in the reporting year prevented the full implementation of the legally required quota.

Audi is generally dependent on specific framework conditions. For example, many areas of the Company require graduates from technical study courses. We use the proportion of female graduates from each course as a guideline. Averaged across all courses of study that are relevant for the Company, the target proportion of women among new recruits has been identified as around 30 percent. At the management level, too, our long-term target is a proportion of around 30 percent women.

With the “Sie und Audi” program series, the Company supports talented, high-performing female employees from all areas and at all levels along their career path. The programs are directed at various target groups and include, for example, a mentoring program for high potentials, along with various seminars and networking opportunities.

In addition, we are involved in a variety of workplace discovery days such as the “Girls’ Day,” the “Women in Research” and the “Girls for Technology” camp as well as internships to get girls interested in technical topics from an early age. To attract well-qualified women to our Company, we support various women’s networks, implement our own specific formats such as “Audi networks” or “Women Talk,” and attend various trade fairs and congresses aimed specifically at women professionals. We use those opportunities to make contact with professionally experienced female experts from future areas of relevance for the Company.

Proportion of women at AUDI AG

in %	2016	2015
Total proportion of women	**14.9**	**14.8**
Apprentices	29.3	28.1
of which industrial apprentices	*26.2*	*24.6*
of which clerical trainees	*81.1*	*81.2*
Management	9.5	8.9

AUDI IN SOCIETY

Social involvement is an important part of our corporate responsibility. For this reason, we strive for a steady improvement in the quality of life at our locations – and lend our support to regional initiatives in particular. In accordance with our Support Guidelines for Corporate Citizenship, we emphasize above all the areas of education, technology and disaster relief.

/ *ACADEMIC COOPERATION AND EDUCATION*

Our many university partnerships enhance our innovativeness and prepare the way for recruiting qualified young employees. We are currently cooperating with over 45 research establishments worldwide. Around 120 doctoral students are currently pursuing their doctorates in academic projects funded by Audi. In 2016, in partnership with the "Stifterverband für die deutsche Wissenschaft" (Association for the Promotion of Science and Humanities in Germany), we also provided support for six endowed professorships. In addition, to promote the transfer of knowledge, more than 130 Audi employees help as lecturers at over 40 national and international universities.

Through an individual scholarship and support program, we give children who have had a difficult start in life a pathway to achieving a high school diploma at the Ingolstadt special-profile school. We also built on various programs aimed at providing training for disadvantaged young people in the year under review.

/ *SOCIAL MATTERS AND SOCIAL INVOLVEMENT*

Audi also believes it is important to motivate its employees to become involved in volunteering and to support their efforts on behalf of community projects. Under the "Audi Volunteers" initiative, employees propose worthy social projects and also lend practical assistance to good causes. Around 260 employees participated in 23 social projects in the past fiscal year during the "Audi Volunteer Days" in Neckarsulm. At the main site in Ingolstadt, a wide range of departments supported social institutions such as retirement, nursing and care homes through various campaigns. In addition, the first social projects have already got under way at our new site in San José Chiapa (Mexico).

From the one million euros provided by the Company in 2015 for refugee projects, recipients of funding in the year under review included projects in Ingolstadt and in the Neckarsulm region aimed at integrating young refugee women and men and preparing them for vocational training. In Brussels, Audi joined forces with the "Pour la Solidarité" initiative and other organizations such as a health services project as well as housing and education initiatives for refugees. At our Hungarian site Győr, we conducted refugee aid projects when there was an acute need in winter 2015/16.

Various fundraising campaigns, such as the Christmas campaign run every year by the Works Council – with the Company supplementing the amount raised by employees – or the "Last Cents" campaign where employees can donate the cents remaining after the decimal point on their monthly payslip, raised donations totaling EUR 1,258,078 in 2016.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

The global economy and global demand for cars should continue to expand in 2017. Despite extensive investment spending on strategic future topics, the Audi Group once again seeks to achieve an operating return on sales of between 8 and 10 percent.

REPORT ON EXPECTED DEVELOPMENTS

/ ANTICIPATED DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

// GENERAL ECONOMIC SITUATION

Our statements on the general economic situation are based in particular on current assessments by external institutions. These include economic research institutes, banks, multinational organizations and consultancy firms.

The Audi Group expects the global economy to grow more strongly in 2017 than in the previous year. However, protectionist tendencies, turbulence on financial markets and structural deficits in individual countries could hamper the growth prospects. In addition, geopolitical tensions and conflicts continue to influence economic development. Economic activity should improve slightly in most industrial nations. The majority of emerging markets will probably achieve faster expansion than industrial nations – we expect to see the greatest increases in gross domestic product in Asia.

Economic growth in Western Europe should continue at a slightly slower rate in 2017. Economic development remains dependent on how effectively structural problems can be overcome. In addition, the uncertain impact of the exit negotiations between the European Union and the United Kingdom is likely to hold back economic growth.
The German economy should continue to benefit from the healthy state of the labor market and from consumer spending, and grow at roughly the rate of the previous year.

We expect positive economic development in Central and Eastern Europe, with higher growth rates than in the past fiscal year. Assuming the latent conflict between Russia and Ukraine does not worsen, we anticipate slightly positive growth in the Russian economy.

In the United States, we expect economic development to improve in 2017. Alongside consumer spending, corporate investment should provide increasing economic stimulus.

Brazil is likely to pull out of recession in 2017 and should achieve slight economic growth, assuming the political conditions remain stable.

We expect that the Asia-Pacific region will once again achieve the most dynamic economic growth worldwide.
The Chinese economy should continue to grow rapidly in international terms, but somewhat less vigorously than in previous years, against the backdrop of the structural change being implemented.
For Japan, we expect a rate of expansion on a par with the previous year.

// CAR MARKET

The Audi Group estimates that worldwide automobile markets will show merely slight growth in 2017. Patterns of demand are likely to develop differently from region to region.

In Western Europe, we expect to see a slightly downward trend in registrations of new passenger cars. In Germany too, demand for automobiles is unlikely to match the previous year's level.

In Central and Eastern Europe, new registrations of passenger cars should grow in 2017, in particular thanks to economic recovery in Russia.

Sales of passenger cars and light commercial vehicles in the United States will be slightly below the previous year's record level.
For South America, we expect slightly higher demand for passenger cars and light commercial vehicles.

The Asia-Pacific region is likely to be the main driver of rising worldwide demand for cars in 2017 again. With China's vehicle density still comparatively low, the growth trend for new registrations there should continue, but less dynamically than in the previous year. In Japan, we expect to see a drop in demand for cars.

// MOTORCYCLE MARKET

For 2017 we expect to see a regionally varied pattern of demand for motorcycles in the displacement segment above 500 cc. Overall, we expect market volume to contract slightly. Although new registrations in North America are likely to oppose the general market trend with a year-on-year rise, we expect to sell fewer motorcycles from this segment, including in Europe.

/ OVERALL ASSESSMENT OF THE ANTICIPATED DEVELOPMENT OF THE AUDI GROUP

The forecasts for the 2017 fiscal year are based on our expectations with regard to how the economy as a whole and the car market will develop. Amid a regionally mixed picture, we expect to see continued growth in the global economy as well as slight growth in car markets worldwide. However, geopolitical tension and conflicts, protectionist tendencies and structural deficits in individual countries complicate the task of forecasting future developments. Furthermore, high volatility on financial markets can influence future developments. In addition to the economic uncertainty, the automotive industry is above all experiencing a process of change. Not only is the intensity of competition steadily growing, especially in major sales markets, but new competitors, in some cases from outside the industry, are also entering the mobility business. Customer expectations as well as increasingly tough CO_2 requirements worldwide are promoting the further development of alternative drive concepts; the traditional value added streams to date are being transformed by new, digital opportunities.

As well as the trend towards sustainability, the megatrends of digitalization and urbanization are unlocking new potential. We will tap into this by implementing the new Strategy 2025. As one of the leading suppliers in the premium segment, we are in a position to influence the ongoing change in the automotive industry. We are stepping up extensive investment spending on strategic future topics, for example, and have launched the top projects in those areas – we will begin to see the first results in 2017. We will also be investing further in our product portfolio and in our international production network in the coming fiscal year. The "SPEED UP!" program of measures launched in the past fiscal year ensures the necessary resources and the financial basis for the rapid and competitive transformation of our business model.
All in all, the Board of Management considers the Company to be well-placed to continue successfully addressing upcoming challenges and to seize the opportunities that arise. Our future focus will shift even more emphatically towards profitable growth.

The following forecasts on the development of our key performance indicators are subject to various risks and opportunities which could result in the actual development in the key performance indicators deviating from the respective forecast. We present the material risks and opportunities of the Audi Group in the report on risks and opportunities.
The effects from the diesel issue are reflected and presented in the 2016 Annual Financial Statements under our forecast for the 2017 fiscal year as well as in the report on risks and opportunities, based on current assessments. Bearing in mind the matters that have not yet been fully clarified and their limited predictability, it cannot be ruled out that risks and opportunities, particularly those in the form of reporting-date measurements, may be assessed differently in the future.

// ANTICIPATED DEVELOPMENT OF DELIVERIES

Despite a market environment that presented us with certain adverse factors, we were able to deliver over 1.86 million vehicles of the Audi brand to customers worldwide for the first time in the 2016 fiscal year. In 2017, we again expect to encounter challenging conditions in individual markets and anticipate only slight growth in worldwide demand for automobiles. Against that backdrop, we want to slightly increase deliveries of the Audi brand in the 2017 fiscal year.

In our most important sales markets we pursue the goal of further increasing our market shares or asserting our competitive position while ensuring that we meet our required returns.
For the Western European car market, we expect a slight decline in demand in 2017. Through deliveries of vehicles of the Audi brand, we want to outperform the market as a whole there.
For the Central and Eastern Europe region, we expect to see a recovery in the overall car market compared with the previous year. Deliveries of the Audi brand should even develop better than the market as a whole.
Despite a likely fall in demand in the North American automobile market overall, we anticipate a further rise in deliveries of our Audi brand. In the region's leading market – the United States – we also expect to achieve noticeable growth.
In China, which is our largest single market, we want to tap into growth in the overall market and defend our position as market leader in the premium segment. Despite dampened volume expectations at the beginning of 2017 in connection with the strategic further development of our China business, we anticipate a robust development of our deliveries for 2017 as a whole.

The model portfolio of the Audi brand is currently being comprehensively renewed and extended. We unveiled a large number of new and updated models in the 2016 reporting year and introduced them into the markets. We are planning more market introductions for 2017.
Our SUV portfolio is one important focal area of our model initiative once again in the coming year. We already brought the new Audi Q2 onto the European market in November 2016 and expect this model to boost volume significantly in the 2017 fiscal year. The entry-level SUV is expected to appeal to young customers in particular and attract them to the Audi brand. Since January 2017 we have also been delivering the new Audi Q5 to its first customers. The Q5 line will be expanded with the top model, the SQ5, in the course of 2017.
We also expect the update of our A5 family to have a favorable impact on the development in our deliveries. Having already started the gradual market introduction of the new models Audi A5 Coupé and Audi S5 Coupé at the end of 2016, we added the popular Sportback versions at the start of 2017. In the first half of 2017, we will be supplementing the new edition of the car line with the A5 Cabriolet and S5 Cabriolet models. The RS 5 Coupé will round out this car line at the top end later on in the year.
By contrast, we expect to see declining volume patterns for car lines that are already in the advanced phase of their product life cycle.

The Lamborghini brand will delight its customers in the 2017 fiscal year with the new Aventador S and the exceptionally sporty version of the Huracán, the Huracán Performante.

In the Motorcycles segment, a large number of new models will contribute to the success of our Ducati brand. In particular we expect the Ducati SuperSport, which went into production in December 2016, as well as the two new models Monster 797 and Multistrada 950 to provide a positive impetus.

// ANTICIPATED FINANCIAL PERFORMANCE

Based on the targeted volume growth in combination with unfavorable exchange rates, the Audi Group expects a slight increase in revenue for the 2017 fiscal year. However, this expectation is dependent on economic conditions and further exchange rate trends. Compared with the average exchange rates for the past fiscal year, we expect the euro to gain strength against the US dollar, the Chinese renminbi, the pound sterling and other key currencies for the Audi Group. However, exchange rates may be subject to high in-year fluctuations, which can have a major impact on the development in revenue.
For the 2017 fiscal year, the Audi Group expects an operating return on sales within the strategic target corridor of 8 to 10 percent. In particular, the expected increase in revenue and the improvement in costs structures will make a positive contribution to operating profit. In addition to our ongoing process and cost optimization measures, improvements in connection with the implementation of our "SPEED UP!" program of measures are taking effect. High upfront spending to ensure the future viability of our Company will once again play a prominent role in the 2017 fiscal year. In conjunction with our new Strategy 2025, the further development of sustainable drive concepts will be one of our priorities. We are also currently investing in the updating and expansion of our product portfolio, particularly in the upper vehicle segments. The associated production starts and phase-outs as well as the upstream development projects will have an impact on the profit performance.

The operating return on sales for the 2016 fiscal year was affected by high special items in connection with the diesel issue. The risk provisioning undertaken in 2016 in the form of provisions was adjusted accordingly to reflect up-to-date information. Our current plans for the 2017 fiscal year work on the assumption that there will be no additional special items. However, it cannot be ruled out that the assessment of the risks may change in the future.

The return on investment (ROI) for the Audi Group should be within the range of 15 to 18 percent in the coming fiscal year. This will therefore exceed our minimum rate of return of 9 percent. As a result of our corporate growth, we expect to see a rise in the average invested capital. Compared with the previous year with the impact of special items, we anticipate an improvement in the operating profit after tax and therefore also in the ROI.

// ANTICIPATED FINANCIAL POSITION

We will continue our long-term model and technology initiative as well as the expansion of our international site structures in the 2017 fiscal year. At the same time, we intend to finance our planned corporate growth entirely from internally generated cash flow. We currently anticipate net cash flow to be positive, although expected outflows related to the diesel issue will cause it to be significantly below the previous year. A strong positive effect is expected from the financial performance of our operating activities.

// RESEARCH AND DEVELOPMENT COSTS, CAPITAL INVESTMENTS

In the 2017 fiscal year, the Audi Group again has its sights set firmly on the implementation of the new Strategy 2025. We are now placing an even greater emphasis on qualitative growth as well as the efficient and sustainable allocation of resources, and are investing increasingly in future topics such as digitalization and alternative drive technologies. The imminent update and expansion of our conventional product portfolio – primarily of those models in the upper and high-margin car lines – is also a priority area of our development and investing activities. In light of that, the research and development ratio in the 2017 fiscal year should be slightly above our strategic target corridor of 6.0 to 6.5 percent.
We currently expect the ratio of capex to be within the strategic target corridor of 5.0 to 5.5 percent. Investment priorities will be new products such as the fifth generation of the Audi A8, as well as our first volume-production SUV with all-electric drive. We are also making preparations for the new products and production programs at our domestic and international sites.

Anticipated development in the key performance indicators of the Audi Group

	Forecast for 2017
Deliveries of cars of the Audi brand to customers	slight increase
Revenue	slight increase
Operating profit/operating return on sales	within the strategic target corridor of 8 to 10 percent
Return on investment (ROI)	within a range of 15 to 18 percent and therefore above the minimum rate of return of 9 percent
Net cash flow	positive, but significantly below the previous year due to anticipated outflows from the diesel issue
Research and development ratio	slightly above the strategic target corridor of 6.0 to 6.5 percent
Ratio of capex	within the strategic target corridor of 5.0 to 5.5 percent

REPORT ON RISKS AND OPPORTUNITIES

/ RISK MANAGEMENT SYSTEM IN THE AUDI GROUP

// OPERATING PRINCIPLE OF THE RISK MANAGEMENT SYSTEM

The Audi Group bears economic, ecological and social responsibility towards its stakeholders. This is firmly anchored in the corporate guidelines and corporate culture. In our understanding, this also includes the value-oriented, sustained development of the Company. As an automotive group with global operations, we are exposed to a dynamic environment and as such are continually confronted with a wide variety of opportunities and risks. We seek to maintain a constructive dialogue and address opportunities and risks openly so that we can assure lasting success with our entrepreneurial activities. Apart from meeting statutory requirements, the particular purpose of an effective Risk Management System and Internal Control System (RMS/ICS) is to validate the entrepreneurial goals as well as long-term viability and competitiveness. The risk propensity of the Audi Group is reflected in the ambitious corporate targets it formulates based on conscientious risk/return analyses. These are synchronized both Company-wide and with the Volkswagen Group.

The Risk Management System of the Audi Group is based on the internationally recognized standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Risks are to be identified, evaluated and appropriately managed by those responsible, with this management monitored. Furthermore, transparent, accurate, timely communication from the higher-level internal business units and Group functionalities responsible is required. All organizational levels of the Audi Group are integrated into the Risk Management System in order to satisfy both business and statutory requirements. Changes in the legal framework with respect to risk management are also continually monitored and are acted on promptly where relevant for the Company. The integration of all material participations into the Risk Management System is already ensured. New companies are integrated promptly.

The RMS/ICS is closely interlocked with the compliance functionality (central governance, risk & compliance organization/central GRC organization) as part of an integrated and inclusive management approach. The Board of Management and the Audit Committee of the Supervisory Board are kept regularly informed about the RMS/ICS as well as the Compliance Management System (CMS) in a combined report. We will review our organization and processes against the backdrop of settlements relating to the diesel issue in the United States.

The central tasks of risk management are to identify and analyze risks, ensure transparent reporting of these risks and improve their controllability using suitable risk management tools. This process also creates scope for generating and exploiting opportunities. Using the COSO framework, risk-appropriate internal controls are defined and performed along the entire value chain (ICS). The Audi Group promotes the further development of the RMS through cross-divisional and cross-company projects. The priority here is to interlink the system closely with financial corporate planning and management, as well as accounting. In view of its high strategic relevance, the regulatory framework for the RMS/ICS is firmly established both in an internal Board Directive of AUDI AG and at the material participations.
To systematically structure its risk management architecture, the Audi Group follows the “Three Lines of Defense” model – a recommendation of the European Confederation of Institutes of Internal Auditing (ECIIA). The RMS/ICS of the Audi Group consequently features three lines of defense that are intended to protect the Company against the occurrence of material risks.

The “Three Lines of Defense” model

Supervisory Board		
Board of Management		
First line of defense	Second line of defense	Third line of defense
Divisions	**Central GRC organization**	**Internal Audit**
Operational risk management	Coordination of control processes, governance and methodology	Audit of RMS/ICS

The individual risk owners of the AUDI AG divisions and participations are responsible for the operational management of risks and their control, as well as for reporting on them. They represent the first line of defense.

In the second line of defense, the central GRC organization takes charge of the fundamental functionality of the RMS/ICS as well as the CMS. Core activities involve monitoring system performance and submitting an aggregated report on the risk situation to the Board of Management and the Audit Committee of the Supervisory Board. This ensures that the statutory requirements for the early identification of risks and the effectiveness of the RMS/ICS are met. Ad hoc projects on operational risk management and regular training courses are also held to reinforce awareness of risk management and compliance as well as promote a positive risk culture in the Audi Group. AUDI AG also has risk compliance coordinators who liaise between the first and second lines of defense. At the participations, this function is handled by risk and compliance officers.

In the third line of defense, Internal Audit as an impartial body examines the security, regularity and economic effectiveness of the systemic and operational activities of the RMS/CMS. The RMS/ICS for accounting is additionally subject to scrutiny by the independent auditor of the Consolidated Financial Statements.

Each line of defense furthermore submits reports independently and ad hoc to the full Board of Management and the Supervisory Board of AUDI AG.

// OPERATING PRINCIPLE OF THE COMPLIANCE MANAGEMENT SYSTEM

The aim of compliance and integrity activities is to ensure that members of the Audi Group operate within the rules. A preventive approach is adopted in order to eliminate in advance any possible breaches of the rules. The Group-wide Code of Conduct serves as the basis. The Compliance/Integrity area is in charge of compliance activities across the Group as a whole and is led by the Chief Compliance Officer, who reports directly to the Board Member for Finance. He is supported in this function by 26 compliance officers at the material participations. The annual compliance program is an essential tool for the creation of a uniform starting point for all compliance activities throughout the Audi Group. The individual divisions and departments are responsible for operating activities and therefore for maintaining regular and legally compliant behavior. To sensitize the employees further to compliance and integrity matters, a communication campaign was carried out in the 2016 fiscal year. The campaign revolved around the values of team spirit, responsibility, respect, trust, honesty and fairness. Extensive digital training options are available for Audi Group employees, including some mandatory modules. To round out the options there are also face-to-face events and a compliance help desk. In addition to the compliance activities of the Audi Group, AUDI AG is integrated into the Volkswagen Group’s worldwide anti-corruption system. This system is designed to prevent corruption in the Company and reveal any instances of misconduct. Employees may contact external, independent lawyers if they wish to report any suspicions or breaches of the rules, and may also do so anonymously. Additionally, they have access to the Volkswagen Group’s anti-corruption officer.

// OPERATING PRINCIPLE OF OPPORTUNITIES MANAGEMENT

Our goal is to systematically implement the Strategy 2025 approved in the year under review and to assure the sustained success of the Audi Group. We aim to achieve this by managing risks effectively, while at the same time identifying and exploiting business opportunities in the best way possible.

Opportunities as well as risks are taken into account in all business decisions that have a long-term impact. Opportunities management is therefore integrated into the operational and organizational structure of the Audi Group and is closely aligned with the strategic objectives. To that end we continuously analyze the international context for potential impacts on the business model in order to identify trends and industry-specific key factors early on. Relevant developments are studied in detail with the help of scenario analyses. The possible consequences for Audi are identified together with Strategic Corporate Planning, the divisions affected and the Controlling area, with the goal of strategic early diagnosis and opportunity creation. Medium and short-term potential opportunities are identified and operationalized by the divisions. We also aim to safeguard our long-term success through high-impact efficiency drives such as the “SPEED UP!” program of measures and the continuous improvement process (CIP).

// INTEGRATED RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FOR THE FINANCIAL REPORTING PROCESS

The financial reporting section of the RMS/ICS that is relevant for the financial statements of AUDI AG and the Audi Group contains all measures that are designed to ensure the complete, accurate and prompt communication of all relevant information. Its purpose is to minimize or altogether avoid risks in the preparation of the AUDI AG financial statements as well as of the Consolidated Financial Statements and Combined Management Report.

In light of the decentralized organization of the accounting system in the Audi Group, the consolidated companies for the most part handle accounting tasks independently. In individual instances, tasks are passed on to AUDI AG and companies of the Volkswagen Group on the basis of service agreements. The individual financial statements of AUDI AG and the participations are prepared in accordance with the applicable national legislation. The data is then transferred to the Consolidated Financial Statements in accordance with IFRS. Data security during data transfer to Group Accounting at AUDI AG is ensured using an encryption product.

The IFRS accounting manual issued by the Volkswagen Group is used in order to assure uniformity of accounting and measurement principles in accordance with the applicable accounting standards. The Audi Group accounting guideline details further rules on the scope of reporting and the definition of the group of consolidated companies for the Consolidated Financial Statements, as well as the uniform application of statutory requirements. Intra-Group business transactions are duly reflected by means of proven processes and instruments such as comprehensive rules on the reconciliation of balances between the Group companies.

At Audi Group level, the individual financial statements of the participations are analyzed and validated as part of control activities. The reports presented by the independent auditors and the findings of the concluding discussions with representatives of the individual companies are also taken into account. Systematic plausibility checks are run to some extent automatically, but also conducted by experts. Complex specific matters are regularly coordinated during the year between the Consolidated Financial Statements department and the participation in question. As monitoring tools, the “dual control principle” and the separation of functions are likewise applied as key instruments of control in the preparation of the financial statements by the Group companies. In addition, Group Auditing examines the regularity of the financial reporting process for domestic and foreign companies. Changes in the statutory framework and prescribed standards with respect to the financial reporting process are continually monitored and are acted on promptly where relevant for the Company. This ensures compliance with standards.

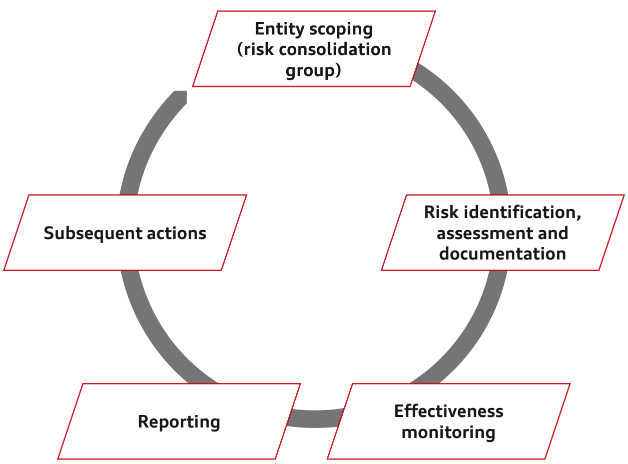
Financial reporting is mapped on the basis of the Group-wide Volkswagen consolidation and corporate management system (VoKUs). Furthermore, information is continually shared with Volkswagen Group Accounting. VoKUs contains both historical data from Accounting and planning data from Controlling, and as such provides extensive scope for consolidation and analysis. The system also offers central master data management, a uniform reporting system, an authorization concept and maximum flexibility to adapt to changes in the legal framework. Data consistency is checked with the aid of systematic, multi-stage validation functions, such as completeness and content plausibility checks on the Balance Sheet, Cash Flow Statement, Income Statement and Notes.

// RISK EARLY WARNING SYSTEM AND MONITORING OF EFFECTIVENESS

Risk management is subject to wide-ranging statutory requirements. Section 91, Para. 2 of the German Stock Corporation Act (AktG) governs the early identification obligations of the Board of Management concerning risks that are a threat to the Company as a going concern (supplemented by the German Corporate Control and Transparency Act [KonTraG]). Section 107, Para. 3 of the German Stock Corporation Act (AktG) (supplemented by the German Accounting Law Modernization Act [BilMoG]) furthermore obliges the Audit Committee of the Supervisory Board to monitor the effectiveness of the RMS/ICS.

The Board of Management is responsible for the organizational structure of the RMS/ICS. A Group-wide systematic risk identification process (governance, risk & compliance/GRC process) plays a key role in meeting statutory requirements. Within this process, risks, countermeasures and controls are systematically identified, evaluated and documented so as to generate an overall picture of the risk situation. Meanwhile, the effectiveness of the control processes and overall system is assessed.

GRC process



/// RISK CONSOLIDATION GROUP

The risk consolidation group is formed by a uniform selection process in which all participations are assessed according to quantitative and qualitative features, and classified according to risk criteria. As of December 31, 2016, there were 24 participations fully integrated into the GRC process in addition to AUDI AG.

Germany:

- AUDI AG
- Audi Electronics Venture GmbH
- CC WellCom GmbH
- PSW automotive engineering GmbH
- Audi Sport GmbH

International:

- AUDI AUSTRALIA PTY LTD
- AUDI BRUSSELS S.A./N.V.
- Audi Canada Inc.
- Audi (China) Enterprise Management Co., Ltd.
- AUDI DO BRASIL INDÚSTRIA E COMÉRCIO DE VEICULOS LTDA.
- AUDI HUNGARIA MOTOR Kft.
- AUDI HUNGARIA SERVICES Zrt.
- Audi Japan K.K.
- Audi MÉXICO S.A. de C.V.
- Audi of America, LLC
- AUDI SINGAPORE PTE. LTD.
- AUDI TOOLING BARCELONA S.L.
- Audi Volkswagen Korea Ltd.
- AUDI VOLKSWAGEN MIDDLE EAST FZE
- Audi Volkswagen Taiwan Co., Ltd.
- Automobili Lamborghini S.p.A.
- Ducati Motor Holding S.p.A.
- DUCATI DO BRASIL INDÚSTRIA E COMÉRCIO DE MOTOCICLETAS LTDA
- Italdesign Giugiaro S.p.A.
- VOLKSWAGEN GROUP ITALIA S.P.A.

Participations that are not included in the risk consolidation group are included in the Risk Management System of the Audi Group on the basis of Group-wide minimum requirements. This is subject to a majority interest or management responsibility being held.

/// RISK IDENTIFICATION, ASSESSMENT AND DOCUMENTATION

The individual risks reported by the risk managers in the respective divisions and departments as well as at the participations are recorded and evaluated in the GRC process once a year using a specially developed IT system. Risks are evaluated using a standard procedure for the Volkswagen Group. The risk score for each case is obtained by multiplication of the criteria probability of occurrence and potential impact. The probability of occurrence is determined by the risk manager based on ranges. The second criterion of potential impact is broken down into various subcategories. This allows additional criteria to be considered as well as material and non-material evaluation aspects.

Calculation of risk score

Risk score	=	Probability	×	Impact

We fundamentally adopt a net perspective, in other words the probability of occurrence and potential impact are considered in the light of any corrective action already taken. The appropriateness and plausibility of risk reports are examined on a random basis in more in-depth interviews conducted by the central GRC organization with the appropriate divisions and companies. Based on the process documentation, the independent auditor also assesses whether the Board of Management has taken appropriate measures for the early indication of risks in accordance with Section 91, Para. 2 of the German Stock Corporation Act (AktG).

/// MONITORING OF EFFECTIVENESS, REPORTING AND SUBSEQUENT ACTIONS

By way of an operational check, the departments or external assessors verify the effectiveness for all material risks and in cases where countermeasures and management checks substantially reduce the risk. This ensures that we satisfy the legal requirements. If effectiveness is deemed inadequate, the department in question must ensure that improvements are made as a subsequent action. The central GRC organization monitors timely implementation. The status and evolutionary developments of the RMS/ICS are reported to the Board of Management and the Audit Committee of the Supervisory Board both on a regular and an ad hoc basis. The regularity and effectiveness of selected elements are also monitored by Internal Audit and by external auditors in their capacity as impartial bodies.

// ONGOING EXAMINATION AND REFINEMENT

The established risk early warning system along with the GRC process was supplemented with quarterly risk identification in the 2016 fiscal year, as part of the ongoing evolution of the Risk Management System. In contrast to the GRC process, which now focuses mainly on fundamental risks of the Audi Group and the effectiveness of the management tools, a quarterly risk survey concentrates on topical, operational risks and their countermeasures. The key findings of the quarterly risk survey are presented to the full Board of Management and jointly discussed if necessary. This serves to increase risk transparency, further raise risk awareness in the Company and assure effective, prompt risk management.

In addition, a separate process is used to deal with significant changes in the risk situation that may occur at short notice due, for example, to unexpected external events. A significant change in the risk situation occurs if there is a risk that poses a threat to the Company as a going concern or to its strategy, or if critical monetary thresholds are exceeded. Other potential triggers include inaccuracies in financial reporting and compliance breaches. All Group companies are obliged to inform the Board of Management of AUDI AG and the central GRC organization of such developments by means of an ad hoc announcement. Priority is given to defining preventive measures for limiting losses, communicating the updated risk situation to the corporate bodies and examining whether an ad hoc announcement needs to be published in accordance with capital market principles.

/ RISKS AND OPPORTUNITIES OF THE AUDI GROUP

We list below the most significant risks which, based on our current assessment, we consider material to the future development of the Audi Group. The opportunities listed are determined analytically and are operationalized when they become sufficiently specific. For the sake of clarity, the following presentation of risks and opportunities uses appropriate categories. In addition, we indicate latent risks and opportunities for the Audi Group. The risks within each category are presented in descending order of significance and are explained within the context of the overall assessment of the risk and opportunity situation. We indicate below the risks and opportunities that could lead to a negative or positive departure from the forecast for the key performance indicators.

// ECONOMIC RISKS

There exist latent economic risks to the Audi Group from external developments that cannot be influenced. For example, the economic environment is of major importance to the business success of our Company. The sales markets in Europe as well as the U.S. and Chinese sales markets are of particular interest in our case. There are risks to economic development from potential turbulence on the financial markets, protectionist trends, political upheaval and structural deficits in individual countries. Examples include the situation of a number of financial establishments in the southern eurozone, the further consequences of the United Kingdom's planned withdrawal from the EU as well as the high indebtedness of the private and public sector in parts of Europe. The monetary policy of the central banks is also important in this regard. In addition, geopolitical tension and conflicts can suddenly influence the economic development of individual countries and regions. An escalation of the conflicts in the Middle East, Eastern Europe or Africa could also trigger further swings in worldwide financial and commodity markets. Furthermore, social conflicts, terrorist activities or pandemics could have a negative effect. As there are marked differences in economic development between individual regions and countries, reflected for example in deliveries, price enforcement and plant utilization, there are risks to the attainment of volume and profit goals. We address these risks through our worldwide sales network – it offers us scope to compensate for market weaknesses in certain countries by shifting volumes to different markets. In addition, for risk management, we employ comprehensive risk early warning systems with which we continuously monitor sales markets, analyze customer preferences and derive specific measures in regular dialogue with our counterparts in the sales regions. We seek to secure the competitiveness and long-term commercial success of the Audi Group through the strong brand, an attractive product portfolio that is continuously being updated, and a steady focus on premium quality. We respond to short-term developments with market-specific measures and management tools. Consistently needs-based production planning helps us to respond flexibly to fluctuations in demand. Important tools available to us include, for example, the potential for transferring production between the sites under the production turntable principle and the effective use of timebanking by employees. We also introduced greater flexibility in the shift system in the year under review, with improved cycle frequencies on the production lines at individual sites. With regard to the strategic further development of our China business, we are focusing on medium and long-term market development as well as on profitability. In this context, temporary impacts on volume in China cannot be ruled out.

There are also latent risks from potential interruptions to our supply chain.
Disruptions to the supplier network and its environment may fundamentally lead to temporary supply bottlenecks. Their causes may include natural disasters, political unrest and strikes, but also economic crises, as well as quality problems and disruptions to production processes at suppliers and their own suppliers. The Audi Group manages this risk by practicing preventive and reactive risk management within Procurement as well as continually analyzing the wider situation. In addition, contracts are awarded to suppliers on the basis of a risk assessment and such decisions are put through rigidly defined processes. Comprehensive scenario and future analyses, emergency plans and appropriate insurance cover to reduce risks are also used. Furthermore, the Audi Group continues to develop its crisis organization to reinforce Group-wide crisis management.

// ECONOMIC OPPORTUNITIES

A positive economic development in the principal sales markets beyond general expectations and a recovery in the economic situation in South America and Russia could create additional sales potential for the Audi Group. Furthermore, the ongoing updating and expansion of the product portfolio, for example through the introduction of the Audi Q2 in the year under review, creates extra market potential in both established and rapidly growing markets and segments. To realize these opportunities, Audi is increasing its market presence especially in the growth markets. The continuing internationalization of the production network is boosting worldwide brand awareness and giving the Audi Group the flexibility to meet specific customer requirements. Economic developments and customer requirements are also continually monitored worldwide in order to exploit opportunities afforded by innovative solutions and new technologies at an early stage.

// INDUSTRY RISKS

Through the new Audi Strategy 2025, we will also play a part in shaping change in the automotive industry in response to the megatrend of sustainability. Furthermore, the legal and regulatory requirements that this megatrend entails are of key importance – both for our Company and for the entire industry. A prolonged failure to address market-determining sustainability and responsibility aspects in our products and

processes could lead to significant competitive disadvantages and image losses, and potentially also constitute violations of the law. The risk compared with the previous year remains high. In addition to the objectives anchored in the overall strategy, specific goals and scopes of responsibility were defined to counteract this risk. These are managed both brand-wide and Group-wide through central functions, committees and work groups. We also regularly monitor how well we achieve sustainability goals.
Tough regulatory requirements on CO_2 limits in the various markets continue to have a direct impact on the development, manufacturing and sale of vehicles. As a consequence, the Audi Group is exposed to the fundamental risk of not meeting CO_2 fleet targets. The risk remains unchanged from the previous year. To honor our responsibility to meet CO_2 limits, our automotive development work on the one hand focuses on steadily reducing weight, fuel consumption and vehicle emissions. On the other hand, the Audi Group pursues a product and powertrain strategy that emphasizes alternative drive concepts with hydrogen, synthetic fuels and above all the electrification of our vehicles, in addition to conventional combustion engines. We ensure this strategy is implemented by defining and following an electrification roadmap as well as clearly defined CO_2 targets for fleet and for individual vehicles.

Like many other car manufacturers, the Audi Group cannot sidestep the risks in connection with potentially defective airbags made by the supplier Takata. Although no claims involving Audi vehicles are currently known of, extensive service measures may become necessary and financial costs incurred. The Audi Group remains in contact with various traffic safety agencies in an effort to analyze possible effects and propose solutions. Recalls have already been ordered by the authorities in the United States, Canada, Japan and South Korea. We have created provisions for these based on current findings. However, it still cannot be ruled out that there will be a widening of the recall that will also involve vehicles of the Audi Group. The technical investigations and official consultations are ongoing.

Furthermore, the development of the industry worldwide is characterized by a latent risk from the intense competitive situation that manifests itself through restrictions in price positioning or the increased use of sales incentives. This could also lead to a financial risk to the development of residual values in the used car business. Our brand strength and attractive product range, along with our active monitoring and management of the market, counter this risk.

// INDUSTRY OPPORTUNITIES

The megatrends of digitalization, sustainability and urbanization offer abundant opportunities, which we aim to exploit by implementing our Strategy 2025. In response to the growing importance of attractive vehicle-related services, we are adding new digital services to our existing business model. The rapid scaling of our mobility concepts and services also unlocks extra business potential. In addition, digitalization offers the opportunity to streamline our processes in order to leverage efficiency potential. We will roll out the next stage of piloted driving in the new Audi A8 and can identify numerous other opportunities along the road to autonomous driving. The same applies to highly automated vehicle functions in the urban environment, such as piloted parking. In the medium and long term, electrification and the development of additional innovative drive technologies will provide fresh stimulus for the market.

// RISKS FROM OPERATING ACTIVITIES

In the automotive industry, new technologies in particular lead to high upfront expenditures for future products in the form of development costs and capital investments. Yet the payback period generally stretches over a product life cycle spanning several years. During the product creation process there is the risk of deviations from planned project goals. A further risk is that planned product characteristics may fail to meet objectives laid down in the technical specifications. Delays to the development process are a further risk. These may be triggered by shifting legislative or market requirements or even changed planning assumptions. Deadline overruns or variations in quality with corresponding consequences for financial targets could then occur. The growing product range and therefore increasing complexity also add to these risks. These risks are slightly greater than in the previous year. To counter these risks, the Audi Group follows a systematic product creation process which is currently being comprehensively revised under the guidance of the Board of Management, and aligned with new requirements presented by the subject areas of electrification and digitalization. In addition to the fundamental separation of functions and principles of dual control, the process entails a wide range of management and monitoring tools, along with regular reporting to top management to validate both the projects' maturity and their financial objectives. New products are defined on the basis of a comprehensive analysis of the environment and customers. In the development phase that follows, an extensive development and supplier network helps to bring the vehicle project to production maturity efficiently and in line with premium standards. The main profit and cost drivers in the product creation process are managed and monitored by the Controlling area and as a product management task. The key performance indicators applied for this are for the management of project-based cost and pricing, and for corporate financial management.

In view of the high complexity of market-specific statutory requirements and the speed with which they are changing, there is the fundamental risk that it may not be possible to implement required changes to product characteristics in a timely manner during product development. This can be prompted by a potential lack of knowledge or the high complexity of the requirements. Violations carry such threats as sales restrictions and penalty payments, as well as other financial costs. As a countermeasure in response to the diesel issue, the Audi Group extensively scrutinized its internal processes in the 2016 reporting year, thoroughly revised them and introduced additional control mechanisms including a review process.

Growing product complexity as well as statutory and market-related requirements could necessitate technical updates to vehicles that have already been delivered. This creates the risk of an increase in these so-called field campaigns. This risk has increased compared with the previous year. The possible consequences are dissatisfaction among customers and image losses. There could also be financial burdens for our Company. To address this risk we monitor the market and decide on necessary measures in the Product Safety Committee, which meets on a regular basis.

// OPPORTUNITIES FROM OPERATING ACTIVITIES

In starting to introduce product line management in the year under review, we are significantly improving the product creation process by simplifying decision-making paths, integrating the relevant corporate functions more closely and giving them clearly defined responsibilities, and keeping a clear track of budgets. Consistent compliance with deadlines and financial objectives is designed to leverage considerable potential. Reduced complexity and component diversity, coupled with greater use of virtual development, will also have a beneficial effect in this respect. In addition, internal processes especially in the production area can be improved through Smart Factory approaches involving virtual plant planning, more flexible production lines and additional digital processes, thus increasing productivity further. Furthermore, we want to tap into new potential opportunities by consistently pursuing our “SPEED UP!” program of measures.

// LEGAL RISKS

Despite decisive progress on the final agreement with various agencies and stakeholders, there continue to be risks in connection with the diesel issue. For example, despite the implementation measures already taken, there could be delays in implementing the specified conversions to the affected vehicles with V6 3.0 TDI engines on which the agreements with the U.S. agencies are based, or full conversion might not be achieved for technical reasons. This can lead to further criminal fines or a full recall of the affected vehicles and therefore cause additional financial burdens. The Audi Group has set up a cross-divisional task force to take charge of preparing and implementing the technical solutions along with preparing the subsequent service campaigns. This task force also has the task of reporting regularly to the relevant committees.

A further risk could arise from the selling-on of the bought-back vehicle groups even after their technical conversion, for example as a result of short-term changes in market conditions.
There is also the fundamental risk that further agreements reached with the U.S. agencies cannot be met in time or in full, despite the measures taken to implement them. This would involve new financial consequences. The implementation of these agreements is managed by a corresponding project organization in the Audi Group.

In addition, there is a fundamental risk of further governmental investigations and inquiries into similar technical matters, including in other jurisdictions.

Read more about the ***diesel issue*** *on pages 104 ff.*

Because it has to deal with a large number of country-specific legal systems and standards, the Audi Group is confronted with an increasingly complex regulatory framework governing the approval of its vehicles. There are technical risks, for example from the non-attainment of standards governing approvals, from certification requirements and from statutory emission regulations. There is also the risk of non-fulfillment of fiscal and customs regulations. As a consequence of violating these regulations, penalties, fines or subsequent compensation payments could be imposed against the Audi Group. Restrictions on the approval of our products as well as sales bans could be imposed, or delays to their market introduction could occur. The Audi Group addresses these risks through ongoing monitoring of the legal framework as well as through processes and control systems that include suitable reporting. The countermeasures are continually refined and are supported by specific IT systems. The regulatory complexity and the resulting risks have grown compared with the previous year.

In addition, there are fundamentally latent risks associated with legislative changes, which could also give rise to differences in interpretation. There could be unforeseen legal disputes in such areas as competition law, product liability and patents in particular. Adequately funded provisions reflect the current situation in accordance with international and national accounting standards. Necessary decisions and actions in all legal areas are backed up with the expertise of the Audi internal legal counsel. In selected cases, external legal experts are also consulted. Internal processes are continually adapted and improved accordingly and supervisory functions incorporated. All activities by corporate bodies, managers and employees must comply with the current legal framework and with internal corporate guidelines. The Audi Group's compliance organization acts preventively, using a wide range of internal communication and information measures to sensitize employees. Advisory programs on how to handle compliance topics are widely offered and being expanded further. These organizational measures are taken to ensure that all actions are in accordance with the law, even if misconduct by individuals cannot be ruled out altogether.

// INFORMATION AND IT RISKS

Having secure, fast data and information flows permanently available is of crucial importance to the Audi Group as a global company. However, the growing professionalization of white-collar crime poses an increased threat to IT security. For example, there is the risk that unauthorized access to and manipulation of data as well as deliberate sabotage could significantly limit business operations. There are also threats in the form of data theft and systematic espionage of sensitive information. This risk is controlled as well as possible by means of a comprehensive IT security setup and ongoing refinement of the IT security organization, as well as by specifying Group-wide security standards and regular simulations of extreme situations. In addition, risk analyses, security audits and optimization projects have the goal of sustainably ensuring the continuity and security of internal processes. New IT systems are subjected to increased stress testing both before their adoption and also while in use.

// INFORMATION AND IT OPPORTUNITIES

Further digitalization of internal processes along the value chain as well as the standardization of IT systems are key aspects of our Strategy 2025. This will result in greater efficiency and therefore save resources. The systematic collection and analysis of data provides opportunities to add value to and improve the efficiency of our automotive network. We are very aware of the sensitivity of the debate surrounding data protection in connection with vehicle data, and we are continuously developing appropriate solutions consistent with new technical innovations that strictly adhere to the principles of data protection law, in particular transparency, customer self-determination and data security.

// FINANCIAL RISKS

Changes in interest rates, exchange rates and commodity prices as well as movements in stock and bond markets fundamentally represent financial risks for the Audi Group. In organizational terms, the management of financial and liquidity risks is the responsibility of the Treasury area, which uses original and derivative financial instruments to minimize these risks. The current risk situation and the related hedging strategies are agreed regularly with the full Board of Management and actioned by Volkswagen Group Treasury.

As a globally active company, the Audi Group is exposed to exchange rate risks. Exchange rate fluctuations can, for example, influence the payment streams and assets of the Audi Group. These risks are minimized by natural hedging and the use of original and derivative financial instruments. Natural hedging is achieved, for example, through local production in important sales regions and through the local sourcing of components. The opening of our production site in Mexico in the 2016 fiscal year in particular improves natural hedging and thus reduces exchange rate risks. We reduce the residual exchange rate risk by means of foreign currency hedging transactions with matching currencies and maturities, in the form of forward transactions and options contracts. The goal of this cover is to hedge planned payment streams in particular from investment, production and sales planning. This approach then also increases short, medium and long-term planning certainty. In terms of methodology, cash-flow-at-risk models are used as the decision-making basis for currency management. Risks exist predominantly in the following currencies: U.S. dollar, Chinese renminbi and pound sterling. The Audi Group employs an established control process to manage these risks. The exchange rate risks increased slightly compared with the previous year, among other reasons as a result of political uncertainty. The derivatives used by the Audi Group, provided the conditions are met, are fundamentally also reflected in the accounts as hedging relationships.

The most important financial goal is to ensure the solvency and financing of the Audi Group at all times. At the same time, we seek to achieve a suitable return on the investment of surplus liquidity. Liquidity risks could arise particularly if there are substantial deviations from plan, for example in the event of short-term negative economic developments. These could lead to increased costs of capital or hinder access to financing for capital investments. This permanent risk is countered through a multi-stage liquidity planning process, the involvement of decision-making committees and daily cash disposition. Furthermore, the material companies of the Audi Group are included in the cash pooling of the Volkswagen Group. This arrangement makes intra-Group and external transactions efficient and also reduces transaction costs.

There exists a latent risk in the price development of commodities, which can lead to considerable additional financial outlay. The Audi Group addresses this risk by entering into long-term agreements and hedging transactions involving derivative financial instruments. Synergies with the Volkswagen Group are also used. The goal is to ensure price stability in product costing.

Counterparty risks also fundamentally occur if a contracting partner is no longer able to meet its contractual payment or delivery obligation. This can have considerable financial consequences. These credit risks are managed centrally by Volkswagen Group Treasury. A diversification strategy is applied and contracting partners are evaluated using creditworthiness criteria to counter the risk of losses or default.

Through cooperation with Volkswagen Financial Services AG, Braunschweig, the Audi Group is able to offer its customers access to borrowing and leasing arrangements. In connection with the refinancing of leasing agreements, deterioration in the cost of capital could lead to financial risks or sales risks for the Audi Group.

*Read more about the **hedging policy** and **risk management** in the area of financial risks in the Notes to the Consolidated Financial Statements under Note 37.*

*Read more about the **principles and goals of financial management** on page 123.*

// FINANCIAL OPPORTUNITIES

Rising growth rates for economic output in export markets that are of importance to us may prompt appreciation of a country's national currency and have a correspondingly beneficial impact on the Audi Group. Political changes can also have a decisive influence on such developments. Furthermore, falling commodity prices represent a major opportunity. In addition, rising interest rates may have a positive effect on returns from the investment of surplus liquidity. The ongoing improvement of our working capital management can also result in positive financial effects.

/ MOTORCYCLES SEGMENT

As well as the most significant and latent risks and opportunities for the Audi Group, there are segment-specific risks and opportunities for the Motorcycles segment. The significance of these risks is also reflected in the order in which they are presented here.

// RISKS FOR MOTORCYCLES SEGMENT

Ducati enjoys worldwide renown as a successful manufacturer of premium motorcycles. Like the automotive industry, Ducati faces the challenge of operating in an increasingly complex environment while also handling a correspondingly more diverse range of products. For specific components, Ducati has a limited pool of suppliers to consider with the result that the possible loss of a key supplier could lead to delays in the production process. Ducati addresses this risk by conducting comprehensive supplier screening and audits, monitoring deliveries and keeping appropriate stock levels of important components.

The main production plant and main warehouse of Ducati are situated in Bologna (Italy). These therefore need to be kept functioning and operational at all times in order to maintain business operations. Their failure or operational restriction, for example in the event of a fire or earthquake, would interrupt production and therefore have a major impact on our ability to deliver products. As well as the image loss, there would above all be financial consequences. Fire prevention measures and safety plans as well as insurance cover constitute risk-reducing measures and are regularly reviewed and adjusted.

High customer expectations with regard to product characteristics as well as increasingly rigorous official requirements, especially related to product safety, represent further risks which could have negative consequences for sales volume or could result in preventive field campaigns. Ducati ensures that the required characteristics are achieved by following a comprehensive product creation process including the appropriate quality checks and regular customer surveys.

Natural market fluctuations and competition with a large number of motorcycle manufacturers continue to present major challenges to Ducati. Particularly in the traditional markets such as the United States and Europe, but also in Japan and Australia, there are risks that stem from the development in those national economies or from a change in customer buying behavior which could have a major impact on unit sales and after-sales business volume. To safeguard its planned market shares, Ducati revises its attractive product portfolio annually. In addition, it regularly analyzes opportunities for growth in new markets.

The growing digitalization and increasing importance of the IT landscape also affect operating activities at Ducati. A brief collapse in IT systems due to external factors such as sabotage or failure of the supply networks could cause a temporary interruption in business operations. Redundant system environments and comprehensive security systems constitute preventive strategies for this risk.

// OPPORTUNITIES FOR MOTORCYCLES SEGMENT

Growth in global economies beyond expectations and consequently higher demand for motorcycles in the premium segment fundamentally create additional sales opportunities for Ducati. The revised product range, for instance with the introduction of the Ducati SuperSport, and increased efforts to access high-growth markets could generate further positive momentum. In addition, internal processes are gradually being digitalized and further potential for efficiency in the development and sales processes exploited, which could have a positive impact on Ducati’s profit.

The expertise and experience of the Audi Group can also help with the quick and efficient implementation of the Ducati brand’s internationalization measures. In addition, the Audi Group offers the Ducati brand further synergy potential in operational and purchasing processes as well as business partner networks.

/ *OVERALL ASSESSMENT OF THE RISKS AND OPPORTUNITIES SITUATION OF THE AUDI GROUP*

The Audi Group practices management on the basis of targets and opportunities, with the focus on a sustainable increase in value. The RMS/ICS constitutes a systematic approach that fundamentally ensures transparency and effective management of risks. An attractive product range, a strong brand image, a worldwide supplier and production network, and an international customer structure characterize the Audi Group.

The overall risk and opportunity situation for the Audi Group arises from the individual risks and opportunities presented above. The most significant risks are currently in connection with the diesel issue and statutory emissions regulations. There also exist material risks in the product creation area.

Principal opportunities are offered by the implementation of our new Strategy 2025, the updating and expansion of the product portfolio as well as the expansion of our international market presence in growth markets. The fact that we are part of the Volkswagen Group generates diverse synergies and thus strengthens our competitiveness. In addition to the production network, this also applies to other elements of the value chain, such as in the areas of Research and Development as well as Procurement.

The overall risk within the Audi Group has risen compared with the previous year. On the basis of the information currently known to us, there are no risks that could pose a threat to material Group companies or the Audi Group itself as going concerns.

DISCLAIMER

The report on expected developments, risks and opportunities contains forward-looking statements relating to anticipated developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events of material significance after December 31, 2016.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

/ GERMAN CORPORATE GOVERNANCE CODE IN 2016

There were no changes to the German Corporate Governance Code in the version dated May 5, 2015, during the year under review. The Board of Management and Supervisory Board of AUDI AG nevertheless also considered at length the recommendations and suggestions in the Code during the past fiscal year and made inferences.

*Read online the current **joint declaration of the Board of Management and the Supervisory Board of AUDI AG** on the recommendations of the German Corporate Governance Code at **www.audi.com/cgk-declaration**.*

/ IMPLEMENTATION OF THE RECOMMENDATIONS AND SUGGESTIONS

The recommendations of the “Government Commission on the German Corporate Governance Code” announced by the Federal Ministry of Justice on June 12, 2015, in the official part of the Bundesanzeiger (Federal Gazette), in the version dated May 5, 2015, were implemented in the period since the submission of the most recent Declaration of Conformity of December 3, 2015, with the following exceptions:

- 4.2.3, Para. 2, Sentence 6 (caps for the overall remuneration of members of the Board of Management and for the variable remuneration components), until November 24, 2016,
- 5.1.2, Para. 2, Sentence 3, 5.4.1, Para. 2, Sentence 1 (age limit for members of the Board of Management and Supervisory Board, general limit to the length of time that members may serve on the Supervisory Board), until November 24, 2016,
- 5.3.2, Sentence 3 (independence of the Chairman of the Audit Committee),
- 5.3.3 (Nominating Committee),
- 5.4.1, Para. 5 (disclosures in making election recommendations),
- 5.4.6, Para. 2, Sentence 2 (performance-related remuneration of the Supervisory Board).

In reference to the recommendation formulated in No. 4.2.3, Para. 2, Sentence 6 of the German Corporate Governance Code, the Supervisory Board believes that caps for the overall remuneration of the members of the Board of Management and for the variable remuneration components are appropriate. Consequently, on November 24, 2016, it passed a resolution on such caps, meaning this recommendation has been effective since that date.

In the past, the Supervisory Board and Board of Management did not consider age limits for Board members to be appropriate. The Board of Management and the Supervisory Board have reached the conclusion that these concerns can be addressed through appropriate regulation of age limits, and therefore set a corresponding age limit for members of the Supervisory Board and the Board of Management on November 24, 2016. This recommendation has therefore been satisfied since that date.

According to recommendation No. 5.3.2, Sentence 3, the Chairman of the Audit Committee should, among other things, be “independent.” The Chairman of the Audit Committee’s membership of the Supervisory Board of Volkswagen AG and of the Board of Management of Porsche Automobil Holding SE may be indicative of a lack of independence as defined in the recommendations. In the view of the Board of Management and of the Supervisory Board, these activities neither give rise to a conflict of interest, nor do they have an adverse effect on the work of the Chairman of the Audit Committee. As the notion of independence is not clearly defined in the Code, we are declaring this exception merely as a precaution.

A Nominating Committee would, in the view of the Supervisory Board, only increase the number of committees without, however, leading to a noticeable improvement in the work of the Board.

Regarding the recommendation set forth in No. 5.4.1, Para. 5 on the disclosure of certain circumstances when the Supervisory Board makes election recommendations to the General Meeting, the requirements in the Code are vague and not clearly defined. An exception is therefore declared merely as a precaution, while the Supervisory Board will endeavor to fulfill the recommendation of the Code.

The Board of Management and the Supervisory Board believe that the current remuneration arrangements for Supervisory Board members set forth in Section 16 of the Articles of Incorporation and Bylaws of AUDI AG provide for a performance-related component that is oriented toward the sustainable growth of the enterprise. In view of the vagueness of the recommendation in No. 5.4.6, Para. 2, Sentence 2 of the Code, and considering that the scope of a performance-related remuneration component aimed at a sustainable growth of the enterprise has not yet been clarified, the Board of Management and the Supervisory Board declare this exception merely as a precaution.

The response to the suggestions made in the Code is as follows:
AUDI AG fulfills all of the suggestions made in the Code, except for the suggestion from No. 5.1.2, Para. 2, Sentence 1 (duration of a first-time appointment to the Board of Management). The Supervisory Board will determine the duration of a first-time appointment to the Board of Management on a case-by-case basis, taking account of the best interests of the Company.

/ STOCK OPTION PLANS AND SIMILAR SECURITIES-BASED INCENTIVE ARRANGEMENTS

AUDI AG does not offer any such plans or incentive arrangements.

/ GOALS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

Taking into account the specific situation of the Company, our international activities and potential conflicts of interest, the goal of the Supervisory Board uses the following two points of reference with regard to its composition: Two seats on the Supervisory Board are to be filled by persons who fulfill the criteria of internationality to a particular extent. In addition, one shareholder seat on the Supervisory Board is to be filled by a person who is independent and has no business or personal ties with AUDI AG or its Board of Management and performs no advisory or executive functions at customers, suppliers, lenders or other business partners of the Audi Group.

/ CORPORATE MANAGEMENT DECLARATION ON THE INTERNET

The Corporate Management Declaration pursuant to Section 289a of the German Commercial Code (HGB) contains both the Declaration of Conformity by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG) and disclosures on corporate governance practices. The methods and practices of the Board of Management and Supervisory Board as well as the committees established and gender quotas are also described.

Read more online about the ***Corporate Management Declaration*** *at* ***www.audi.com/corporate-management.***

REMUNERATION REPORT

/ SYSTEM OF REMUNERATION FOR THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The remuneration report includes details of the remuneration paid to the members of the Board of Management and Supervisory Board of AUDI AG, broken down by individual member and by component, as well as information on the pension arrangements for members of the Board of Management, broken down by individual member, pursuant to Section 314, Para. 1, No. 6a), Sentence 5 ff. of the German Commercial Code (HGB) and the German Corporate Governance Code (DCGK). We also explain the main elements of the remuneration system for the Board of Management and Supervisory Board. Starting in the 2016 fiscal year, the exemption from disclosure by individual member pursuant to Section 286, Para. 5 of the German Commercial Code (HGB) is not exercised.

/ BASIC FEATURES AND DEVELOPMENT OF REMUNERATION PAID TO THE BOARD OF MANAGEMENT

The full Supervisory Board passes resolutions on the remuneration system and the total remuneration for individual members of the Board of Management of AUDI AG on the basis of the Presiding Committee's recommendations. The remuneration of active members of the Board of Management complies with the statutory requirements of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code (DCGK). In particular, the remuneration structure is focused on ensuring the sustainable growth of the enterprise in accordance with the German Act on the Appropriateness of Management Board Remuneration (VorstAG; Section 87, Para. 1 of the German Stock Corporation Act [AktG]).

The system of remuneration for members of the Board of Management was approved by the 121st Annual General Meeting on May 20, 2010, by 99.70 percent of the votes cast.

The level of remuneration paid to the Board of Management should be appropriate and attractive by national and international comparison. The relevant criteria include the tasks of the individual Board member, the member's personal performance, the Company's economic situation, performance and future prospects, and also the standard nature of the remuneration, taking account of competitors on the market and the pay structure otherwise in place within Audi and the Volkswagen Group. Regular comparisons of remuneration levels are carried out in this regard.

// COMPONENTS OF THE REMUNERATION PAID TO THE BOARD OF MANAGEMENT

The remuneration paid to the Board of Management comprises fixed (non-performance-related) and variable (performance-related) components. The fixed components guarantee basic remuneration that allows the individual members of the Board of Management to execute their duties conscientiously and in the best interests of the Company, without becoming dependent upon achieving short-term targets only. Variable components, dependent among other things on the financial performance of the Company, serve to ensure the long-term impact of performance incentives.

Pursuant to the Supervisory Board resolution of November 24, 2016, there is a cap on both total remuneration and its variable components.

/// FIXED REMUNERATION

The fixed (non-performance-related) remuneration comprises fixed remuneration and fringe benefits. In addition to the basic remuneration, the fixed remuneration includes varying levels of remuneration for appointments at Audi Group companies, subsidiaries and participations. The fringe benefits constitute remuneration in kind. These include in particular the provision of operating resources, such as company cars, as well as payment of insurance premiums. Taxes due on this remuneration in kind are paid by AUDI AG in accordance with Company guidelines.

The basic remuneration is reviewed on a regular basis and adjusted as necessary.

/// VARIABLE REMUNERATION

The variable (performance-related) remuneration consists of a business performance bonus, based on the year under review and the previous year (two-year period), and, since 2010, has also included a Long Term Incentive (LTI) based on performance in the year under review and over the previous three fiscal years (four-year period). These two components of variable remuneration are therefore calculated using a measurement basis spanning several years and take account of both positive and negative developments. In addition, a bonus may be awarded for the individual performance of members of the Board of Management (one-year variable remuneration).

The figures shown in the table "Board of Management remuneration for 2016 pursuant to German Commercial Code (HGB)" reflect the figures reported in the 2016 financial statements as expense.

The figures shown in the tables "Board of Management remuneration (benefits received) pursuant to German Corporate Governance Code (DCGK)" reflect the amounts paid out in the fiscal year in question.

The figures shown in the tables "Board of Management remuneration (benefits granted) pursuant to German Corporate Governance Code (DCGK)" are based on a mean probability scenario as of January 2016.

If extraordinary factors arise, the Supervisory Board may decide to impose a cap on the variable remuneration components.

//// BONUS SYSTEM

The business performance bonus rewards the positive business development of the Audi Group. Basically, the amount of the bonus is based on the results achieved, on the Company's economic situation and on the personal performance of the individual member of the Board of Management. The operating profit, in the form of a two-year average, is used as the calculation basis. The system is regularly reviewed by the Supervisory Board and adjusted where necessary.

//// LONG TERM INCENTIVE (LTI)

For Audi, as a Volkswagen Group brand, the amount of the LTI essentially depends on achieving the targets of the Volkswagen Group's Strategy 2018, which provides the basis for the remuneration system valid for the 2016 fiscal year. The targets are as follows:

- Leader in customer satisfaction, measured using the customer satisfaction index,
- Leading employer, measured using the employee index,
- Rise in sales, measured using the growth index, and
- Rise in return, measured using the return index.

The customer satisfaction index is calculated based on indicators of our customers' overall satisfaction with the dealers supplying the products, with new vehicles and with the service establishments, based on the most recent workshop visit in each case. The employee index is calculated on the basis of such indicators as "employment" and "productivity," as well as the participation rate and results of employee surveys. The growth index is calculated from the indicators "deliveries to customers" and "market share." The return index is determined from the development in the return on sales and the dividend per ordinary share.
The calculated indices for customer satisfaction, employees and the sales situation are added together and the total is then multiplied by the return index. This method ensures that the LTI is only paid out if the Group has been financially successful. If the return on sales does not exceed a threshold of 1.5 percent, the return index will equal zero. Consequently, the overall index for the fiscal year in question will then also be zero.

/// OTHER AGREEMENTS

Contracts with members of the Board of Management include an entitlement to continued payment of the standard remuneration for a period of six to twelve months in the event of sickness, but not beyond the term of the employment contract. In the event of disability, members are entitled to retirement pay.

In addition, contracts with members of the Board of Management include an entitlement to a 60 percent widow's pension, a 15 percent half orphan's pension and a 30 percent full orphan's pension based on retirement pay.

Board of Management remuneration for 2016 pursuant to German Commercial Code (HGB)

EUR	Non-performance-related remuneration	Performance-related remuneration [1) 2)]	Total remuneration
Prof. Rupert Stadler [3)]	810,000	2,177,500	2,987,500
Dr. Bernd Martens	697,078	2,123,320	2,820,398
Prof. h. c. Thomas Sigi	630,312	2,123,320	2,753,632
Axel Strotbek	647,486	2,123,320	2,770,806
Dr. Dietmar Voggenreiter	522,503	1,719,889	2,242,392
Prof. Dr.-Ing. Hubert Waltl	655,768	2,123,320	2,779,088
Dr.-Ing. Stefan Knirsch (until Sep. 23, 2016) [4)]	510,509	1,548,979	2,059,488
Total	**4,473,656**	**13,939,648**	**18,413,304**

1) Corresponds to the amounts set aside in the fiscal year. The Supervisory Board determines the amount of the payment.
2) In addition, provision shortfalls result in an expense (remuneration) amounting to EUR 2,676,136 (Prof. Rupert Stadler: EUR 490,088, Dr. Dietmar Voggenreiter: EUR 71,428, Axel Strotbek, Prof. h. c. Thomas Sigi, Prof. Dr.-Ing. Hubert Waltl, Dr. Bernd Martens EUR 528,655 each).
3) In terms of the amount, the remuneration of Prof. Rupert Stadler is aligned with the remuneration of members of the Board of Management of Volkswagen AG, as determined using the Group's system.
4) In connection with his early departure from the Board of Management, Dr.-Ing. Stefan Knirsch was also granted remuneration amounting to EUR 3,800,000.

Board of Management remuneration (benefits received) pursuant to German Corporate Governance Code (DCGK)

The figures for the variable remuneration shown here as benefits received reflect the amounts paid out in the respective fiscal year.

EUR	Prof. Rupert Stadler [1]
	Chairman of the Board of Management
	2016
Fixed remuneration	810,000
Fringe benefits	–
Total	**810,000**
One-year variable remuneration	883,315
Multi-year variable remuneration	1,374,045
Business performance bonus (two-year period)	637,950
LTI (four-year period)	736,095
Total	**3,067,360**
Pension expense [2]	–
Total remuneration	**3,067,360**

1) In terms of the amount, the remuneration of Prof. Rupert Stadler is aligned with the remuneration of members of the Board of Management of Volkswagen AG, as determined using the Group's system.
2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

EUR	Dr. Bernd Martens
	Procurement
	2016
Fixed remuneration	560,000
Fringe benefits	137,078
Total	**697,078**
One-year variable remuneration	951,000
Multi-year variable remuneration	1,484,000
Business performance bonus (two-year period)	689,000
LTI (four-year period)	795,000
Total	**3,132,078**
Pension expense	517,536
Total remuneration	**3,649,614**

EUR	Prof. h. c. Thomas Sigi
	Human Resources and Organization
	2016
Fixed remuneration	560,000
Fringe benefits	70,312
Total	**630,312**
One-year variable remuneration	951,000
Multi-year variable remuneration	1,484,000
Business performance bonus (two-year period)	689,000
LTI (four-year period)	795,000
Total	**3,065,312**
Pension expense	580,745
Total remuneration	**3,646,057**

EUR	Axel Strotbek
	Finance and IT
	2016
Fixed remuneration	560,000
Fringe benefits	87,486
Total	**647,486**
One-year variable remuneration	951,000
Multi-year variable remuneration	1,484,000
Business performance bonus (two-year period)	689,000
LTI (four-year period)	795,000
Total	**3,082,486**
Pension expense	475,025
Total remuneration	**3,557,511**

EUR	Dr. Dietmar Voggenreiter
	Marketing and Sales
	2016
Fixed remuneration	459,334
Fringe benefits	63,169
Total	**522,503**
One-year variable remuneration	128,000
Multi-year variable remuneration	201,000
Business performance bonus (two-year period)	93,000
LTI (four-year period)	108,000
Total	**851,503**
Pension expense	488,861
Total remuneration	**1,340,364**

EUR	Prof. Dr.-Ing. Hubert Waltl
	Production and Logistics
	2016
Fixed remuneration	560,000
Fringe benefits	95,768
Total	**655,768**
One-year variable remuneration	951,000
Multi-year variable remuneration	1,484,000
Business performance bonus (two-year period)	689,000
LTI (four-year period)	795,000
Total	**3,090,768**
Pension expense	395,709
Total remuneration	**3,486,477**

EUR	Dr.-Ing. Stefan Knirsch
	Technical Development
	Left: September 23, 2016
	2016
Fixed remuneration	452,948
Fringe benefits	57,561
Total	**510,509**
One-year variable remuneration	–
Multi-year variable remuneration	–
Business performance bonus (two-year period)	–
LTI (four-year period)	–
Total	**510,509**
Pension expense [1]	188,037
Total remuneration	**698,546**

1) The pension expense is reported on a pro rata basis (Jan. 1 to Sep. 23, 2016).

Board of Management remuneration (benefits granted) pursuant to German Corporate Governance Code (DCGK)

The figures for the variable remuneration shown here as benefits granted are based on a mean probability scenario as of January 2016.

EUR	Prof. Rupert Stadler [1]		
	Chairman of the Board of Management		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	810,000	810,000	810,000
Fringe benefits	–	0	0
Total	**810,000**	**810,000**	**810,000**
One-year variable remuneration	883,315	0	1,590,000
Multi-year variable remuneration	1,374,045	0	3,180,000
Business performance bonus (two-year period)	637,950	0	1,590,000
LTI (four-year period)	736,095	0	1,590,000
Total	**3,067,360**	**810,000**	**5,580,000**
Pension expense [2]	–	–	–
Total remuneration	**3,067,360**	**810,000**	**5,580,000**

1) In terms of the amount, the remuneration of Prof. Rupert Stadler is aligned with the remuneration of members of the Board of Management of Volkswagen AG, as determined using the Group's system.
2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

EUR	Dr. Bernd Martens		
	Procurement		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	560,000	560,000	560,000
Fringe benefits	137,078	137,078	137,078
Total	**697,078**	**697,078**	**697,078**
One-year variable remuneration	951,000	0	1,060,000
Multi-year variable remuneration	1,484,000	0	2,120,000
Business performance bonus (two-year period)	689,000	0	1,060,000
LTI (four-year period)	795,000	0	1,060,000
Total	**3,132,078**	**697,078**	**3,877,078**
Pension expense	517,536	517,536	517,536
Total remuneration	**3,649,614**	**1,214,614**	**4,394,614**

EUR	Prof. h. c. Thomas Sigi		
	Human Resources and Organization		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	560,000	560,000	560,000
Fringe benefits	70,312	70,312	70,312
Total	**630,312**	**630,312**	**630,312**
One-year variable remuneration	951,000	0	1,060,000
Multi-year variable remuneration	1,484,000	0	2,120,000
Business performance bonus (two-year period)	689,000	0	1,060,000
LTI (four-year period)	795,000	0	1,060,000
Total	**3,065,312**	**630,312**	**3,810,312**
Pension expense	580,745	580,745	580,745
Total remuneration	**3,646,057**	**1,211,057**	**4,391,057**

EUR	Axel Strotbek		
	Finance and IT		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	560,000	560,000	560,000
Fringe benefits	87,486	87,486	87,486
Total	**647,486**	**647,486**	**647,486**
One-year variable remuneration	951,000	0	1,060,000
Multi-year variable remuneration	1,484,000	0	2,120,000
Business performance bonus (two-year period)	689,000	0	1,060,000
LTI (four-year period)	795,000	0	1,060,000
Total	**3,082,486**	**647,486**	**3,827,486**
Pension expense	475,025	475,025	475,025
Total remuneration	**3,557,511**	**1,122,511**	**4,302,511**

EUR	Dr. Dietmar Voggenreiter		
	Marketing and Sales		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	459,334	459,334	459,334
Fringe benefits	63,169	63,169	63,169
Total	**522,503**	**522,503**	**522,503**
One-year variable remuneration	768,000	0	860,000
Multi-year variable remuneration	1,206,000	0	1,720,000
Business performance bonus (two-year period)	558,000	0	860,000
LTI (four-year period)	648,000	0	860,000
Total	**2,496,503**	**522,503**	**3,102,503**
Pension expense	488,861	488,861	488,861
Total remuneration	**2,985,364**	**1,011,364**	**3,591,364**

EUR	Prof. Dr.-Ing. Hubert Waltl		
	Production and Logistics		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	560,000	560,000	560,000
Fringe benefits	95,768	95,768	95,768
Total	**655,768**	**655,768**	**655,768**
One-year variable remuneration	951,000	0	1,060,000
Multi-year variable remuneration	1,484,000	0	2,120,000
Business performance bonus (two-year period)	689,000	0	1,060,000
LTI (four-year period)	795,000	0	1,060,000
Total	**3,090,768**	**655,768**	**3,835,768**
Pension expense	395,709	395,709	395,709
Total remuneration	**3,486,477**	**1,051,477**	**4,231,477**

EUR	Dr.-Ing. Stefan Knirsch		
	Technical Development		
	Left: September 23, 2016		
	2016	2016 (minimum)	2016 (maximum)
Fixed remuneration	452,948	452,948	452,948
Fringe benefits	57,561	57,561	57,561
Total	**510,509**	**510,509**	**510,509**
One-year variable remuneration	951,000	0	1,060,000
Multi-year variable remuneration	1,484,000	0	2,120,000
Business performance bonus (two-year period)	689,000	0	1,060,000
LTI (four-year period)	795,000	0	1,060,000
Total	**2,945,509**	**510,509**	**3,690,509**
Pension expense [1)]	188,037	188,037	188,037
Total remuneration	**3,133,546**	**698,546**	**3,878,546**

1) The pension expense is reported on a pro rata basis (Jan. 1 to Sep. 23, 2016).

// BENEFITS PAID UPON REGULAR TERMINATION OF EMPLOYMENT

In the event of regular termination of their employment, the members of the Board of Management are granted retirement pay including a survivor's pension as well as the use of company cars for the period in which they receive retirement pay. The benefits granted are paid out or provided from the age of 63. Contracts from October 2015 fundamentally specify that these benefits will begin at the age of 65.

Retirement pay is calculated as a percentage of the basic remuneration. The individual percentage increases by a specified percentage with every year of service and may be up to 50 percent of the agreed monthly basic remuneration at the time of termination of employment.

The pension obligations in accordance with IAS 19 for members of the active Board of Management amounted to EUR 34,330 (26,684) thousand on December 31, 2016; the amount of EUR 7,646 (1,430) thousand including actuarial effects was allocated to the provision in the year under review in accordance with IAS 19. The measurement of pension obligations also includes other benefits such as surviving dependents' pensions and the provision of company cars. The pension obligations measured in accordance with the requirements of German commercial law came to EUR 20,074 (19,658) thousand; the amount of EUR 417 (5,192) thousand was allocated to the provision in the year under review in accordance with the requirements of German commercial law. Current pension payments are increased in line with the index-linking of the highest collectively agreed salary, provided that the application of Section 16 of the German Act on the Improvement of Company Pension Provision (BetrAVG) does not lead to a higher increase.

Former members of the Board of Management and their surviving dependents received EUR 6,744 (9,409) thousand during the reporting period. For this group of individuals, which also includes members of the Board of Management who left the Company in the fiscal year, there were pension obligations amounting to EUR 77,964 (67,276) thousand measured in accordance with IAS 19 or EUR 57,952 (57,404) thousand in accordance with the requirements of German commercial law.

Board of Management pensions in 2016 (IFRS)

EUR	Pension expense	Present values as of December 31 [1]
Prof. Rupert Stadler [2]	–	–
Dr. Bernd Martens	517,536	7,197,418
Prof. h. c. Thomas Sigi	580,745	6,169,039
Axel Strotbek	475,025	7,829,187
Dr. Dietmar Voggenreiter	488,861	4,671,454
Prof. Dr.-Ing. Hubert Waltl	395,709	8,462,921
Dr.-Ing. Stefan Knirsch (until Sep. 23, 2016) [3]	257,389	5,044,515
Total	**2,715,265**	**39,374,534**

1) Of which active members of the Board of Management EUR 34,330,019
2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.
3) Pension expense for the period from Jan. 1 to Dec. 31, 2016

Board of Management pensions in 2016 (German Commercial Code [HGB])

EUR	Service costs	Present values as of December 31 [1]
Prof. Rupert Stadler [2]	–	–
Dr. Bernd Martens	79,019	4,039,408
Prof. h. c. Thomas Sigi	177,278	3,538,356
Axel Strotbek	33,988	4,579,216
Dr. Dietmar Voggenreiter	–72,735	2,415,198
Prof. Dr.-Ing. Hubert Waltl	–24,570	5,502,091
Dr.-Ing. Stefan Knirsch (until Sep. 23, 2016) [3]	2,718,397	2,789,426
Total	**2,911,377**	**22,863,695**

1) Of which active members of the Board of Management EUR 20,074,269
2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.
3) Service costs for the period from Jan. 1 to Dec. 31, 2016

// BENEFITS PAID UPON EARLY TERMINATION OF EMPLOYMENT

If the activity is ended with good cause for which the member of the Board of Management is not responsible, entitlement shall be limited to a maximum of two years' annual remuneration (settlement cap).

In the event that the employment is ended with good cause for which the member of the Board of Management is responsible, no termination payment is made to the Board of Management member.

In the event of premature termination of their employment, the members of the Board of Management are also granted retirement pay with a survivor's pension as well as the use of company cars for the period in which they receive retirement pay.

A settlement of EUR 3.8 million was agreed on the basis of an individually stipulated contract for the member of the Board of Management who left the Company in the year under review.

/ REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the Supervisory Board is composed of fixed and variable components in accordance with Article 16 of the Articles of Incorporation and Bylaws of AUDI AG. Pursuant to Section 314, Para. 1, No. 6a) of the German Commercial Code (HGB), the remuneration amounts to EUR 749 (202) thousand. The remuneration comprises EUR 231 (202) thousand in fixed and EUR 518 (–) thousand in variable components. The amount of the variable remuneration components is based on the compensatory payment made for the 2016 fiscal year in accordance with the applicable provision in the Articles of Incorporation and Bylaws.

The actual payment of individual parts of the total remuneration, which will only be determined upon finalization of the compensatory payment, will be made in the 2017 fiscal year pursuant to Section 16 of the Articles of Incorporation and Bylaws.

Expenses for remuneration of the Supervisory Board

EUR	Fixed	Variable	Total 2016	
Matthias Müller	–	–	–	Chairman [1)] Shareholder representative
Berthold Huber [2)]	20,500	48,800	69,300	Vice Chairman [1)] Employee representative
Mag. Josef Ahorner	11,500	24,400	35,900	Shareholder representative
Senator h. c. Helmut Aurenz	11,000	24,400	35,400	Shareholder representative
Rita Beck [2)] (since Dec. 13, 2016)	450	1,220	1,670	Employee representative
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	–	–	–	Shareholder representative
Dr. Christine Hohmann-Dennhardt (joined on Feb. 16, 2016, resigned on Jan. 31, 2017)	–	–	–	Shareholder representative
Johann Horn [2)]	11,500	24,400	35,900	Employee representative
Rolf Klotz [2)]	11,000	24,400	35,400	Employee representative [3)]
Peter Kössler	11,500	24,400	35,900	Employee representative
Mag. Julia Kuhn-Piëch	11,500	24,400	35,900	Shareholder representative
Peter Mosch [2)]	16,000	36,600	52,600	Employee representative [1)]
Dr. jur. Hans Michael Piëch [4)]	14,375	32,194	46,569	Shareholder representative [1)]
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	20,500	48,800	69,300	Shareholder representative [5)]
Dr. jur. Ferdinand Oliver Porsche	16,000	36,600	52,600	Shareholder representative [6)]
Dr. rer. comm. Wolfgang Porsche	11,500	24,400	35,900	Shareholder representative
Norbert Rank [2)] (resigned with effect from Nov. 30, 2016)	14,375	33,550	47,925	Employee representative [7)]
Jörg Schlagbauer [2)]	16,000	36,600	52,600	Employee representative [6)]
Irene Schulz [2)] (since Jul. 11, 2016)	5,250	11,522	16,772	Employee representative
Helmut Späth [2)]	11,500	24,400	35,900	Employee representative
Max Wäcker [2)]	11,500	24,400	35,900	Employee representative
Sibylle Wankel [2)] (resigned with effect from Jun. 30, 2016)	5,500	12,200	17,700	Employee representative
Prof. Dr. rer. pol. Carl H. Hahn	–	–	–	Honorary Chairman
Total	**231,450**	**517,686**	**749,136**	

1) Member of the Presiding Committee and the Negotiating Committee
2) The employee representatives have stated that their remuneration as Supervisory Board members shall be paid to the Hans Böckler Foundation, in accordance with the guidelines of the German Confederation of Trade Unions.
3) Member of the Audit Committee (since Feb. 16, 2017)
4) Member of the Presiding Committee and the Negotiating Committee (since May 11, 2016)
5) Chairman of the Audit Committee
6) Member of the Audit Committee
7) Vice Chairman of the Audit Committee (until Nov. 30, 2016)

MANDATES OF THE BOARD OF MANAGEMENT

Status of all data: December 31, 2016

Prof. Rupert Stadler (53)
Chairman of the Board of Management
Mandates:

- ▪ FC Bayern München AG, Munich (Vice Chairman)
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria

Dr. Bernd Martens (50)
Procurement

Prof. h. c. Thomas Sigi (52)
Human Resources and Organization
Mandates:

- ▪ Digitales Gründerzentrum der Region Ingolstadt GmbH, member of the Supervisory Board
- ▪ Volkswagen Pension Trust e.V., Wolfsburg

Axel Strotbek (52)
Finance and IT
Mandate:

- ▪ VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig

Dr. Dietmar Voggenreiter (47)
Marketing and Sales

Prof. Dr.-Ing. Hubert Waltl (58)
Production and Logistics
Mandates:

- ▪ Digitales Gründerzentrum der Region Ingolstadt GmbH, Vice Chairman of the Supervisory Board
- ▪ Technische Hochschule Ingolstadt, Chairman of the University Council
- ◆ VOLKSWAGEN FAW Engine (Dalian) Co., Ltd., Dalian, China

Resigned from the Board of Management with effect from September 23, 2016:

- **Dr.-Ing. Stefan Knirsch** (50)

In connection with their duties of Group steering and governance within the Audi Group, the members of the Board of Management hold further supervisory board seats at Group companies and material participations.

▪ Membership of statutorily constituted domestic supervisory boards

◆ Membership of comparable domestic and foreign regulatory bodies

MANDATES OF THE SUPERVISORY BOARD

Status of all data: December 31, 2016

Matthias Müller (63) 1)
Chairman
Chairman of the Board of Management of Volkswagen AG, Wolfsburg
Member of the Board of Management of Porsche Automobil Holding SE, Stuttgart

Berthold Huber (66)
Vice Chairman
Mandate:
- ▪ Porsche Automobil Holding SE, Stuttgart

Mag. Josef Ahorner (56)
Businessman, Vienna, Austria
Mandates:
- ◆ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ◆ Emarsys AG, Vienna, Austria (Chairman)

Senator h. c. Helmut Aurenz (79)
Owner of the ASB Group, Stuttgart
Mandates:
- ◆ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ◆ Scania AB, Södertälje, Sweden

Rita Beck (46), since December 13, 2016
Member of the Works Council of AUDI AG, Ingolstadt plant

Dr. rer. pol. h. c. Francisco Javier Garcia Sanz (59) 1)
Member of the Board of Management of Volkswagen AG, Wolfsburg
Mandates:
- ▪ Hochtief AG, Essen
- ◆ Criteria Caixaholding S.A., Barcelona, Spain

Dr. Christine Hohmann-Dennhardt (66) 1), since February 16, 2016
Member of the Board of Management of Volkswagen AG, Wolfsburg
Mandate:
- ◆ Messe Frankfurt GmbH, Frankfurt am Main

Johann Horn (58)
Chief Executive of the Ingolstadt office of the IG Metall trade union
Mandates:
- ▪ EDAG Engineering GmbH, Wiesbaden (Vice Chairman)
- ▪ EDAG Engineering Holding GmbH, Munich (Vice Chairman)
- ▪ Treuhandverwaltung IGEMET GmbH, Frankfurt am Main (Vice Chairman)

Rolf Klotz (58)
Chairman of the Works Council of AUDI AG, Neckarsulm plant

Peter Kössler (57)
Head of Engine Planning, AUDI AG, Ingolstadt plant
Chairman of the Board of Management of AUDI HUNGARIA SERVICES Zrt., Győr, Hungary
Chairman of the Board of Directors AUDI HUNGARIA MOTOR Kft., Győr, Hungary

Mag. Julia Kuhn-Piëch (35)
Property Manager, Salzburg, Austria
Mandates:
- ▪ MAN SE, Munich
- ▪ MAN Truck & Bus AG, Munich

Peter Mosch (44)
Chairman of the General Works Council of AUDI AG
Mandates:
- ▪ Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt
- ▪ Porsche Automobil Holding SE, Stuttgart
- ▪ Volkswagen AG, Wolfsburg

1) In connection with his/her duties of Group steering and governance within the Volkswagen Group, this member of the Supervisory Board holds further supervisory board seats at Group companies and material participations.

▪ Membership of statutorily constituted domestic supervisory boards

◆ Membership of comparable domestic and foreign regulatory bodies

Dr. jur. Hans Michel Piëch (74)
Attorney, Vienna, Austria
Mandates:

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Volkswagen AG, Wolfsburg
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria
- ◆ Volksoper Wien GmbH, Vienna, Austria

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch (65)
Chairman of the Supervisory Board of Volkswagen AG, Wolfsburg
Chairman of the Board of Management and Chief Financial Officer of Porsche Automobil Holding SE, Stuttgart
Mandates:

- ■ Autostadt GmbH, Wolfsburg (Chairman)
- ■ Bertelsmann Management SE, Gütersloh
- ■ Bertelsmann SE & Co. KGaA, Gütersloh
- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Volkswagen AG, Wolfsburg (Chairman)
- ◆ Porsche Austria Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Retail GmbH, Salzburg, Austria (Chairman)
- ◆ VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman)
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. jur. Ferdinand Oliver Porsche (55)
Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria
Mandates:

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Volkswagen AG, Wolfsburg
- ◆ PGA S.A., Paris, France
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. rer. comm. Wolfgang Porsche (73)
Chairman of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart
Chairman of the Supervisory Board of Dr. Ing. h. c. F. Porsche AG, Stuttgart
Mandates

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart (Chairman)
- ■ Porsche Automobil Holding SE, Stuttgart (Chairman)
- ■ Volkswagen AG, Wolfsburg
- ◆ Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria (Chairman)
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria

Jörg Schlagbauer (39)
Member of the Works Council of AUDI AG, Ingolstadt plant
Mandates:

- Audi BKK, Ingolstadt (Chairman)
- BKK Landesverband Bayern, Munich (Alternating Chairman)
- Sparkasse Ingolstadt, Ingolstadt

Irene Schulz (52), since July 11, 2016
Executive Member of the Managing Board of the IG Metall trade union, Frankfurt am Main
Mandate:

- Osram Licht AG & Osram GmbH, Munich

Helmut Späth (60)
Member of the Works Council of AUDI AG, Ingolstadt plant
Mandates:

- Audi BKK, Ingolstadt
- Volkswagen Pension Trust e.V., Wolfsburg

Max Wäcker (62)
Vice Chairman of the Works Council of AUDI AG, Ingolstadt plant
Mandate:

- Audi BKK, Ingolstadt

Resigned from the Supervisory Board with effect from June 30, 2016:

- **Sibylle Wankel** (52)

Resigned from the Supervisory Board with effect from November 30, 2016:

- **Norbert Rank** (61)

Resigned from the Supervisory Board with effect from January 31, 2017:

- **Dr. Christine Hohmann-Dennhardt** (66)

Since February 16, 2017, member of the Supervisory Board:

- **Hiltrud Dorothea Werner** (50)
  Member of the Board of Management of Volkswagen AG, Wolfsburg

CONSOLIDATED FINANCIAL STATEMENTS

OF THE AUDI GROUP FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2016

INCOME STATEMENT OF THE AUDI GROUP

EUR million	Notes	2016	2015
Revenue	1	59,317	58,420
Cost of goods sold	2	–49,390	–47,043
Gross profit		**9,927**	**11,376**
Distribution costs	3	–5,807	–5,782
Administrative expenses	4	–663	–640
Other operating income	5	2,643	3,150
Other operating expenses	6	–3,048	–3,269
Operating profit		**3,052**	**4,836**
Result from investments accounted for using the equity method	7	365	451
Finance expenses	8	–339	–155
Other financial result	9	–31	152
Financial result		**–5**	**448**
Profit before tax		**3,047**	**5,284**
Income tax expense	10	–980	–987
Profit after tax		**2,066**	**4,297**
of which profit share of non-controlling interests		*82*	*92*
of which profit share of AUDI AG shareholders		*1,985*	*4,204*
Appropriation of profit share due to AUDI AG shareholders			
Profit transfer to Volkswagen AG	11	–918	–2,752
Transfer to retained earnings		1,067	1,452

EUR	Notes	2016	2015
Earnings per share	12	46.16	97.78
Diluted earnings per share	12	46.16	97.78

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	2016	2015
Profit after tax	**2,066**	**4,297**
Revaluations from pension plans recognized in other comprehensive income		
Revaluations from pension plans before tax recognized in other comprehensive income	–937	373
Deferred taxes on revaluations from pension plans recognized in other comprehensive income	293	–133
Revaluations from pension plans after tax recognized in other comprehensive income	–644	240
Share of other comprehensive income of equity-accounted investments that will not be reclassified subsequently to profit or loss after tax	–1	0
Items that will not be reclassified to profit/loss after tax	**–645**	**240**
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	111	100
Currency translation differences transferred to profit or loss	–	–
Currency translation differences before tax	111	100
Currency translation differences after tax	111	100
Cash flow hedges		
Fair value changes recognized in other comprehensive income	1,174	–3,020
Fair value changes transferred to profit or loss	863	1,709
Cash flow hedges before tax	2,038	–1,311
Deferred taxes on cash flow hedges	–607	391
Cash flow hedges after tax	1,431	–920
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	2	17
Fair value changes transferred to profit or loss	–1	–107
Available-for-sale financial assets before tax	1	–91
Deferred taxes on available-for-sale financial assets	0	27
Available-for-sale financial assets after tax	1	–64
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	–30	72
Items that will be reclassified to profit/loss after tax	**1,512**	**–812**
Other comprehensive income before tax	1,182	–857
Deferred taxes relating to other comprehensive income	–314	285
Other comprehensive income after tax [1]	**868**	**–572**
Total comprehensive income	**2,934**	**3,725**
of which profit share of non-controlling interests	*105*	*128*
of which profit share of AUDI AG shareholders	*2,829*	*3,597*

1) A share of EUR 23 (35) million of other profit after tax from currency translation differences with no effect on profit or loss is attributable to non-controlling interests.

BALANCE SHEET OF THE AUDI GROUP

ASSETS *in EUR million*	Notes	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	14	6,550	5,787
Property, plant and equipment	15	12,591	11,380
Leasing and rental assets	16	3	–
Investment property	16	364	319
Investments accounted for using the equity method	17	4,763	4,483
Other participations		280	295
Deferred tax assets	18	2,601	2,939
Other financial assets	19	1,275	580
Other receivables	20	172	181
Non-current assets		**28,599**	**25,963**
Inventories	21	7,233	6,317
Trade receivables	22	4,880	4,097
Effective income tax assets	23	21	29
Other financial assets	19	1,580	2,357
Other receivables	20	1,211	844
Securities	24	6,028	4,782
Cash funds	24	11,449	12,375
Current assets		**32,403**	**30,800**
Available-for-sale assets	**25**	**87**	**–**
Total assets		**61,090**	**56,763**

EQUITY AND LIABILITIES *in EUR million*	Notes	Dec. 31, 2016	Dec. 31, 2015
Subscribed capital	26	110	110
Capital reserve	26	11,716	10,190
Retained earnings	26	12,731	12,308
Other reserves	26	129	–1,360
AUDI AG shareholders' interest		24,685	21,248
Non-controlling interests	26	636	531
Equity		**25,321**	**21,779**
Financial liabilities	27	314	247
Other financial liabilities	29	993	1,421
Other liabilities	30	1,225	1,069
Provisions for pensions	31	5,202	4,221
Other provisions	33	6,220	5,431
Effective income tax obligations	32	809	849
Deferred tax liabilities	28	217	192
Non-current liabilities		14,980	13,431
Financial liabilities	27	502	1,637
Trade payables	34	7,406	7,204
Other financial liabilities	29	3,893	6,040
Other liabilities	30	2,503	2,249
Other provisions	33	6,135	4,153
Effective income tax obligations	32	267	271
Current liabilities		20,705	21,554
Liabilities		**35,685**	**34,985**
Liabilities classified as held for sale	**25**	**84**	**–**
Total equity and liablities		**61,090**	**56,763**

CASH FLOW STATEMENT OF THE AUDI GROUP

EUR million	2016	2015
Profit before profit transfer and income taxes	3,047	5,284
Income tax payments	–947	–1,698
Amortization of and impairment losses (reversals) on capitalized development costs	871	739
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, leasing and rental assets, investment property and other intangible assets	2,273	1,926
Depreciation of and impairment losses (reversals) on financial investments	15	0
Result from the disposal of assets	40	–5
Result from investments accounted for using the equity method	43	392
Change in inventories	–798	–1,143
Change in receivables	–907	–1,446
Change in liabilities	1,010	2,009
Change in provisions	2,778	885
Change in leasing and rental assets	–3	–
Other non-cash income and expenses	95	261
Cash flow from operating activities	**7,517**	**7,203**
Additions of capitalized development costs	–1,676	–1,262
Investments in property, plant and equipment, investment property and other intangible assets	–3,409	–3,534
Acquisition of subsidiaries and changes in capital	–11	–50
Acquisition of investments in associates and other participations and changes in capital	–355	–816
Sale of subsidiaries, other participations and changes in capital	0	11
Other cash changes	28	75
Change in investments in securities	–1,257	–1,301
Change in fixed deposits and loans extended	5,738	4,673
Cash flow from investing activities	**–943**	**–2,204**
Capital contributions	1,526	1,620
Transfer of profit	–2,752	–3,239
Change in financial liabilities	–1,221	54
Leasing payments made	–7	–10
Cash flow from financing activities	**–2,454**	**–1,575**
Change in cash and cash equivalents due to changes in exchange rates	56	105
Change in cash and cash equivalents	**4,177**	**3,529**
Cash and cash equivalents at beginning of period	7,218	3,689
Cash and cash equivalents at end of period	**11,395**	**7,218**

EUR million	Dec. 31, 2016	Dec. 31, 2015
Cash funds	11,395	7,218
Fixed deposits, securities and loans extended to participations	6,653	11,086
Gross liquidity	**18,048**	**18,304**
Credit outstanding	–816	–1,885
Net liquidity	**17,232**	**16,420**

The Cash Flow Statement is explained in Note 38.

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, 2015	110	8,570	10,628
Profit after tax	–	–	4,204
Other comprehensive income after tax	–	–	240
Total comprehensive income	**–**	**–**	**4,444**
Capital increase	–	1,620	–
Profit transfer to Volkswagen AG	–	–	–2,752
Miscellaneous changes	–	–	–13
Position as of Dec. 31, 2015	**110**	**10,190**	**12,308**
Position as of Jan. 1, 2016	110	10,190	12,308
Profit after tax	–	–	1,985
Other comprehensive income after tax	–	–	–644
Total comprehensive income	**–**	**–**	**1,341**
Capital increase	–	1,526	–
Profit transfer to Volkswagen AG	–	–	–918
Miscellaneous changes	–	–	–
Position as of Dec. 31, 2016	**110**	**11,716**	**12,731**

Equity is explained in Note 26 in the Notes to the Consolidated Financial Statements.

Other reserves				Equity		
Reserve for currency translation differences	Reserve for cash flow hedges	Reserve for fair value measurement of securities	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interests	Total
70	–702	32	87	18,796	403	19,199
–	–	–	–	4,204	92	4,297
64	–920	–64	72	–607	35	–572
64	**–920**	**–64**	**72**	**3,597**	**128**	**3,725**
–	–	–	–	1,620	–	1,620
–	–	–	–	–2,752	–	–2,752
–	–	–	–	–13	–	–13
135	**–1,622**	**–31**	**159**	**21,248**	**531**	**21,779**
135	–1,622	–31	159	21,248	531	21,779
–	–	–	–	1,985	82	2,066
88	1,431	1	–31	845	23	868
88	**1,431**	**1**	**–31**	**2,829**	**105**	**2,934**
–	–	–	–	1,526	–	1,526
–	–	–	–	–918	–	–918
–	–	–	–	–	–	–
222	**–192**	**–30**	**128**	**24,685**	**636**	**25,321**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DEVELOPMENT OF FIXED ASSETS IN THE 2016 FISCAL YEAR

EUR million	Gross carrying amounts								
	Costs	Changes in scope of consolidated companies	Currency changes	Additions	Changes from investments accounted for using the equity method	Transfers	Disposals	Available-for-sale assets	Costs
	Jan. 1, 2016								Dec. 31, 2016
Concessions, industrial property rights and similar rights and values, as well as licences and customer bases	1,222	–	3	103	–	6	79	0	1,255
Brand names	459	–	–	–	–	–	–	–	459
Goodwill	378	–	–	–	–	–	–	–	378
Capitalized development costs, products currently under development	1,700	–	–	1,411	–	−1,481	14	–	1,615
Capitalized development costs, products currently in use	5,453	–	–	265	–	1,481	634	–	6,565
Payments on account for intangible assets	2	–	0	4	–	−1	0	–	4
Intangible assets	**9,213**	**–**	**3**	**1,783**	**–**	**5**	**727**	**0**	**10,276**
Land, land rights and buildings, including buildings on third-party land	7,494	–	28	232	–	316	87	9	7,974
Plant and machinery	6,944	–	48	344	–	830	198	–	7,969
Other plant and office equipment	15,341	–	28	1,790	–	711	214	5	17,651
Payments on account and assets under construction	1,865	–	−12	947	–	−1,862	12	–	927
Property, plant and equipment	**31,645**	**–**	**91**	**3,314**	**–**	**−5**	**511**	**14**	**34,520**
Leasing and rental assets	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**3**
Investment property	**383**	**66**	**5**	**0**	**–**	**1**	**11**	**–**	**444**
Investments accounted for using the equity method	**4,483**	**–**	**−35**	**355**	**−40**	**–**	**–**	**–**	**4,763**
Other participations	**300**	**−11**	**–**	**11**	**–**	**–**	**2**	**0**	**299**
Fixed assets	**46,024**	**55**	**64**	**5,466**	**−40**	**0**	**1,251**	**14**	**50,304**

	Adjustments									Carrying amounts	
Cumulative depreciation and amortization	Changes in scope of consolidated companies	Currency changes	Additions	Impairment losses	Transfers	Dis-posals	Reversal of impairment losses	Available-for-sale assets	Cumulative depreciation and amortization		
Jan. 1, 2016									Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2015
871	–	1	153	–	−1	78	–	0	946	309	351
45	–	–	2	–	–	–	–	–	47	412	414
–	–	–	–	–	–	–	–	–	–	378	378
–	–	–	–	14	–	14	–	–	–	1,615	1,700
2,510	–	–	857	–	–	634	–	–	2,733	3,832	2,942
–	–	–	–	–	–	–	–	–	–	4	2
3,427	**–**	**1**	**1,012**	**14**	**–1**	**727**	**–**	**0**	**3,726**	**6,550**	**5,787**
2,930	–	3	239	–	0	47	–	−6	3,118	4,855	4,564
4,819	–	6	556	46	5	191	–	–	5,242	2,727	2,126
12,517	–	4	1,237	24	−3	206	–	−4	13,569	4,082	2,824
–	–	–	–	–	–	–	–	–	–	927	1,865
20,266	**–**	**13**	**2,032**	**71**	**1**	**444**	**–**	**–10**	**21,929**	**12,591**	**11,380**
–	**–**	**–**	**0**	**–**	**–**	**–**	**–**	**–**	**0**	**3**	**–**
64	**1**	**1**	**14**	**–**	**0**	**–**	**–**	**–**	**80**	**364**	**319**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,763**	**4,483**
6	**–**	**–**	**–**	**15**	**–**	**2**	**–**	**–**	**19**	**280**	**295**
23,761	**1**	**15**	**3,059**	**100**	**–**	**1,172**	**–**	**–10**	**25,754**	**24,551**	**22,263**

DEVELOPMENT OF FIXED ASSETS IN THE 2015 FISCAL YEAR

EUR million	Gross carrying amounts							
	Costs	Changes in scope of consolidated companies	Currency changes	Additions	Changes from investments accounted for using the equity method	Transfers	Disposals	Costs
	Jan. 1, 2015							Dec. 31, 2015
Concessions, industrial property rights and similar rights and values, as well as licences and customer bases	1,200	0	0	123	–	−1	100	1,222
Brand names	459	–	–	–	–	–	–	459
Goodwill	378	–	–	–	–	–	–	378
Capitalized development costs, products currently under development	2,492	–	–	832	–	−1,625	–	1,700
Capitalized development costs, products currently in use	4,388	–	–	429	–	1,625	990	5,453
Payments on account for intangible assets	3	–	0	1	–	−2	0	2
Intangible assets	**8,920**	**0**	**0**	**1,386**	**–**	**−3**	**1,090**	**9,213**
Land, land rights and buildings, including buildings on third-party land	6,487	39	10	457	–	538	37	7,494
Plant and machinery	6,345	0	−10	456	–	313	160	6,944
Other plant and office equipment	13,863	0	2	1,219	–	550	293	15,341
Payments on account and assets under construction	1,910	–	61	1,324	–	−1,410	20	1,865
Property, plant and equipment	**28,606**	**39**	**63**	**3,456**	**–**	**−8**	**510**	**31,645**
Investment property	**343**	**24**	**4**	**1**	**–**	**11**	**0**	**383**
Investments accounted for using the equity method	**4,022**	**–**	**71**	**781**	**−391**	**–**	**–**	**4,483**
Other participations	**273**	**−37**	**1**	**77**	**–**	**–**	**13**	**300**
Fixed assets	**42,164**	**26**	**139**	**5,700**	**−391**	**–**	**1,614**	**46,024**

Adjustments									Carrying amounts	
Cumulative depreciation and amortization	Changes in scope of consolidated companies	Currency changes	Additions	Impairment losses	Transfers	Disposals	Reversal of impairment losses	Cumulative depreciation and amortization		
Jan. 1, 2015								Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014
824	0	1	147	–	–2	99	–	871	351	375
43	–	–	2	–	–	–	–	45	414	416
–	–	–	–	–	–	–	–	–	378	378
–	–	–	–	–	–	–	–	–	1,700	2,492
2,761	–	–	739	–	–	990	–	2,510	2,942	1,627
–	–	–	–	–	–	–	–	–	2	3
3,628	**0**	**1**	**889**	**–**	**–2**	**1,089**	**–**	**3,427**	**5,787**	**5,292**
2,744	1	3	211	–	0	28	–	2,930	4,564	3,743
4,506	0	0	464	–	0	151	–	4,819	2,126	1,840
11,683	0	3	1,090	0	2	261	–	12,517	2,824	2,180
0	–	–	–	–	–	0	–	–	1,865	1,910
18,933	**1**	**5**	**1,765**	**0**	**2**	**440**	**–**	**20,266**	**11,380**	**9,673**
50	**1**	**2**	**11**	**–**	**–**	**0**	**–**	**64**	**319**	**293**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,483**	**4,022**
5	**–**	**–**	**–**	**0**	**–**	**0**	**–**	**6**	**295**	**268**
22,616	**2**	**8**	**2,665**	**0**	**–**	**1,529**	**–**	**23,761**	**22,263**	**19,547**

GENERAL INFORMATION

AUDI AG has the legal form of a German stock corporation (Aktiengesellschaft). Its registered office is at Auto-Union-Straße 1, Ingolstadt, and the Company is recorded in the Commercial Register of Ingolstadt under HR B 1.

Around 99.55 percent of the subscribed capital of AUDI AG is held by Volkswagen AG, Wolfsburg, with which a control and profit transfer agreement exists. The Consolidated Financial Statements of AUDI AG are included in the Consolidated Financial Statements of Volkswagen AG, which are held on file at the Local Court of Wolfsburg. The purpose of the Company is the development, production and sale of motor vehicles, other vehicles and engines of all kinds, together with their accessories, as well as machinery, tools and other technical articles.

/ 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 observed. The prior-year figures have been calculated according to the same principles.

The Income Statement is prepared in accordance with the cost of sales method.

AUDI AG prepares its Consolidated Financial Statements in euros (EUR). All figures have been rounded in accordance with standard commercial practice, with the result that minor discrepancies may occur when adding these amounts.

The Consolidated Financial Statements provide a true and fair view of the net worth, financial position and financial performance of the Audi Group.

The requirements of Section 315a of the German Commercial Code (HGB) regarding the preparation of Consolidated Financial Statements in accordance with IFRS, as endorsed by the EU, are met.

All requirements that must be applied under German commercial law are additionally observed in preparing the Consolidated Financial Statements. In addition, the requirements of the German Corporate Governance Code have been adhered to.

The Board of Management prepared the Consolidated Financial Statements on February 13, 2017. This date marks the end of the adjusting events period.

// EFFECTS OF NEW OR REVISED STANDARDS

The Audi Group has implemented all of the accounting standards whose application became mandatory with effect from the 2016 fiscal year. Various changes to accounting standards have entered into effect for 2016 following the 2012 and 2014 Annual International Financial Reporting Standards Improvement Projects. Revisions have been made, among others, to IFRS 3, IFRS 7, IFRS 8, IFRS 13 and IAS 24. Changes to IAS 16 and IAS 38 clarified the fact that revenue-based depreciation methods are frequently not permissible. Various definitions have also been clarified in IAS 1, although these have no impact on the disclosures in the Annual Financial Statements. IAS 1 also stipulates that disclosures are only required if their content is material.

The provisions of IAS 19 regarding the accounting of employee pension contributions were also modified. Employee contributions, the amount of which is not dependent on the number of years in service (fixed percentage of salary), are deducted from the service costs in the year in which the contributions are made for the purposes of the Consolidated Financial Statements of the Audi Group. None of the described changes, or any of the other changes to the IFRS, have an impact on the net worth, financial position, financial performance and cash flow of the Audi Group.

// NEW OR REVISED STANDARDS NOT APPLIED

The following new or revised accounting standards already approved by the IASB were not applied in the Consolidated Financial Statements for the 2016 fiscal year because their application was not yet mandatory:

Standard/Interpretation		Published by the IASB	Mandatory application [1]	Endorsed by the EU	Prospective Effects
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	June 20, 2016	Jan. 1, 2018	No	None
IFRS 4	Insurance Contracts: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"	Sep. 12, 2016	Jan. 1, 2018	No	None
IFRS 9	Financial Instruments	July 24, 2014	Jan. 1, 2018	Yes	Detailed descriptions according to the table
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sept. 11, 2014	Postponed [2]	–	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018 [3]	Yes	Detailed descriptions according to the table
	Clarification of IFRS 15 "Revenue from Contracts with Customers"	April 12, 2016	Jan. 1, 2018	No	Additional transition relief, otherwise no material effects
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	No	Detailed descriptions according to the table
IAS 7	Statement of Cash Flows: Disclosures	Jan. 29, 2016	Jan. 1, 2017	No	Preparation of a reconciliation statement for liabilities from financing activities
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 19, 2016	Jan. 1, 2017	No	No material impact
IAS 40	Investment Property: Transfer of Investment Property	Dec. 8, 2016	Jan. 1, 2018	No	No material impact
	Improvements to International Financial Reporting Standards 2016 [4]	Dec. 8, 2016	Jan. 1, 2018	No	No material impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Dec. 8, 2016	Jan. 1, 2018	No	Translation of foreign currency advance payments in the functional currency at the spot exchange rate on the day of payment

1) Mandatory first-time application from the perspective of AUDI AG.
2) Decision made by the IASB on December 15, 2015 to postpone the date of initial application for an indefinite period.
3) Postponed until January 1, 2018 (IASB decision of September 11, 2015)
4) Minor changes to a number of IFRS (IFRS 1, IFRS 12, IAS 28).

/// IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 "Financial Instruments" revises the accounting requirements on the classification and measurement of financial assets, on the impairment of financial assets and on hedge accounting.

The classification and measurement of financial assets are based on the business model in which an asset is held and on cash flow characteristics. Financial assets, at initial recognition, are either measured "at amortized cost", "at fair value through other comprehensive income" (FVOCI) or "at fair value through profit and loss" (FVPL). The classification of financial assets in accordance with IFRS 9 does not have any material impact. The classification of financial liabilities under IFRS 9 is mainly unchanged compared with the current accounting rules under IAS 39.

The model for calculating impairments and risk provisioning is changed from an incurred loss model to an expected credit loss model. The expectation is that these new rules will tend to result in higher levels of risk provisioning. This expectation is dependent on the requirement that risk provisioning is based on expected credit losses for the first 12 months for financial assets that are not classed as non-performing and for which the credit risk has not significantly increased since initial recognition. It is also based on the view that, with regard to financial assets for which the credit risk has significantly increased since initial recognition, risk provisioning should be taken into account on the basis of the total contractual residual maturity.

With regard to hedge accounting, the changes result in extended options for designating hedges, more complex measurement methods and simpler assessments of effectiveness. In particular, the reclassification practice under IFRS 9 will change. Depending on market development, hedging transactions are assumed to have a greater impact on the operating result. The new rules also provide for considerably more comprehensive disclosures in the Notes.

/// IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 contains revised accounting rules in relation to revenue recognition. Major changes, particularly with regard to multiple-element arrangements, are not expected. It is planned to apply the modified retrospective transition method in accordance with IFRS 15.C3(b).

/// IFRS 16 – LEASES

IFRS 16 changes the requirements for accounting for leases. The main aim of IFRS 16 is for all leases to be recognized on the balance sheet. This means that lessees are no longer classified as finance and operate leases. Instead, in future they must create a right of use and a leasing liability in their balance sheet for all leases. The only exceptions are for short-term and low-value leases. During the lease term, the right of use must be depreciated and the leasing liability must be updated using the effective interest method and taking the lease payments into account. The new lessee accounting model tends to result in an increase in long-term assets and in long-term liabilities. A benefit in the operating profit and a decrease in the financial result is expected in the Income Statement. The new rules also provide for considerably extensive disclosures in the Notes. The lessor accounting model generally corresponds to the current requirements of IAS 17. Lessors in future must also create a finance and operate leases classification based on the distribution of the opportunities and risks associated with the asset.

/ NOTES ON THE DIESEL ISSUE

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a “Notice of Violation” that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. The California Air Resources Board (CARB) also issued a compliance letter announcing an investigation on the same day. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. In this context the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around 11 million vehicles worldwide with certain diesel engines, including 2.4 million Audi vehicles.

On November 2, 2015, the EPA issued another “Notice of Violation” alleging that irregularities had also been discovered in the software installed in certain vehicles with six-cylinder diesel engines of type V6 3.0 TDI. Also on November 2, 2015, and in a supplement on November 25, 2015, CARB issued letters stating that engine management software was installed in certain vehicles with type V6 3.0 TDI diesel engines developed by the Audi Group to circumvent NO_x emissions testing regulations in the United States in order to comply with certification requirements. Audi has confirmed that at least a total of three auxiliary emission control devices (AECDs) were not declared in the course of the U.S. approval documentation of vehicles with six-cylinder V6 3.0 TDI diesel engines. These relate to approximately 83,000 vehicles of model years 2009 through 2016 of the Audi, Volkswagen Passenger Cars and Porsche brands in the United States.

Volkswagen AG holds internal development responsibility for the four-cylinder diesel engines within the Group and AUDI AG for the six-cylinder V6 3.0 TDI diesel engines. Volkswagen and Audi are working intensively to clarify the issue. To this end, Volkswagen has ordered both internal inquiries and external investigations. The external investigation has been conducted with the involvement of external lawyers in Germany and the USA. To clarify this issue, Audi set up an internal task force, furnished committees with the necessary resources and launched a program of cooperation for employees covered by collective agreements in 2015. Regular reporting, in particular to the Board of Management, has been part of the initiatives as well. The law firm Jones Day also has conducted independent and comprehensive investigations into this matter and received operational support from the auditing firm Deloitte. We are cooperating with all the responsible authorities to clarify these matters completely and transparently.

On January 4, 2016, the Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG. The claims asserted under civil law are based on the alleged use of the defeat device software as defined under U.S. law in violation of the U.S. Clean Air Act. The complaint's allegations relate to both the four-cylinder and the V6 3.0 TDI diesel engines.

In June and December 2016 as well as in January 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG, reached settlement agreements in the USA with the DOJ on behalf of the EPA, the CARB and the California Attorney General, as well as the U.S. Federal Trade Commission (FTC) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California.

The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles in the USA. Vehicles with four-cylinder diesel engines from the Volkswagen Passenger Cars and Audi brands and vehicles with V6 3.0 TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands are affected. In October 2016, the court finally approved the settlement agreements in connection with the four-cylinder diesel engines. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlements in connection with the four-cylinder diesel engines. The court has yet to approve the settlement agreements in relation to the V6 3.0 TDI diesel engines, which were filed on January 31, 2017.

The settlements with respect to the four-cylinder diesel engine vehicles provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification.

The settlements with respect to the V6 3.0 TDI diesel engine vehicles, which remain subject to court approval, provide affected customers of so-called Generation 1 vehicles (model years 2009 to 2012) with the option of a buyback or, for leased vehicles, early lease termination, trade-in, or emissions modification of the vehicles free of charge for customers, provided that EPA and CARB approve the modification for vehicles. Additionally, Generation 1 owners and lessees, as well as certain former owners and lessees, will be eligible to receive cash payments. With respect to so-called Generation 2 vehicles (model years 2013 to 2016), customers will receive a free emissions compliant repair to bring the vehicles into compliance with the emissions standards to which they were originally certified – provided that EPA and CARB grant approval – as well as cash payments. If approval ultimately cannot be obtained from EPA and CARB for emissions compliant repairs within the time limits set out in the settlement agreement, Generation 2 customers will be offered the options for buyback, lease termination, trade-in or – if approved by EPA and CARB – an emissions modification that reduces the amount of emissions but does not bring the vehicles into compliance with original certification standards, in addition to cash payments. Only in the event that the modifications for vehicles with V6 3.0 TDI diesel engines of Generation 2 should not be approved would Audi have to offer a buyback or, for leased vehicles, early lease termination in accordance with the agreements. Certain former Generation 2 owners or lessees would also receive additional cash payments. Together with Volkswagen, AUDI AG is responsible for implementing these agreements.

Pursuant to the settlements reached in June 2016, Volkswagen in addition agreed to support environmental programs. Under this arrangement payments will be made for a period of three years to an environmental trust managed by a court-appointed trustee to offset excessive NO_x emissions. For a period of ten years, Volkswagen will additionally invest in the infrastructure for zero emissions vehicles as well as in initiatives that promote the corresponding access to and awareness for this technology. Pursuant to the settlements reached in December 2016, which remain subject to court approval, Volkswagen has agreed to make a payment into an environmental mitigation trust and implement a “Green City” initiative in the USA. AUDI AG’s share of the payments in connection with the V6 3.0 TDI diesel engines to this trust amounts to USD 225 million. Furthermore, Volkswagen will make a payment to CARB to support the availability of battery electric vehicles in California. AUDI AG’s share of this payment amounts to USD 25 million.

In January 2017, Volkswagen AG, Volkswagen Group of America, Inc. as well as certain affiliates, including AUDI AG, agreed with the U.S. government to resolve federal criminal claims relating to the diesel issue. The Volkswagen Group also agreed with the U.S. government to resolve civil penalties and injunctive relief under the Clean Air Act, as well as other civil claims against the company relating to the diesel issue.

The coordinated resolutions involve four agreements, including a plea agreement between Volkswagen AG and the DOJ. The plea agreement is accompanied by a published Statement of Facts that lays out relevant facts concerning the diesel issue acknowledged by Volkswagen AG.

The plea agreement, which is subject to U.S. federal court approval, provides for payment of a criminal fine and the appointment of an independent monitor for three years. The independent monitor will assess and oversee the company’s compliance with the terms of the resolution and oversee the implementation of measures to further strengthen compliance, reporting and monitoring mechanisms, including an enhanced ethics program at the affected Volkswagen Group companies including AUDI AG.

Volkswagen AG, Volkswagen Group of America, Inc. as well as certain affiliates, including AUDI AG, have also agreed to pay – subject to court approval – a combined penalty to resolve U.S. federal environmental and customs-related civil claims. Separately, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a civil penalty to the Civil Division of the DOJ to settle potential claims asserted under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

By their terms, these agreements resolve the liability of Volkswagen and Audi under U.S. law and are not intended to address their liability, if any, under the laws or regulations of any jurisdiction outside the United States. Volkswagen continues to cooperate in full with investigations by the DOJ into the conduct of individuals.

Furthermore, Volkswagen reached settlement agreements with the attorneys general of 44 U.S. states, the District of Columbia and Puerto Rico to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with vehicles in the USA fitted with four-cylinder and six-cylinder diesel engines.

These settlements do not resolve potential state environmental claims related to the affected vehicles or certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In Canada, the NO_x emission limits are the same as those in the United States, and civil consumer claims and regulatory investigations have been initiated for vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines. In December 2016, Volkswagen AG and other companies of the Volkswagen Group reached a settlement in Canada in connection with class actions by Canadian consumers relating to certain four-cylinder diesel vehicles. The settlement provides for cash payments to eligible owners and lessees, as well as the option of a buyback or exchange or, for leased vehicles, early lease termination or a free emissions modification of the vehicle, if approved by the regulators. The settlement is still awaiting court approval; the hearing has been scheduled for March 2017. Concurrently with the announcement of the class action settlement in December 2016, Volkswagen Group Canada reached a civil resolution with the Canadian Commissioner of Competition in relation to the regulator's investigation of certain four-cylinder diesel vehicles. This resolution is based on the agreement reached in the class action settlement; Volkswagen Group Canada will in addition pay a civil administrative monetary penalty.

The consumer actions and the investigations by the Commissioner of Competition regarding the V6 3.0 TDI diesel engine vehicles remain pending. In addition, criminal investigations by the Canadian Environmental Law Agency and quasi-criminal investigations by regional environmental agencies in Canada relating to certain vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines are pending.

In the 2016 fiscal year, the Kraftfahrzeug-Bundesamt (KBA – the German Federal Motor Transport Authority) issued official approvals needed for modification of the Volkswagen Group vehicles fitted with certain four-cylinder diesel engines falling within its remit. Only 14,000 vehicles await approval, which is expected to be granted in the first quarter of 2017. The implementation of the technical solution began at the beginning of 2016. Based on current planning, implementation of measures will take the full 2017 calendar year to complete. We are now working expeditiously to implement the technical solutions. In agreement with the relevant authorities, the owners of the affected vehicles will be notified and can then make an appointment for modification of their vehicle in an authorized workshop. Customers are guaranteed that the solutions will be implemented free of charge.
There are presently no direct effects on profit arising for the Audi Group for the 2016 fiscal year on the basis of existing contractual agreements with Volkswagen AG, Wolfsburg, related to the four-cylinder diesel engine issue.

In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation.

Based on the facts of the diesel issue available to and assessed by the incumbent Board of Management of AUDI AG at the time of preparation of the financial statements, relating both to the four-cylinder diesel engines for which Volkswagen AG is accountable and to the V6 3.0 TDI diesel engines of AUDI AG, it is the opinion of the Board of Management of AUDI AG that adequate risk provisioning has been made in the form of provisions for technical measures and legal risks in connection with the settlement agreements for the diesel issue in the United States. The provisioning also covers diesel issues in Canada and sales measures in the markets affected by the suspension of sales. Additional information regarding the provisions created at the Audi Group in connection with the diesel issue is available in the Notes to the Consolidated Financial Statements under Note 33 "Other provisions." Based on pending court approval and the ongoing reconciliations with the authorities, the calculation of these provisions is affected by multiple uncertain factors and thus subject to significant evaluation risks.

/ NOTES ON THE PRECAUTIONARY AIRBAG RECALL

The Audi Group, together with the Volkswagen Group and in consultation with various traffic safety agencies, is carrying out in-depth analyses on potential effects of the use of possibly defective airbags made by Takata. Vehicle recalls have been ordered by the authorities in the United States, Canada, Japan and the Republic of Korea. Provisions have been made for this based on current findings (see Note 33 "Other provisions" in the Notes to the Consolidated Financial Statements).

/ 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.

Special securities funds are also included in the Audi Group's Consolidated Financial Statements. These structured entities pursuant to IFRS 12 do not present any special risks or result in any particular obligations for Audi.

Companies in which AUDI AG does not hold any interests, either directly or indirectly, are included in the Consolidated Financial Statements. As a result of contractual agreements, however, AUDI AG exerts control. Non-controlling interests in equity and in profit are allocated to the following companies on a 100 percent basis in each case.

Company	Non-controlling interests
Audi Canada Inc., Ajax (Canada)	Volkswagen Group Canada, Inc., Ajax (Canada)
Audi of America, LLC, Herndon (USA)	VOLKSWAGEN GROUP OF AMERICA, INC., Herndon (USA)
Automobili Lamborghini America, LLC, Herndon (USA)	VOLKSWAGEN GROUP OF AMERICA, INC., Herndon (USA)

Further information on non-controlling interests is provided in Note 26.

Subsidiaries with limited business operations that are of subordinate importance, both individually and in total, with regard to providing a true and fair view of the net worth, financial position, financial performance and cash flow are not consolidated. Before consolidation, these subsidiaries account for 0.7 (0.6) percent of consolidated equity, 0.7 (0.4) percent of profit after tax, and 0.6 (0.5) percent of the total assets of the Audi Group. Associates and joint ventures, which among others are of subordinate importance in terms of Audi's share in their equity and earnings, are not accounted for using the equity method for reasons of materiality.

Subsidiaries, associated companies and joint ventures that are not fully consolidated or consolidated using the equity method, as well as financial participations, are as a general rule reported at amortized cost. Where there is evidence that the fair value is lower, this fair value is recognized.

From December 31, 2015, there were no changes to the group of consolidated companies with a material impact on the presentation of the net worth, financial position, financial performance and cash flow of the Audi Group. In the period under review, Audi México Real Estate S. de R.L. de C.V., San José Chiapa (Mexico) was merged into a consolidated subsidiary.

The material companies within the Audi Group are listed following the Notes.

The full list of companies in which shares are held, according to commercial law, is recorded in the Commercial Register of Ingolstadt under HR B 1 and is also available on the Audi website at www.audi.com/subsidiaries. This list can additionally be requested directly from AUDI AG, Financial Communication / Financial Analysis, I/FF-3, Auto-Union-Straße 1, 85045 Ingolstadt, Germany.

By virtue of their inclusion in the Consolidated Financial Statements of the Audi Group, the following companies have fulfilled the requirements of Section 264, Para. 3 or Section 264b of the German Commercial Code (HGB) and make use of the exemption rule:

- Audi Electronics Venture GmbH
- AUDI Immobilien GmbH & Co. KG
- Audi Sport GmbH

// COMPOSITION OF THE AUDI GROUP

Total	2016	2015
AUDI AG and fully consolidated subsidiaries/structured entities	42	42
of which in Germany	*7*	*7*
of which in foreign countries	*35*	*35*
Non-consolidated subsidiaries	31	31
of which in Germany	*21*	*20*
of which in foreign countries	*10*	*11*
Investments accounted for using the equity method (in foreign countries)	4	4
Investments and joint ventures not accounted for using the equity method	25	22
of which in Germany	*19*	*16*
of which in foreign countries	*6*	*6*
	102	**99**

// PARTICIPATIONS IN ASSOCIATED COMPANIES

As of the balance sheet date, AUDI AG holds a 10 percent share in FAW-Volkswagen Automotive Company, Ltd., Changchun, a Chinese automotive manufacturer which, among other activities, produces and distributes Audi brand vehicles for the Chinese market. Through its representation in this company's management and supervisory board, AUDI AG is in a position to exercise significant influence.

AUDI AG also indirectly holds 30 percent of Volkswagen Group Services S.A./N.V., Brussels (Belgium). This is a finance company used by Audi for factoring transactions.

Audi also holds a 49 percent stake in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin, a Chinese manufacturer of transmission systems, including for Audi models.

The Audi Group, BMW Group and Daimler AG each hold a 33.3 percent interest in There Holding B.V., Rijswijk (Netherlands), which was established in 2015. There Holding B.V. acquired all shares in the HERE Group at a price of EUR 2,593 million via its fully owned subsidiary, There Acquisition B.V., Rijswijk (Netherlands) with effect from December 4, 2015. HERE develops and distributes high-resolution maps with location-specific real-time information. The purchase price was largely financed through capital contributions at There Holding B.V. The Audi stake amounts to EUR 668 million. The remaining portion of the purchase price was financed by bank loans taken out by There Acquisition B.V. There Acquisition B.V. was renamed HERE International B.V. on January 29, 2016.

There Holding B.V. is an associated company consolidated using the equity method. The process of identifying hidden reserves and expenses was concluded during the first quarter of 2016. At December 31, 2015, There Holding B.V. was not included in the Consolidated Financial Statements on the basis of pro rata profit given the timings referred to, and also on grounds of materiality.

In December 2016, There Holding B.V. signed agreements on the sale of a total of 25 percent of its shares in HERE International B.V. 15 percent of these shares were sold to Intel Holdings B.V. in January 2017. The remaining 10 percent were sold to a Chinese consortium comprising NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd. This transaction is expected to be completed in the first half of 2017 subject to approval by the relevant authorities.

Further information on the previously described associated companies, which are accounted for using the equity method, is provided in Note 17.

/ CONSOLIDATION PRINCIPLES

The assets and liabilities of the domestic and foreign companies included in the Consolidated Financial Statements are recognized in accordance with the standard recognition and measurement principles of the Audi Group.

In the case of subsidiaries that are being consolidated for the first time, the assets and liabilities are to be measured at their fair value at the time of acquisition. Any identified hidden reserves and expenses are amortized, depreciated or reversed in accordance with the development of the corresponding assets and liabilities as part of the subsequent consolidation process. Where the cost of purchase of a participation exceeds the Group share in the equity of the relevant company as calculated in this manner, goodwill is created. This is then allocated to identifiable groups of assets (cash-generating units) which should benefit from the synergies of the acquisition. Goodwill at this level is regularly subject to impairment testing as of the balance sheet date, with an impairment loss being recognized if necessary.

Within the Audi Group, the predecessor method is applied in relation to common control transactions. Under this method, the assets and liabilities of the acquired company or business operations are measured at the gross carrying amounts of the previous parent company. The predecessor method thus means that no adjustment to the fair value of the acquired assets and liabilities is performed at the time of acquisition; any difference arising during initial consolidation is adjusted against equity, without affecting profit or loss.

Receivables and liabilities between consolidated companies are netted, and expenses and income eliminated. Interim profits and losses are eliminated from Group inventories and fixed assets. Consolidation processes affecting profit or loss are subject to deferrals of income taxes; deferred tax assets and liabilities are offset where the term and tax creditor are the same.

The same recognition and measurement principles for determining the pro rata equity as applied to subsidiaries are, as a general rule, applied to Audi Group companies accounted for using the equity method. This is done on the basis of the last set of audited financial statements of the company in question. Any investments in companies accounted for using the equity method and acquired in conjunction with a common control transaction are also included using the predecessor method. There is therefore no adjustment to the fair values at the time of acquisition. Any difference between the purchase price and share of equity is adjusted against equity, without affecting profit or loss.

/ FOREIGN CURRENCY TRANSLATION

The currency of the Audi Group is the euro (EUR). Foreign currency transactions in the separate financial statements of AUDI AG and the subsidiaries are translated at the prevailing exchange rate at the time of the transaction in each case. Monetary items in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Exchange differences are recognized in the income statements of the respective Group companies.

The foreign companies belonging to the Audi Group are independent entities and prepare their financial statements in their local currency. Only AUDI HUNGARIA MOTOR Kft., Győr (Hungary), AUDI HUNGARIA SERVICES Zrt., Győr (Hungary), AUDI MÉXICO S.A. de C.V., San José Chiapa (Mexico), and AUDI VOLKSWAGEN MIDDLE EAST FZE, Dubai (United Arab Emirates), issue their annual financial statements in EUR or USD rather than in their national currencies. The concept of the “functional currency” is applied when translating financial statements prepared in a foreign currency. Assets and liabilities, with the exception of equity, are translated at the closing rate. The effects of foreign currency translation on equity are reported in the reserve for currency translation differences with no effect on profit or loss. The items in the Income Statement are translated using weighted average monthly rates. Currency translation differences arising from the varying exchange rates used in the Balance Sheet and Income Statement are recognized in equity, without affecting profit or loss, until the disposal of the subsidiary.

// DEVELOPMENT OF THE EXCHANGE RATES SERVING AS THE BASIS FOR THE CURRENCY TRANSLATION

1 EUR in foreign currency		Year-end exchange rate		Average exchange rate	
		Dec. 31, 2016	Dec. 31, 2015	2016	2015
Australia	AUD	1.4615	1.4897	1.4885	1.4777
Brazil	BRL	3.4372	4.3117	3.8567	3.7004
United Kingdom	GBP	0.8585	0.7340	0.8196	0.7259
Japan	JPY	123.5000	131.0700	120.1997	134.3140
Canada	CAD	1.4228	1.5116	1.4661	1.4186
Mexico	MXN	21.8480	18.9145	20.6778	17.6161
Republic of Korea	KRW	1,269.1100	1,280.7800	1,284.4141	1,256.5444
Switzerland	CHF	1.0749	1.0835	1.0902	1.0679
Singapore	SGD	1.5260	1.5417	1.5278	1.5255
Taiwan	TWD	34.1659	35.8543	35.6875	35.2497
Thailand	THB	37.8013	39.2480	39.0554	38.0278
USA	USD	1.0560	1.0887	1.1071	1.1095
People’s Republic of China	CNY	7.3332	7.0608	7.3533	6.9733

RECOGNITION AND MEASUREMENT PRINCIPLES

/ *RECOGNITION OF INCOME AND EXPENSES*

Revenue, interest income and other operating income are always recorded when the services are rendered or the goods or products are delivered, i.e. when the risk and reward are transferred to the customer. Revenue is reported after the deduction of any discounts.

No revenue is initially realized from the sale of vehicles subject to buy-back agreements. The difference between the selling price and the expected buy-back price is recognized on a straight-line basis over the period between sale and buy-back. Vehicles that are still included in the accounts are reported under inventories.

Where additional services have been contractually agreed with the customer in addition to the sale of a vehicle, such as warranty extensions, mobile services or the completion of maintenance work over a fixed period, the related revenues and expenses are recorded in the Income Statement in accordance with the provisions of IAS 18 governing multiple-element arrangements based on the economic content of the individual contractual components (partial services).

Operating expenses are recognized in profit or loss when the service is used or at the time they are economically incurred.

/ *INTANGIBLE ASSETS*

Intangible assets acquired for consideration are recognized at their cost of purchase, taking into account ancillary costs and cost reductions, and are amortized on a scheduled straight-line basis over their useful life.

Concessions, rights and licenses relate to purchased software, rights of use and subsidies paid.

Goodwill from a business combination has an indefinite useful life and is subject to regular impairment testing.

Brand names from business combinations generally have an indefinite useful life and are therefore not amortized. An indefinite useful life frequently arises from the continued use and maintenance of a brand. Brand names are tested regularly for impairment.

Research costs are treated as current expenses in accordance with IAS 38. The development expenditure for products going into series production is recognized as an intangible asset, provided that the sale of these products is likely to bring economic benefit to the Audi Group. If the conditions stated in IAS 38 for capitalization are not met, the costs are expensed in the Income Statement in the year in which they occur.

Capitalized development costs encompass all direct and indirect costs that can be directly allocated to the development process. They are amortized on a straight-line basis from the start of production over the anticipated model life of the developed products.

Depreciation, allocated to the corresponding functional areas, is primarily based on the following useful lives, which are reassessed yearly:

	Useful life
Concessions, industrial property rights, and similar rights and values	2–15 years
of which software	*3–5 years*
of which customer base	*2–8 years*
Capitalized development costs	4-9 years

/ *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment are measured at cost of purchase or construction, with straight-line depreciation applied pro rata temporis over the expected useful life.

The costs of purchase include the purchase price, ancillary costs and cost reductions.

In the case of self-constructed fixed assets, the cost of construction includes both the directly attributable material and labor costs as well as the indirect material and labor costs to be capitalized, including pro rata depreciation.

Depreciation is generally based on the following useful lives, which are reassessed on a yearly basis:

	Useful life
Buildings	14–50 years
Land improvements	10–33 years
Plant and machinery	6–12 years
Plant and office equipment including special tools	2–15 years

Property, plant and equipment used on the basis of lease agreements is capitalized in the Balance Sheet if the conditions of a finance lease are met in accordance with IAS 17, i.e. if the significant opportunities and risks which result from the use of an asset have passed to the lessee. Capitalization is performed at fair value or the lower present value of the minimum lease payments. The straight-line depreciation method is based on the shorter of economically useful life or term of lease contract.

In the case of leasing arrangements where not all opportunities and risks associated with the leased property (operate lease) have passed to them, leasing installments and rents are expensed directly in the Income Statement.

/ LEASING AND RENTAL ASSETS

Leased vehicles are recognized at cost of purchase or manufacturing cost in the case of operate lease agreements and depreciated using the straight line method over the term of the lease down to their estimated residual value. Reductions for impairment and adjustments to future depreciation rates are made to take account of impairment losses calculated on the basis of impairment testing pursuant to IAS 36.

/ INVESTMENT PROPERTY

Land or buildings held with the intention of generating rental income are reported in the Balance Sheet at amortized cost. The amortization periods applied are, as a general rule, those applied to property, plant and equipment used by the Group itself. In the case of measurement at amortized cost, the fair values calculated as a general rule using internal calculations based on the discounted cash flow method are also to be stated. These calculations are made based on the rental income generated from real estate and the real estate-specific discounting rates.

/ INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Companies in which AUDI AG is directly or indirectly able to exercise significant influence on financial and operating policy decisions (associated companies) are accounted for using the equity method. This means that changes in equity are reflected on a pro rata basis in the carrying amount of the participation. The share of the profit of the associated company is reported under the financial result.

/ BORROWING COSTS

Borrowing costs that can be allocated directly to a qualifying asset are capitalized as part of that asset's cost of purchase or construction. A qualifying asset is deemed to exist if a relatively long period of time will be required before the asset will be ready for use or sale.

/ IMPAIRMENT TESTS

Fixed assets are tested regularly for impairment as of the balance sheet date.

With regard to impairment testing of goodwill and of other intangible assets, the Audi Group as a general rule reports the higher of value in use and fair value less costs to sell of the respective cash generating units (brands and/or products). The calculation of value in use is based on current planning prepared by the management. This planning is based on expectations regarding the future development of the respective markets, market shares and profitability of the products. The planning period covers a period of five years. Plausible assumptions about future development are made for the subsequent years. In each case, the planning assumptions are adjusted in line with current findings. Appropriate assumptions based on macroeconomic trends and historical developments are taken into account.

Cash flows are, in principle, calculated on the basis of the expected growth rates in the sales markets concerned. Growth in the operating profit of the two cash generating units Automotive and Motorcycles is expected up to the end of the detailed planning period. Estimated cash flow following onto the detailed planning period is based on an annual growth rate of 1.0 (1.0) percent in the Automotive unit and 1.0 (1.0) percent in the Motorcycles unit.

When testing goodwill and other intangible assets with indefinite and limited useful lives, essentially capitalized development costs, in the two cash generating units Automotive and Motorcycles business for impairment, the value in use is determined using the following weighted average cost of capital (WACC) before taxes:

%	2016	2015
Automotive segment	5.4	6.5
Motorcycles segment	5.7	6.9

The cost of capital is calculated based on a risk-free interest rate. As well as the market risk premium and borrowing interest rate, specific peer group information for beta factors and the debt ratio is taken into account.

Impairment tests are carried out for development activities, acquired property rights, and property, plant and equipment on the basis of expected product life cycles, the respective revenue and cost situation, current market expectations and currency-specific factors.

Impairment losses pursuant to IAS 36 are recognized where the recoverable amount, i.e. the higher amount from either the continued use or the disposal of the asset in question, has declined below its carrying amount. If necessary, an impairment loss resulting from this test is recognized.

Sensitivity analyses have shown that, even in the case of differing key assumptions within a realistic framework, there is no need to recognize an impairment for goodwill and other intangible assets with an indefinite useful life.

If the reason for a previously recorded impairment loss ceases to exist, the asset is written up to the recoverable amount but to no higher than the amount of the amortized cost. Any impairment of goodwill is never reversed.

/ FINANCIAL INSTRUMENTS

Financial instruments are contracts that create financial assets for one party and, at the same time, a financial debt or equity instrument for the other party.

Financial instruments are recognized and measured in accordance with the provisions of IAS 39.

According to this, financial instruments are divided into the following categories:

- available-for-sale financial assets,
- loans and receivables,
- held-to-maturity investments,
- financial assets measured at fair value through profit or loss.

The Audi Group does not have any financial assets that fall into the category of “held-to-maturity investments.”

Financial liabilities are categorized as follows:

- financial liabilities measured at fair value through profit or loss,
- financial liabilities measured at amortized cost.

Assignment to one of these categories depends on the purpose of the financial instrument in question and is reviewed at the end of each reporting period.

The Audi Group does not make use of the fair value option, i.e. choosing to measure certain assets and liabilities at fair value through profit or loss.

Financial assets are recognized on the settlement date. Initial measurement of financial assets and liabilities is carried out at fair value. Subsequent measurement is dependent on the category assigned in accordance with IAS 39 and is carried out either at amortized cost or at fair value.

The amortized cost of a financial asset or financial liability, using the effective interest method, is the amount at which a financial instrument was measured at initial recognition minus any principal repayments, impairment losses or uncollectable debts.

In the case of current financial assets and liabilities, the amortized costs basically correspond to the nominal value or the repayment value.

Fair value generally corresponds to the market value or trading price. If no active market exists, fair value is determined as far as possible using other observable input factors. If no such input factors are available, fair value is determined using market pricing techniques, for example by discounting future cash flows at a market rate or applying established option pricing models.

Financial instruments are abandoned if the rights to payments have expired or been transferred and the Audi Group has transferred all opportunities and risks associated with their title. With regard to factoring, all opportunities and risks are transferred.

Financial assets and liabilities are only offset if offsetting the amounts is legally enforceable at the current time and if there is an actual intention to offset. As a general rule, no financial assets and liabilities are offset within the Audi Group due to the required conditions not being met. Given the general lack of any global offsetting agreements or similar arrangements, it is also not possible to carry out offsetting under certain conditions.

Financial assets and liabilities include both non-derivative and derivative claims or commitments, as detailed below.

// NON-DERIVATIVE FINANCIAL INSTRUMENTS

The “Loans and receivables” and “Financial liabilities measured at amortized cost” categories include non-derivative financial instruments measured at amortized cost. These include, in particular:

- borrowings,
- trade receivables and payables,
- other current assets and liabilities,
- financial liabilities,
- cash and cash equivalents.

Receivables and liabilities in foreign currencies are measured at the relevant year-end exchange rates.

In the case of current items, the fair values to be additionally indicated in the Notes correspond to the amortized costs. For assets and liabilities with a remaining term of more than one year, fair values are determined by discounting future cash flows at market rate. Recognizable credit risks associated with “Loans and receivables” are accounted for by creating specific allowances. These are entered in the amount of the incurred loss for significant individual receivables using benchmarks applied uniformly across the Group. Potential impairment is assumed in the event of various circumstances such as a payment delay of a specific duration, introduction of coercive measures, threat of insolvency or over-indebtedness, application for or opening of insolvency proceedings or failure of restructuring measures. Impairment losses on receivables are regularly posted to separate impairment accounts and written off at the same time as the corresponding impaired receivable.

The item “Available-for-sale financial assets” includes non-derivative financial instruments that are either allocated to this category or cannot be allocated to any of the other categories. This includes equity instruments, such as shares in equity, and debt instruments, such as bonds. As a general rule, financial instruments that fall into this category are reported at fair value. In the case of listed financial instruments – exclusively securities in the case of the Audi Group – the fair value corresponds to the market value on the balance sheet date. Fluctuations in value are accounted for within equity in the reserve for the fair value measurement of securities, taking deferred tax into account. Foreign currency gains and losses are reported under equity instruments with no effect on profit or loss.

“Available-for-sale financial assets” are impaired if there is objective evidence of a long-term loss of value. In the case of equity instruments, a permanent value reduction is deemed to have occurred if the market value falls below the cost of purchase on a significant basis (more than 20 percent) or on a long-term basis (more than 10 percent of the average market prices throughout a year). Debt instruments are impaired if future payment flows from the financial asset are expected to fall. Any rise in risk-free interest rates or credit spreads, however, does not constitute objective evidence of a loss in value. As soon as impairment occurs, the difference between the cost of purchase and fair value is posted under the financial result with an effect on profit or loss. Any loss previously recorded in the reserve for fair value measurement of securities, without affecting profit or loss, is abandoned.

Reversals of impairments – provided that the securities affected are equity instruments – are recognized without affecting profit or loss. If, on the other hand, the securities concerned are debt instruments, impairment losses are reversed with an effect on profit or loss (no higher than the previous impairment amount) if the increase in the fair value, when viewed objectively, is based on an event that occurred after the impairment loss was recorded with an effect on profit or loss.

The category “Available-for-sale financial assets” comprises securities. Interests in non-consolidated subsidiaries and participations in associated companies and joint ventures that are not valued according to the equity method are not classed as financial instruments. Other participations that do not fall within the scope of IAS 28, IFRS 10 or IFRS 11 and are measured at their respective amortized cost pursuant to IAS 39.46(c) are reported in the category “Measured at fair value.”

Where there is evidence that the fair value of the securities and participations is lower, the corresponding value adjustments are carried out. As of the balance sheet date, there is no intention to sell any material participations.

// DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are used as a hedge against foreign exchange and commodity price risks for items on the Balance Sheet and for future cash flows (underlying transactions). Futures, as well as options in the case of foreign exchange risks, are taken out for this purpose.

Additionally, under the rules of IAS 39, some contracts are classed as derivative financial instruments:

- rights to acquire shares in companies,
- agreements entered into by the Audi Group with authorized dealers with a view to hedging against potential losses from buy-back obligations for leased vehicles.

The rules for hedge accounting are applied if a clear hedging relationship between the underlying transaction and the hedge is documented and its effectiveness demonstrated.

Changes in the fair value of hedging instruments are posted in the Balance Sheet according to the type of hedge. When hedging against exchange rate risks from future cash flows (cash flow hedges), the fluctuations in the market value of the effective portion of a derivative financial instrument are initially reported within equity in the reserve for cash flow hedges, with no effect on profit or loss, and are only recognized as income or expense under operating profit once the hedged item is due. The ineffective portion of a hedge is recognized immediately in profit or loss.

Regarding the hedging of balance sheet items (fair-value hedges), both the changes in fair value of the hedging instrument and those of the underlying transaction are recognized in profit and loss.

Derivative financial instruments that are used to hedge market risks according to commercial criteria but do not fully meet the requirements of IAS 39 with regard to effectiveness of hedging relationships are categorized as “Measured at fair value through profit or loss.”

Rights to acquire shares in companies, and the model for hedging against potential losses from buy-back obligations for leased vehicles, are also reported in the Balance Sheet in accordance with the rules for “Financial instruments measured at fair value through profit or loss.” The results from “Financial instruments measured at fair value through profit or loss” are reported under the financial result.

/ OTHER FINANCIAL ASSETS AND OTHER RECEIVABLES

Other financial assets and other receivables are recognized at amortized cost. Provision is made for discernible non-recurring risks and general credit risks in the form of the corresponding value adjustments.

/ DEFERRED TAX

Pursuant to IAS 12, deferred tax is determined according to the liability method in combination with the temporary concept. With this concept, deferred taxes are recognized for all temporary differences arising from the different valuations of assets and liabilities in the Balance Sheet for tax purposes and in the Consolidated Balance Sheet. Deferred tax assets relating to tax loss carryforwards must also be recognized.

Deferred tax assets include future tax relief resulting from temporary differences between the carrying amounts in the Consolidated Balance Sheet and the valuations in the Balance Sheet for tax purposes. In addition, deferred tax assets relating to tax loss carryforwards and deferred tax assets from tax relief are also recognized, if it is likely that they will be used. Deferred tax liabilities depict future tax charges and are generally recorded for all taxable time differences between the figures posted in the tax balance sheet and those in the Consolidated Balance Sheet.

Deferrals amounting to the anticipated tax burden or tax relief in subsequent fiscal years are created on the basis of the anticipated tax rate at the time of realization. In accordance with IAS 12, the tax consequences of distributions of profit are never recognized until the resolution on the appropriation of profits is adopted. The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income in the context of a planning period of five fiscal years. The carrying amount is reduced for deferred tax assets that are unlikely to be realized.

Deferred tax assets and deferred tax liabilities are netted if the taxable entities and maturities are identical. Deferred taxes are reported pursuant to IAS 1 in relation to non-current assets/liabilities.

/ INVENTORIES

Raw materials and supplies are measured at the lower of average cost of purchase or net realizable value. Other purchase-related costs and cost reductions are taken into account as appropriate.

Work in progress and finished goods are measured at the lower of cost of production or net realizable value. Cost of goods sold includes direct materials and direct production wages, as well as a directly attributable portion of the necessary indirect materials and indirect labor costs, scheduled production-related depreciation, and expenses attributable to the products from the scheduled amortization of capitalized development costs. Distribution costs, administrative expenses and interest on borrowed capital are not capitalized.

Finished goods and products are measured at the lower of cost of purchase or net realizable value.

Provision is made for all discernible storage and inventory risks in the form of appropriate reductions in the carrying amounts. Individual adjustments are made on all inventories as soon as the probable proceeds realizable from their sale or use are lower than the carrying amounts of the inventories. The net realizable value is deemed to be the estimated proceeds of sale less the estimated costs incurred up until the sale.

Current leased assets comprise leased vehicles with an operate lease of up to one year and vehicles that are subject to a buy-back obligation within one year owing to buy-back agreements. These vehicles are capitalized at cost of goods sold and measured in accordance with the expected loss of value and likely useful life. Based on local factors and historical values from the marketing of used cars, updated internal and external information is incorporated into the measurement on an on-going basis.

/ SECURITIES, CASH AND CASH EQUIVALENTS

Securities held as current assets are measured at market value, i.e. at the trading price on the balance sheet date. Cash and cash equivalents are stated at their nominal value. The cash figures encompass cash and cash equivalents. Included under cash equivalents are financial resources that are highly liquid with an insignificant risk of fluctuations in value.

The Audi Group is integrated into the financial management of the Volkswagen Group. As part of cash pooling arrangements, balances are settled on a daily basis and transformed into amounts owed to or by companies of the Volkswagen Group. This increases the efficiency of both intra-Group and external transactions and also reduces transaction costs. The cash pool receivables are allocated to cash and cash equivalents on the basis of their character as cash equivalents.

/ PROVISIONS FOR PENSIONS

Actuarial measurement of provisions for pensions is based on the projected unit credit method for defined retirement benefit plans as specified in IAS 19. This method takes account of pensions and entitlements to future pensions known at the balance sheet date as well as anticipated future pay and pension increases. The actuarial interest rate continues to be determined on the basis of profits realized on the capital market for prime-rated corporate bonds. Individual parameters used to measure provisions for pensions are described in Note 31. Any effects resulting from the new measurement are reported in equity as retained earnings taking account of deferred taxes and with no effect on profit or loss.

/ INCOME TAX OBLIGATIONS

Income tax liabilities comprise current income tax obligations. Deferred taxes are reported under separate balance sheet and income statement items. Provisions are created for potential tax risks based on the best estimate.

/ OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized if a current obligation existing toward third parties on the basis of a past event is likely to lead to cash outflows and where the amount of the obligation can reliably be estimated. Provisions are not offset against recourse entitlements. Provisions with a remaining term of over one year are measured at their discounted settlement value as of the balance sheet date. Market rates are used as the discount rates. A nominal interest rate of 0.04 (0.45) percent was applied within the eurozone. The settlement value also includes the expected cost increases. The non-current portions of provisions for long-service awards were discounted at 1.6 (2.7) percent.

Recourse entitlements in relation to provisions are reported separately in the Balance Sheet as receivables if it is almost certain that compensation will be paid upon settlement of the obligation. They are reported under miscellaneous receivables in the other receivables item in the Balance Sheet.

Other provisions include bonus contributions relating to partial retirement agreements that are accrued on a pro rata basis in accordance with the block model.

/ CONTINGENT LIABILITIES

Contingent liabilities are stated in the Notes to the Consolidated Financial Statements (see Note 39, “Contingent liabilities”) if the criteria for the creation of provisions are not fulfilled but it is not unlikely that there will be an outflow of financial resources. These obligations are only recorded as liabilities once they have become specific, i.e. once the outflow of financial resources has become probable and once the amount of the outflow can be reliably estimated.

/ LIABILITIES

Non-current liabilities are reported in the Balance Sheet at amortized cost. Any differences between the historical costs of purchase and the repayment value are taken into account using the effective interest method. Liabilities from finance leases are reported in the Balance Sheet at the present value of the leasing installments. Current liabilities are recognized at the repayment value or settlement amounts.

/ GOVERNMENT GRANTS

Government grants related to assets are deducted from the cost of purchase or cost of goods sold and thus recognized in profit or loss as a reduced depreciation charge over the life of the depreciable asset. Government grants paid to compensate the Group for expenses are as a general rule recognized in profit or loss during the period in which the corresponding expenses were incurred. If a claim to an allocation arises retrospectively, the amount of the allocation that relates to earlier periods is recognized in income. Grants in the form of non-monetary assets (e.g. free use of land and premises or use of resources for free) are recognized at nominal amount.

/ MANAGEMENT'S ESTIMATES AND ASSESSMENTS

To some degree, the preparation of the Consolidated Financial Statements entails assumptions and estimates with regard to the level and disclosure of the recognized assets and liabilities, income and expense, and disclosures with regard to contingent receivables and liabilities for the reporting period. The assumptions and estimates relate principally to the following contents:

Impairment testing of non-financial assets (particularly goodwill, brand names and capitalized development costs) and of participations accounted for using the equity method or at the cost of purchase requires that assumptions be made with regard to future cash flows during the planning period and, where applicable, with regard to the discounting rate to be applied. Any impairment of the Audi Group's leased assets is also dependent in particular on the residual value of the leased vehicles after the expiry of the lease period, as this represents a significant portion of the expected incoming payment flows. Further information on impairment testing and on the measurement parameters applied can be found in the disclosures on the recognition and measurement principles.

Carrying out impairment testing on financial assets requires estimates of the scale and likelihood of occurrence of future events. Where possible, these estimates are based on historical values. An overview of the value adjustments is included in the additional Notes to the Balance Sheet pursuant to IFRS 7.

Provisions are also recognized and measured on the basis of an estimate of the scale and likelihood of occurrence of future events and on an estimate of the discounting rate of interest. Where possible, use is also made of past experience or of external expert reports. Measurement of provisions for pensions is additionally dependent on the estimated development of the plan assets. The assumptions on which the calculation of provisions for pensions is based are described in Note 31. Actuarial gains or losses are reported in equity with no effect on profit or loss and have no impact on the profit reported in the Income Statement. Changes to estimates relating to the amount of other provisions are always recorded with an effect on profit or loss. The expected value approach means that subsequent allocations are regularly made to provisions or unused provisions are released. The dissolution of provisions is recorded as other operating income, while the expense associated with the creation of new provisions is directly allocated to the relevant functional area. Warranty claims resulting from sales operations are determined on the basis of previous or estimated future losses. An overview of other provisions is provided in Note 33. Details with regard to litigation are provided in Note 40. The aforementioned points also contain information on the diesel issue.

Government grants are recorded based on the assessment of whether there is sufficient certainty that the required conditions are met and the grants will actually be awarded. This assessment is based on the type of legal entitlement and on past experience.

When calculating deferred tax assets, assumptions are required with regard to future taxable income and the dates on which the deferred tax assets are likely to be realized.

The assumptions and estimates are based on premises that reflect the facts as known at any given time. In particular, the circumstances at the time of the preparation of the Consolidated Financial Statements as well as the realistically assumed future development of the global and industry-specific environment are used as a basis for estimating expected future business development. Given that future business development is subject to various uncertain factors, some of which are outside the Group's control, the assumptions and estimates applied continue to be subject to a high level of uncertainty. This is particularly true of short and medium-term cash flow forecasts and of the discounting rates used in forecasts.

Developments in this environment that deviate from assumptions and are beyond the management's sphere of influence may cause the actual amounts to differ from the estimates originally anticipated. If the actual development varies from the anticipated development, the premises and, if necessary, the carrying amounts for the assets and liabilities in question are adjusted accordingly.

The Audi Group expects the global economy to grow more strongly in 2017 than in the previous year. However, protectionist tendencies, turbulence on financial markets and structural deficits in individual countries could hamper the growth prospects. In addition, geopolitical tensions and conflicts continue to put a strain on economic development. Economic activity should improve slightly in most industrial nations. The majority of the emerging markets will probably continue to grow faster than the industrialized countries, with the greatest increases in gross domestic product expected in Asia. Overall, as things currently stand, no major adjustment is expected in the carrying amounts of assets and liabilities in the Consolidated Balance Sheet in the 2017 fiscal year.

The management's estimates and assessments were based in particular on assumptions regarding the development of the economy as a whole, the development of automotive and motorcycle markets, and the development of the basic legal parameters. These aspects, as well as further assumptions, are described in detail in the report on expected developments.

NOTES TO THE INCOME STATEMENT

1 / *REVENUE*

EUR million	2016	2015
Audi brand	41,556	41,428
Lamborghini brand	853	811
Other Volkswagen Group brands	3,599	3,860
Other automotive business	12,579	11,620
Automotive	**58,587**	**57,719**
Ducati brand	593	563
Other motorcycles business	138	138
Motorcycles	**730**	**701**
Revenue	**59,317**	**58,420**

As well as sales generated by the Audi and Lamborghini brands, revenue from the Automotive segment also includes revenue from the other brands in the Volkswagen Group. Revenue from other automotive business primarily includes the supply of parts sets to China, as well as proceeds from the sale of engines and genuine parts.

2 / *COST OF GOODS SOLD*

Amounting to EUR 49,390 (47,043) million, cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. This item also includes expenses resulting from the creation of provisions for warranty costs, for development costs that cannot be capitalized, for depreciation and impairment losses of capitalized development costs, and for property, plant and equipment for manufacturing purposes. Impairment losses on property, plant and equipment totaling EUR 71 million and on intangible assets totaling EUR 14 million in the 2016 fiscal year can be attributed to the lower value in use of various products in the Automotive segment, mainly as a result of market risks. Impairment losses on property, plant and equipment were insignificant in the previous year.

Government grants amounting to EUR 28 (23) million were recognized in profit or loss in the 2016 fiscal year. In principle, these allocations are allocated to the corresponding functional areas.

3 / *DISTRIBUTION COSTS*

Distribution costs of EUR 5,807 (5,782) million mainly include labor and material costs for marketing and sales promotion, advertising, public relations activities and outward freight, as well as depreciation attributable to the sales organization.

4 / *ADMINISTRATIVE EXPENSES*

Administrative expenses of EUR 663 (640) million include labor and material costs, as well as depreciation attributable to administrative operations.

5 / *OTHER OPERATING INCOME*

EUR million	2016	2015
Income from rebilling	585	591
Income from the dissolution of provisions	456	543
Income from derivative hedging transactions	432	806
Income from the processing of payments in foreign currency	322	539
Income from ancillary business	314	325
Income from the disposal of assets	12	16
Income from the reversal of impairment losses of receivables and other assets	4	2
Miscellaneous operating income	519	327
Other operating income	**2,643**	**3,150**

Income from derivative hedging transactions mainly results from the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 37.5, “Methods of monitoring the effectiveness of hedging relationships.”

Income from ancillary business includes rental income from investment property in the amount of EUR 23 (20) million.

Income from the processing of payments in foreign currency largely comprises gains resulting from exchange-rate movements between the dates of output and payment, as well as exchange-rate gains resulting from measurement on the closing date. Similarly, exchange rate losses are reported under other operating expenses.

6 / *OTHER OPERATING EXPENSES*

EUR million	2016	2015
Expenses from derivative hedging transactions	1,140	2,245
Expenses relating to litigation risks and costs	1,029	98
Expenses from the processing of payments in foreign currency	367	460
Expenses from the allocation and rebilling of costs	101	123
Losses on disposal of assets	52	13
Impairment losses on receivables	9	18
Miscellaneous operating expenses	351	312
Other operating expenses	**3,048**	**3,269**

Expenses from derivative hedging transactions mainly result from the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 37.5, “Methods of monitoring the effectiveness of hedging relationships.”

7 / *RESULTS FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD*

The result from investments accounted for using the equity method amounted to EUR 365 (451) million. Further information on investments accounted for using the equity method is provided in Note 17.

8 / *FINANCE EXPENSES*

EUR million	2016	2015
Interest expense	**95**	**62**
Interest effect from the measurement of provisions for pensions	110	104
Interest effect from the measurement of other provisions	131	–12
Interest effect from the measurement of liabilities	3	0
Interest effect from compounding	**244**	**93**
Finance expenses	**339**	**155**

Interest expenses are attributed on an accrual basis.

9 / *OTHER FINANCIAL RESULT*

EUR million	2016	2015
Result from participations	66	68
of which income from profit transfer agreements	*3*	*3*
Result from disposals of securities	–73	25
Income and expense from the measurement of non-derivative financial instruments	–8	–20
Write-ups on non-derivative financial instruments	2	5
Income and expense from fair value measurement of derivative financial instruments	–396	–540
Interest and similar income	142	139
Income from compensatory payments	237	476
Other financial result	**–31**	**152**

The result from participations mainly comprises a share in the profits of Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg. Furthermore, impairment losses of EUR 15 million is included on an investment in the Automotive segment. This is the result of the fact that the market expectations of the participation were not met.

The income and expense from the fair value measurement of derivative financial instruments encompass the ineffective portions of cash flow hedges and the fair value fluctuations of derivative financial instruments that do not comply in full with the effectiveness criteria of IAS 39.

The total position in relation to hedging instruments is presented under Note 37.5, “Methods of monitoring the effectiveness of hedging relationships.” Interest income is attributed on an accrual basis.

Income from compensatory payments concerns a 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., Changchun (China).

10 / *INCOME TAX EXPENSE*

Income tax expense includes taxes passed on by Volkswagen AG, Wolfsburg, on the basis of the single-entity relationship between the two companies for tax purposes, along with taxes owed by AUDI AG and its consolidated subsidiaries, as well as deferred taxes.

EUR 576 (930) million of the actual income tax expense was charged to Volkswagen AG.

EUR million	2016	2015
Actual income tax expense	975	1,301
of which in Germany	*620*	*994*
of which in foreign countries	*354*	*308*
of which income from the dissolution of tax provisions	*–4*	*–5*
Deferred tax expense/income	6	–315
of which in Germany	*30*	*96*
of which in foreign countries	*–24*	*–411*
Income tax expense	**980**	**987**
of which non-periodic tax expense	*19*	*42*

The actual taxes in Germany are calculated at a tax rate of 29.9 (29.8) percent. This represents the sum of the corporation income tax rate of 15.0 percent, the solidarity surcharge of 5.5 percent and the average trade income tax rate for the Group. The deferred taxes for companies in Germany are calculated at a rate of 29.9 (29.8) percent. The local income tax rates applied to foreign companies range from 0 percent to 39 percent.

The effects arising as a result of tax-exempt foreign revenues and tax benefits on research and development expenditure in Hungary are reported under tax-exempt revenues in the tax reconciliation accounts.

The impairment testing of deferred tax assets is generally based on future taxable income in the context of a planning period of five fiscal years. The result of the impairment test is a deferred tax expense from the devaluation of deferred tax claims of EUR 27 (6) million and a deferred tax income from the appreciation of deferred tax assets of EUR 80 (162) million.

Loss carryforwards total EUR 3,328 (3,445) million, of which 154 (97) million may be used indefinitely, with EUR 3,174 (3,349) million to be used within the next ten years. Overall, loss carryforwards in the amount of EUR 2,438 (3,183) million were classed as unusable. In the 2016 fiscal year, the realization of tax losses led to a reduction in current income tax expense of EUR 25 (1) million. Deferred tax assets of EUR 275 (362) million relating to tax loss carryforwards and tax concessions were not reported due to impairment.

No deferred tax claims were recorded in the Balance Sheet for deductible temporary differences of EUR 1 (160) million or for tax concessions in the amount of EUR 12 (12) million.

Deferred tax liabilities of EUR 26 (28) million for temporary differences and non-distributed profits of AUDI AG subsidiaries were not recorded due to the existence of control pursuant to IAS 12.39.

Deferred taxes of EUR 9 (9) million were capitalized, with no deferred tax liabilities in the corresponding amount being offset against them. Following a loss in the current fiscal year, the companies concerned are expecting to record a positive tax income in future.

Of the deferred taxes reported in the Balance Sheet, a total of EUR 314 million was recorded in the current fiscal year with a resulting decrease in equity, without influencing the Income Statement. In the previous year, a total of EUR 285 million was recorded with a corresponding increase in equity.

The recording of actuarial losses without affecting profit or loss, pursuant to IAS 19, led to an increase in equity of EUR 293 million in the current fiscal year from the creation of deferred taxes. During the previous year, deferred taxes of EUR 133 million on actuarial gains were taken into account, resulting in a decrease in equity. The change in deferred taxes on the effects recognized in equity for derivative financial instruments and securities led to a decrease of EUR 607 million in equity during the course of the year. From these effects, deferred taxes amounting to EUR 418 million were recorded with a corresponding increase in equity in the previous year.

Deferred taxes posted directly in equity in the current fiscal year are broken down in detail in the Statement of Comprehensive Income.

10.1 / *DEFERRED TAX ASSETS AND LIABILITIES ON RECOGNITION AND MEASUREMENT DIFFERENCES RELATING TO INDIVIDUAL BALANCE SHEET ITEMS AND ON TAX LOSS CARRYFORWARDS*

EUR million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	60	112	1,506	1,285
Property, plant and equipment	257	293	153	66
Long-term financial investments	–	–	36	42
Inventories	62	63	90	26
Receivables and other assets	456	361	744	369
Other current assets	156	136	0	0
Provisions for pensions	1,180	872	–	–
Liabilities and other provisions	2,389	2,356	41	27
Impairment losses on deferred tax assets from temporary differences	–33	–86	–	–
Temporary differences after impairment	4,526	4,108	2,570	1,815
Loss carryforwards after impairment	112	79	–	–
Tax credits after impairment	107	119	–	–
Value before consolidation and balancing	**4,745**	**4,305**	**2,570**	**1,815**
of which non-current	*3,233*	*2,695*	*2,011*	*1,501*
Offsetting	–2,356	–1,626	–2,356	–1,626
Consolidation measures	213	260	3	3
Carrying amount	**2,601**	**2,939**	**217**	**192**

10.2 / RECONCILIATION OF EXPECTED TO REPORTED INCOME TAX EXPENSES

EUR million	2016	2015
Profit before income tax	3,047	5,284
Expected income tax expense 29.9% (29.8%)	911	1,574
Reconciliation:		
Divergent foreign tax burden	–24	–60
Tax portion for tax-exempt income	–279	–447
Tax portion for expenses not deductible for tax purposes	111	17
Tax portion for effects from loss carryforwards and tax credits	–63	–83
Tax portion for permanent accounting differences	125	4
Non-periodic tax expense	19	42
Effects of tax rate changes	92	–10
Other tax effects	88	–50
Income tax expense reported	**980**	**987**
Effective tax rate in %	32.2	18.7

11 / PROFIT TRANSFER TO VOLKSWAGEN AG

The amount of EUR 918 (2,752) million will be transferred to Volkswagen AG, Wolfsburg, under the profit transfer agreement with AUDI AG.

12 / EARNINGS PER SHARE

	2016	2015
Profit share of AUDI AG shareholders (EUR million)	1,985	4,204
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	**46.16**	**97.78**

Basic earnings per share are calculated by dividing the share of profit due to AUDI AG shareholders by the weighted average number of shares in circulation during the fiscal year.

In the case of AUDI AG, the diluted earnings per share are the same as the basic earnings per share, since there were no potential shares of AUDI AG in existence at either December 31, 2016 or December 31, 2015.

Free float shareholders of AUDI AG will receive a compensatory payment for each no-par share in lieu of a dividend for the 2016 fiscal year. The level of this payment corresponds to the dividend that is paid on one ordinary share of Volkswagen AG, Wolfsburg. A decision regarding the dividend payment will be made at the Annual General Meeting of Volkswagen AG on May 10, 2017.

13 / ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE INCOME STATEMENT

13.1 / CATEGORIES

Financial instruments are categorized as follows in accordance with IFRS 7:

- measured at fair value,
- measured at amortized cost,
- not within the scope of IFRS 7.

Shares in non-consolidated subsidiaries, as well as investments in associated companies and joint ventures are not within the scope of IFRS 7. These are not deemed to be financial instruments for the purposes of IAS 39.

13.2 / NET RESULTS OF FINANCIAL INSTRUMENTS BASED ON MEASUREMENT CATEGORIES PURSUANT TO IAS 39

EUR million	2016	2015
Financial instruments measured at fair value through profit or loss	–402	–515
Loans and receivables	172	153
Available-for-sale financial assets	61	171
Financial liabilities measured at amortized cost	–160	–88
Net results of financial instruments	**–329**	**–279**

The net results from financial instruments include the net income or expense from interest, fair value measurements, foreign currency translation, adjustments and disposal gains.

The "Financial instruments measured at fair value through profit or loss" category presents the results from the settlement and measurement of derivative financial instruments not allocated to hedge accounting. The "Loans and receivables" and "Financial liabilities measured at amortized cost" categories essentially consist of interest income and expenses, income and expenses from the measurement and processing of foreign currency transactions. Financial liabilities also include factoring expenses. The "Loans and receivables" category also includes impairment losses on receivables. The net result for "Available-for-sale financial assets" predominantly comprises income from investments in securities.

13.3 / INTEREST INCOME AND EXPENSE FOR FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

EUR million	2016	2015
Interest income	63	59
Interest expense	–69	–36
Interest income and expense	**–6**	**23**

Interest income that does not relate to financial instruments measured at fair value primarily covers interest from the Audi Group's cash and cash equivalents, fixed deposits and loans extended. Interest expense not relating to the financial instruments measured at fair value largely comprises factoring expenses arising in connection with the sale of receivables to Volkswagen Group Services S.A./N.V., Brussels (Belgium), and to subsidiaries of Volkswagen AG, Wolfsburg, which are not part of the Audi Group.

13.4 / IMPAIRMENT LOSSES FOR FINANCIAL ASSETS BY CATEGORY

EUR million	2016	2015
Measured at fair value	7	–
Measured at amortized cost	10	18
Impairment losses	**18**	**18**

The impairment losses relate to financial assets, such as impairment losses on receivables or securities.

13.5 / *GAINS AND LOSSES FROM HEDGING ACTIVITIES*

In 2016, EUR 836 million was transferred with a negative effect on the result from the cash flow hedge reserve to other operating profit and EUR 27 million was transferred to cost of goods sold, with a negative effect on the result. In the 2015 fiscal year, EUR 1,701 million was transferred, with a negative effect on the result to other operating profit, and EUR 8 million was transferred to cost of goods sold, with a negative effect on the result.

The following table provides an overview of income and expenses from hedging relationships recorded in the financial result.

EUR million	2016	2015
Hedging instruments fair value hedge	– 13	– 5
Underlying transaction fair value hedge	17	– 2
Ineffectiveness	2	– 19

The ineffective portion of cash flow hedges relates to the income from changes in fair value of hedging instruments exceeding that of changes in fair value of the underlying transaction that are shown to be within the permitted range of 80 to 125 percent when measuring effectiveness.

NOTES TO THE BALANCE SHEET

14 / *INTANGIBLE ASSETS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Concessions, industrial property rights and similar rights and values, as well as licences and customer bases	309	351
Brand names	412	414
of which Automotive	*8*	*10*
of which Motorcycles	*404*	*404*
Goodwill	378	378
of which Automotive	*88*	*88*
of which Motorcycles	*290*	*290*
Capitalized development costs	5,447	4,642
of which products currently under construction	*1,615*	*1,700*
of which products currently in use	*3,832*	*2,942*
Payments on account for intangible assets	4	2
Intangible assets	**6,550**	**5,787**

The reported goodwill retained its value during the fiscal year. The value is also deemed retained in the event of a variation in the growth forecast and/or discounting rate of +/– 0.5 percentage points.

// RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

EUR million	2016	2015
Research expense and non-capitalized development costs	2,770	2,979
Amortization of and impairment losses (reversals) on capitalized development costs	871	739
Research and development expenditure	**3,640**	**3,718**

During the 2016 fiscal year, a total of EUR 4,446 (4,240) million was spent on research and development. Of this total, EUR 1,676 (1,262) million was capitalized. This includes capitalized development costs in the amount of EUR 24 (24) million. An average rate of borrowing costs of 1.5 (1.8) percent was used as a basis for capitalization in the Audi Group. The capitalization ratio is 37.7 (29.8) percent.

15 / PROPERTY, PLANT AND EQUIPMENT

EUR million	Dec. 31, 2016	Dec. 31, 2015
Land, land rights and buildings, including buildings on third-party land	4,855	4,564
Plant and machinery	2,727	2,126
Other plant and office equipment	4,082	2,824
Payments on account and assets under construction	927	1,865
Property, plant and equipment	**12,591**	**11,380**
of which finance lease	*77*	*70*

Land and buildings are secured with mortgages totaling EUR 16 (16) million. Finance leases exist mainly for land and buildings. The leases are based on an interest rate of up to 12.0 (11.3) percent depending on the region. Options to purchase or extend the lease have partially been arranged.

// FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE FINANCE LEASES

EUR million	2017	2018 to 2021	from 2022	Total
Leasing payments made	8	33	99	141
Interest elements	7	29	29	65
Present value	**1**	**4**	**70**	**76**

EUR million	2016	2017 to 2020	from 2021	Total
Leasing payments made	7	31	88	127
Interest elements	1	7	54	61
Present value	**7**	**25**	**35**	**66**

Payments totaling EUR 191 (191) million for assets rented on the basis of operate leases were recognized as an expense.

16 / *LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY*

Leasing and rental assets, amounting to EUR 3 million (in previous year none) refers to vehicles which were leased out as part of an operate lease agreement.

Investment property totaling EUR 364 (319) million is leased out. No impairment losses were recorded for the 2016 fiscal year, as was also the case in the previous year. Operating costs totaling EUR 3 (1) million were incurred in relation to maintenance of the investment property.

The fair value of investment property exceeds the amortized costs by EUR 60 (33) million. Fair values are calculated as a general rule using a discounted cash flow method and correspond to level 3 of the fair value hierarchy.

From the investment property, land and buildings totaling EUR 213 (167) million have been leased by the Audi Group within the scope of finance leases. These leases are based on a maximum interest rate of 9.0 (4.4) percent. Options to purchase or extend the lease have partially been arranged. The finance lease payments due in future are listed together with their present values under Note 16.1.

The investment property is leased to third parties by means of either operate or finance leases. The resulting payments are shown in the following Notes. Payment flows from the Audi Group from properties rented out by means of finance lease agreements are shown under Note 16.1, and payment flows from the rental of properties that are under the legal ownership of the Audi Group are shown under Note 16.2.

16.1 / *FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE FINANCE LEASES*

EUR million	2017	2018 to 2021	from 2022	Total
Leasing payments made	19	81	294	394
Interest elements	11	54	87	152
Present value	**7**	**27**	**208**	**242**
Leasing payments received from sub-leasing (operate lease)	17	60	268	344
Leasing payments received from sub-leasing (finance lease)	1	5	28	34
Interest elements	1	6	6	13
Present value	**0**	**–1**	**22**	**22**

EUR million	2016	2017 to 2020	from 2021	Total
Leasing payments made	13	38	229	279
Interest elements	7	22	75	103
Present value	**6**	**16**	**154**	**176**
Leasing payments received from sub-leasing (operate lease)	12	40	272	323

16.2 / FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE OPERATE LEASES

EUR million	2017	2018 to 2021	from 2022	Total
Leasing payments received from non-cancelable operate leases	11	29	30	70

EUR million	2016	2017 to 2020	from 2021	Total
Leasing payments received from non-cancelable operate leases	8	28	25	60

17 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Financial information on the material associated companies can be found in the following tables. The figures reflect the full values of the (converted) financial statements. Any adjustments to separate financial statements made during the application of the equity method have been taken into account accordingly.

17.1 / NOTES TO THE BALANCE SHEET

EUR million	Dec. 31, 2016			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V.
Non-current assets	9,341	5,104	1,015	2,802
Current assets	12,962	18,040	684	592
Non-current liabilities	1,774	8	504	1,044
Current liabilities	13,063	12,275	830	518
Net carrying amount	7,466	10,860	365	1,832

EUR million	Dec. 31, 2015			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V. [1)]
Non-current assets	7,997	7,543	959	3,115
Current assets	12,674	15,995	338	365
Non-current liabilities	1,424	390	665	1,093
Current liabilities	11,422	13,461	309	384
Net carrying amount	7,825	9,686	323	2,003

1) The data in the Balance Sheet refer to the time of acquisition of the HERE Group on December 4, 2015.

17.2 / *RECONCILIATION AT CARRYING AMOUNT OF PARTICIPATIONS*

EUR million	2016			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V. [1]
Net carrying amount as of Jan. 1	**7,825**	**9,686**	**323**	**2,003**
Profit after tax	3,970	174	–59	–167
Other comprehensive income after tax	–243	0	–11	–4
Change in capital	–	1,000	112	–
Dividends paid	–4,085	–	–	–
Net carrying amount as of Dec. 31	**7,466**	**10,860**	**365**	**1,832**
Pro rata equity	747	3,258	179	611
Consolidation/Other	–31	–	–	–
Carrying amount of equity share	**716**	**3,258**	**179**	**611**

1) The reconciliation of the net carrying amount refers to the period between December 5, 2015, and December 31, 2016.

EUR million	2015			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V. [1]
Net carrying amount as of Jan. 1 [2]	**7,956**	**10,508**	**277**	**2,003**
Profit after tax	4,705	180	–155	–
Other comprehensive income after tax	589	–1	23	–
Change in capital	–	–	179	–
Dividends paid	–5,425	–1,000	–	–
Net carrying amount as of Dec. 31	**7,825**	**9,686**	**323**	**2,003**
Pro rata equity	782	2,906	158	668
Consolidation/Other	–32	–	–	–
Carrying amount of equity share	**751**	**2,906**	**158**	**668**

1) The pro-rata earnings had not been taken into account as of the balance sheet date.
2) The net carrying amount of There Holding B.V. is entered as at the time of acquisition of the Here Group on December 4, 2015.

17.3 / *DISCLOSURES ON THE RESULT*

EUR million	FAW-Volkswagen Automotive Company, Ltd.		Volkswagen Group Services S.A./N.V.		Volkswagen Automatic Transmission (Tianjin) Company Limited		There Holding B.V. [1]	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	40,875	40,462	42	43	662	60	1,240	–
Profit after tax [2]	**3,970**	**4,705**	**174**	**180**	**–59**	**–155**	**–167**	**–**
Other comprehensive income after tax	–243	589	0	–1	–11	23	–4	–
Total comprehensive income	**3,727**	**5,294**	**174**	**178**	**–70**	**–133**	**–171**	**–**
Dividends received	409	542	–	300	–	–	–	–

1) The figures for There Holding B.V. for the current fiscal year refer to the period between December 5, 2015, and December 31, 2016.
2) No operations were discontinued in the period under review.

18 / *DEFERRED TAX ASSETS*

The temporary differences between the tax bases and the carrying amounts in the Consolidated Financial Statements are explained under “Deferred tax” in the “Recognition and measurement principles,” and under Note 10, “Income tax expense.”

19 / *OTHER FINANCIAL ASSETS*

19.1 / *NON-CURRENT OTHER FINANCIAL ASSETS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Positive fair values from derivative financial instruments	837	243
Fixed deposits and loans extended	393	310
Receivables from finance leases	22	–
Miscellaneous financial assets	23	26
Non-current other financial assets	**1,275**	**580**

The non-current fixed deposits and loans extended accrue interest at rates of up to 4.5 (4.5) percent. Derivative financial instruments are measured at market value. The total position in relation to hedging instruments is presented under Note 37.5, “Methods of monitoring the effectiveness of hedging relationships.”

19.2 / *CURRENT OTHER FINANCIAL ASSETS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Positive fair values from derivative financial instruments	567	341
Fixed deposits and loans extended	178	839
Receivables from finance leases [1)]	4	1
Miscellaneous financial assets	831	1,176
Current other financial assets	**1,580**	**2,357**

1) Included in the miscellaneous financial assets in the previous year.

19.3 / *POSITIVE FAIR VALUE OF NON-CURRENT AND CURRENT DERIVATIVE FINANCIAL INSTRUMENTS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Cash flow hedges	1,334	495
of which to hedge against currency risks from future cash flows	*1,325*	*495*
of which to hedge against commodity price risks from future cash flows	*9*	*0*
Other derivative financial instruments	70	89
Positive fair values of derivative financial instruments	**1,404**	**584**

20 / OTHER RECEIVABLES

20.1 / NON-CURRENT OTHER RECEIVABLES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Tax claims	2	1
Miscellaneous receivables	171	180
Non-current other receivables	**172**	**181**

20.2 / CURRENT OTHER RECEIVABLES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Tax claims	549	542
Miscellaneous receivables	662	302
Current other receivables	**1,211**	**844**

21 / INVENTORIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Raw materials and supplies	787	592
Work and services in progress	885	760
Finished goods and products	4,629	4,238
Current leased assets	932	726
Inventories	**7,233**	**6,317**

Inventories amounting to EUR 44,536 (42,726) million were recorded as cost of goods sold at the same time that the revenue from them was realized. EUR 2,444 (1,934) million of the total inventories was capitalized at the net realizable value. The impairment resulting from the measurement of inventories on the basis of sales markets amounted to EUR 295 (116) million. No reversals of impairment losses were performed in the fiscal year.

Of the finished goods inventory, a portion of the company car fleet valued at EUR 258 (227) million has been pledged as collateral for commitments toward employees under the partial retirement block model.

Leased vehicles with an operate lease term of up to one year were reported under inventories in the amount of EUR 932 (726) million. In the following fiscal year, payments in the amount of EUR 57 (48) million are expected from non-cancelable leasing arrangements.

22 / TRADE RECEIVABLES

Trade receivables of EUR 4,880 (4,097) million will be realized within the next twelve months. Impairment losses on trade receivables are detailed under Note 37.2, “Credit and default risks.”

23 / EFFECTIVE INCOME TAX ASSETS

Entitlements to income tax rebates, predominantly for foreign Group companies, are reported under this item.

24 / SECURITIES, CASH AND CASH EQUIVALENTS

Securities include fixed or variable-interest securities and shares in equity in the amount of EUR 6,028 (4,782) million.

Cash funds essentially comprise credit balances with banks and affiliated companies amounting to EUR 11,449 (12,375) million. The credit balances with banks amounting to EUR 753 (1,004) million are held at various banks in different currencies. Balances with affiliated companies include daily and short-term investments with only marginal risk of fluctuations in value and amount to EUR 10,669 (11,257) million.

25 / *AVAILABLE-FOR-SALE ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE*

An agreement on the sale of Volkswagen Group Firenze S.p.A., Florence (Italy), effective from the beginning of January 2017, was signed in November 2016. The purpose of the sale is to separate import and dealership operations. The consolidated balance sheet values for Volkswagen Group Firenze S.p.A., which is allocated to the Automotive segment, are set out in the table below.

EUR million	Dec. 31, 2016
Intangible assets	0
Property, plant and equipment	4
Inventories	43
Trade receivables	24
Effective income tax assets	0
Other assets	1
Cash funds	15
Assets	**87**

EUR million	Dec. 31, 2016
Financial liabilities	28
Provisions for pensions	1
Other provisions	2
Effective income tax obligations	0
Trade payables	36
Other liabilities	17
Liabilities	**84**

26 / *EQUITY*

Information on the composition and development of equity is provided on pages 172 and 173 in the Statement of Changes in Equity.

The share capital of AUDI AG is unchanged, at EUR 110,080,000. Each share represents a notional share of EUR 2.56 of the subscribed capital. This capital is divided into 43,000,000 no-par bearer shares.

The capital reserve contains additional payments from the issuance of shares in the company, as well as cash injections by Volkswagen AG, Wolfsburg. During the year under review, the capital reserve of AUDI AG rose to EUR 11,716 million as a result of a contribution in the amount of EUR 1,526 million by Volkswagen AG.

Retained earnings comprise accumulated gains and the revaluations from pension plans.

Other reserves include changes in value recognized with no effect on profit or loss relating to cash flow hedges, to the market values of securities and to interests measured at equity, as well as currency translation differences.

The opportunities and risks under contracts for forward exchange contracts and foreign exchange options, and those under commodity price transactions serving as hedges for future cash flows are deferred in the reserve for cash flow hedges with no effect on profit or loss. When the cash flow hedges become due, the results from the settlement of the hedging contracts are shown in the operating profit. Unrealized gains and losses from the measurement at fair value of available-for-sale financial assets are recognized in the reserve for the market-price measurement of securities. Upon disposal of the securities, share price gains and losses realized are reported under the financial result.

Currency translation differences that do not affect profit or loss and, on a pro rata basis, cash flow hedges with no effect on profit or loss as well as the effects from the revaluation of pension schemes of companies valued at equity are included in the reserve for investments accounted for using the equity method.

The balance of EUR 1,067 (1,452) million remaining after the transfer of profit to Volkswagen AG is transferred to the retained earnings.

Summarized information on the individual statements from the material companies in which non-controlling interests hold a stake is provided in the following table.

26.1 / NOTES TO THE BALANCE SHEET

EUR million	Audi of America, LLC		Audi Canada Inc.	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	476	387	61	38
Current assets	3,697	3,357	494	454
Non-current liabilities	678	621	105	82
Current liabilities	2,957	2,665	357	339
Non-controlling interests	539	458	93	72

26.2 / DISCLOSURES ON THE RESULT AND THE CASH FLOW STATEMENT

EUR million	Audi of America, LLC		Audi Canada Inc.	
	2016	2015	2016	2015
Revenue	9,152	9,032	1,209	1,055
Profit after tax [1]	**62**	**76**	**17**	**16**
Other comprehensive income after tax	18	41	5	–6
Total comprehensive income	**81**	**117**	**22**	**10**
Share of total comprehensive income of non-controlling interests	81	117	22	10
Dividends paid to other non-controlling interests	–	–	–	–
Cash flow from operating activities	1,224	65	77	58
Cash flow from investing activities	764	95	–40	93
of which change in fixed deposits and loans extended	*767*	*99*	*–40*	*103*
Cash flow from financing activities	–1,172	–20	–62	–122
Change in cash and cash equivalents due to changes in exchange rates	37	88	8	–10
Change in cash and cash equivalents	**854**	**227**	**–17**	**19**

1) No operations were discontinued in the period under review.

27 / FINANCIAL LIABILITIES

27.1 / NON-CURRENT FINANCIAL LIABILITIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Loans	17	18
Liabilities from finance leases	297	229
Non-current financial liabilities	**314**	**247**

27.2 / CURRENT FINANCIAL LIABILITIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Liabilities to factoring companies	56	1,462
Loans	426	162
Liabilities from finance leases	21	13
Current financial liabilities	**502**	**1,637**

Measurement of the non-current and current finance leases is based on market interest rates in each case.

28 / *DEFERRED TAX LIABILITIES*

The temporary differences between the tax bases and the carrying amounts in the Consolidated Financial Statements are explained under “Deferred tax” in the “Recognition and measurement principles,” and under Note 10, “Income tax expense.”

Pursuant to IAS 1, deferred tax liabilities are reported as non-current liabilities, irrespective of their maturities.

29 / *OTHER FINANCIAL LIABILITIES*

29.1 / *NON-CURRENT OTHER FINANCIAL LIABILITIES*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Negative fair values from derivative financial instruments	893	1,373
Miscellaneous financial liabilities	99	48
Non-current other financial liabilities	**993**	**1,421**

The derivative financial instruments reported under other financial liabilities, which largely refer to currency hedges, are measured at market value. The total item of currency hedging instruments is presented under Note 37, “Management of financial risks.”

29.2 / *CURRENT OTHER FINANCIAL LIABILITIES*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Negative fair values from derivative financial instruments	1,128	1,774
Liabilities from the transfer of profit	918	2,752
Miscellaneous financial liabilities	1,847	1,514
Current other financial liabilities	**3,893**	**6,040**

29.3 / *NEGATIVE FAIR VALUES OF NON-CURRENT AND CURRENT DERIVATIVE FINANCIAL INSTRUMENTS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Cash flow hedges	1,302	2,444
of which to hedge against currency risks from future cash flows	*1,295*	*2,401*
of which to hedge against commodity price risks from future cash flows	*7*	*43*
Other derivative financial instruments	720	703
Negative fair values of derivative financial instruments	**2,022**	**3,147**

30 / *OTHER LIABILITIES*

30.1 / *NON-CURRENT OTHER LIABILITIES*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Advance payments received for service agreements	809	645
Liabilities from other taxes	1	13
Social security liabilities	35	29
Liabilities from payroll accounting	81	68
Miscellaneous liabilities	299	314
Non-current other liabilities	**1,225**	**1,069**

Liabilities with a time to maturity of more than five years amount to EUR 138 (28) million.

30.2 / *CURRENT OTHER LIABILITIES*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Advance payments received for orders from customers and for service agreements	817	538
Liabilities from other taxes	241	216
Social security liabilities	142	126
Liabilities from payroll accounting	1,047	1,124
Miscellaneous liabilities	255	244
Current other liabilities	**2,503**	**2,249**

31 / *PROVISIONS FOR PENSIONS*

Provisions for pensions are created on the basis of plans to provide retirement, disability and surviving dependent benefits. The benefit amounts are generally contingent on the length of service and the remuneration of the employees.

Both defined contribution and defined benefit plans exist within the Audi Group for retirement benefit arrangements. In the case of defined contribution plans, the Company pays contributions to public or private-sector pension plans on the basis of statutory or contractual requirements, or on a voluntary basis. Payment of these contributions releases the Company from any other benefit obligations. Current contribution payments are reported as an expense for the year in question. In the case of the Audi Group, they totaled EUR 389 (368) million. Of this, contributions of EUR 362 (343) million were paid in Germany toward statutory pension insurance.

The retirement benefit systems are based predominantly on defined benefit plans, whereby a distinction is made between provision-based systems and externally financed systems. The provisions for pensions for defined benefit plans are calculated by independent actuaries in accordance with IAS 19 using the projected unit credit method. This measures future obligations on the basis of the pro-rata benefit claims acquired as of the balance sheet date. The measurement takes account of actuarial assumptions regarding discounting rates, remuneration and retirement benefit trends and staff turnover rates. Actuarial gains and losses result from deviations in what has actually occurred compared with the assumptions made during the previous year and from changes in assumptions. They are reported in equity with no effect on profit or loss during the period in which they occur as part of revaluations, taking deferred taxes into account. These revaluations also include the interest income from plan assets.

The retirement benefit scheme within the Audi Group was developed into a Contractual Trust Arrangement (CTA) in Germany on January 1, 2001. The trust is a contribution-based retirement benefit scheme with guarantees backed by Volkswagen Pension Trust e.V., Wolfsburg. An annual cost of providing benefits, based on remuneration and status, is converted into a retirement benefits entitlement payable for life (guarantee components) using annuity conversion factors. The annuity conversion factors include a guaranteed rate of interest. When the benefits are due, the retirement benefits components acquired annually are added together. The cost of providing benefits is invested on an ongoing basis in a dedicated fund that is managed on a fiduciary basis by Volkswagen Pension Trust e.V. and invested in the capital market. If the plan assets are higher than the present value of the obligations calculated using the guaranteed interest rate, a surplus is allocated (surplus components).

The pension fund model is classed as a defined benefit plan pursuant to IAS 19. The dedicated fund administered on a fiduciary basis satisfies the requirements of IAS 19 as plan assets and has therefore been offset against the obligations.

31.1 / *AMOUNTS RECORDED IN THE BALANCE SHEET FOR DEFINED BENEFIT OBLIGATIONS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Present value of externally funded defined benefit obligations	2,426	1,724
Fair value of plan assets	1,480	1,291
Financing status (balance)	**946**	**432**
Present value of defined benefit obligations not externally funded	4,256	3,788
Due to the limit on a defined benefit asset amount not capitalized under IAS 19	–	–
Provisions for pensions recognized in the Balance Sheet	**5,202**	**4,221**

31.2 / *PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS*

EUR million	2016	2015
Present value as of Jan. 1	5,512	5,741
Service costs	198	150
Interest expense	145	130
Actuarial gains (–)/losses (+) following changes in demographic assumptions	0	– 1
Actuarial gains (–)/losses (+) following changes in financial assumptions	+ 987	– 512
Actuarial gains (–)/losses (+) following experience-based adjustments	– 38	+ 122
Pension payments from company assets	– 108	– 105
Pension payments from fund assets	– 10	– 9
Past service costs (incl. plan curtailment)	–	0
Effects from transfers	– 1	– 5
Currency differences	– 1	2
Classified as held for sale	– 1	–
Present value as of Dec. 31	**6,682**	**5,512**

31.3 / *SENSITIVITY ANALYSES*

Present value of the defined benefit obligation, if		Dec. 31, 2016		Dec. 31, 2015	
		EUR million	*in %*	*EUR million*	*in %*
Discount rate	+ 0.5 percentage points	6,018	–9.95%	5,000	–9.29%
	–0.5 percentage points	7,459	11.63%	6,105	10.76%
Remuneration trend	+ 0.5 percentage points	6,779	1.44%	5,606	1.70%
	–0.5 percentage points	6,593	–1.34%	5,425	–1.59%
Retirement benefit trend	+ 0.5 percentage points	7,071	5.82%	5,830	5.77%
	–0.5 percentage points	6,330	–5.27%	5,222	–5.26%
Life expectancy	+ 1 year	6,872	2.84%	5,656	2.61%

A change of half a percentage point in each case in the key actuarial assumptions used to calculate the present value of the defined benefit pension obligation would result in the effects shown in the table.

The sensitivity analyses take into account a changed assumption in each case, although the other assumptions remain unchanged compared with the original calculation, meaning that potential correlation effects between the individual assumptions are not taken into account.

To investigate the sensitivity of the present value of the defined benefit obligation to any change in the assumed life expectancy, the expected mortality rate is reduced on a scale that is roughly equivalent to an increase in life expectancy of one year.

31.4 / *ALLOCATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AMONG THE PLAN MEMBERS*

EUR million	2016	2015
Active beneficiary members	4,548	3,646
Members with vested entitlements who have left the company	176	139
Pensioners	1,958	1,726
Present value as of Dec. 31	**6,682**	**5,512**

31.5 / *MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION*

EUR million	2016	2015
Due within the next fiscal year	149	119
Due within two to five years	964	545
Due after more than five years	5,569	4,848
Present value as of Dec. 31	**6,682**	**5,512**

The average weighted term during which the Audi Group’s defined benefit obligation will apply, based on the current perspective, is 22 (21) years (Macaulay Duration).

31.6 / *FAIR VALUE OF PLAN ASSETS*

EUR million	2016	2015
Plan assets as of Jan. 1	1,291	1,156
Interest income from plan assets	35	26
Income/expense from plan assets not recognized in interest income	12	–17
Employer contributions to the fund	150	133
Employee contributions to the fund	0	0
Pension payments from the fund	–10	–9
Effects from transfers	3	0
Currency differences	–1	1
Plan assets as of Dec. 31	**1,480**	**1,291**

Employer contributions to the fund totaling EUR 123 (111) million are expected for the following fiscal year.

31.7 / *COMPOSITION OF PLAN ASSETS*

EUR million	Dec. 31, 2016			Dec. 31, 2015		
	Market price in an active market	No market price in an active market	Total	Market price in an active market	No market price in an active market	Total
Cash and cash equivalents	25	–	25	36	–	36
Debt instruments	2	–	2	1	–	1
Equity funds	199	–	199	158	–	158
Pension funds	1,144	100	1,245	965	92	1,058
Real estate funds	10	–	10	23	–	23
Other funds	–	–	–	16	–	16
Plan assets	**1,380**	**100**	**1,480**	**1,199**	**92**	**1,291**

As well as the general market risk, the plan assets of Volkswagen Pension Trust e.V., Wolfsburg, are mainly exposed to interest rate and share price risks, as they are primarily invested in investment funds comprising fixed-income securities and shares. To cushion the market risk, the benefit system provides for funds to be allocated to a fluctuation reserve prior to each surplus allocation. Additionally, the investment strategy and implementation are monitored on an ongoing basis by the bodies of Volkswagen Pension Trust e.V., which include representatives from AUDI AG. Asset liability management studies are also carried out at regular intervals, ensuring that the investment is compatible with the obligations in question.

The present value of the obligation is subject to interest rate risk. Should the value of the plan assets fall below the present value of the guaranteed obligation, provisions should be created in the amount of the shortfall.

The benefit system provides for lifelong pension payments. In order to take longevity risk into account, the most up-to-date generation mortality reference tables “HEUBECK-RICHTTAFELN 2005 G” are used, as these have already considered the probability of greater life expectancy in the future. As an additional measure, an annual risk monitoring is carried out by an independent actuary as part of the review of the assets held by Volkswagen Pension Trust e.V. To reduce the inflation risk presented by the adjustment of current pension payments in line with the rate of inflation, a non-inflation linked indexing of pensions has been applied to pension obligations where legally permissible.

31.8 / AMOUNTS RECOGNIZED THROUGH PROFIT OR LOSS FROM BENEFIT OBLIGATIONS

EUR million	2016	2015
Service costs	198	150
Net interest expense (+) and income (–)	+ 110	+ 104
Past service costs (incl. plan curtailment)	–	0
Balance of amounts from defined benefit obligations recognized through profit or loss	**308**	**253**

Net interest expense/income includes the interest expense from the defined benefit obligation and the expected return on plan assets (net interest approach).

31.9 / DEVELOPMENT OF PROVISIONS FOR PENSIONS

EUR million	2016	2015
Provisions for pensions as of Jan. 1	4,221	4,585
Service costs	198	150
Interest expense	145	130
Interest income from plan assets	– 35	– 26
Income/expense from plan assets not recognized in interest income	– 12	17
Actuarial gains (–)/losses (+) following changes in demographic assumptions	0	– 1
Actuarial gains (–)/losses (+) following changes in financial assumptions	+ 987	– 512
Actuarial gains (–)/losses (+) following experience-based adjustments	– 38	+ 122
Past service costs (incl. plan curtailment)	–	0
Pension payments from company assets	– 108	– 105
Employer contributions to the fund	– 150	– 133
Effects from transfers	– 3	– 6
Currency differences	0	1
Classified as held for sale	– 1	–
Provisions for pensions as of Dec. 31	**5,202**	**4,221**

31.10 / ACTUARIAL PREMISES FOR THE CALCULATION OF PENSION OBLIGATIONS

in %	2016	2015
Discount rate	1.78	2.66
Remuneration trend	3.57	3.66
Retirement benefit trend	1.46	1.65
Fluctuation	1.07	1.07

The figures shown are average figures, weighted in accordance with the present values of the defined benefit obligation.

The “2005 G Reference Tables”, published by HEUBECK-RICHTTAFELN-GmbH, Cologne, served as the biometric basis for calculation of retirement benefits.

The discounting rates are, as a general rule, determined on the basis of the yields on prime-rated corporate bonds. The remuneration trends encompass anticipated increases in wages and salaries, which also take account of pay increases linked to promotion. The retirement benefit trends either correspond to the contractually agreed guaranteed adjustments or are based on the relevant rules on pension indexing. The staff turnover rates are based on past experience and expectations for the future.

32 / *EFFECTIVE INCOME TAX OBLIGATIONS*

Effective income tax obligations consist primarily of tax liabilities to Volkswagen AG, Wolfsburg, under allocation plans.

33 / *OTHER PROVISIONS*

EUR million	Dec. 31, 2016		Dec. 31, 2015	
	Total	Of which due within one year	Total	Of which due within one year
Obligations from sales operations	8,823	4,062	7,443	3,176
Workforce-related provisions	1,027	221	961	235
Provisions for legal and litigation risks	1,668	1,125	484	150
Miscellaneous provisions	837	727	696	591
Other provisions	**12,355**	**6,135**	**9,584**	**4,153**

Other provisions increased by EUR 1,632 (228) million as a result of the V6 3.0 TDI engine issue in the fiscal year. On the balance sheet date, provisions existed in the amount of EUR 1,796 (228) million. Provisions from the airbag recall increased by EUR 162 (70) million to a total of EUR 232 (70) million.

Obligations from sales operations primarily comprise warranty claims from the sale of vehicles, components and genuine parts. Warranty claims are determined on the basis of previous or estimated future losses. This item additionally includes rebates, bonuses and similar discounts due to be granted and arising subsequent to the balance sheet date but occasioned by revenue generated prior to the balance sheet date. Furthermore, provisions were recognized for technical measures for the affected four-cylinder TDI engines and the V6 3.0 TDI engines, as well as for sales measures. Obligations from sales operations also include provisions for the airbag recall.

The workforce-related provisions are recognized for such purposes as partial retirement arrangements and long-service awards. Regarding the implementation of the partial retirement model, there exists only an insignificant claim for reimbursement from the German Federal Employment Agency for the 2016 fiscal year. Reimbursement amounted to EUR 18 million in the previous year.

Provisions for legal and litigation risks include a range of court proceedings and claims primarily relating to product liability and patent infringements. Furthermore, in relation to the V6 3.0 TDI engine issue, provisions were created for penalty payments, compensation and litigation. Audi Group companies in several countries are involved in litigation regarding the affected four-cylinder TDI engines. Based on the agreements in place, Volkswagen AG, Wolfsburg, is responsible for defending these cases and the ensuing consequences. Consequently, no resource outflows that would justify the creation of provisions are anticipated. It is considered highly improbable that the Audi Group will be the subject of a joint liability claim with regard to the four-cylinder TDI issue described. For this reason, no contingent liabilities were recognized.

The other provisions include reserves for price risks of EUR 166 (108) million.

Volkswagen AG is the subject of a claim for reimbursement amounting to EUR 524 (180) million as a consequence of the four-cylinder TDI issue.

Anticipated outflows from other provisions are 50 percent in the following year, 42 percent in the years 2018 through 2021 and 8 percent thereafter.

// *CHANGE IN OTHER PROVISIONS*

EUR million	Jan. 1, 2016	Currency-differences	Change in scope of consolidated companies	Utilization	Dissolution	Addition	Interest effect from measurement	Disposals of liabilities classified as held for sale	Dec. 31, 2016
Obligations from sales operations	7,443	32	–	2,533	364	4,201	45	0	8,823
Workforce-related provisions	961	0	–	172	20	178	81	–	1,027
Provisions for legal and litigation risks	484	5	–	32	42	1,249	3	–	1,668
Miscellaneous provisions	696	3	–	225	30	393	2	2	837
Change in other provisions	**9,584**	**40**	**–**	**2,962**	**456**	**6,021**	**131**	**2**	**12,355**

34 / *TRADE PAYABLES*

Trade payables totaled EUR 7,406 (7,204) million. The customary retention of title applies to liabilities from deliveries of goods.

ADDITIONAL DISCLOSURES

35 / *CAPITAL MANAGEMENT*

The primary goal of capital management within the Audi Group is to ensure financial flexibility in order to achieve business and growth targets and to enable a continuous, steady growth in the value of the company. In particular, management is focused on achieving the minimum return demanded by the capital market on the invested assets.

To ensure that resources are deployed within the Audi Group as efficiently as possible, and to measure success, the return on investment (ROI) indicator is used.

The return on investment is the return on the average invested capital for a particular period based on the operating profit after tax. The Audi Group has set itself a minimum rate of return of 9 percent, applicable to both the segments and to the individual products and product lines.

Invested capital is calculated from the asset items on the balance sheet that serve the core business purpose (property, plant and equipment, intangible assets, leasing and rental assets, investment property, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). The average invested capital is calculated on the basis of the assets at the beginning and end of the fiscal year.

The return on investment is shown in the table below.

EUR million	2016	2015
Operating profit after tax	2,136	3,385
Invested assets (average)	19,978	17,467
Return on investment (ROI) in %	**10.7**	**19.4**

36 / *ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE BALANCE SHEET*

36.1 / *FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE*

Measurement of financial instruments at fair value is based on a three-level hierarchy and on the proximity of the measurement factors used to an active market. An active market is one in which homogeneous products are traded, where willing buyers and sellers can be found for them at all times, and where their prices are publicly available.

Level 1 of the fair value hierarchy involves the measurement of financial instruments, such as securities, listed on active markets.

Level 2 involves the measurement of financial instruments such as derivatives, where the fair value is calculated using measurement processes based on observable market data. Particular use is made of exchange rates, interest rates and commodity prices, which can be observed on the corresponding markets and are acquired via ratings agencies.

Within the Audi Group, level 3 mainly covers residual value hedging arrangements with the retail trade. The input factors for measuring the future development of used car prices cannot be observed on active markets; they are forecast by various independent institutions. The residual value hedging model is explained in Note 37.4, “Market risks.”

Furthermore, non-current commodity futures are also measured according to level 3, as the long-term nature of the contracts means that the key parameters for their measurement need to be extrapolated. The extrapolation for the different commodities is carried out on the basis of observable input factors, acquired via rating agencies. When measuring equity instruments, use is always made of the respective company plans and the company-specific discounting rates.

36.2 / *CARRYING AMOUNT OF FINANCIAL INSTRUMENTS AS OF DEC. 31, 2016*

EUR million	Reconciliation of balance sheet items to classes of financial instruments			
	Carrying amount as per Balance Sheet as of Dec. 31, 2016	Measured at fair value through profit or loss	Available for sale	Loans and receivables
Other participations	1	–	1	–
Other financial assets	1,275	–57	–	416
of which from the positive fair values of derivative financial instruments	*837*	*–57* [1]	–	–
of which fixed deposits and extended loans	*393*	–	–	*393*
of which receivables from finance leases	*22*	–	–	–
of which miscellaneous other financial assets	*23*	–	–	*23*
Non-current financial assets	**1,276**	**–57**	**1**	**416**
Trade receivables	4,880	–	–	4,880
Other financial assets	1,580	127	–	1,009
of which from the positive fair values of derivative financial instruments	*567*	*127*	–	–
of which fixed deposits and extended loans	*178*	–	–	*178*
of which receivables from finance leases	*4*	–	–	–
of which miscellaneous other financial assets	*831*	–	–	*831*
Securities	6,028	–	6,028	–
Cash funds	11,449	–	–	11,449
Current financial assets	**23,937**	**127**	**6,028**	**17,339**
Financial assets	**25,213**	**70**	**6,029**	**17,755**
Financial liabilities	314	–	–	–
of which liabilities from finance leases	*297*	–	–	–
of which other financial liabilities	*17*	–	–	–
Other financial liabilities	993	269	–	–
of which from the negative fair values of derivative financial instruments	*893*	*269*	–	–
of which miscellaneous other financial liabilities	*99*	–	–	–
Non-current financial liabilities	**1,306**	**269**	**–**	**–**
Financial liabilities	502	–	–	–
of which liabilities from finance leases	*21*	–	–	–
of which other financial liabilities	*481*	–	–	–
Trade payables	7,406	–	–	–
Other financial liabilities	3,893	451	–	–
of which from the negative fair values of derivative financial instruments	*1,128*	*451*	–	–
of which miscellaneous other financial liabilities	*2,765*	–	–	–
Current financial liabilities	**11,801**	**451**	**–**	**–**
Financial liabilities	**13,107**	**720**	**–**	**–**

1) The forward element of derivative financial instruments with hedging relationships, which is not part of the hedging relationship and is allocated to the "Measured at fair value through profit or loss" category, currently has a negative value.

Financial liabilities measured at amortized cost	No category assigned under IAS 39		Classification in measurement levels pursuant to IFRS 7: Measured at fair value			Measured at amortized cost
	Derivative financial instruments with hedging relationships	Not within the scope of IAS 39	Level 1	Level 2	Level 3	
–	–	–	–	–	1	–
–	895	22	–	828	10	438
–	*895*	–	–	*828*	*10*	–
–	–	–	–	–	–	*393*
–	–	*22*	–	–	–	*22*
–	–	–	–	–	–	*23*
–	**895**	**22**	**–**	**828**	**10**	**438**
–	–	–	–	–	–	4,880
–	440	4	–	561	6	1,013
–	*440*	–	–	*561*	*6*	–
–	–	–	–	–	–	*178*
–	–	*4*	–	–	–	*4*
–	–	–	–	–	–	*831*
–	–	–	6,028	–	–	–
–	–	–	–	–	–	11,449
–	**440**	**4**	**6,028**	**561**	**6**	**17,343**
–	**1,334**	**26**	**6,028**	**1,388**	**16**	**17,780**
17	–	297	–	–	–	314
–	–	*297*	–	–	–	*297*
17	–	–	–	–	–	*17*
99	625	–	–	733	161	99
–	*625*	–	–	*733*	*161*	–
99	–	–	–	–	–	*99*
116	**625**	**297**	**–**	**733**	**161**	**413**
481	–	21	–	–	–	502
–	–	*21*	–	–	–	*21*
481	–	–	–	–	–	*481*
7,406	–	–	–	–	–	7,406
2,765	677	–	–	1,061	67	2,765
–	*677*	–	–	*1,061*	*67*	–
2,765	–	–	–	–	–	*2,765*
10,652	**677**	**21**	**–**	**1,061**	**67**	**10,673**
10,768	**1,302**	**318**	**–**	**1,794**	**228**	**11,085**

36.3 / *CARRYING AMOUNT OF FINANCIAL INSTRUMENTS AS OF DEC. 31, 2015*

EUR million	Reconciliation of balance sheet items to classes of financial instruments			
	Carrying amount as per Balance Sheet as of Dec. 31, 2015	Measured at fair value through profit or loss	Available for sale	Loans and receivables
Other participations	1	–	1	–
Other financial assets	580	–21	–	337
of which from the positive fair values of derivative financial instruments	*243*	*–21* [1]	–	–
of which fixed deposits and extended loans	*310*	–	–	*310*
of which miscellaneous other financial assets	*26*	–	–	*26*
Non-current financial assets	**581**	**–21**	**1**	**337**
Trade receivables	4,097	–	–	4,097
Other financial assets	2,357	110	–	2,015
of which from the positive fair values of derivative financial instruments	*341*	*110*	–	–
of which fixed deposits and extended loans	*839*	–	–	*839*
of which miscellaneous other financial assets	*1,177*	–	–	*1,176*
Securities	4,782	–	4,782	–
Cash funds	12,375	–	–	12,375
Current financial assets	**23,610**	**110**	**4,782**	**18,487**
Financial assets	**24,191**	**89**	**4,782**	**18,823**
Financial liabilities	247	–	–	–
of which liabilities from finance leases	*229*	–	–	–
of which other financial liabilities	*18*	–	–	–
Other financial liabilities	1,421	352	–	–
of which from the negative fair values of derivative financial instruments	*1,373*	*352*	–	–
of which miscellaneous other financial liabilities	*48*	–	–	–
Non-current financial liabilities	**1,669**	**352**	**–**	**–**
Financial liabilities	1,637	–	–	–
of which liabilities from finance leases	*13*	–	–	–
of which other financial liabilities	*1,625*	–	–	–
Trade payables	7,204	–	–	–
Other financial liabilities	6,040	351	–	–
of which from the negative fair values of derivative financial instruments	*1,774*	*351*	–	–
of which miscellaneous other financial liabilities	*4,266*	–	–	–
Current financial liabilities	**14,882**	**351**	**–**	**–**
Financial liabilities	**16,550**	**703**	**–**	**–**

1) The forward element of derivative financial instruments with hedging relationships, which is not part of the hedging relationship and is allocated to the "Measured at fair value through profit or loss" category, currently has a negative value.

			Classification in measurement levels pursuant to IFRS 7			
Financial liabilities measured at amortized cost	No category assigned under IAS 39		Measured at fair value			Measured at amortized cost
	Derivative financial instruments with hedging relationships	Not within the scope of IAS 39	Level 1	Level 2	Level 3	
–	–	–	–	–	1	–
–	264	–	–	239	5	337
–	*264*	–	–	*239*	*5*	–
–	–	–	–	–	–	*310*
–	–	–	–	–	–	*26*
–	**264**	**–**	**–**	**239**	**6**	**337**
–	–	–	–	–	–	4,097
–	231	1	–	335	6	2,017
–	*231*	–	–	*335*	*6*	–
–	–	–	–	–	–	*839*
–	–	*1*	–	–	–	*1,177*
–	–	–	4,782	–	–	–
–	–	–	–	–	–	12,375
–	**231**	**1**	**4,782**	**335**	**6**	**18,488**
–	**495**	**1**	**4,782**	**574**	**11**	**18,825**
18	–	229	–	–	–	247
–	–	*229*	–	–	–	*229*
18	–	–	–	–	–	*18*
48	1,021	–	–	1,219	154	48
–	*1,021*	–	–	*1,219*	*154*	–
48	–	–	–	–	–	*48*
66	**1,021**	**229**	**–**	**1,219**	**154**	**295**
1,625	–	13	–	–	–	1,637
–	–	*13*	–	–	–	*13*
1,625	–	–	–	–	–	*1,625*
7,204	–	–	–	–	–	7,204
4,266	1,423	–	–	1,706	68	4,266
–	*1,423*	–	–	*1,706*	*68*	–
4,266	–	–	–	–	–	*4,266*
13,095	**1,423**	**13**	**–**	**1,706**	**68**	**13,108**
13,161	**2,444**	**242**	**–**	**2,925**	**222**	**13,403**

36.4 / *RECONCILIATION STATEMENT FOR FINANCIAL INSTRUMENTS MEASURED ACCORDING TO LEVEL 3*

EUR million	2016	2015
Positive fair values of level 3 derivative financial instruments as of Jan. 1	11	18
Income (+) and expense (–) recognized in the financial result	+ 10	– 1
Income (+) and expense (–) recognized in other comprehensive income	+ 2	0
Settlements	– 3	– 6
Transfer from level 3 to level 2	– 3	0
Positive fair values of level 3 derivative financial instruments as of Dec. 31	**16**	**11**
Income (+) and expense (–) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	+ 10	– 1

EUR million	2016	2015
Negative fair values of level 3 derivative financial instruments as of Jan. 1	222	227
Income (–) and expense (+) recognized in the financial result	+ 102	+ 108
Income (–) and expense (+) recognized in other comprehensive income	–	+ 1
Settlements	– 89	– 99
Transfer from level 3 to level 2	– 7	– 15
Negative fair values of level 3 derivative financial instruments as of Dec. 31	**228**	**222**
Income (–) and expense (+) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	+ 102	+ 108

The residual value hedging model is categorically allocated to level 3. The transfer from level 3 to level 2 contains commodity futures for whose measurement it is no longer necessary to extrapolate the exchange rates because they can now be observed again on the active market.

The effects of changes in the market price of used cars resulting from hedging arrangements are shown in detail under Note 37.4, “Market risks.”

Opportunities and risks resulting from the fair value fluctuations in derivative financial instruments measured according to level 3 are calculated within the Audi Group by means of sensitivity analyses. In this way, the effects of changes in commodity price listings on profit after tax and equity are simulated. A 10 percent rise or fall in the commodity prices of commodity futures measured according to level 3 at December 31, 2016, would have only a minor impact on equity (none in the previous year). The positive or negative effect on profit after tax of such a rise or fall would be EUR 2 (1) million.

36.5 / *FINANCIAL INSTRUMENTS MEASURED AT COST*

EUR million	Dec. 31, 2016	Level 1	Level 2	Level 3
Trade receivables	4,880	–	4,880	–
Other financial assets	1,448	–	1,448	–
Cash funds	11,449	11,395	54	–
Fair values of financial assets measured at amortized cost	**17,778**	**11,395**	**6,383**	**–**
Trade payables	7,406	–	7,406	–
Financial liabilities	842	–	842	–
Other financial liabilities	2,864	–	2,864	–
Fair values of financial liabilities measured at amortized cost	**11,112**	**–**	**11,112**	**–**

EUR million	Dec. 31, 2015	Level 1	Level 2	Level 3
Trade receivables	4,097	–	4,097	–
Other financial assets	2,345	–	2,345	–
Cash funds	12,375	7,218	5,156	–
Fair values of financial assets measured at amortized cost	**18,816**	**7,218**	**11,598**	**–**
Trade payables	7,204	–	7,204	–
Financial liabilities	1,885	–	1,885	–
Other financial liabilities	4,315	–	4,315	–
Fair values of financial liabilities measured at amortized cost	**13,403**	**–**	**13,403**	**–**

In the case of the financial instruments measured at amortized cost, the fair value levels to be quoted basically correspond to the criteria listed under Note 36.1. The fair value of these financial instruments, such as receivables and liabilities, is calculated by discounting using a market interest rate that adequately reflects the risks and is based on matched maturities. Within non-current assets and liabilities, there were generally no significant changes in the ratios between balance sheet value and fair value. For reasons of materiality, the fair value for current balance sheet items is equated with the balance sheet value. In order to reconcile the tables above, equity instruments reported at their carrying amount are assigned to level 3 in the fair value hierarchy.

The financial assets available for sale of EUR 40 million as well as the financial liabilities held in this context of EUR 73 million are classified as “Loans and receivables” and are valued at cost of purchase. The fair value of these assets and liabilities corresponds to the carrying amount and must be allocated to Level 2 of the fair value hierarchy – up to the increase in cash and cash equivalents reported under this item (Level 1). Detailed balance sheet information can be derived from Note 25, “Available-for-sale financial assets and liabilities held for sale.”

37 / *MANAGEMENT OF FINANCIAL RISKS*

37.1 / *HEDGING GUIDELINES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT*

The principles and responsibilities involved in managing and controlling risks associated with financial instruments are stipulated by the Board of Management in accordance with the Volkswagen Group guidelines and statutory parameters, and are monitored by the Supervisory Board.

Operational risk management is carried out by the Group Treasury, both at AUDI AG and at Volkswagen AG, Wolfsburg. The Board of Management and Supervisory Board of AUDI AG are regularly briefed on the current risk situation. Additionally, the Volkswagen Executive Committee for Liquidity and Foreign Currency is regularly updated on the current financial risks.

Read more about financial risks in the ***Management Report*** *on page 148 f.*

37.2 / *CREDIT AND DEFAULT RISKS*

Credit and default risks from financial assets relate to a possible default by a contractual party and do not exceed the carrying amounts in respect of the contractual party in question. The risk from non-derivative financial instruments is covered by value adjustments for loss of receivables. The contractual parties for cash and capital investments, as well as currency and commodity hedging instruments, have impeccable credit standings. In addition to this, the risks are restricted by a limit system that is based on the credit ratings of international rating agencies and the equity base of the contractual parties.

The Group's global business operations and the resulting diversification meant that there were no major risk concentrations during the past fiscal year.

// *CREDIT QUALITY OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST*

EUR million	Gross carrying amount Dec. 31, 2016	Neither past due nor impaired	Past due and not impaired	Impaired
Trade receivables	4,929	4,372	500	57
Other receivables	1,485	1,439	12	34
of which receivables from loans	*572*	*572*	*–*	*–*
of which miscellaneous receivables	*913*	*867*	*12*	*34*
	6,414	**5,811**	**512**	**91**

EUR million	Gross carrying amount Dec. 31, 2015	Neither past due nor impaired	Past due and not impaired	Impaired
Trade receivables	4,149	3,626	463	61
Other receivables	2,388	2,340	13	35
of which receivables from loans	*1,149*	*1,149*	*0*	*–*
of which miscellaneous receivables	*1,238*	*1,190*	*13*	*35*
	6,537	**5,966**	**476**	**95**

The trading partners, borrowers and debtors of the Audi Group are regularly monitored under the risk management system. All receivables that are "Neither past due nor impaired," amounting to EUR 5,811 (5,966) million, are allocable to risk category 1. Risk category 1 is the highest rating category within the Volkswagen Group; it exclusively comprises "Receivables owing from customers of high creditworthiness."

There are no past due financial instruments measured at fair value within the Audi Group. The fair values of these financial instruments are determined based on their market prices.

In the 2016 fiscal year, marketable securities measured at fair value with a cost of EUR 33 million were impaired. No impairments were recorded for the previous year.

// MATURITY ANALYSIS OF GROSS CARRYING AMOUNTS

EUR million	Past due and not impaired	Past due		
	Dec. 31, 2016	up to 30 days	between 30 and 90 days	more than 90 days
Trade receivables	500	51	255	194
Other receivables	12	10	1	1
Gross carrying amounts	**512**	**61**	**256**	**195**

EUR million	Past due and not impaired	Past due		
	Dec. 31, 2015	up to 30 days	between 30 and 90 days	more than 90 days
Trade receivables	463	92	188	182
Other receivables	13	4	4	5
Gross carrying amounts	**476**	**96**	**192**	**187**

The credit risk is low overall, as the vast majority of the past due and not impaired financial assets – predominantly owing to customers' purchase invoices and payment processes – are with customers with very high creditworthiness.

// IMPAIRMENTS

EUR million	2016	2015
Position as of Jan. 1	87	98
Changes in scope of consolidated companies	–	–
Addition	8	13
Utilization	–8	–21
Dissolution	–4	–2
Position as of Dec. 31	**83**	**87**

The development of impairments on receivables that existed as of the balance sheet date and that were measured at amortized cost can be broken down as shown in the above table for the fiscal years 2016 and 2015. Portfolio-based impairments are not used within the Audi Group.

// COLLATERAL

The credit and default risk is reduced by collateral held of EUR 1,891 (1,978) million. In the Audi Group, collateral is primarily held in relation to trade receivables. Vehicles, bank guarantees and banker's bonds are the main forms of collateral provided.

37.3 / LIQUIDITY RISKS

Liquidity risks arise from financial liabilities if current payment obligations can no longer be met. A liquidity forecast based on a fixed planning horizon coupled with available yet unused lines of credit ensures adequate liquidity within the Audi Group at all times.

In some countries, such as China, the Audi Group can only access local currency on a crossborder basis subject to the applicable restrictions on foreign-exchange transactions. Otherwise, there are no significant restrictions affecting liquidity.

// MATURITY ANALYSIS OF UNDISCOUNTED CASH FROM FINANCIAL INSTRUMENTS

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2016	up to 1 year	between 1 and 5 years	over 5 years
Financial liabilities	816	502	75	238
Trade payables	7,406	7,406	0	–
Other financial liabilities and obligations	2,864	2,765	99	–
Derivative financial instruments	38,646	16,413	22,233	–
Undiscounted cash outflows	**49,731**	**27,086**	**22,407**	**238**

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2015	up to 1 year	between 1 and 5 years	over 5 years
Financial liabilities	1,885	1,638	48	199
Trade payables	7,204	7,204	–	–
Other financial liabilities and obligations	4,315	4,266	48	–
Derivative financial instruments	42,625	17,444	25,180	–
Undiscounted cash outflows	**56,028**	**30,552**	**25,276**	**199**

The derivatives include both cash outflows from derivative financial instruments with a negative fair value and cash outflows from derivatives with a positive fair value for which gross settlement has been agreed. Cash outflows from derivatives concluded as part of counter transactions are also taken into account.

The cash outflows from derivatives where a gross settlement has been agreed is offset by cash inflows. These cash receipts are not presented in the maturity analysis. Had the cash receipts also been taken into account, the cash used would have been significantly lower in the analysis by maturity date. This applies equally for hedging relationships which were concluded by counter transactions.

The Audi Group has provided various financial guarantees, mainly in the form of sureties. As of December 31, 2016, the maximum permitted use of financial guarantees amounts to EUR 177 (321) million.

// COLLATERAL

The Audi Group recorded financial assets as collateral for liabilities in the amount of EUR 67 (57) million. This collateral is primarily used by contractual parties as soon as credit periods for secured liabilities are exceeded.

37.4 / *MARKET RISKS*

Given the global nature of its operations, the Audi Group is exposed to various market risks, which are described below. The individual risk types and the respective risk management measures are also described. Additionally, these risks are quantified by means of sensitivity analyses.

// HEDGING POLICY AND FINANCIAL DERIVATIVES

The market risks to which the Audi Group is exposed include, in particular, currency, fund price, commodity price and interest rate risks. As part of the risk management process, these risks are limited by entering into hedging transactions. All necessary hedging measures are implemented centrally by the Group Treasury of Volkswagen AG, Wolfsburg, or coordinated via the Group Treasury of AUDI AG. There were no risk concentrations during the past fiscal year.

The market price risks associated with derivative and non-derivative financial instruments pursuant to IFRS 7 are calculated in the Audi Group using sensitivity analyses. Changes to the risk variables within the respective market price risks are used to calculate the impact on equity and on profit after tax.

/// CURRENCY RISKS

The Audi Group is exposed to exchange rate fluctuations as a result of its global business activities. The measures implemented to hedge against these currency risks are defined at brand level in accordance with the Volkswagen organizational guideline, coordinated in the Volkswagen Group and implemented by the Group Treasury of Volkswagen AG.

These risks are limited by concluding appropriate hedges for matching amounts and maturities. The hedging transactions are performed centrally for the Audi Group by Volkswagen AG on the basis of an agency agreement. The AUDI Group additionally concludes hedging transactions of its own to a limited extent, where this helps to simplify current operations.

The hedging transactions are effected by means of marketable derivative financial instruments (forward exchange contracts, foreign exchange options and currency swaps). Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies and by Central Risk Management at Volkswagen AG.

For the purpose of managing currency risks, exchange rate hedging in the 2016 fiscal year primarily focused on the U.S. dollar, the Australian dollar, the Canadian dollar and the Japanese yen.

Currency risks pursuant to IFRS 7 arise as a result of financial instruments that are of a monetary nature and that are denominated in a currency other than the functional currency. Exchange rate differences from the translation of financial statements into the Group currency (translation risk) are disregarded. Within the Audi Group, the principal non-derivative financial instruments (cash, receivables, securities held and debt instruments held, interest-bearing liabilities, interest-free liabilities) are either denominated directly in the functional currency or substantially transferred to the functional currency through the use of derivatives. Above all, the generally short maturity of the instruments also means that potential exchange rate movements have only a very minor impact on profit or equity.

Currency risks are measured using sensitivity analyses, during which the impact on profit after tax and equity of hypothetical changes to relevant risk variables is assessed. All non-functional currencies in which the Audi Group enters into financial instruments are fundamentally treated as relevant risk variables.

The periodic effects are determined by applying the hypothetical changes in the risk variables to the inventory of financial instruments on the reporting date. It is assumed for this purpose that the inventory on the reporting date is representative of the entire year. Movements in the exchange rates of the underlying currencies for the hedged transactions affect the fair value of these hedging transactions and the cash flow hedge reserve in equity.

/// FUND PRICE RISKS

The securities funds created using surplus liquidity are exposed, in particular, to an equity and bond price risk that may arise from fluctuations in stock market prices and indices and market interest rates. Changes in bond prices resulting from a change in market interest rates, and the measurement of currency risks and other interest rate risks from the securities funds, are quantified separately in the corresponding Notes on “Currency risks” and “Interest rate risks.”

Risks from securities funds are generally countered by maintaining a broad mix of products, issuers and regional markets when making investments, as stipulated in the investment guidelines. Where necessitated by the market situation, currency hedges are also used. Such measures are coordinated by AUDI AG in agreement with the Group Treasury of Volkswagen AG and implemented at operational level by the securities funds' risk management teams.

Fund price risks are measured within the Audi Group in accordance with IFRS 7 using sensitivity analyses. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the prices of the financial instruments in the funds. Stock prices, exchange rates and interest rates are particularly relevant risk variables in the case of fund price risks.

/// COMMODITY PRICE RISKS

Commodities are subject to the risk of fluctuating prices given the volatile nature of the commodity markets. Commodity futures are used to limit these risks. The hedging measures are coordinated regularly between AUDI AG and Volkswagen AG in accordance with the existing Volkswagen organizational guideline. The hedging transactions are performed centrally for AUDI AG by Volkswagen AG on the basis of an agency agreement. The results from hedging contracts are credited or debited to the Audi Group on maturity.

Hedging relates principally to significant quantities of the commodities aluminum and copper. Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies and by Central Risk Management at Volkswagen AG.

Commodity price risks are also calculated using sensitivity analyses. Hypothetical changes in listed prices are used to quantify the impact of changes in value of the hedging transactions on equity and on profit after income tax.

/// INTEREST RATE RISKS

Interest rate risks stem from changes in market rates, above all for medium and long-term variable interest rate assets and liabilities.

The Audi Group limits interest rate risks, particularly with regard to the granting of loans and credit, by agreeing fixed interest rates and also through interest rate hedging instruments.

The risks associated with changing interest rates are presented pursuant to IFRS 7 using sensitivity analyses. These involve presenting the effects of hypothetical changes in market interest rates as of the balance sheet date on interest payments, interest income and expenses, and, where applicable, equity and profit after tax.

/// RESIDUAL VALUE RISKS

Residual value risks arise from hedging arrangements with the retail trade or partner companies according to which, in the context of buy-back 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 hedging arrangements are based on residual value recommendations, as published by the residual value committee at the time of the contract being concluded, and on current dealer purchase values on the market at the time of the residual value hedging being settled. The residual value recommendations are based on the forecasts provided by various independent institutions using transaction prices.

Residual value risks are also calculated using sensitivity analyses. Hypothetical changes in the market prices of used cars as of the balance sheet date are used to quantify the impact on profit after tax.

// QUANTIFYING MARKET RISKS BY MEANS OF SENSITIVITY ANALYSES

/// CURRENCY RISKS

If the functional currencies had in each case increased or decreased in value by 10 percent compared with the other currencies as of the balance sheet date, the following major effects on the hedging provision in equity and on profit after tax would have resulted with regard to the currency relations referred to below.

EUR million	Dec. 31, 2016		Dec. 31, 2015	
	+10 %	–10 %	+10 %	–10 %
EUR/CNY				
Hedging reserve	179	–179	320	–320
Profit after tax	–58	58	–31	31
EUR/GBP				
Hedging reserve	505	–505	831	–831
Profit after tax	–22	22	2	–2
EUR/JPY				
Hedging reserve	176	–176	170	–170
Profit after tax	–13	13	–3	3
EUR/USD				
Hedging reserve	813	–927	955	–965
Profit after tax	–25	130	–35	45

/// OTHER MARKET RISKS

The measurement of other market risks pursuant to IFRS 7 is also carried out using sensitivity analyses within the Audi Group. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the corresponding balance sheet items and on the result after tax. Depending on the type of risk, there are various possible risk variables (primarily share prices, commodity prices, market interest rates and market prices of used cars).

The sensitivity analyses carried out enable the following other market risks to be quantified for the Audi Group:

EUR million	2016		2015	
	+10 %	–10 %	+10 %	–10 %
Fund price risks				
Effects on equity with change in share prices	1	–6	20	–23
Commodity price risks				
Effects on equity with change in commodity prices	16	–16	13	–13
Effects on profit after tax with change in commodity prices	34	–34	26	–26
Residual value risks of used cars				
Effects on profit after tax with change in market prices	249	–249	219	–219
	+100 bps	–100 bps	+100 bps	–100 bps
Interest rate change risks				
Effects on equity with change in market interest rate	–43	43	–65	65
Effects on profit after tax with change in market interest rate	–1	1	14	–14

37.5 / *METHODS OF MONITORING THE EFFECTIVENESS OF HEDGING RELATIONSHIPS*

Within the Audi Group, the effectiveness of hedging relationships is evaluated prospectively using the critical terms match method, as well as by means of statistical methods in the form of a regression analysis. The retrospective evaluation of the effectiveness of hedges involves a test in the form of the dollar offset method or in the form of a regression analysis.

In the case of the dollar offset method, the changes in value of the underlying transaction, expressed in monetary units, are compared with the changes in value of the hedge, expressed in monetary units. All hedge relationships were effective within the range specified in IAS 39 (80 to 125 percent).

In the case of regression analysis, the performance of the underlying transaction is viewed as an independent variable, while that of the hedging transaction is regarded as a dependent variable. The transaction is classed as effective hedging if the coefficients of determination and escalation factors are appropriate. All of the hedging relationships verified using this statistical method proved to be effective as of the reporting date.

// *NOMINAL VOLUME OF DERIVATIVE FINANCIAL INSTRUMENTS*

EUR million	Nominal volumes			
	Dec. 31, 2016	Remaining term of up to 1 year	Remaining term of between 1 and 5 years	Dec. 31, 2015
Forward exchange contracts	31,715	14,054	17,660	42,839
Foreign exchange options	4,347	–	4,347	551
Commodity futures	235	125	110	234
Cash flow hedges	**36,296**	**14,179**	**22,117**	**43,624**
Forward exchange contracts	3,992	2,927	1,064	3,169
Commodity futures	484	270	215	486
Other derivatives	**4,476**	**3,197**	**1,279**	**3,655**

The nominal volumes of the presented cash flow hedges for hedging currency risks and commodity price risks represent the total of all buying and selling prices on which the transactions are based. The derivatives concluded as part of counter transactions which are compensated for by the original hedging relationships are taken into account in the respective nominal volumes. The respective nominal volumes would be lower if they were not taken into account.

The derivative financial instruments used exhibit a maximum hedging term of five years.

Existing cash flow hedges in the notional amount of EUR 596 million (in previous year none) were discontinued because of a reduction in the projections. A total of EUR 1 million (in previous year none) was taken from the reserve fund for cash flow hedges, thus increasing the financial result.

38 / *CASH FLOW STATEMENT*

The Cash Flow Statement details the payment streams for both the 2016 fiscal year and the previous year, categorized according to cash outflow and inflow from operating activities, investing and financing activities. The effects of changes in foreign exchange rates on cash flows are presented separately.

Cash flow from operating activities includes all cash flows in connection with ordinary activities and is presented using the indirect calculation method. Starting from the profit before profit transfer and income tax, all income and expenses with no impact on cash flow (mainly write-downs) are excluded.

Cash flow from operating activities in the 2016 fiscal year included payments for interest received amounting to EUR 40 (51) million and for interest paid amounting to EUR 78 (44) million. In 2016, the Audi Group received dividends and profit transfers totaling EUR 785 (604) million. The “Income tax payments” item substantially comprises payments made to Volkswagen AG on the basis of the single-entity relationship for tax purposes in Germany, as well as payments to foreign tax authorities.

The item “Other non-cash income and expenses” primarily includes non-cash income and expenses from the measurement of derivative financial instruments.

Cash flow from investing activities includes capitalized development costs as well as additions to property, plant and equipment, investment property, other intangible assets, long-term financial investments and non-current borrowings. The proceeds from the disposal of assets, the proceeds from the disposal of participations, and the change in securities and fixed deposits are similarly reported in cash flow from investing activities.

The acquisition of investments in subsidiaries, and changes in capital at non-consolidated subsidiaries resulted in a total outflow of EUR 11 (50) million. The acquisition of investments in associated companies and other participations and changes in capital resulted in an outflow of EUR 355 (816) million. This includes EUR 300 million for a capital increase at Volkswagen Group Services S.A., Brussels (Belgium).

Cash flow from financing activities includes cash used for the transfer of profit, as well as changes in financial liabilities.

The changes in the balance sheet items that are presented in the Cash Flow Statement cannot be derived directly from the Balance Sheet because the effects of currency translation and of changes in the group of consolidated companies do not affect cash and are therefore not included in the Cash Flow Statement.

// RECONCILIATION OF CASH AND CASH EQUIVALENTS

EUR million	Dec. 31, 2016	Dec. 31, 2015
Cash funds as per Balance Sheet	11,449	12,375
Currently due fixed deposits with an investment period > 3 months	– 54	– 5,156
Cash and cash equivalents as per Cash Flow Statement (bank assets and cash deposits with maturities of no more than three months)	**11,395**	**7,218**

Only the short-term fixed deposits whose original investment term is no more than three months are included in the cash and cash equivalents of the Cash Flow Statement.

The figures for cash and cash equivalents include cash pool receivables in the amount of EUR 9,058 (6,059) million.

39 / CONTINGENT LIABILITIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Contingent liabilities from sureties	6	7
Other contingent liabilities	33	12
Contingent liabilities	**39**	**18**

Contingent liabilities are unrecognized contingencies whose amount corresponds to the likely utilization as of the balance sheet date. Financial guarantees as defined under IFRS 7 are reported under Note 37.3, "Liquidity risks" and are not included under liabilities from sureties.

Regarding the recall of vehicles in which a certain type of airbag from the company Takata had been installed, it cannot be ruled out at present that the recall may be expanded to include models belonging to the Audi Group. Further information on the situation in accordance with IAS 37.86 is currently not available due to the technical investigations and negotiations with authorities which are still ongoing.

As expanded on under Note 33, "Other provisions", there are no contingent liabilities in connection with the four-cylinder diesel engines. With regard to the V6 3.0 TDI engines, a number of investigations or legal proceedings are underway which are still in the early stages, the implications of which cannot be estimated at present.

40 / *LITIGATION*

As part of their operational activities, AUDI AG and the companies in which it holds direct or indirect interests are involved in legal disputes and official proceedings nationally and internationally. Such legal disputes and procedures are particularly likely to occur in relation to suppliers, dealers, customers or employees. They may result in payment or other obligations for the companies involved. Particularly in cases where U.S. customers assert claims relating to vehicle faults, whether individually or in the form of class actions, very expensive measures may be required and may necessitate the payment of significant amounts in compensation or penalty payments. U.S. patent infringement proceedings are also associated with similar risks. Other provisions take account of such risks to the extent that an outflow of resources is likely to occur in the future and can be reliably estimated. Legal disputes frequently involve complex legal issues. Consequently, assumptions must be made regarding the likelihood of an outflow of resources, the amount of any such outflow and the duration of the case. This means that the recognition and measurement of provisions to cover legal risks involve a degree of uncertainty.

For information regarding the legal risks arising from the diesel issue, please refer to the disclosures under "Notes on the diesel issue" in the general information in the Notes to the Consolidated Financial Statements.

Furthermore, neither AUDI AG nor any of its Group companies are involved in ongoing or prospective legal or arbitration proceedings that could have a significant influence on their economic position.

41 / *CHANGE OF CONTROL AGREEMENTS*

Change of control clauses are contractual agreements between a company and third parties to provide for legal succession should there be a direct or indirect change in the ownership structure of any party to the contract.

There exists a contractual agreement between the Audi Group, the BMW Group and Daimler AG in relation to their respective participation in There Holding B.V. stating that in the event of a change of control at one party to the agreement, it is obliged to offer its shares in There Holding B.V. to the other shareholders for purchase. If none of the other parties takes on the shares, these parties have the right to resolve the winding up of There Holding B.V.

Moreover, the main contractual agreements between the Audi Group and third parties do not contain any change of control clauses in the event of a change in the ownership structure of AUDI AG or its subsidiaries.

42 / OTHER FINANCIAL OBLIGATIONS

EUR million	Due Dec. 31, 2016				Due Dec. 31, 2015	
	Within 1 year	1 to 5 years	Over 5 years	Total	Over 1 year	Total
Purchase orders for property, plant and equipment	2,457	772	–	3,229	705	3,090
Purchase orders for intangible assets	214	0	–	214	36	303
Commitments from long-term rental and lease agreements	145	225	102	472	429	585
Miscellaneous financial obligations	940	190	109	1,240	481	1,334
Other financial obligations	**3,756**	**1,188**	**211**	**5,155**	**1,651**	**5,311**

Supply contracts are in place for series production material. Binding orders are placed and contracts are activated for the material as such material is needed on the basis of the specified production and sales schedule.

Other financial obligations from long-term rental and leasing contracts include expected income from sub-leases of EUR 6 million.

43 / DISCONTINUED OPERATIONS

There are no plans to discontinue or cease business operations as defined by IFRS 5.

44 / COST OF MATERIALS

EUR million	2016	2015
Expenses for raw materials and supplies, as well as purchased goods	35,930	34,055
Expenses for purchased services	4,666	3,529
Cost of materials	**40,596**	**37,583**

45 / PERSONNEL COSTS

EUR million	2016	2015
Wages and salaries	5,617	5,512
Social insurance and expenses for retirement benefits and support payments	1,145	1,090
of which relating to retirement benefit plans	*220*	*199*
of which defined contribution pension plans	*389*	*368*
Personnel costs	**6,761**	**6,602**

In the 2016 fiscal year, no subsidy was received from the German Federal Employment Agency. In the prior year subsidies of EUR 5 million were recognized in other operating income, with the effect of reducing expenditure. The subsidies are paid in accordance with the conditions defined in the German law on partial retirement.

46 / TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR

	2016	2015
Domestic companies [1)]	59,029	57,191
Foreign companies	25,111	22,775
Employees	**84,140**	**79,966**
Apprentices	2,555	2,486
Employees of Audi Group companies	**86,695**	**82,452**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	417	386
Workforce Audi Group	**87,112**	**82,838**

1) Of these, 1,003 (1,159) employees were in the passive stage of their partial retirement.

47 / RELATED PARTY DISCLOSURES

Related parties as defined in IAS 24 are:

- the parent company, Volkswagen AG, Wolfsburg, and its subsidiaries and material participations outside the Audi Group,
- other parties (individuals and companies) that could be influenced by the reporting entity or that could influence the reporting entity, such as
  - the members of the Board of Management and Supervisory Board of AUDI AG,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associated companies and their subsidiaries,
  - non-consolidated subsidiaries.

At 52.2 percent, Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the balance sheet date. The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche Automobil Holding SE can no longer appoint the majority of the members of the Supervisory Board of Volkswagen AG for as long as the State of Lower Saxony holds at least 15 percent of Volkswagen AG's ordinary shares. However, Porsche Automobil Holding SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore also classified as a related party.

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. The goods and services procured from related parties primarily include supplies for production and supplies of genuine parts, as well as development, transportation, financial and distribution services, and, to a lesser extent, design and other services. Business transacted for related parties mainly comprises sales of new and used cars, engines and components, and allocation of cash and cash equivalents in the form of loans, fixed deposits and overnight deposits.

The cash funds of the Audi Group are in large part held by or invested in the Volkswagen Group. All transactions are processed under market conditions.

47.1 / *BUSINESS RELATIONS WITH VOLKSWAGEN AG AND WITH OTHER SUBSIDIARIES AND PARTICIPATIONS NOT BELONGING TO THE AUDI GROUP*

EUR million	2016	2015
Goods and services supplied to		
Volkswagen AG	7,638	7,156
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	15,878	15,845
Goods and services received from		
Volkswagen AG	7,702	9,323
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	8,352	7,318
Receivables from[1]		
Volkswagen AG	3,099	1,996
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	2,108	1,455
Obligations to		
Volkswagen AG	5,090	7,755
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	6,655	9,621
Contingent liabilities to		
Volkswagen AG	–	–
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	72	50
Collateral posted with		
Volkswagen AG	–	–
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	62	50

1) The previous year was adjusted.

As of December 31, 2016, sales of receivables to subsidiaries of Volkswagen AG, Wolfsburg, that do not belong to the Audi Group amounted to EUR 1,692 (3,598) million. This also includes sales of receivables to Volkswagen Group Services S.A./N.V., Brussels (Belgium), totaling EUR 619 (2,551) million.

Receivables from other subsidiaries and participations of Volkswagen AG not belonging to the Audi Group were impaired to the amount of EUR 4 (1) million. Receivables no longer include cash funds invested within the framework of cash pooling.

The possibility of a claim arising from contingencies is not anticipated.

There were no business relations with Porsche Automobil Holding SE during the past fiscal year.

47.2 / *BUSINESS RELATIONS WITH SUBSIDIARIES AND ASSOCIATED COMPANIES OF THE AUDI GROUP*

EUR million	Goods and services supplied to		Goods and services received	
	2016	2015	2016	2015
Associates and joint ventures	8,230	7,504	407	361
Non-consolidated subsidiaries	49	51	163	155

EUR million	Receivables from[1]		Obligations to[1]	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Associates and joint ventures	823	1,814	782	2,030
Non-consolidated subsidiaries	222	149	116	167

1) The previous year was adjusted.

As of December 31, 2016, there were sureties totaling EUR 104 (259) million in favor of associated companies, joint ventures and non-consolidated subsidiaries. The possibility of a claim arising from contingencies is not anticipated. Irrevocable credit commitments to non-consolidated subsidiaries total EUR 44 (94) million.

Receivables from associated companies in the amount of EUR 5 (4) million were impaired.

Obligations towards associates and joint ventures as well as non-consolidated subsidiaries include future obligations from existing contractual relationships. Trade receivables no longer contain cash and cash equivalents invested within the framework of cash pooling.

47.3 / *BUSINESS RELATIONS WITH AND PAYMENTS TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD*

Members of the Boards of Management or Supervisory Boards of Volkswagen AG, Wolfsburg, and AUDI AG also belong to the supervisory or management boards of other companies with which the Audi Group maintains business relations. All transactions with such companies and persons are similarly conducted according to the terms that customarily apply to outside third parties. In this connection, goods and services amounting to a total value of EUR 373 (333) thousand were provided to the German State of Lower Saxony and to companies in which the State of Lower Saxony holds a majority stake, and goods and services amounting to a total value of EUR 10 (20) thousand were received from them. No receivables were recorded for both the 2016 fiscal year and the previous year.

A list of the supervisory board mandates of members of the Board of Management and Supervisory Board of AUDI AG is presented in the 2016 Annual Financial Report of AUDI AG.

The service relationships with the members of the Boards of Management and Supervisory Boards of Volkswagen AG and AUDI AG were conducted at arm's length. As in the previous year, the volume of transactions was low. Overall, services in the amount of EUR 33 (34) thousand were rendered to this group of individuals during the fiscal year. As in the previous year, the Audi Group did not receive any services from this group of individuals in the 2016 fiscal year. In addition, there existed no claims or obligations with respect to the Board of Management and the Supervisory Board of Volkswagen AG or AUDI AG either in the 2016 fiscal year or in the previous year.

Moreover, the following payments were granted for members of the Board of Management and Supervisory Board of AUDI AG in the course of their positions on executive bodies.

EUR thousand	2016	2015
Short-term benefits	21,839	20,281
Post-employment benefits	2,715	1,695
Termination benefits	3,800	6,700
Benefits, total	**28,354**	**28,676**

Obligations towards members of the Board of Management and Supervisory Board of AUDI AG in connection with short-term benefits amount to EUR 14,649 (13,162) thousand. Pension obligations also exist in the amount of EUR 34,330 (26,684) thousand. Termination benefits of EUR 2,850 (6,700) thousand were recognized as the result of the expiry of contracts of members of the Board of Management.

The employee representatives employed at AUDI AG in the Supervisory Board continue to receive their normal salary in accordance with their employment contract. This is based on the provisions of the German Works Constitution Act and corresponds to an appropriate remuneration for the function or activity exercised in the Company. This similarly applies to representatives of executive staff.

No share-based payments were granted. The remuneration system, as well as the details of the remuneration paid to the members of the Board of Management and Supervisory Board of AUDI AG, broken down by individual member and by component, and the information on the pension arrangements for members of the Board of Management, broken down by individual member, pursuant to Section 314, Para. 1, No. 6a), Sentence 5 ff. of the German Commercial Code (HGB) and the German Corporate Governance Code (DCGK) is presented in the remuneration report which forms part of the Combined Management Report of the Audi Group and AUDI AG.

*Read more about the remuneration report in the **Management Report** on pages 153 ff.*

48 / *AUDITOR'S FEES*

EUR thousand	2016	2015
Auditing of the financial statements	1,178	1,101
Other assurance services	253	275
Tax consultancy services	–	10
Other services	183	422
Auditor's fees	**1,614**	**1,808**

Based on the requirements of commercial law, the auditor's fees include auditing of the Consolidated Financial Statements and auditing of the annual financial statements of the domestic consolidated companies.

49 / *SEGMENT REPORTING*

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

Segment reporting is based on the economic activities of the Audi Group and is divided into the two segments of Automotive and Motorcycles. Whilst the Motorcycles segment does not meet the quantitative threshold 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, and the distribution of vehicles of other Volkswagen Group brands as well as the accompanying accessories and spare parts business. The activities of the Motorcycles segment include the development, production, assembly and distribution of Ducati brand motorcycles, including accessories and spare parts.

As a general rule, segment reporting is based on the same reporting, recognition and measurement principles as applied to the Consolidated Financial Statements. Business relations between the companies of the segments in the Audi Group are generally based on the same prices as those agreed with third parties. Consolidation between the segments is carried out in the Reconciliation column. Investments in property, plant and equipment, investment property and intangible assets (including capitalized development costs) are reported excluding investments in the context of the finance lease. The central key performance indicators used to manage the Automotive and Motorcycles segments include the operating profit and the operating return on sales.

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

49.1 / *REPORTING SEGMENTS*

EUR million	2016			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	58,587	730	–	59,317
Revenue with other segments	–	0	0	–
Revenue	**58,587**	**731**	**0**	**59,317**
Depreciation and amortization	–2,981	–77	–	–3,059
Impairment losses	–100	–	–	–100
Reversal of impairment losses	–	–	–	–
Segment profit (operating profit)	3,027	25	–	3,052
Result from investments accounted for using the equity method	365	–	–	365
Net interest and other financial result	–370	0	–	–370
Investments accounted for using the equity method	4,763	–	–	4,763
Investments in property, plant and equipment, investment property and intangible assets	5,021	64	–	5,085

EUR million	2015			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	57,719	701	–	58,420
Revenue with other segments	–	1	–1	–
Revenue	**57,719**	**702**	**–1**	**58,420**
Depreciation and amortization	–2,596	–69	–	–2,665
Impairment losses	0	–	–	0
Reversal of impairment losses	–	–	–	–
Segment profit (operating profit)	4,804	31	–	4,836
Result from investments accounted for using the equity method	451	–	–	451
Net interest and other financial result	–3	0	–	–3
Investments accounted for using the equity method	4,483	–	–	4,483
Investments in property, plant and equipment, investment property and intangible assets	4,737	58	–	4,795

The Motorcycles segment reported an operating return on sales of 3.4 (4.5) percent, taking into account additional depreciation and amortization due to the revaluation of assets and liabilities as part of the purchase price allocation in the amount of EUR 23 million, as well as the elimination of intercompany profit following the first-time inclusion of the activities of the Chinese importer in the Motorcycles segment. Adjusted to take account of these effects, the operating profit totaled EUR 51 (54) million and the operating return on sales 7.0 (7.8) percent. The Automotive segment recorded an operating return on sales of 5.2 (8.3) percent.

The operating return on sales of the Audi Group totaled 5.1 (8.3) percent.

49.2 / *RECONCILIATION STATEMENT*

EUR million	2016	2015
Segment revenue	59,318	58,420
Consolidation	0	– 1
Group revenue	**59,317**	**58,420**
Segment profit (operating profit)	3,052	4,836
Consolidation	–	–
Operating profit	3,052	4,836
Financial result	– 5	448
Group profit before tax	**3,047**	**5,284**

49.3 / *BY REGION*

EUR million	2016						
	Germany	Rest of Europe	Asia-Pacific	North America	South America	Africa	Total
Revenue	12,895	20,386	14,055	11,081	576	324	59,317
Property, plant and equipment, intangible assets, leasing and rental assets and investment property	13,062	4,554	193	1,633	65	–	19,507

EUR million	2015						
	Germany	Rest of Europe	Asia-Pacific	North America	South America	Africa	Total
Revenue	12,055	19,502	14,966	10,861	657	379	58,420
Property, plant and equipment, intangible assets, leasing and rental assets and investment property	10,973	4,893	193	1,341	85	–	17,485

Revenue is allocated to the regions on the basis of the country of destination principle.

The Audi Group primarily generates revenues from the sale of cars. In addition to the Audi brand, the Automotive segment also comprises sales of vehicles of the Lamborghini brand and of other brands of the Volkswagen Group. Ducati motorcycles and accessories are sold in the Motorcycles segment.

49.4 / *REVENUES BY SEGMENT*

EUR million	2016	2015
Audi brand	41,556	41,428
Lamborghini brand	853	811
Other Volkswagen Group brands	3,599	3,860
Other automotive business	12,579	11,620
Automotive segment	**58,587**	**57,719**
Ducati brand	593	563
Other motorcycles business	137	138
Motorcycles segment	**731**	**702**
Reconciliation	0	–1
Revenue	**59,317**	**58,420**

An explanation of the different types of revenue is provided under Note 1, “Revenue.” The Automotive segment, together with Volkswagen AG, Wolfsburg, and its subsidiaries that are not part of the Audi Group along with two associated companies, has key accounts with which there exists a relationship of dependence.

49.5 / *REVENUE WITH KEY ACCOUNTS*

	2016		2015	
	EUR million	*in %*	*EUR million*	*in %*
Volkswagen AG	5,852	10	5,224	9
Volkswagen AG subsidiaries not belonging to the Audi Group	15,332	26	15,348	26
Two associated companies	8,087	14	7,453	13

50 / *GERMAN CORPORATE GOVERNANCE CODE*

The Board of Management and Supervisory Board of AUDI AG submitted the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code on Nov. 24, 2016, and subsequently made it permanently accessible on the Audi website at www.audi.com/cgk-declaration.

Read more online about the submitted declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code at ***www.audi.com/cgk-declaration****.*

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events after December 31, 2016, subject to a reporting obligation in accordance with IAS 10.

MATERIAL GROUP COMPANIES

Name and registered office	Capital share in %
Fully consolidated companies	
Germany	
AUDI AG, Ingolstadt	
Audi Electronics Venture GmbH, Gaimersheim	100.0
Audi Immobilien GmbH & Co. KG, Ingolstadt	100.0
Audi Sport GmbH, Neckarsulm	100.0
Ducati Motor Deutschland GmbH, Cologne	100.0
HI-S5 Fund, Frankfurt am Main [1]	100.0
PSW automotive engineering GmbH, Gaimersheim	100.0
International	
Audi Australia Pty. Ltd., Zetland	100.0
Audi Australia Retail Operations Pty. Ltd., Zetland	100.0
Audi Brussels S.A./N.V., Brussels	100.0
Audi Brussels Property S.A./N.V., Brussels	100.0
Audi (China) Enterprise Management Co., Ltd., Beijing	100.0
Audi do Brasil Indústria e Comércio de Veiculos Ltda., São Paulo	100.0
Audi Hungaria Services Zrt., Győr	100.0
Audi Hungaria Motor Kft., Győr	100.0
Audi Japan K.K., Tokyo	100.0
Audi Japan Sales K.K., Tokyo	100.0
Audi Luxembourg S.A., Luxembourg	100.0
Audi México S.A. de C.V., San José Chiapa	100.0
Audi Singapore Pte. Ltd., Singapore	100.0
Audi Tooling Barcelona S.L., Martorell	100.0
Audi Volkswagen Korea Ltd., Seoul	100.0
Audi Volkswagen Middle East FZE, Dubai	100.0
Audi Volkswagen Taiwan Co., Ltd., Taipei	100.0
Automobili Lamborghini S.p.A., Sant'Agata Bolognese	100.0
Ducati Motor Holding S.p.A., Bologna	100.0
Ducati do Brasil Indústria e Comércio de Motocicletas Ltda., São Paulo	100.0
Ducati Japan K.K., Tokyo	100.0
Ducati Motor (Thailand) Co. Ltd., Amphur Pluakdaeng	100.0
Ducati North America, Inc., Cupertino / CA	100.0
Ducmotocicleta S. de R.L. de C.V., Mexico City	100.0
Ducati North Europe B.V., Zoeterwoude	100.0
Ducati (Schweiz) AG, Wollerau	100.0
Ducati U.K. Ltd., Towcester	100.0
Ducati West Europe S.A.S., Colombes	100.0
Italdesign Giugiaro S.p.A., Moncalieri	100.0
Officine del Futuro S.p.A., Sant'Agata Bolognese	100.0
Volkswagen Group Italia S.p.A., Verona	100.0
Volkswagen Group Firenze S.p.A., Florence	100.0
Audi Canada Inc., Ajax / ON [2]	–
Audi of America, LLC, Herndon / VA [2]	–
Automobili Lamborghini America, LLC, Herndon / VA [2]	–
Companies accounted for using the equity method	
Other countries	
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., Tianjin	49.0
There Holding B.V., Rijswijk	33.3
Volkswagen Group Services S.A., Brussels	30.0
FAW-Volkswagen Automotive Co., Ltd., Changchun	10.0

1) This is a structured entity pursuant to IFRS 10 and IFRS 12.
2) AUDI AG exercises control pursuant to IFRS 10. B38.

RESPONSIBILITY STATEMENT

“RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Audi Group, and the Combined Management Report of the Audi Group and AUDI AG includes a fair review of the development and performance of the business and the position of the Audi Group and AUDI AG, together with a description of the principal opportunities and risks associated with the expected development of the Audi Group and AUDI AG.”

Ingolstadt, February 13, 2017

The Board of Management

Prof. Rupert Stadler	Dr. Bernd Martens	Prof. h. c. Thomas Sigi
Axel Strotbek	Dr. Dietmar Voggenreiter	Prof. Dr.-Ing. Hubert Waltl

"AUDITOR'S REPORT

We have audited the Consolidated Financial Statements prepared by AUDI Aktiengesellschaft, Ingolstadt – comprising the income statement and statement of recognized income and expense, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the Consolidated Financial Statements – together with the Group Management Report, which is combined with the Company Management Report, for the business year from January 1 to December 31, 2016. The preparation of the Consolidated Financial Statements and the Combined Management Report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Para. 1 of the German Commercial Code (HGB) are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the Consolidated Financial Statements and the Combined Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Combined Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and in the Combined Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Para. 1 of the German Commercial Code (HGB), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Combined Management Report is consistent with the Consolidated Financial Statements, complies with statutory requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we point out that the status of the investigation in connection with the diesel issue, presented in the Notes to the Financial Statements in the section "Notes on the diesel issue" and in the Combined Management in the section "Exceptional events – Diesel issue," was taken into account in the creation of provisions for legal risks and warranties. On that basis, we have no evidence that incumbent members of the Board of Management of the Company had knowledge of the unregistered software components (auxiliary emission control devices) in connection with V6 3.0 TDI engines, or knowledge of irregularities in connection with control software used on the four-cylinder diesel engines developed and submitted for type approval by Volkswagen AG, until notified by the U.S. Environmental Protection Agency (EPA) in fall 2015. Nevertheless, if in the course of further investigations new findings should come to light that indicate that members of the Board of Management were aware of the diesel issue earlier, these could potentially have an effect on the Consolidated Financial Statements as well as on the Combined Management Report for the 2016 fiscal year and previous years. The provisions for warranties and legal risks created so far are based on the presented state of knowledge. Due to the large number of technical solutions necessary and the inevitable uncertainties associated with the current and expected litigation, it cannot be excluded that a future assessment of the risks may be different."

Munich, February 22, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Klaus Schuster
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FUEL CONSUMPTION AND EMISSION FIGURES

As at: January 2017
(All data apply to features of the German market.)

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A1									
A1 1.0 TFSI ultra	15, 16	60	5-speed	Premium	5.0	3.7	4.2	97	A
A1 1.0 TFSI ultra	17, 18	60	5-speed	Premium	5.2	3.9	4.4	102	B
A1 1.0 TFSI ultra	15, 16	70	5-speed	Premium	5.0	3.7	4.2	97	A
A1 1.0 TFSI ultra	17, 18	70	5-speed	Premium	5.2	3.9	4.4	102	B
A1 1.0 TFSI ultra	15, 16	70	S tronic, 7-speed	Premium	5.4	3.8	4.4	102	B
A1 1.0 TFSI ultra	17, 18	70	S tronic, 7-speed	Premium	5.6	4.0	4.6	107	B
A1 1.4 TFSI	15, 16	92	6-speed	Premium	6.4	4.1	4.9	115	C
A1 1.4 TFSI	17, 18	92	6-speed	Premium	6.6	4.3	5.1	120	C
A1 1.4 TFSI	15, 16	92	S tronic, 7-speed	Premium	6.2	4.2	4.9	112	B
A1 1.4 TFSI	17, 18	92	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	C
A1 1.4 TFSI COD	16	110	S tronic, 7-speed	Premium	5.8	4.1	4.7	109	B
A1 1.4 TFSI COD	17, 18	110	S tronic, 7-speed	Premium	6.1	4.4	5.0	116	B
A1 1.8 TFSI	16	141	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	C
A1 1.8 TFSI	17, 18	141	S tronic, 7-speed	Premium	7.4	4.9	5.8	134	C
S1 2.0 TFSI quattro	17	170	6-speed	Premium	9.1	5.8	7.0	162	E
S1 2.0 TFSI quattro	18	170	6-speed	Premium	9.2	5.9	7.1	166	E
A1 1.4 TDI	15, 16	66	5-speed	Diesel	4.1	3.3	3.6	94	A
A1 1.4 TDI	17, 18	66	5-speed	Diesel	4.2	3.5	3.8	99	A
A1 1.4 TDI	15, 16	66	S tronic, 7-speed	Diesel	4.3	3.5	3.8	99	A
A1 1.4 TDI	17, 18	66	S tronic, 7-speed	Diesel	4.4	3.7	4.0	104	B
A1 1.6 TDI	15, 16	85	5-speed	Diesel	4.5	3.2	3.7	97	A
A1 1.6 TDI	17, 18	85	5-speed	Diesel	4.7	3.4	3.9	102	A
A1 1.6 TDI	15, 16	85	S tronic, 7-speed	Diesel	4.4	3.4	3.8	99	A
A1 1.6 TDI	17, 18	85	S tronic, 7-speed	Diesel	4.6	3.6	4.0	106	A
Audi A1 Sportback									
A1 Sportback 1.0 TFSI ultra	15, 16	60	5-speed	Premium	5.0	3.7	4.2	97	A
A1 Sportback 1.0 TFSI ultra	17, 18	60	5-speed	Premium	5.2	3.9	4.4	102	B
A1 Sportback 1.0 TFSI ultra	15, 16	70	5-speed	Premium	5.0	3.7	4.2	97	A
A1 Sportback 1.0 TFSI ultra	17, 18	70	5-speed	Premium	5.2	3.9	4.4	102	B
A1 Sportback 1.0 TFSI ultra	15, 16	70	S tronic, 7-speed	Premium	5.4	3.8	4.4	102	B
A1 Sportback 1.0 TFSI ultra	17, 18	70	S tronic, 7-speed	Premium	5.6	4.0	4.6	107	B
A1 Sportback 1.4 TFSI	15, 16	92	6-speed	Premium	6.6	4.2	5.1	118	C
A1 Sportback 1.4 TFSI	17, 18	92	6-speed	Premium	6.7	4.4	5.2	123	C
A1 Sportback 1.4 TFSI	15, 16	92	S tronic, 7-speed	Premium	6.2	4.2	4.9	112	B
A1 Sportback 1.4 TFSI	17, 18	92	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	B
A1 Sportback 1.4 TFSI COD	16	110	S tronic, 7-speed	Premium	5.8	4.1	4.7	109	B
A1 Sportback 1.4 TFSI COD	17, 18	110	S tronic, 7-speed	Premium	6.1	4.4	5.0	116	B
A1 Sportback 1.8 TFSI	16	141	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	C
A1 Sportback 1.8 TFSI	17, 18	141	S tronic, 7-speed	Premium	7.4	4.9	5.8	134	C
S1 Sportback 2.0 TFSI quattro	17	170	6-speed	Premium	9.2	5.9	7.1	166	E
S1 Sportback 2.0 TFSI quattro	18	170	6-speed	Premium	9.3	6.0	7.2	168	E
A1 Sportback 1.4 TDI	15, 16	66	5-speed	Diesel	4.2	3.4	3.7	97	A
A1 Sportback 1.4 TDI	17, 18	66	5-speed	Diesel	4.3	3.6	3.9	102	A
A1 Sportback 1.4 TDI	15, 16	66	S tronic, 7-speed	Diesel	4.3	3.5	3.8	99	A
A1 Sportback 1.4 TDI	17, 18	66	S tronic, 7-speed	Diesel	4.4	3.7	4.0	104	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A1 Sportback 1.6 TDI	15, 16	85	5-speed	Diesel	4.5	3.2	3.7	97	A
A1 Sportback 1.6 TDI	17, 18	85	5-speed	Diesel	4.7	3.4	3.9	102	A
A1 Sportback 1.6 TDI	15, 16	85	S tronic, 7-speed	Diesel	4.4	3.4	3.8	99	A
A1 Sportback 1.6 TDI	17, 18	85	S tronic, 7-speed	Diesel	4.6	3.6	4.0	106	A
Audi TT Coupé									
TT Coupé 1.8 TFSI	17	132	6-speed	Premium	7.4	4.9	5.8	134	C
TT Coupé 1.8 TFSI	17–20[1)]	132	6-speed	Premium	7.6	5.1	6.0	138	D
TT Coupé 1.8 TFSI	17	132	S tronic, 7-speed	Premium	7.0	4.9	5.7	129	C
TT Coupé 1.8 TFSI	17–20[1)]	132	S tronic, 7-speed	Premium	7.2	5.1	5.9	133	C
TT Coupé 2.0 TFSI	17	169	6-speed	Premium	7.3	5.0	5.9	137	C
TT Coupé 2.0 TFSI	17–20[1)]	169	6-speed	Premium	7.5	5.2	6.1	141	D
TT Coupé 2.0 TFSI	17	169	S tronic, 6-speed	Premium	8.2	5.2	6.3	146	D
TT Coupé 2.0 TFSI	17–20[1)]	169	S tronic, 6-speed	Premium	8.4	5.4	6.5	150	D
TT Coupé 2.0 TFSI quattro	17	169	S tronic, 6-speed	Premium	8.3	5.4	6.4	149	D
TT Coupé 2.0 TFSI quattro	17–20[1)]	169	S tronic, 6-speed	Premium	8.5	5.6	6.6	153	D
TTS Coupé 2.0 TFSI quattro	18	228	6-speed	Premium	9.2	5.9	7.1	164	D
TTS Coupé 2.0 TFSI quattro	19, 20	228	6-speed	Premium	9.4	6.1	7.3	168	E
TTS Coupé 2.0 TFSI quattro	18	228	S tronic, 6-speed	Premium	8.2	5.8	6.7	155	D
TTS Coupé 2.0 TFSI quattro	19, 20	228	S tronic, 6-speed	Premium	8.4	6.0	6.9	159	D
TT RS Coupé 2.5 TFSI quattro	19	294	S tronic, 7-speed	Super Plus	11.3	6.4	8.2	187	F
TT RS Coupé 2.5 TFSI quattro	20	294	S tronic, 7-speed	Super Plus	11.4	6.6	8.4	192	F
TT Coupé 2.0 TDI ultra	17	135	6-speed	Diesel	5.4	4.1	4.6	122	B
TT Coupé 2.0 TDI ultra	17–20[1)]	135	6-speed	Diesel	5.5	4.2	4.7	124	B
TT Coupé 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	6.1	4.7	5.2	137	C
TT Coupé 2.0 TDI quattro	17–20[1)]	135	S tronic, 6-speed	Diesel	6.2	4.9	5.4	142	C
Audi TT Roadster									
TT Roadster 1.8 TFSI	17	132	6-speed	Premium	7.5	5.0	5.9	138	C
TT Roadster 1.8 TFSI	17–20[1)]	132	6-speed	Premium	7.7	5.2	6.1	142	C
TT Roadster 1.8 TFSI	17	132	S tronic, 7-speed	Premium	7.1	5.0	5.8	132	C
TT Roadster 1.8 TFSI	17–20[1)]	132	S tronic, 7-speed	Premium	7.3	5.2	6.0	136	C
TT Roadster 2.0 TFSI	17	169	6-speed	Premium	7.5	5.2	6.0	140	C
TT Roadster 2.0 TFSI	17–20[1)]	169	6-speed	Premium	7.7	5.4	6.2	144	C
TT Roadster 2.0 TFSI	17	169	S tronic, 6-speed	Premium	8.4	5.4	6.5	151	D
TT Roadster 2.0 TFSI	17–20[1)]	169	S tronic, 6-speed	Premium	8.6	5.6	6.7	155	D
TT Roadster 2.0 TFSI quattro	17	169	S tronic, 6-speed	Premium	8.5	5.6	6.7	154	D
TT Roadster 2.0 TFSI quattro	17–20[1)]	169	S tronic, 6-speed	Premium	8.7	5.8	6.9	158	D
TTS Roadster 2.0 TFSI quattro	18	228	6-speed	Premium	9.3	6.1	7.3	169	D
TTS Roadster 2.0 TFSI quattro	19, 20	228	6-speed	Premium	9.5	6.3	7.5	173	E
TTS Roadster 2.0 TFSI quattro	18	228	S tronic, 6-speed	Premium	8.4	6.0	6.9	159	D
TTS Roadster 2.0 TFSI quattro	19, 20	228	S tronic, 6-speed	Premium	8.6	6.2	7.1	163	D
TT RS Roadster 2.5 TFSI quattro[3)]	19	294	S tronic, 7-speed	Super Plus	11.3	6.5	8.3	189	E
TT RS Roadster 2.5 TFSI quattro[3)]	20	294	S tronic, 7-speed	Super Plus	11.4	6.8	8.5	194	E
TT Roadster 2.0 TDI ultra	17	135	6-speed	Diesel	5.5	4.2	4.7	126	B
TT Roadster 2.0 TDI ultra	17–20[1)]	135	6-speed	Diesel	5.6	4.3	4.8	129	B
TT Roadster 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	6.3	4.9	5.4	142	C
TT Roadster 2.0 TDI quattro	17–20[1)]	135	S tronic, 6-speed	Diesel	6.4	5.1	5.6	147	C
Audi A3									
A3 1.0 TFSI	16[4)]	85	6-speed	Premium	5.5	3.9	4.5	104	A
A3 1.0 TFSI	16–18	85	6-speed	Premium	5.8	4.2	4.8	110	B
A3 1.0 TFSI	16[4)]	85	S tronic, 7-speed	Premium	5.4	4.0	4.5	104	A
A3 1.0 TFSI	16–18	85	S tronic, 7-speed	Premium	5.7	4.3	4.8	110	B
A3 1.4 TFSI COD ultra	16[4)]	110	6-speed	Premium	5.6	3.9	4.5	105	A
A3 1.4 TFSI COD ultra	16–19	110	6-speed	Premium	6.0	4.3	4.9	112	B
A3 1.4 TFSI COD ultra	16[4)]	110	S tronic, 7-speed	Premium	5.7	4.1	4.7	109	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A3 1.4 TFSI COD ultra	16–19	110	S tronic, 7-speed	Premium	6.0	4.4	5.0	114	B
A3 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.2	4.9	5.8	133	B
A3 2.0 TFSI quattro	17–19[7]	140	S tronic, 7-speed	Premium	7.4	5.1	6.0	137	C
S3 2.0 TFSI quattro	18	228	6-speed	Super Plus	9.1	5.8	7.0	162	D
S3 2.0 TFSI quattro	19	228	6-speed	Super Plus	9.2	5.9	7.1	163	D
S3 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.1	5.4	6.4	146	C
S3 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.2	5.5	6.5	149	C
A3 1.6 TDI	16[4]	85	6-speed	Diesel	4.5	3.7	4.0	106	A
A3 1.6 TDI	16, 18[7]	85	6-speed	Diesel	4.7	3.9	4.2	109	A
A3 1.6 TDI	16[4]	85	S tronic, 7-speed	Diesel	4.1	3.7	3.9	103	A
A3 1.6 TDI	17[7]	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	109	A
A3 2.0 TDI	16[4]	110	6-speed	Diesel	4.9	3.5	4.0	105	A
A3 2.0 TDI	16–19	110	6-speed	Diesel	5.2	3.9	4.4	111	A
A3 2.0 TDI	16[4]	110	S tronic, 6-speed	Diesel	5.2	4.0	4.4	116	B
A3 2.0 TDI	16–19	110	S tronic, 6-speed	Diesel	5.5	4.3	4.7	122	B
A3 2.0 TDI quattro	16[4]	110	6-speed	Diesel	5.6	4.1	4.7	122	B
A3 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.9	4.4	5.0	128	B
A3 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	5.5	4.4	4.8	127	B
A3 2.0 TDI quattro	17–19[7]	135	S tronic, 6-speed	Diesel	5.7	4.6	5.0	131	B
Audi A3 Sportback									
A3 Sportback 1.0 TFSI	16[4]	85	6-speed	Premium	5.5	3.9	4.5	104	A
A3 Sportback 1.0 TFSI	16–18	85	6-speed	Premium	5.8	4.2	4.8	110	B
A3 Sportback 1.0 TFSI	16[4]	85	S tronic, 7-speed	Premium	5.4	4.0	4.5	104	A
A3 Sportback 1.0 TFSI	16–18	85	S tronic, 7-speed	Premium	5.7	4.3	4.8	110	B
A3 Sportback 1.4 TFSI COD ultra	16[4]	110	6-speed	Premium	5.7	4.0	4.6	107	A
A3 Sportback 1.4 TFSI COD ultra	16–19	110	6-speed	Premium	6.1	4.4	5.0	115	B
A3 Sportback 1.4 TFSI COD ultra	16[4]	110	S tronic, 7-speed	Premium	5.9	4.2	4.8	111	A
A3 Sportback 1.4 TFSI COD ultra	16–19	110	S tronic, 7-speed	Premium	6.2	4.5	5.1	116	B
A3 Sportback 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.2	4.9	5.8	133	B
A3 Sportback 2.0 TFSI quattro	17–19[7]	140	S tronic, 7-speed	Premium	7.4	5.1	6.0	137	C
A3 Sportback 1.4 TFSI g-tron	16[4]	81	6-speed	Premium	6.9	4.3	5.2	121	B
				Natural gas	4.4 kg	2.8 kg	3.4 kg	92	A+
A3 Sportback 1.4 TFSI g-tron	16–18	81	6-speed	Premium	7.2	4.6	5.5	128	C
				Natural gas	4.6 kg	3.0 kg	3.6 kg	98	A+
A3 Sportback 1.4 TFSI g-tron	16[4]	81	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	B
				Natural gas	4.2 kg	2.7 kg	3.3 kg	89	A+
A3 Sportback 1.4 TFSI g-tron	16–18	81	S tronic, 7-speed	Premium	6.6	4.7	5.4	124	B
				Natural gas	4.3 kg	2.9 kg	3.5 kg	95	A+
A3 Sportback 1.4 TFSI e-tron	16	150[3]	S tronic, 6-speed	Premium			1.6	36	A+
				Electricity			11.4 kWh		
A3 Sportback 1.4 TFSI e-tron	17, 18	150[3]	S tronic, 6-speed	Premium			1.8	40	A+
				Electricity			12.0 kWh		
S3 Sportback 2.0 TFSI quattro	18	228	6-speed	Super Plus	9.1	5.8	7.0	162	D
S3 Sportback 2.0 TFSI quattro	19	228	6-speed	Super Plus	9.2	5.9	7.1	163	D
S3 Sportback 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.2	5.5	6.5	149	C
S3 Sportback 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.3	5.6	6.6	152	C
A3 Sportback 1.6 TDI	16[4]	85	6-speed	Diesel	4.5	3.7	4.0	106	A
A3 Sportback 1.6 TDI	16, 18[7]	85	6-speed	Diesel	4.7	3.9	4.2	109	A
A3 Sportback 1.6 TDI	16[4]	85	S tronic, 7-speed	Diesel	4.1	3.7	3.9	103	A
A3 Sportback 1.6 TDI	17[7]	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	109	A
A3 Sportback 2.0 TDI	16[4]	110	6-speed	Diesel	4.9	3.5	4.0	105	A
A3 Sportback 2.0 TDI	16–19	110	6-speed	Diesel	5.2	3.9	4.4	111	A
A3 Sportback 2.0 TDI	16[4]	110	S tronic, 6-speed	Diesel	5.2	4.0	4.4	116	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A3 Sportback 2.0 TDI	16–19	110	S tronic, 6-speed	Diesel	5.5	4.3	4.7	122	B
A3 Sportback 2.0 TDI quattro	16[4)]	110	6-speed	Diesel	5.6	4.1	4.7	122	B
A3 Sportback 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.9	4.4	5.0	128	B
A3 Sportback 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	5.5	4.4	4.8	127	B
A3 Sportback 2.0 TDI quattro	17–19[7)]	135	S tronic, 6-speed	Diesel	5.7	4.6	5.0	131	B
Audi A3 Sedan									
A3 Sedan 1.0 TFSI	16[4)]	85	6-speed	Premium	5.5	3.8	4.4	103	A
A3 Sedan 1.0 TFSI	16–18	85	6-speed	Premium	5.8	4.1	4.7	109	B
A3 Sedan 1.0 TFSI	16[4)]	85	S tronic, 7-speed	Premium	5.4	3.9	4.4	103	A
A3 Sedan 1.0 TFSI	16–18	85	S tronic, 7-speed	Premium	5.6	4.2	4.7	109	A
A3 Sedan 1.4 TFSI COD ultra	16[4)]	110	6-speed	Premium	5.7	3.9	4.6	106	A
A3 Sedan 1.4 TFSI COD ultra	16–19	110	6-speed	Premium	6.1	4.3	5.0	114	B
A3 Sedan 1.4 TFSI COD ultra	16[4)]	110	S tronic, 7-speed	Premium	5.8	4.0	4.7	109	A
A3 Sedan 1.4 TFSI COD ultra	16–19	110	S tronic, 7-speed	Premium	6.1	4.3	5.0	114	B
A3 Sedan 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.2	4.8	5.7	132	B
A3 Sedan 2.0 TFSI quattro	17–19[7)]	140	S tronic, 7-speed	Premium	7.4	5.0	5.9	136	B
S3 Sedan 2.0 TFSI quattro	18	228	6-speed	Super Plus	9.1	5.8	7.0	162	D
S3 Sedan 2.0 TFSI quattro	19	228	6-speed	Super Plus	9.2	5.9	7.1	163	D
S3 Sedan 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.2	5.4	6.4	148	C
S3 Sedan 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.3	5.5	6.5	151	C
A3 Sedan 1.6 TDI	16[4)]	85	6-speed	Diesel	4.5	3.6	4.0	104	A
A3 Sedan 1.6 TDI	16, 18[7)]	85	6-speed	Diesel	4.7	3.8	4.1	108	A
A3 Sedan 1.6 TDI	16[4)]	85	S tronic, 7-speed	Diesel	4.1	3.7	3.9	102	A
A3 Sedan 1.6 TDI	17[7)]	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	108	A
A3 Sedan 2.0 TDI	16[4)]	110	6-speed	Diesel	4.9	3.5	4.0	104	A
A3 Sedan 2.0 TDI	16–19	110	6-speed	Diesel	5.2	3.9	4.4	110	A
A3 Sedan 2.0 TDI	16[4)]	110	S tronic, 6-speed	Diesel	5.2	4.0	4.4	115	A
A3 Sedan 2.0 TDI	16–19	110	S tronic, 6-speed	Diesel	5.5	4.3	4.7	121	B
A3 Sedan 2.0 TDI quattro	16[4)]	110	6-speed	Diesel	5.6	4.1	4.7	122	B
A3 Sedan 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.9	4.4	5.0	128	B
A3 Sedan 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	5.5	4.4	4.8	127	B
A3 Sedan 2.0 TDI quattro	17–19[7)]	135	S tronic, 6-speed	Diesel	5.7	4.6	5.0	131	B
Audi A3 Cabriolet									
A3 Cabriolet 1.4 TFSI	16[4)]	85	6-speed	Premium	6.9	4.4	5.3	120	B
A3 Cabriolet 1.4 TFSI	16–19	85	6-speed	Premium	7.1	4.7	5.6	126	B
A3 Cabriolet 1.4 TFSI	16[4)]	85	S tronic, 7-speed	Premium	6.3	4.4	5.1	116	A
A3 Cabriolet 1.4 TFSI	16–19	85	S tronic, 7-speed	Premium	6.6	4.7	5.4	123	B
A3 Cabriolet 1.4 TFSI COD ultra	16[4)]	110	6-speed	Premium	5.9	4.1	4.8	110	A
A3 Cabriolet 1.4 TFSI COD ultra	16–19	110	6-speed	Premium	6.3	4.5	5.2	119	A
A3 Cabriolet 1.4 TFSI COD ultra	16[4)]	110	S tronic, 7-speed	Premium	6.1	4.3	4.9	114	A
A3 Cabriolet 1.4 TFSI COD ultra	16–19	110	S tronic, 7-speed	Premium	6.4	4.6	5.2	119	A
A3 Cabriolet 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.6	5.2	6.1	139	B
A3 Cabriolet 2.0 TFSI quattro	17–19[7)]	140	S tronic, 7-speed	Premium	7.8	5.4	6.3	144	B
S3 Cabriolet 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.4	5.7	6.7	153	B
S3 Cabriolet 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.5	5.8	6.8	156	C
A3 Cabriolet 2.0 TDI	16[4)]	110	6-speed	Diesel	5.1	3.7	4.2	110	A+
A3 Cabriolet 2.0 TDI	16–19	110	6-speed	Diesel	5.4	4.1	4.6	117	A
A3 Cabriolet 2.0 TDI	16[4)]	110	S tronic, 6-speed	Diesel	5.4	4.2	4.6	120	A
A3 Cabriolet 2.0 TDI	16–19	110	S tronic, 6-speed	Diesel	5.7	4.5	4.9	127	B
A3 Cabriolet 2.0 TDI quattro	16[4)]	110	6-speed	Diesel	5.8	4.2	4.8	125	A
A3 Cabriolet 2.0 TDI quattro	16–19	110	6-speed	Diesel	6.1	4.5	5.1	132	B
A3 Cabriolet 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	5.8	4.6	5.0	132	A
A3 Cabriolet 2.0 TDI quattro	17–19[7)]	135	S tronic, 6-speed	Diesel	6.0	4.8	5.2	137	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A4 Sedan									
A4 Sedan 1.4 TFSI	16[4)]	110	6-speed	Premium	6.6	4.3	5.1	119	B
A4 Sedan 1.4 TFSI	16–19	110	6-speed	Premium	7.0	4.8	5.5	131	B
A4 Sedan 1.4 TFSI	16[4)]	110	S tronic, 7-speed	Premium	6.4	4.1	4.9	114	A
A4 Sedan 1.4 TFSI	16–19	110	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	B
A4 Sedan 2.0 TFSI ultra	16[4)]	140	6-speed	Premium	7.0	4.4	5.4	122	B
A4 Sedan 2.0 TFSI ultra	16–19	140	6-speed	Premium	7.4	5.0	5.9	134	B
A4 Sedan 2.0 TFSI ultra	16[4)]	140	S tronic, 7-speed	Premium	6.2	4.0	4.8	109	A
A4 Sedan 2.0 TFSI ultra	17–19[5)]	140	S tronic, 7-speed	Premium	6.6	4.7	5.4	122	A
A4 Sedan 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.4	4.7	5.7	129	B
A4 Sedan 2.0 TFSI	18, 19	185	S tronic, 7-speed	Premium	7.4	5.0	5.9	137	B
A4 Sedan 2.0 TFSI quattro	17	185	6-speed	Premium	8.5	5.4	6.5	147	C
A4 Sedan 2.0 TFSI quattro	18, 19	185	6-speed	Premium	8.6	5.6	6.7	153	C
A4 Sedan 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.7	5.0	5.9	136	B
A4 Sedan 2.0 TFSI quattro	18, 19	185	S tronic, 7-speed	Premium	7.9	5.4	6.3	144	B
S4 Sedan 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	9.8	5.9	7.3	166	C
S4 Sedan 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	9.9	6.1	7.5	170	C
A4 Sedan 2.0 TDI	16[4)]	90	6-speed	Diesel	4.4	3.3	3.7	97	A+
A4 Sedan 2.0 TDI	16–19	90	6-speed	Diesel	4.9	3.8	4.2	110	A
A4 Sedan 2.0 TDI	16[4)]	90	S tronic, 7-speed	Diesel	4.7	3.5	3.9	101	A+
A4 Sedan 2.0 TDI	16–19	90	S tronic, 7-speed	Diesel	5.1	3.9	4.3	112	A
A4 Sedan 2.0 TDI	16	110	6-speed	Diesel	4.6	3.4	3.8	99	A+
A4 Sedan 2.0 TDI	17–19	110	6-speed	Diesel	5.0	3.9	4.2	111	A
A4 Sedan 2.0 TDI ultra	16[4)]	110	6-speed	Diesel	4.4	3.3	3.7	95	A+
A4 Sedan 2.0 TDI ultra	17[5)]	110	6-speed	Diesel	4.5	3.4	3.8	99	A+
A4 Sedan 2.0 TDI	16	110	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Sedan 2.0 TDI	17–19	110	S tronic, 7-speed	Diesel	5.1	3.9	4.3	112	A
A4 Sedan 2.0 TDI ultra	16[4)]	110	S tronic, 7-speed	Diesel	4.6	3.4	3.8	99	A+
A4 Sedan 2.0 TDI ultra	17[5)]	110	S tronic, 7-speed	Diesel	4.7	3.5	3.9	101	A+
A4 Sedan 2.0 TDI quattro	16	110	6-speed	Diesel	5.0	3.7	4.2	109	A+
A4 Sedan 2.0 TDI quattro	17–19	110	6-speed	Diesel	5.1	3.9	4.3	113	A+
A4 Sedan 2.0 TDI ultra	16[4)]	140	6-speed	Diesel	4.7	3.4	3.8	99	A+
A4 Sedan 2.0 TDI ultra	17[5)]	140	6-speed	Diesel	4.8	3.5	3.9	102	A+
A4 Sedan 2.0 TDI	17	140	6-speed	Diesel	5.1	3.8	4.3	111	A
A4 Sedan 2.0 TDI	18, 19	140	6-speed	Diesel	5.4	4.1	4.5	118	A
A4 Sedan 2.0 TDI quattro	17	140	6-speed	Diesel	5.3	4.0	4.5	116	A
A4 Sedan 2.0 TDI quattro	18, 19	140	6-speed	Diesel	5.4	4.2	4.6	119	A
A4 Sedan 2.0 TDI ultra	16[4)]	140	S tronic, 7-speed	Diesel	4.6	3.4	3.9	101	A+
A4 Sedan 2.0 TDI ultra	17[5)]	140	S tronic, 7-speed	Diesel	4.7	3.5	4.0	103	A+
A4 Sedan 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	107	A+
A4 Sedan 2.0 TDI	18, 19	140	S tronic, 7-speed	Diesel	5.0	3.9	4.3	113	A
A4 Sedan 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.1	4.0	4.4	114	A+
A4 Sedan 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.3	4.3	4.6	121	A
A4 Sedan 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.8	4.0	4.2	109	A+
A4 Sedan 3.0 TDI	18, 19	160	S tronic, 7-speed	Diesel	4.9	4.3	4.5	117	A
A4 Sedan 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	4.9	4.4	4.6	119	A+
A4 Sedan 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.1	4.7	4.8	127	A
A4 Sedan 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.4	4.6	4.9	129	A
A4 Sedan 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	5.6	4.9	5.2	137	A
Audi A4 Avant									
A4 Avant 1.4 TFSI	16[4)]	110	6-speed	Premium	6.8	4.5	5.3	124	B
A4 Avant 1.4 TFSI	16–19	110	6-speed	Premium	7.3	5.0	5.8	139	C
A4 Avant 1.4 TFSI	16[4)]	110	S tronic, 7-speed	Premium	6.7	4.3	5.2	119	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A4 Avant 1.4 TFSI	16–19	110	S tronic, 7-speed	Premium	7.2	4.8	5.7	131	B
A4 Avant 2.0 TFSI g-tron[3]	16[4]	125	6-speed	Premium	8.0	4.9	6.0	136	B
				Natural gas	5.5 kg	3.3 kg	4.0 kg	109	A+
A4 Avant 2.0 TFSI g-tron[3]	19	125	6-speed	Premium	8.3	5.4	6.5	147	B
				Natural gas	5.7 kg	3.6 kg	4.4 kg	117	A
A4 Avant 2.0 TFSI g-tron[3]	16[4]	125	S tronic, 7-speed	Premium	7.0	4.5	5.4	124	A
				Natural gas	5.0 kg	3.1 kg	3.8 kg	100	A+
A4 Avant 2.0 TFSI g-tron[3]	19	125	S tronic, 7-speed	Premium	7.3	5.1	5.9	135	B
				Natural gas	5.2 kg	3.5 kg	4.1 kg	109	A+
A4 Avant 2.0 TFSI ultra	16[4]	140	6-speed	Premium	7.3	4.6	5.6	127	B
A4 Avant 2.0 TFSI ultra	17–19[5]	140	6-speed	Premium	7.7	5.2	6.1	139	B
A4 Avant 2.0 TFSI ultra	16[4]	140	S tronic, 7-speed	Premium	6.4	4.3	5.0	114	A
A4 Avant 2.0 TFSI ultra	17–19[5]	140	S tronic, 7-speed	Premium	6.8	4.9	5.6	128	B
A4 Avant 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.5	4.9	5.9	134	B
A4 Avant 2.0 TFSI	18, 19	185	S tronic, 7-speed	Premium	7.6	5.2	6.1	142	B
A4 Avant 2.0 TFSI quattro	17	185	6-speed	Premium	8.5	5.5	6.6	149	C
A4 Avant 2.0 TFSI quattro	18, 19	185	6-speed	Premium	8.7	5.8	6.8	155	C
A4 Avant 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.7	5.1	6.1	139	B
A4 Avant 2.0 TFSI quattro	18, 19	185	S tronic, 7-speed	Premium	7.9	5.5	6.4	147	B
S4 Avant 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.0	6.1	7.5	171	C
S4 Avant 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	10.1	6.3	7.6	175	D
A4 Avant 2.0 TDI	16[4]	90	6-speed	Diesel	4.6	3.5	3.9	102	A+
A4 Avant 2.0 TDI	16–19	90	6-speed	Diesel	5.0	4.0	4.3	115	A
A4 Avant 2.0 TDI	16[4]	90	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	16–19	90	S tronic, 7-speed	Diesel	5.2	4.0	4.4	115	A
A4 Avant 2.0 TDI	16	110	6-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	17–19	110	6-speed	Diesel	5.1	4.0	4.3	116	A
A4 Avant 2.0 TDI ultra	16[4]	110	6-speed	Diesel	4.5	3.4	3.8	99	A+
A4 Avant 2.0 TDI ultra	17[5]	110	6-speed	Diesel	4.7	3.6	4.0	104	A+
A4 Avant 2.0 TDI ultra	16[4]	110	S tronic, 7-speed	Diesel	4.7	3.5	3.9	102	A+
A4 Avant 2.0 TDI ultra	17[5]	110	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	16	110	S tronic, 7-speed	Diesel	4.9	3.7	4.1	106	A+
A4 Avant 2.0 TDI	17–19	110	S tronic, 7-speed	Diesel	5.2	4.0	4.4	115	A
A4 Avant 2.0 TDI quattro	16	110	6-speed	Diesel	5.1	3.8	4.3	112	A+
A4 Avant 2.0 TDI quattro	17–19	110	6-speed	Diesel	5.3	4.1	4.5	118	A
A4 Avant 2.0 TDI ultra	16[4]	140	6-speed	Diesel	4.9	3.6	4.0	104	A+
A4 Avant 2.0 TDI ultra	17[5]	140	6-speed	Diesel	5.0	3.7	4.1	106	A+
A4 Avant 2.0 TDI	17	140	6-speed	Diesel	5.1	3.9	4.4	114	A
A4 Avant 2.0 TDI	18, 19	140	6-speed	Diesel	5.4	4.1	4.6	121	A
A4 Avant 2.0 TDI quattro	17	140	6-speed	Diesel	5.4	4.1	4.6	119	A
A4 Avant 2.0 TDI quattro	18, 19	140	6-speed	Diesel	5.6	4.3	4.8	124	A
A4 Avant 2.0 TDI ultra	16[4]	140	S tronic, 7-speed	Diesel	4.7	3.5	4.0	104	A+
A4 Avant 2.0 TDI ultra	17[5]	140	S tronic, 7-speed	Diesel	4.8	3.6	4.1	106	A+
A4 Avant 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	109	A+
A4 Avant 2.0 TDI	18, 19	140	S tronic, 7-speed	Diesel	5.0	4.1	4.4	116	A
A4 Avant 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	116	A+
A4 Avant 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.4	4.4	4.7	123	A
A4 Avant 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A4 Avant 3.0 TDI	18, 19	160	S tronic, 7-speed	Diesel	5.0	4.5	4.6	121	A
A4 Avant 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.4	4.7	123	A
A4 Avant 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.2	4.8	4.9	129	A
A4 Avant 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.6	4.8	5.1	134	A
A4 Avant 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	5.8	5.1	5.4	142	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A4 allroad quattro									
A4 allroad quattro 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.9	5.6	6.4	147	B
A4 allroad quattro 2.0 TFSI quattro	18, 19	185	S tronic, 7-speed	Premium	8.2	5.9	6.7	154	C
A4 allroad quattro 2.0 TDI quattro	17	110	6-speed	Diesel	5.8	4.4	4.9	127	A
A4 allroad quattro 2.0 TDI quattro	18, 19	110	6-speed	Diesel	5.9	4.6	5.1	133	A
A4 allroad quattro 2.0 TDI quattro	17	120	S tronic, 7-speed	Diesel	5.5	4.6	4.9	128	A
A4 allroad quattro 2.0 TDI quattro	18, 19	120	S tronic, 7-speed	Diesel	5.7	4.8	5.1	134	A
A4 allroad quattro 2.0 TDI quattro	17	140	6-speed	Diesel	5.8	4.5	5.0	130	A
A4 allroad quattro 2.0 TDI quattro	18, 19	140	6-speed	Diesel	6.0	4.8	5.2	136	B
A4 allroad quattro 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.5	4.6	4.9	128	A
A4 allroad quattro 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.7	4.8	5.1	134	A
A4 allroad quattro 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.4	5.0	5.1	137	A
A4 allroad quattro 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.6	5.2	5.3	143	B
A4 allroad quattro 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.7	5.0	5.3	139	A
A4 allroad quattro 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	5.8	5.3	5.5	146	B
Audi A5 Sportback									
A5 Sportback 2.0 TFSI g-tron [3]	17 [4]	125	6-speed	Premium	7.8	4.8	5.9	135	B
				Natural gas	5.4 kg	3.2 kg	4.0 kg	108	A+
A5 Sportback 2.0 TFSI g-tron [3]	19	125	6-speed	Premium	8.1	5.2	6.3	143	B
				Natural gas	5.5 kg	3.5 kg	4.2 kg	114	A+
A5 Sportback 2.0 TFSI g-tron [3]	17 [4]	125	S tronic, 7-speed	Premium	7.0	4.5	5.4	124	A
				Natural gas	5.0 kg	3.1 kg	3.8 kg	100	A+
A5 Sportback 2.0 TFSI g-tron [3]	19	125	S tronic, 7-speed	Premium	7.3	5.0	5.8	133	A
				Natural gas	5.2 kg	3.4 kg	4.0 kg	108	A+
A5 Sportback 2.0 TFSI	17	140	6-speed	Premium	7.4	4.7	5.7	129	B
A5 Sportback 2.0 TFSI	19	140	6-speed	Premium	7.5	4.9	5.9	133	B
A5 Sportback 2.0 TFSI	17	140	S tronic, 7-speed	Premium	6.8	4.6	5.4	122	A
A5 Sportback 2.0 TFSI	18, 19	140	S tronic, 7-speed	Premium	6.8	4.8	5.5	126	A
A5 Sportback 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.6	4.9	5.9	133	B
A5 Sportback 2.0 TFSI	19	185	S tronic, 7-speed	Premium	7.7	5.1	6.1	137	B
A5 Sportback 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.7	5.0	5.9	136	B
A5 Sportback 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	7.9	5.4	6.3	144	B
S5 Sportback 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	9.8	5.9	7.3	166	C
S5 Sportback 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	9.9	6.1	7.5	170	C
A5 Sportback 2.0 TDI ultra	17 [4]	140	6-speed	Diesel	5.0	3.7	4.1	108	A+
A5 Sportback 2.0 TDI ultra	18	140	6-speed	Diesel	5.1	3.9	4.3	113	A
A5 Sportback 2.0 TDI	17	140	6-speed	Diesel	5.2	3.8	4.4	114	A
A5 Sportback 2.0 TDI	19	140	6-speed	Diesel	5.4	4.1	4.6	119	A
A5 Sportback 2.0 TDI ultra	17 [4]	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	106	A+
A5 Sportback 2.0 TDI ultra	18	140	S tronic, 7-speed	Diesel	4.9	4.0	4.3	112	A+
A5 Sportback 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	109	A+
A5 Sportback 2.0 TDI	19	140	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A
A5 Sportback 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	117	A+
A5 Sportback 2.0 TDI quattro	19	140	S tronic, 7-speed	Diesel	5.3	4.4	4.7	124	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A5 Sportback 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.9	4.1	4.4	115	A+
A5 Sportback 3.0 TDI	19	160	S tronic, 7-speed	Diesel	5.0	4.3	4.5	118	A
A5 Sportback 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.3	4.6	119	A+
A5 Sportback 3.0 TDI quattro	19	160	S tronic, 7-speed	Diesel	5.1	4.7	4.8	125	A
A5 Sportback 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.6	4.7	5.0	131	A
A5 Sportback 3.0 TDI quattro	19	200	tiptronic, 8-speed	Diesel	5.8	5.0	5.3	139	A
Audi A5 Coupé									
A5 Coupé 2.0 TFSI	17	140	6-speed	Premium	7.3	4.7	5.6	127	B
A5 Coupé 2.0 TFSI	19	140	6-speed	Premium	7.6	4.9	5.9	134	B
A5 Coupé 2.0 TFSI	17	140	S tronic, 7-speed	Premium	6.5	4.3	5.1	117	A
A5 Coupé 2.0 TFSI	19	140	S tronic, 7-speed	Premium	6.6	4.7	5.4	123	A
A5 Coupé 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.6	4.8	5.8	132	B
A5 Coupé 2.0 TFSI	19	185	S tronic, 7-speed	Premium	7.6	5.1	6.0	137	B
A5 Coupé 2.0 TFSI quattro	17	185	6-speed	Premium	8.4	5.3	6.5	147	C
A5 Coupé 2.0 TFSI quattro	19	185	6-speed	Premium	8.6	5.6	6.7	153	C
A5 Coupé 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.4	4.8	5.9	136	B
A5 Coupé 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	7.6	5.2	6.3	144	B
S5 Coupé 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	9.8	5.8	7.3	166	C
S5 Coupé 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	9.9	6.0	7.4	170	D
A5 Coupé 2.0 TDI ultra	17[4)]	140	6-speed	Diesel	5.0	3.7	4.1	106	A+
A5 Coupé 2.0 TDI ultra	18	140	6-speed	Diesel	5.1	3.8	4.2	111	A
A5 Coupé 2.0 TDI	17	140	6-speed	Diesel	5.1	3.8	4.3	111	A
A5 Coupé 2.0 TDI	19	140	6-speed	Diesel	5.4	4.1	4.5	118	A
A5 Coupé 2.0 TDI ultra	17[4)]	140	S tronic, 7-speed	Diesel	4.7	3.6	4.0	105	A+
A5 Coupé 2.0 TDI ultra	18	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	111	A+
A5 Coupé 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	107	A+
A5 Coupé 2.0 TDI	19	140	S tronic, 7-speed	Diesel	5.0	4.0	4.3	113	A
A5 Coupé 2.0 TDI quattro	17	140	6-speed	Diesel	5.3	4.0	4.4	116	A
A5 Coupé 2.0 TDI quattro	19	140	6-speed	Diesel	5.4	4.2	4.7	121	A
A5 Coupé 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.1	4.0	4.4	114	A+
A5 Coupé 2.0 TDI quattro	19	140	S tronic, 7-speed	Diesel	5.3	4.3	4.6	121	A
A5 Coupé 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.8	3.9	4.3	111	A+
A5 Coupé 3.0 TDI	19	160	S tronic, 7-speed	Diesel	4.9	4.2	4.5	115	A
A5 Coupé 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.3	4.6	119	A
A5 Coupé 3.0 TDI quattro	19	160	S tronic, 7-speed	Diesel	5.2	4.7	4.8	127	A
A5 Coupé 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.4	4.5	4.9	128	A
A5 Coupé 3.0 TDI quattro	19	200	tiptronic, 8-speed	Diesel	5.6	4.9	5.2	135	A
Audi A5 Cabriolet									
A5 Cabriolet 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	8.0	5.3	6.3	144	B
A5 Cabriolet 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	8.2	5.7	6.6	151	B
S5 Cabriolet 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.2	6.2	7.7	175	C
S5 Cabriolet 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	10.3	6.4	7.8	177	C
A5 Cabriolet 2.0 TDI	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	118	A+
A5 Cabriolet 2.0 TDI	19	140	S tronic, 7-speed	Diesel	5.3	4.4	4.7	124	A
A5 Cabriolet 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.3	4.7	4.9	128	A+
A5 Cabriolet 3.0 TDI quattro	19	160	S tronic, 7-speed	Diesel	5.6	5.0	5.2	137	A
Audi A6 Sedan									
A6 Sedan 1.8 TFSI ultra	17, 18	140	S tronic, 7-speed	Premium	7.1	5.0	5.7	133	B
A6 Sedan 1.8 TFSI ultra	19, 20	140	S tronic, 7-speed	Premium	7.2	5.2	5.9	138	B
A6 Sedan 2.0 TFSI	17, 18	185	S tronic, 7-speed	Premium	7.4	5.1	5.9	137	B
A6 Sedan 2.0 TFSI	19, 20	185	S tronic, 7-speed	Premium	7.5	5.3	6.1	142	B
A6 Sedan 2.0 TFSI quattro	17, 18	185	S tronic, 7-speed	Premium	8.3	5.8	6.7	153	B
A6 Sedan 2.0 TFSI quattro	19, 20	185	S tronic, 7-speed	Premium	8.4	6.0	6.9	158	C

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
S6 Sedan 4.0 TFSI quattro COD	19	331	S tronic, 7-speed	Premium	13.1	6.9	9.2	214	E
S6 Sedan 4.0 TFSI quattro COD	20, 21	331	S tronic, 7-speed	Premium	13.3	7.1	9.4	218	E
A6 Sedan 2.0 TDI ultra	17[8)]	110	6-speed	Diesel	5.1	3.8	4.3	112	A+
A6 Sedan 2.0 TDI ultra	17–20	110	6-speed	Diesel	5.3	4.0	4.5	119	A+
A6 Sedan 2.0 TDI ultra	17[8)]	110	S tronic, 7-speed	Diesel	4.7	3.9	4.2	109	A+
A6 Sedan 2.0 TDI ultra	17–20	110	S tronic, 7-speed	Diesel	4.9	4.1	4.4	116	A+
A6 Sedan 2.0 TDI ultra	17, 18	140	6-speed	Diesel	5.2	3.9	4.4	114	A+
A6 Sedan 2.0 TDI ultra	19, 20	140	6-speed	Diesel	5.4	4.0	4.5	119	A+
A6 Sedan 2.0 TDI ultra	17[8)]	140	S tronic, 7-speed	Diesel	4.7	3.9	4.2	109	A+
A6 Sedan 2.0 TDI ultra	17–20	140	S tronic, 7-speed	Diesel	4.9	4.1	4.4	116	A+
A6 Sedan 2.0 TDI quattro	17, 18	140	S tronic, 7-speed	Diesel	5.7	4.4	4.9	128	A
A6 Sedan 2.0 TDI quattro	19–21	140	S tronic, 7-speed	Diesel	5.8	4.6	5.0	133	A
A6 Sedan 3.0 TDI	17, 18	160	S tronic, 7-speed	Diesel	4.8	4.2	4.4	115	A+
A6 Sedan 3.0 TDI	19, 20	160	S tronic, 7-speed	Diesel	5.0	4.4	4.6	120	A+
A6 Sedan 3.0 TDI quattro	17, 18	160	S tronic, 7-speed	Diesel	5.7	4.7	5.0	132	A
A6 Sedan 3.0 TDI quattro	19–21	160	S tronic, 7-speed	Diesel	5.8	4.9	5.3	138	A
A6 Sedan 3.0 TDI quattro	17, 18	200	S tronic, 7-speed	Diesel	5.9	4.6	5.1	133	A
A6 Sedan 3.0 TDI quattro	19–21	200	S tronic, 7-speed	Diesel	6.0	4.8	5.2	138	A
A6 Sedan 3.0 TDI quattro	17, 18	235	tiptronic, 8-speed	Diesel	7.3	5.3	6.0	159	B
A6 Sedan 3.0 TDI quattro	19–21	235	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A6 Sedan 3.0 TDI competition quattro	17	240	tiptronic, 8-speed	Diesel	7.3	5.3	6.0	159	B
A6 Sedan 3.0 TDI competition quattro	20, 21	240	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
Audi A6 Avant									
A6 Avant 1.8 TFSI ultra	17, 18	140	S tronic, 7-speed	Premium	7.1	5.1	5.9	137	B
A6 Avant 1.8 TFSI ultra	19–21	140	S tronic, 7-speed	Premium	7.2	5.3	6.0	142	B
A6 Avant 2.0 TFSI	17, 18	185	S tronic, 7-speed	Premium	7.4	5.2	6.0	140	B
A6 Avant 2.0 TFSI	19, 20	185	S tronic, 7-speed	Premium	7.5	5.4	6.2	146	B
A6 Avant 2.0 TFSI quattro	17, 18	185	S tronic, 7-speed	Premium	8.5	6.0	6.9	158	B
A6 Avant 2.0 TFSI quattro	19, 20	185	S tronic, 7-speed	Premium	8.6	6.2	7.1	163	C
S6 Avant 4.0 TFSI quattro COD	19	331	S tronic, 7-speed	Premium	13.4	7.1	9.4	219	E
S6 Avant 4.0 TFSI quattro COD	20, 21	331	S tronic, 7-speed	Premium	13.5	7.3	9.6	224	E
RS 6 Avant 4.0 TFSI quattro COD	20, 21	412	tiptronic, 8-speed	Super Plus	13.4	7.4	9.6	223	E
RS 6 Avant 4.0 TFSI performance quattro COD	20, 21	445	tiptronic, 8-speed	Super Plus	13.4	7.4	9.6	223	E
A6 Avant 2.0 TDI ultra	17[8)]	110	6-speed	Diesel	5.3	4.0	4.5	117	A+
A6 Avant 2.0 TDI ultra	17–20	110	6-speed	Diesel	5.5	4.2	4.7	124	A
A6 Avant 2.0 TDI ultra	17[8)]	110	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A6 Avant 2.0 TDI ultra	17–20	110	S tronic, 7-speed	Diesel	5.1	4.3	4.6	121	A+
A6 Avant 2.0 TDI ultra	17, 18	140	6-speed	Diesel	5.4	4.0	4.6	119	A+
A6 Avant 2.0 TDI ultra	19, 20	140	6-speed	Diesel	5.5	4.2	4.7	124	A
A6 Avant 2.0 TDI ultra	17[8)]	140	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A6 Avant 2.0 TDI ultra	17–20	140	S tronic, 7-speed	Diesel	5.1	4.3	4.6	121	A+
A6 Avant 2.0 TDI quattro	17, 18	140	S tronic, 7-speed	Diesel	5.9	4.6	5.1	133	A
A6 Avant 2.0 TDI quattro	19–21	140	S tronic, 7-speed	Diesel	6.0	4.8	5.2	138	A
A6 Avant 3.0 TDI	17, 18	160	S tronic, 7-speed	Diesel	4.9	4.4	4.6	119	A+
A6 Avant 3.0 TDI	19, 20	160	S tronic, 7-speed	Diesel	5.1	4.6	4.8	124	A+
A6 Avant 3.0 TDI quattro	17, 18	160	S tronic, 7-speed	Diesel	5.8	4.9	5.3	138	A
A6 Avant 3.0 TDI quattro	19–21	160	S tronic, 7-speed	Diesel	6.0	5.1	5.4	143	A
A6 Avant 3.0 TDI quattro	17, 18	200	S tronic, 7-speed	Diesel	6.0	4.8	5.3	138	A
A6 Avant 3.0 TDI quattro	19–21	200	S tronic, 7-speed	Diesel	6.2	5.0	5.4	144	A
A6 Avant 3.0 TDI quattro	17, 18	235	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A6 Avant 3.0 TDI quattro	19–21	235	tiptronic, 8-speed	Diesel	7.7	5.7	6.4	169	B
A6 Avant 3.0 TDI competition quattro	17	240	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A6 Avant 3.0 TDI competition quattro	20, 21	240	tiptronic, 8-speed	Diesel	7.7	5.7	6.4	169	B
Audi A6 allroad quattro									
A6 allroad quattro 3.0 TDI quattro	18-20	140	S tronic, 7-speed	Diesel	6.2	5.4	5.7	149	A
A6 allroad quattro 3.0 TDI quattro	18-20	160	S tronic, 7-speed	Diesel	6.2	5.4	5.7	149	A
A6 allroad quattro 3.0 TDI quattro	18-20	200	S tronic, 7-speed	Diesel	6.4	5.2	5.6	149	A
A6 allroad quattro 3.0 TDI quattro	18-20	235	tiptronic, 8-speed	Diesel	7.7	5.8	6.5	172	B
Audi A7 Sportback									
S7 Sportback 4.0 TFSI quattro COD	19	331	S tronic, 7-speed	Premium	13.2	7.0	9.3	215	D
S7 Sportback 4.0 TFSI quattro COD	20, 21	331	S tronic, 7-speed	Premium	13.4	7.2	9.5	220	E
RS 7 Sportback 4.0 TFSI performance quattro COD	21	445	tiptronic, 8-speed	Super Plus	13.3	7.3	9.5	221	E
A7 Sportback 3.0 TDI ultra	18, 19	140	S tronic, 7-speed	Diesel	5.1	4.5	4.7	122	A+
A7 Sportback 3.0 TDI ultra	20	140	S tronic, 7-speed	Diesel	5.2	4.6	4.8	126	A+
A7 Sportback 3.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.8	4.9	5.3	138	A
A7 Sportback 3.0 TDI quattro	20	140	S tronic, 7-speed	Diesel	5.9	5.1	5.4	141	A
A7 Sportback 3.0 TDI ultra	18, 19	160	S tronic, 7-speed	Diesel	5.1	4.5	4.7	122	A+
A7 Sportback 3.0 TDI ultra	20	160	S tronic, 7-speed	Diesel	5.2	4.6	4.8	126	A+
A7 Sportback 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.8	4.9	5.3	138	A
A7 Sportback 3.0 TDI quattro	20, 21	160	S tronic, 7-speed	Diesel	5.9	5.1	5.4	141	A
A7 Sportback 3.0 TDI quattro	18, 19	200	S tronic, 7-speed	Diesel	6.0	4.8	5.2	138	A
A7 Sportback 3.0 TDI quattro	20, 21	200	S tronic, 7-speed	Diesel	6.1	5.0	5.4	142	A
A7 Sportback 3.0 TDI quattro	18, 19	235	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A7 Sportback 3.0 TDI quattro	20, 21	235	tiptronic, 8-speed	Diesel	7.6	5.6	6.3	167	B
A7 Sportback 3.0 TDI competition quattro	17	240	tiptronic, 8-speed	Diesel	7.4	5.4	6.1	162	B
A7 Sportback 3.0 TDI competition quattro	21	240	tiptronic, 8-speed	Diesel	7.6	5.6	6.3	167	B
Audi A8									
A8 4.0 TFSI quattro	18	320	tiptronic, 8-speed	Super Plus	12.4	6.9	8.9	206	D
A8 4.0 TFSI quattro	19–21	320	tiptronic, 8-speed	Super Plus	12.8	7.2	9.3	214	E
A8 4.0 TFSI quattro L	18	320	tiptronic, 8-speed	Super Plus	12.5	7.0	9.0	207	D
A8 4.0 TFSI quattro L	19–21	320	tiptronic, 8-speed	Super Plus	12.8	7.3	9.3	215	D
S8 4.0 TFSI quattro COD	20	382	tiptronic, 8-speed	Super Plus	13.2	7.2	9.4	216	D
S8 4.0 TFSI quattro COD	21	382	tiptronic, 8-speed	Super Plus	13.3	7.4	9.6	220	E
S8 plus 4.0 TFSI quattro COD	21	445	tiptronic, 8-speed	Super Plus	13.7	7.9	10.0	231	E
A8 L W12 quattro COD	19, 20	368	tiptronic, 8-speed	Premium	15.3	8.4	11.0	254	F
A8 L W12 quattro COD	21	368	tiptronic, 8-speed	Premium	15.6	8.6	11.2	259	F
A8 3.0 TDI quattro	17	193	tiptronic, 8-speed	Diesel	7.3	4.9	5.8	151	A
A8 3.0 TDI quattro	18–21	193	tiptronic, 8-speed	Diesel	7.5	5.1	6.0	157	B
A8 3.0 TDI L quattro	17	193	tiptronic, 8-speed	Diesel	7.5	5.0	5.9	155	A
A8 3.0 TDI L quattro	18–21	193	tiptronic, 8-speed	Diesel	7.7	5.2	6.1	161	B
A8 4.2 TDI quattro	18	283	tiptronic, 8-speed	Diesel	9.4	6.0	7.2	189	C
A8 4.2 TDI quattro	19–21	283	tiptronic, 8-speed	Diesel	9.7	6.2	7.5	196	C
A8 4.2 TDI L quattro	18	283	tiptronic, 8-speed	Diesel	9.5	6.0	7.3	190	C
A8 4.2 TDI L quattro	19–21	283	tiptronic, 8-speed	Diesel	9.8	6.2	7.5	197	C

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi Q2									
Q2 1.0 TFSI ultra	16, 17	85	6-speed	Premium	6.2	4.5	5.1	117	B
Q2 1.0 TFSI ultra	19	85	6-speed	Premium	6.3	4.8	5.4	122	B
Q2 1.0 TFSI ultra	16, 17	85	S tronic, 7-speed	Premium	5.9	4.7	5.1	117	B
Q2 1.0 TFSI ultra	19	85	S tronic, 7-speed	Premium	6.1	5.0	5.4	123	B
Q2 1.4 TFSI COD	16, 17	110	6-speed	Premium	6.7	4.8	5.5	124	B
Q2 1.4 TFSI COD	19	110	6-speed	Premium	6.8	5.1	5.8	130	C
Q2 1.4 TFSI COD	16, 17	110	S tronic, 7-speed	Premium	6.3	4.6	5.2	119	B
Q2 1.4 TFSI COD	19	110	S tronic, 7-speed	Premium	6.5	4.9	5.5	125	B
Q2 1.6 TDI	16, 17	85	6-speed	Diesel	4.9	4.1	4.4	114	A
Q2 1.6 TDI	19	85	6-speed	Diesel	5.0	4.4	4.6	120	B
Q2 1.6 TDI	16, 17	85	S tronic, 7-speed	Diesel	4.3	4.0	4.1	109	A
Q2 1.6 TDI	19	85	S tronic, 7-speed	Diesel	4.5	4.3	4.3	114	A
Q2 2.0 TDI quattro	16, 17	110	S tronic, 7-speed	Diesel	5.6	4.3	4.8	125	A
Q2 2.0 TDI quattro	19	110	S tronic, 7-speed	Diesel	5.8	4.6	5.0	131	B
Q2 2.0 TDI quattro	16, 17	140	S tronic, 7-speed	Diesel	5.7	4.4	4.9	128	B
Q2 2.0 TDI quattro	19	140	S tronic, 7-speed	Diesel	5.9	4.6	5.1	134	B
Audi Q3									
Q3 1.4 TFSI	16, 17[4)]	92	6-speed	Premium	7.1	5.0	5.8	133	B
Q3 1.4 TFSI	17–20	92	6-speed	Premium	7.4	5.3	6.1	141	C
Q3 1.4 TFSI COD ultra	16, 17	110	6-speed	Premium	6.6	4.9	5.5	127	B
Q3 1.4 TFSI COD ultra	17–20	110	6-speed	Premium	6.8	5.2	5.8	134	B
Q3 1.4 TFSI COD	16	110	S tronic, 6-speed	Premium	7.1	5.1	5.8	135	B
Q3 1.4 TFSI COD	17–20	110	S tronic, 6-speed	Premium	7.4	5.5	6.2	143	C
Q3 2.0 TFSI quattro	16	132	S tronic, 7-speed	Premium	7.8	5.7	6.5	150	C
Q3 2.0 TFSI quattro	17–20	132	S tronic, 7-speed	Premium	8.4	6.3	7.0	161	C
Q3 2.0 TFSI quattro	17	162	S tronic, 7-speed	Premium	8.1	5.9	6.7	154	C
Q3 2.0 TFSI quattro	17–20[7)]	162	S tronic, 7-speed	Premium	8.6	6.5	7.2	168	D
Q3 2.0 TDI	16	88	6-speed	Diesel	5.2	4.1	4.5	117	A
Q3 2.0 TDI	17–20	88	6-speed	Diesel	5.5	4.4	4.8	126	A
Q3 2.0 TDI	16	88	S tronic, 7-speed	Diesel	5.9	4.3	4.9	128	A
Q3 2.0 TDI	17–20	88	S tronic, 7-speed	Diesel	6.2	4.7	5.3	139	B
Q3 2.0 TDI ultra	16[4)]	110	6-speed	Diesel	4.8	3.9	4.2	109	A+
Q3 2.0 TDI	16	110	6-speed	Diesel	5.0	4.1	4.4	116	A
Q3 2.0 TDI	17–20	110	6-speed	Diesel	5.3	4.4	4.7	124	A
Q3 2.0 TDI	16	110	S tronic, 7-speed	Diesel	5.9	4.3	4.9	128	A
Q3 2.0 TDI	17–20	110	S tronic, 7-speed	Diesel	6.2	4.7	5.3	139	B
Q3 2.0 TDI quattro	16	110	6-speed	Diesel	5.6	4.5	4.9	127	A
Q3 2.0 TDI quattro	17–20	110	6-speed	Diesel	6.0	4.8	5.2	138	B
Q3 2.0 TDI quattro	16	110	S tronic, 7-speed	Diesel	5.9	4.4	5.0	129	A
Q3 2.0 TDI quattro	17–20	110	S tronic, 7-speed	Diesel	6.3	4.8	5.3	140	B
Q3 2.0 TDI quattro	17	135	6-speed	Diesel	6.4	4.6	5.3	138	B
Q3 2.0 TDI quattro	17–20[7)]	135	6-speed	Diesel	6.7	4.9	5.6	146	B
Q3 2.0 TDI quattro	17	135	S tronic, 7-speed	Diesel	6.3	4.5	5.2	136	A
Q3 2.0 TDI quattro	17–20[7)]	135	S tronic, 7-speed	Diesel	6.6	4.9	5.5	144	B
Audi Q5									
Q5 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	8.3	5.9	6.8	154	B
Q5 2.0 TFSI quattro	21	185	S tronic, 7-speed	Premium	8.6	6.4	7.2	164	C
SQ5 3.0 TFSI quattro	20	260	tiptronic, 8-speed	Premium	10.8	6.8	8.3	189	C
SQ5 3.0 TFSI quattro	21	260	tiptronic, 8-speed	Premium	11.0	7.1	8.5	195	D
Q5 2.0 TDI	17	110	6-speed	Diesel	5.2	4.0	4.5	117	A+
Q5 2.0 TDI	21	110	6-speed	Diesel	5.6	4.6	4.9	129	A
Q5 2.0 TDI quattro	17	120	S tronic, 7-speed	Diesel	5.3	4.7	4.9	129	A
Q5 2.0 TDI quattro	21	120	S tronic, 7-speed	Diesel	5.6	5.1	5.3	138	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Q5 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.3	4.7	4.9	129	A
Q5 2.0 TDI quattro	21	140	S tronic, 7-speed	Diesel	5.6	5.1	5.3	138	A
Audi Q7									
Q7 3.0 TDI ultra quattro 5 seats	18[9]	160	tiptronic, 8-speed	Diesel	6.1	5.1	5.5	144	A
Q7 3.0 TDI ultra quattro 5 seats	21, 22	160	tiptronic, 8-speed	Diesel	6.4	5.7	6.0	157	A
Q7 3.0 TDI ultra quattro 7 seats	18[9]	160	tiptronic, 8-speed	Diesel	6.3	5.3	5.7	148	A
Q7 3.0 TDI ultra quattro 7 seats	21, 22	160	tiptronic, 8-speed	Diesel	6.6	5.9	6.2	161	A
Q7 3.0 TDI e-tron quattro	19	275[3]	tiptronic, 8-speed	Premium Electricity			1.8 18.1 kWh	48	A+
Q7 3.0 TDI e-tron quattro	20, 21	275[3]	tiptronic, 8-speed	Premium Electricity			1.9 19.0 kWh	50	A+
Q7 3.0 TDI quattro 5 seats	18–20	200	tiptronic, 8-speed	Diesel	6.2	5.4	5.7	149	A
Q7 3.0 TDI quattro 5 seats	21, 22	200	tiptronic, 8-speed	Diesel	6.5	5.8	6.1	159	A
Q7 3.0 TDI quattro 7 seats	18–20	200	tiptronic, 8-speed	Diesel	6.4	5.6	5.9	153	A
Q7 3.0 TDI quattro 7 seats	21, 22	200	tiptronic, 8-speed	Diesel	6.7	6.0	6.2	163	A
SQ7 4.0 TDI quattro 5 seats	20	320	tiptronic, 8-speed	Diesel	8.4	6.5	7.2	189	B
SQ7 4.0 TDI quattro 5 seats	21, 22	320	tiptronic, 8-speed	Diesel	8.6	6.9	7.5	198	B
SQ7 4.0 TDI quattro 7 seats	20	320	tiptronic, 8-speed	Diesel	8.4	6.5	7.2	190	B
SQ7 4.0 TDI quattro 7 seats	21, 22	320	tiptronic, 8-speed	Diesel	8.7	6.9	7.6	199	B
Audi R8 Coupé									
R8 Coupé V10 5.2 FSI quattro	19, 20	397	S tronic, 7-speed	Super Plus	16.7	8.4	11.4	272	G
R8 Coupé V10 Plus 5.2 FSI quattro	19, 20	449	S tronic, 7-speed	Super Plus	17.5	9.3	12.3	287	G
Audi R8 Spyder									
R8 Spyder V10 5.2 FSI quattro	19, 20	397	S tronic, 7-speed	Super Plus	17.0	8.7	11.7	277	G
Lamborghini Huracán									
Huracán LP 580-2	19	426	LDF, 7-speed	Super Plus	17.2	8.9	11.9	278	G
Huracán LP 610-4	20	449	LDF, 7-speed	Super Plus	17.2	9.0	12.0	280	G
Lamborghini Huracán Spyder									
Huracán LP 580-2 Spyder	19	426	LDF, 7-speed	Super Plus	17.5	9.1	12.1	283	G
Huracán LP 610-4 Spyder	20	449	LDF, 7-speed	Super Plus	17.5	9.2	12.3	285	G
Lamborghini Aventador									
Aventador LP 700-4	20/21	515	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Aventador LP 750-4 Superveloce	20/21	552	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Lamborghini Aventador Roadster									
Aventador LP 700-4 Roadster	20/21	515	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Aventador LP 750-4 Superveloce Roadster	20/21	552	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Lamborghini Centenario									
Centenario	20/21	566	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Centenario Roadster	20/21	566	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G

1) Order code: C0A
2) Wheel: standard with Attraction line
3) Total system output (briefly)
4) Order code: low rolling-resistance tires
5) Order code: H3U low rolling-resistance tires
6) This model is not yet available on the market. It does not yet have Whole Vehicle Type Approval and is therefore not subject to Directive 1999/94/EC.
7) Wheel: 17" all season
8) Tire brand: Michelin
9) Order code: H0Q

Further information on official fuel consumption figures and the official specific CO_2 emissions of new passenger cars can be found in the "Guide on the fuel economy, CO_2 emissions and power consumption," 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.

The fuel consumption and CO_2 emissions of a vehicle vary due to the choice of wheels and tires. They not only depend on the efficient utilization of fuel by the vehicle, but are also influenced by driving behavior and other non-technical factors.

10-YEAR OVERVIEW

		2007	2008	2009
Production				
Automotive segment	Cars [2)]	980,880	1,029,041	932,260
	Engines	1,915,633	1,901,760	1,384,240
Motorcycles segment	Motorcycles	–	–	–
Deliveries to customers				
Automotive segment	Cars	1,200,701	1,223,506	1,145,360
Audi brand [5)]	Cars	964,151	1,003,469	949,729
Lamborghini brand	Cars	2,406	2,430	1,515
Other Volkswagen Group brands	Cars	234,144	217,607	194,116
Motorcycles segment	Motorcycles	–	–	–
Ducati brand	Motorcycles	–	–	–
Workforce	Average	53,347	57,822	58,011
From the Income Statement				
Revenue	EUR million	33,617	34,196	29,840
Cost of materials	EUR million	23,092	23,430	18,512
Personnel costs	EUR million	3,406	3,709	3,519
Personnel costs per employee [6)]	EUR	63,846	64,467	60,964
Depreciation and amortization	EUR million	2,287	1,908	1,775
Operating profit	EUR million	2,705	2,772	1,604
Profit before tax	EUR million	2,915	3,177	1,928
Profit after tax	EUR million	1,692	2,207	1,347
From the Balance Sheet (Dec. 31)				
Non-current assets	EUR million	8,325	9,537	9,637
Current assets	EUR million	14,253	16,519	16,913
Equity	EUR million	8,355	10,328	10,632
Liabilities	EUR million	14,223	15,728	15,918
Balance sheet total	EUR million	22,578	26,056	26,550
From the Cash Flow Statement				
Cash flow from operating activities	EUR million	4,876	4,338	4,119
Investing activities attributable to operating activities [8)]	EUR million	2,084	2,412	1,798
Net cash flow	EUR million	2,457	1,926	2,321
Net liquidity (Dec. 31)	EUR million	7,860	9,292	10,665
Financial ratios				
Operating return on sales	Percent	8.0	8.1	5.4
Return on sales before tax	Percent	8.7	9.3	6.5
Return on investment (ROI)	Percent	18.6	19.8	11.5
Ratio of capex [11)]	Percent	4.7	5.6	4.2
Research and development ratio	Percent	6.1	6.4	7.0
Equity ratio (Dec. 31)	Percent	37.0	39.6	40.0
Audi share				
Share price (year-end price) [12)]	EUR	622.95	480.00	501.67
Compensatory payment	EUR	1.80	1.93	1.60

1) Financial figures were adjusted to take account of the revised IAS 19
2) Since 2011, including vehicles built in China by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)
3) The figure has been adjusted to reflect the amended counting method
4) Since acquisition of the Ducati Group in July 2012
5) Including delivered vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)
6) Since 2008, calculated on the basis of employees of Audi Group companies
7) Taking into account special items, in particular in connection with the diesel issue

	2010	2011	2012 [1]	2013	2014	2015	2016
	1,150,018	1,302,981	1,469,205	1,608,048	1,804,624	1,828,683 [3]	1,903,259
	1,648,193	1,884,157	1,916,604	1,926,724	1,974,846	2,023,618	1,927,838
	–	–	15,734 [4]	45,018	45,339	55,551	56,978
	1,293,453	1,512,014	1,634,312	1,751,007	1,933,517	2,024,881	2,088,187
	1,092,411	1,302,659	1,455,123	1,575,480	1,741,129	1,803,246	1,867,738
	1,302	1,602	2,083	2,121	2,530	3,245	3,457
	199,740	207,753	177,106	173,406	189,858	218,390	216,992
	–	–	16,786 [4]	44,287	45,117	54,809	55,451
	–	–	16,786 [4]	44,287	45,117	54,809	55,451
	59,513	62,806	67,231	71,781	77,247	82,838	87,112
	35,441	44,096	48,771	49,880	53,787	58,420	59,317
	21,802	28,594	30,265	32,491	36,024	37,583	40,596
	4,274	5,076	5,069	5,543	6,068	6,602	6,761
	72,172	81,189	75,759	77,596	78,921	80,071	77,990
	2,170	1,793	1,937	2,071	2,455	2,665	3,159
	3,340	5,348	5,365	5,030	5,150	4,836 [7]	3,052 [7]
	3,634	6,041	5,951	5,323	5,991	5,284 [7]	3,047 [7]
	2,630	4,440	4,349	4,014	4,428	4,297 [7]	2,066 [7]
	10,584	12,209	18,044	19,943	22,538	25,963	28,599
	20,188	24,811	22,357	25,214	28,231	30,800	32,403
	11,310	12,903	15,092	18,565	19,199	21,779	25,321
	19,462	24,117	25,309	26,592	31,570	34,985	35,685
	30,772	37,019	40,401	45,156	50,769	56,763	61,090
	5,797	6,295	6,144	6,778	7,421	7,203	7,517
	2,260	2,905	6,804 [9]	3,589	4,450	5,576 [10]	5,423
	3,536	3,390	–660 [9]	3,189	2,970	1,627 [10]	2,094
	13,383	15,716	13,396	14,716	16,328	16,420	17,232
	9.4	12.1	11.0	10.1	9.6	8.3 [7]	5.1 [7]
	10.3	13.7	12.2	10.7	11.1	9.0 [7]	5.1 [7]
	24.7	35.4	30.8	26.4	23.2	19.4 [7]	10.7 [7]
	4.1	5.1	4.8	4.8	5.5	6.0	5.7
	7.1	6.4	7.0	8.0	8.0	7.3	7.5
	36.8	34.9	37.4	41.1	37.8	38.4	41.4
	635.00	549.00	525.10	638.05	649.95	678.00	631.00
	2.20	3.00	3.50	4.00	4.80	0.11	X [13]

8) Not including changes in cash deposits and loans extended
9) Taking into account the acquisition of participations in Volkswagen Group Services S.A./N.V., Brussels (Belgium), and in Ducati Motor Holding S.p.A., Bologna (Italy)
10) Taking into account the participation in There Holding B.V., Rijswijk (Netherlands), in connection with the HERE transaction
11) Investments in property, plant and equipment, investment property and other intangible assets (without capitalized development costs) according to Cash Flow Statement in relation to revenue
12) Year-end price of the Audi share on trading venue Xetra of the Frankfurt Stock Exchange
13) In accordance with the resolution to be passed by the Annual General Meeting of Volkswagen AG, Wolfsburg, for the 2016 fiscal year on May 10, 2017

AUDI AG FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2016

BALANCE SHEET OF AUDI AG

ASSETS *in EUR million*	Notes	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	1	230	242
Property, plant and equipment	2	7,818	7,181
Long-term financial investments	3, 6	7,074	5,863
Fixed assets		**15,122**	**13,286**
Inventories	4	2,867	2,435
Receivables and other assets	5	12,017	12,802
Other securities	6	6,287	5,096
Cash on hand and balances with banks	7	150	100
Current assets		**21,321**	**20,433**
Deferred expenses	8	**148**	**120**
Balance sheet total		**36,591**	**33,839**

EQUITY AND LIABILITIES *in EUR million*	Notes	Dec. 31, 2016	Dec. 31, 2015
Subscribed capital	9	110	110
Capital reserve	10	11,716	10,190
Retained earnings	11	1,417	1,417
Equity		**13,243**	**11,717**
Special reserve with an equity portion	**12**	**6**	**6**
Provisions	**13**	**16,500**	**13,352**
Liabilities	**14**	**6,272**	**8,396**
Deferred income	**15**	**570**	**368**
Balance sheet total		**36,591**	**33,839**

INCOME STATEMENT OF AUDI AG

EUR million	Notes	2016	2015
Revenue	16	50,305	48,825
Cost of goods sold	17	–45,115	–41,816
Gross profit		**5,190**	**7,009**
Distribution costs	18	–3,591	–3,810
Administrative expenses		–345	–334
Other operating income	19	2,619	3,537
Other operating expenses	20	–2,864	–3,246
Result from participations	21	900	1,318
Net interest	22	–244	–568
Depreciation of long-term investments and marketable securities	3	–129	–165
Profit before tax		**1,536**	**3,741**
Income tax expense	23	–618	–989
Profit after tax		**918**	**2,752**
Profit transferred under a profit transfer agreement	24	–918	–2,752
Net profit for the year		**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

DEVELOPMENT OF FIXED ASSETS IN THE 2016 FISCAL YEAR

EUR million	Gross carrying amounts				
	Costs Jan. 1, 2016	Additions	Transfers	Disposals	Costs Dec. 31, 2016
Concessions, industrial property rights and similar rights and values, as well as licenses thereto	978	96	0	70	1,004
Intangible assets	**978**	**96**	**0**	**70**	**1,004**
Land, land rights and buildings, including buildings on third-party land	5,239	153	115	69	5,438
Plant and machinery	4,323	287	219	146	4,683
Other plant and office equipment	14,137	1,214	421	193	15,579
Payments on account and assets under construction	890	583	–755	9	709
Property, plant and equipment	**24,589**	**2,237**	**0**	**417**	**26,409**
Investments in affiliated companies	5,719	659	–	–	6,378
Borrowings to affiliated companies	295	547	–	–	842
Participations	214	0	–	–	214
Other borrowings	0	–	–	0	0
Long-term financial investments	**6,228**	**1,206**	**–**	**0**	**7,434**
Total fixed assets	**31,795**	**3,539**	**0**	**487**	**34,847**

Adjustments						Carrying amounts	
Cumulative depreciation and amortization Jan. 1, 2016	Depreciation and amortization for current year	Transfers	Disposals	Reversal of impairment losses	Cumulated depreciation and amortization Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2015
736	107	0	69	–	774	**230**	242
736	**107**	**0**	**69**	**–**	**774**	**230**	**242**
2,401	142	0	35	–	2,508	**2,930**	2,838
3,422	311	0	143	–	3,590	**1,093**	901
11,585	1,091	0	183	–	12,493	**3,086**	2,552
–	–	–	–	–	–	**709**	890
17,408	**1,544**	**0**	**361**	**–**	**18,591**	**7,818**	**7,181**
365	125	–	–	130	360	**6,018**	5,354
–	–	–	–	–	–	**842**	295
–	–	–	–	–	–	**214**	214
–	–	–	–	–	–	**0**	0
365	**125**	**–**	**–**	**130**	**360**	**7,074**	**5,863**
18,509	**1,776**	**0**	**430**	**130**	**19,725**	**15,122**	**13,286**

GENERAL COMMENTS ON THE BALANCE SHEET AND INCOME STATEMENT

/ *NOTES ON THE COMPANY*

AUDI Aktiengesellschaft (AUDI AG) has its registered office in Ingolstadt, Germany, and is entered in the Commercial Register at the Local Court of Ingolstadt (HR B 1). As of the balance sheet date of December 31, 2016, AUDI AG takes the form of a large corporation as defined in Section 267 of the German Commercial Code (HGB).

/ *ACCOUNTING PRINCIPLES*

The Annual Financial Statements of AUDI AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) in the applicable version of the Accounting Directive Implementation Act (BilRUG), which entered into force on July 23, 2015.

For the sake of greater clarity and visibility, certain individual items in the Balance Sheet and Income Statement have been combined. These items are presented separately in the Notes to the Financial Statements.
The Income Statement has been prepared in accordance with the cost of sales method.
The effect of the Accounting Directive Implementation Act (BilRUG) on the new version of the German Commercial Code (HGB) has resulted in changes in revenue, cost of goods sold and in other operating result. These are explained in more detail in the individual profit and loss items.

/ *NOTES ON THE DIESEL ISSUE*

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a “Notice of Violation” that irregularities in relation to nitrogen oxide (NOx) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. The California Air Resources Board (CARB) also issued a compliance letter announcing an investigation on the same day. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NOx emissions testing regulations in the United States of America in order to comply with certification requirements. In this context the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around 11 million vehicles worldwide with certain diesel engines, including 2.4 million Audi vehicles.

On November 2, 2015, the EPA issued another “Notice of Violation” alleging that irregularities had also been discovered in the software installed in certain vehicles with six-cylinder diesel engines of type V6 3.0 TDI. Also on November 2, 2015, and in a supplement on November 25, 2015, CARB issued letters stating that engine management software was installed in certain vehicles with type V6 3.0 TDI diesel engines developed by the Audi Group to circumvent NOx emissions testing regulations in the United States in order to comply with certification requirements. Audi has confirmed that at least a total of three auxiliary emission control devices (AECDs) were not declared in the course of the U.S. approval documentation of vehicles with six-cylinder V6 3.0 TDI diesel engines. These relate to approximately 83,000 vehicles of model years 2009 through 2016 of the Audi, Volkswagen Passenger Cars and Porsche brands in the United States.

Volkswagen AG holds internal development responsibility for the four-cylinder diesel engines within the Group and AUDI AG for the six-cylinder V6 3.0 TDI diesel engines.

On January 4, 2016, the U.S. Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG. The claims asserted under civil law are based on the alleged use of the defeat device software as defined under U.S. law in violation of the U.S. Clean Air Act. The complaint’s allegations relate to both the four-cylinder and the V6 3.0 TDI diesel engines.

In June and December 2016 as well as in January 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG, reached settlement agreements in the USA with the DOJ on behalf of the EPA, the CARB and the California Attorney General, as well as the U.S. Federal Trade Commission (FTC) and private plaintiffs represented by a Plaintiffs’ Steering Committee (PSC) in the Multi-District Litigation pending in California.

The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles in the USA. Vehicles with four-cylinder diesel engines from the Volkswagen Passenger Cars and Audi brands and vehicles with V6 3.0 TDI diesel engines from the Volkswagen Passenger Cars, Audi and Porsche brands are affected. In October 2016, the court finally approved the settlement agreements in connection with the four-cylinder diesel engines. A number of class members have filed appeals to a U.S. appellate court from the order approving the settlements in connection with the four-cylinder diesel engines. The court has yet to approve the settlement agreements in relation to the V6 3.0 TDI diesel engines, which were filed on January 31, 2017.

In January 2017, Volkswagen AG, Volkswagen Group of America, Inc. as well as certain affiliates, including AUDI AG, agreed with the U.S. government to resolve federal criminal claims relating to the diesel issue. The Volkswagen Group also agreed with the U.S. government to resolve civil penalties and injunctive relief under the Clean Air Act, as well as other civil claims against the company relating to the diesel issue.

In Canada, the NOx emission limits are the same as those in the United States, and civil consumer claims and regulatory investigations have been initiated for vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines. In December 2016, Volkswagen AG and other companies of the Volkswagen Group reached a settlement in Canada in connection with class actions by Canadian consumers relating to certain four-cylinder diesel vehicles. The consumer actions and the investigations by the Commissioner of Competition regarding the V6 3.0 TDI diesel engine vehicles remain pending. In addition, criminal investigations by the Canadian Environmental Law Agency and quasi-criminal investigations by regional environmental agencies in Canada relating to certain vehicles with four-cylinder diesel engines and V6 3.0 TDI diesel engines are pending.

There are presently no direct effects on profit arising for the Audi Group for the 2016 fiscal year on the basis of existing contractual agreements with Volkswagen AG, Wolfsburg, related to the four-cylinder diesel engine issue.

In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation.

Based on the facts of the diesel issue available to and assessed by the incumbent Board of Management of AUDI AG at the time of preparation of the financial statements, relating both to the four-cylinder diesel engines for which Volkswagen AG is accountable and to the V6 3.0 TDI diesel engines of AUDI AG, it is the opinion of the Board of Management of AUDI AG that adequate risk provisioning has been made in the form of provisions for technical measures and legal risks in connection with the settlement agreements for the diesel issue in the United States. The provisioning also covers diesel issues in Canada and sales measures in the markets affected by the suspension of sales. Based on pending court approval and the ongoing reconciliations with the authorities, the calculation of these provisions is affected by multiple uncertain factors and thus subject to significant evaluation risks. The financial effects as a result of the diesel issue reduced the profit of AUDI AG in the 2016 fiscal year by EUR –1,632 (–218) million. The expense is allocated to the profit and loss items costs of goods sold, distribution costs and other operating result and is explained in more detail in other particulars under the note on expenses of exceptional magnitude.

The incumbent members of the Board of Management of AUDI AG have declared as already in the previous year that prior to their notification by the U.S. Environmental Protection Agency EPA in November 2015, they had no knowledge of the use of an unlawful "defeat device software" under U.S. law in the V6 3.0 TDI engines.

Investigation of the four-cylinder diesel engine issue was conducted at Volkswagen AG. Also, the publications released and agreements concluded regarding the V6 3.0 TDI diesel issue in the USA by the reporting date, as well as the continued investigations and interviews in connection with the diesel issue, did not provide the incumbent Board of Management with any reliable findings or assessments suggesting that the Annual and Consolidated Financial Statements as well as the Combined Management Report for the 2016 fiscal year and previous years were materially incorrect. However if, in the course of further investigations, new findings should come to light that indicate that individual members of the Board of Management at that time were aware of the diesel issue earlier, this could potentially have an effect on the Annual and Consolidated Financial Statements as well as on the Combined Management Report for the 2016 fiscal year and previous years.

NOTES TO THE BALANCE SHEET

1 / *INTANGIBLE ASSETS*

Intangible assets comprise purchased development services, computer software and licenses to such rights and assets, as well as subsidies paid. Self-created intangible assets are not capitalized as assets.

// *MEASUREMENT PRINCIPLES*

Intangible assets are recognized at cost of purchase and amortized pro rata temporis over a period of five to eight years in accordance with their likely economically useful lives.

2 / *PROPERTY, PLANT AND EQUIPMENT*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Land, land rights and buildings, including buildings on third-party land	2,930	2,838
Plant and machinery	1,093	901
Other plant and office equipment	3,086	2,552
Payments on account and assets under construction	709	890
Property, plant and equipment	**7,818**	**7,181**

// *MEASUREMENT PRINCIPLES*

Property, plant and equipment are measured at cost of purchase or cost of construction, less depreciation.

The costs of purchase include the purchase price, ancillary costs and cost reductions assignable to the individual asset. Property, plant and equipment paid for in foreign currency are translated at the mean spot exchange rates on the transaction date.

In the case of self-constructed fixed assets, the cost of construction includes both the directly attributable material and labor costs as well as the indirect material and labor costs, including pro rata depreciation. Interest on borrowed capital is not included.

Additions to movable fixed assets are depreciated on a straight-line basis.

Depreciation of depreciable assets is generally dated from the time of their acquisition or operational capability.

Our depreciation plan is based on the following estimates of economically useful lives:

	Useful life
Buildings (excluding plant fixtures)	25–33 years
Plant fixtures	8–30 years
Production machinery	5–14 years
Other plant and office equipment, including special tools and fixtures	3–10 years

Variances by comparison with depreciation under commercial law resulting from the provisions on accelerated depreciation under Section 6b of the German Income Tax Act (EStG) (transfer of gains on disposal) are presented under special reserve with an equity portion and amortized in accordance with the applicable rules.

3 / *LONG-TERM FINANCIAL INVESTMENTS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Investments in affiliated companies	6,018	5,354
Borrowings to affiliated companies	842	295
Participations	214	214
Other borrowings	0	0
Long-term financial investments	**7,074**	**5,863**

The increase in investments in affiliated companies is mainly attributable to capital increases relating to foreign and domestic subsidiaries and from the recovery in value of a foreign subsidiary, the value of which had been impaired in previous years, of EUR 130 (–) million. One foreign company is the subject of impairment losses to the lower fair value in the amount of EUR 125 (154) million.

Investment securities, consisting of time credit and pension funds, are offset against the corresponding obligations. The carrying amounts and market values as of the balance sheet date are shown under Note 6.

// *MEASUREMENT PRINCIPLES*

Investments in affiliated companies, participations and investment securities are generally measured at cost of purchase. Where impairment losses are likely to be permanent, they are depreciated to the lower fair value as of the balance sheet date.

Non-interest-bearing and low-interest borrowings are measured at present value on the basis of an arm's length interest rate; other borrowings are measured at their nominal value.

Additions to investments in foreign currency are translated at the mean spot exchange rate on the day of the transaction.

The time credit and pension funds are special funds that are exclusively used to meet obligations relating to retirement benefits and other comparable long-term obligations. The funds, which are therefore protected from corporate creditors, are measured at fair value. The fair value of such assets corresponds to their market price. Due to the fair value measurement of the time credit and pension funds, changes in value are immediately recognized as income or expense. Time credit and pension funds are offset against the corresponding obligations and are explained in detail under Note 13.

4 / INVENTORIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Raw materials and supplies	268	219
Work in progress	672	661
Finished goods and products	1,927	1,523
Payments on account	0	32
Inventories	**2,867**	**2,435**

// MEASUREMENT PRINCIPLES

Raw materials and supplies are recognized at the lower of the amortized average cost of purchase or replacement value. Materials invoiced in foreign currencies are measured on the day of the transaction at the mean spot exchange rate. Other costs of purchase and purchase cost reductions are taken into account where assignable to individual assets.

Emission allowances acquired for consideration are measured at amortized cost in accordance with the strict lower of cost or market principle. A pro memoria value is recognized for emission allowances that are not acquired for consideration. The current fair value is EUR 2 (3) million.

In the case of work in progress and finished goods, which are measured at cost of conversion, direct materials are also included on an average cost of purchase basis. The amounts presented also comprise direct labor costs, together with other costs which must be capitalized under tax law. Interest on borrowed capital is not included.

Company cars are included under finished goods and are measured according to their expected depreciation. The value derived from the market forms the lower limit.

Merchandise is measured at cost of purchase.

Provision has been made for all discernible storage and inventory risks by way of value adjustments. In this way, work in progress and finished goods, as well as merchandise, are measured loss-free insofar as the values derived from the sales market are lower than the amortized cost of purchase or cost of construction.

5 / RECEIVABLES AND OTHER ASSETS

EUR million	Dec. 31, 2016	Dec. 31, 2015
Trade receivables	1,323	1,082
of which due in more than one year	–	–
Receivables from affiliated companies	9,554	10,596
of which trade receivables	*3,507*	*1,687*
of which from financial transactions	*5,234*	*7,647*
Receivables from companies linked through participation	502	633
of which trade receivables	*485*	*633*
Other assets	638	491
of which due in more than one year	*6*	*14*
of which in relation to affiliated companies	*308*	*198*
of which due in more than one year	–	*90*
of which in relation to companies linked through participation	–	*10*
Receivables and other assets	**12,017**	**12,802**

// MEASUREMENT PRINCIPLES

Receivables and other assets are recognized at their nominal value or at cost of purchase. Provision is made for discernible non-recurring risks and general credit risks in the form of appropriate value adjustments.

Receivables in foreign currencies are translated using the mean spot exchange rate when recorded for the first time. Receivables with a remaining term of up to one year are translated using the mean spot exchange rate on the balance sheet date. For receivables with a longer term, a lower price on the balance sheet date results in a lower recognized measurement of the receivable, while a higher price (measurement gain) has no effect.

Receivables and other assets with a maturity of more than one year are reported at their present value on the balance sheet date using an appropriate market interest rate for the period as a whole.

6 / OTHER SECURITIES

EUR million	Carrying amount	Fair value	Fair value less carrying amount	Dividend payment 2016	Daily surrender possible	Omitted write-down
Investment securities						
Time credit fund	240	240	–	6 [1]	Yes	No
Pension fund	1,378	1,378	–	38 [1]	Yes	No
Marketable securities						
Treasury fund	6,287	6,457	170	19 [1]	Yes	No
Total securities	**7,905**	**8,075**	**170**	**–**		

1) for the 2015 fiscal year

The other marketable securities comprise one treasury fund.

Units or shares in investment funds must be reported together. In addition to the treasury fund, the reported item also includes the time credit and pension funds, which are allocated to long-term financial investments and offset against the corresponding time credit and pension obligations as of the balance sheet date.
The investment aim of the security funds is to generate a suitable rate of return over the term, with the risk being diversified appropriately. The following security classes are included: fixed-income securities, shares and other assets.

// MEASUREMENT PRINCIPLES

Other marketable securities are recognized at the lower of cost of purchase or fair value on the balance sheet date.

7 / CASH ON HAND AND BALANCES WITH BANKS

Of the balances with banks, EUR 150 (100) million relates to balances with an affiliated company.

// MEASUREMENT PRINCIPLES

Cash on hand and balances with banks are recognized at their nominal value. Balances with banks in foreign currencies are translated at the mean spot exchange rate on the balance sheet date.

8 / DEFERRED EXPENSES

Deferred expenses relate to expenditure before the reporting date, provided that the expenses relate to a particular period after that date.

9 / *SUBSCRIBED CAPITAL*

As of December 31, 2016, the subscribed capital was unchanged at EUR 110,080,000. This capital is divided into 43,000,000 no-par bearer shares. The notional value of each share is EUR 2.56.

// *MEASUREMENT PRINCIPLES*

The subscribed capital is reported in the Balance Sheet at its nominal value.

10 / *CAPITAL RESERVE*

The capital reserve contains shareholder contributions from the issuance of shares in the Company, as well as cash injections by Volkswagen AG, Wolfsburg, from previous years. The increase in the capital reserve in the 2016 fiscal year amounts to EUR 1,526 (1,620) million as a result of the cash injection by Volkswagen AG.

11 / *RETAINED EARNINGS*

As of the balance sheet date, the statutory reserves totaled EUR 131 (131) thousand. Other retained earnings amounted to EUR 1,417 (1,417) million.

There has been no change in retained earnings as a result of the transfer of the entire profit for the 2016 fiscal year to Volkswagen AG, Wolfsburg.

12 / *SPECIAL RESERVE WITH AN EQUITY PORTION*

The capital gains transferred in accordance with Section 6b of the German Income Tax Act (EStG) are stated as EUR 6 (6) million as of the balance sheet date.

13 / *PROVISIONS*

EUR million	Dec. 31, 2016	Dec. 31, 2015
Provisions for pensions and similar obligations	2,931	3,086
Tax provisions	3	5
Other provisions	13,566	10,261
Provisions	**16,500**	**13,352**

Provisions for pensions and similar obligations are created on the basis of plans to provide retirement, disability and surviving dependent benefits. The benefit amounts are generally contingent on the length of service and the salary of the employee. Retirement benefit systems are based on defined benefit plans, with a distinction being made between those benefit systems financed through provisions and those that are financed externally.

Other provisions mainly relate to legal risks arising from litigation and product liability as well as from warranty claims coverage, distribution costs and workforce-related costs. Provisions are also included in relation to purchasing and development activities.
The other provisions for legal risks, technical measures and sales measures also include amounts arising from the diesel issue. The provisions created in the fiscal year for the V6 3.0 TDI diesel issue are explained in more detail in other particulars under the note on expenses of exceptional magnitude.

In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation.

In connection with this, AUDI AG has provisioned a proportional amount of EUR 310 (88) million for legal risks arising from penalty payments. Within the framework of the total settlement agreements which the Volkswagen Group is endeavoring to conclude in relation to this, there also exists joint and several liability on the part of AUDI AG in the amount of approximately two billion U.S. dollars. A pro memoria value of EUR 1 is taken into account for potential further contingencies relating to joint and several liability.

// MEASUREMENT PRINCIPLES

Provisions for pension obligations are measured at the settlement value calculated on the basis of sound business judgment.
The projected unit credit method is used for the actuarial measurement of defined benefit plans. This measures future obligations on the basis of the pro-rata benefit entitlements acquired as of the balance sheet date.

As well as the pensions and entitlements to pensions known at the balance sheet date, this method also takes account of anticipated pay and pension increases and any other valuation parameters.

The actuarial interest rate used is the discounting rate published by the German Bundesbank for December 2016 with a remaining term of 15 years. Provisions for pensions have been measured in the Financial Statements for the 2016 fiscal year on the basis of the average market interest rate over the past ten fiscal years (2015: average market interest rate for the previous seven fiscal years).

Provisions for pensions are calculated on the basis of the following assumptions:

	Dec. 31, 2016	Dec. 31, 2015
Actuarial interest rate	4.01%	3.89%
Remuneration trend	3.60%	3.70%
Retirement benefit trend	1.50%	1.70%
Income from assets	2.30%	3.30%
Fluctuation	1.10%	1.10%
Accounting basis	2005 G Reference Tables	2005 G Reference Tables
Age limits	German Pension Insurance – Retirement Age Adjustment Act 2007	German Pension Insurance – Retirement Age Adjustment Act 2007

The settlement value of pension obligations not financed via a fund is EUR 2,931 (3,077) million as of the balance sheet date. Recognition of provisions for retirement benefit obligations, which is calculated using the average market interest rate for the past seven fiscal years, exceeds the amount recognized in the balance sheet by EUR 368 million.

The annual remuneration-linked contributions for unit-linked retirement benefits are invested in funds by Volkswagen Pension Trust e.V., Wolfsburg.

The fund units administered on a fiduciary basis fulfill the conditions required of cover assets and are therefore offset against the pension obligations. The cover assets are measured at their fair value. Given that the corresponding benefit obligation exceeds the minimum defined benefit of EUR 1,264 (1,161) million, with the amount of this obligation being determined solely by the fair value of the assets, it is also measured at fair value.

The cover assets of the pension fund performed as follows during the 2016 fiscal year:

EUR million	Dec. 31, 2016	Dec. 31, 2015
Settlement value of obligations = fair value of pension fund	1,378	1,198
Amortized cost of the pension fund including reinvestment	1,331	1,158

The settlement value of the obligations is EUR 1,378 (1,198) million as of the balance sheet date and is offset against the fair value of the pension fund. Recognition of provisions for retirement benefit obligations, which is calculated using the average market interest rate for the past seven fiscal years, exceeds the amount recognized in the balance sheet by EUR 155 million.

The following amounts were recognized in the Income Statement:

EUR million	Offset expenses and income from obligations financed via pension fund including fund assets	
	2016	2015
Financial result		
Interest income (performance of pension fund)	45	6
Interest expense	45	6
Balance of income and expenses offset in the Income Statement	–	–

Retirement benefit expenses are included in the personnel costs for the functional areas. The interest expenses relating to the obligations and the income from the change in fair value of the pension fund assets are offset in the financial result. Expenses relating to changes in interest rates are also recorded in the financial result.

Liabilities from employees' time credits are secured by assets, which they are offset against. As of the balance sheet date, the fair value of the time credit fund was less than the cost of purchase.

The cover assets of the time credit fund performed as follows during the 2016 fiscal year:

EUR million	Dec. 31, 2016	Dec. 31, 2015
Settlement value of obligations = fair value of time credit fund	240	206
Amortized cost of the time credit fund including reinvestment	246	210

The settlement value of the obligations is EUR 240 (206) million as of the balance sheet date and is offset against the fair value of the time credit fund.

The following amounts were recognized in the Income Statement:

EUR million	Offset expenses and income from obligations financed via time credit fund including fund assets	
	2016	2015
Financial result		
Interest income (performance of time credit fund)	4	0
Interest expense	4	0
Balance of income and expenses offset in the Income Statement	–	–

Other provisions are measured at the settlement value calculated on the basis of sound business judgment.

Provisions for long-service awards are discounted at a rate of 3.2 (3.9) percent, applying actuarial principles.

Pursuant to the transitional provisions of the German Accounting Law Modernization Act (BilMoG), the value of other provisions as of January 1, 2010, was not discounted. As of December 31, 2016, the non-recorded discounting amount on this old total was EUR 2 (4) million.

14 / *LIABILITIES*

EUR million	Dec. 31, 2016 Total	Remaining term up to 1 year	Remaining term more than 1 year	Dec. 31, 2015 Total	Remaining term up to 1 year	Remaining term more than 1 year
Advance payments received for orders from customers	85	62	23	19	19	–
Trade payables	1,380	1,380	–	1,938	1,938	–
Liabilities to affiliated companies	4,163	2,774	1,389	5,920	4,445	1,475
of which trade payables	*1,209*	*1,209*	–	*1,038*	*1,038*	–
of which from profit transfer agreement	*918*	*918*	–	*2,752*	*2,752*	–
Liabilities to companies linked through participation	97	97	–	76	76	–
of which trade payables	*39*	*39*	–	*24*	*24*	–
Other liabilities	547	445	102	443	356	87
of which taxes	*88*	*88*	–	*120*	*120*	–
of which relating to social insurance	*75*	*44*	*31*	*66*	*39*	*27*
Liabilities	**6,272**	**4,758**	**1,514**	**8,396**	**6,834**	**1,562**

The medium-term liabilities amount to EUR 955 (1,397) million. They include liabilities to affiliated companies amounting to EUR 830 (1,323) million. The other medium-term liabilities of EUR 102 (74) million relate to the payroll, amounting to EUR 71 (51) million and social security liabilities amounting to EUR 31 (23) million. EUR 23 (–) million related to advance payments received for orders received.

Liabilities with a remaining term of more than five years amount to EUR 559 (165) million. They include liabilities to affiliated companies amounting to EUR 559 (152) million and other liabilities totaling EUR 0 (13) million.

Liabilities to employees from the partial retirement block model amounting to EUR 142 (110) million that are included in other liabilities are secured by assignment of the company car fleet as collateral security.

// *MEASUREMENT PRINCIPLES*

Liabilities are recognized at settlement values.

Current liabilities in foreign currencies with a remaining term of one year or less are measured at the mean spot exchange rate on the day of the transaction. If the price is higher on the balance sheet date, the long-term liabilities in foreign currencies are reported at the higher amount accordingly. If the price is lower (measurement gain), it is not taken into account.

15 / *DEFERRED INCOME*

Deferred income includes revenue from multiple-element transactions which are offset at the reporting date by service obligations in future fiscal years.

NOTES TO THE INCOME STATEMENT

16 / *REVENUE*

EUR million	2016	Proportion as a %	2015	Proportion as a %	2015 (acc. to BilRUG [German Accounting Standards Implementation Act])	Proportion as a %
Germany	**14,381**	**28.6**	**12,930**	**26.5**	**13,344**	**27.0**
Rest of Europe	16,318	32.4	16,373	33.5	16,561	33.5
Asia-Pacific	10,560	21.0	10,337	21.2	10,394	21.0
North America	8,295	16.5	8,310	17.0	8,317	16.8
Africa	314	0.6	368	0.8	370	0.7
South America	437	0.9	507	1.0	519	1.0
Other countries	**35,924**	**71.4**	**35,895**	**73.5**	**36,161**	**73.0**
Revenue	**50,305**	**100.0**	**48,825**	**100.0**	**49,505**	**100.0**

Revenue for 2016 was recorded in accordance with the German Commercial Code (HGB) as amended by the Accounting Directive Implementation Act (BilRUG). The comparative figures for the previous year are presented in the table. Vehicle business accounted for 77 (80) percent of revenue. The vehicle export business accounts for a share of 75 (77) percent. The A4 and A3 car lines made the biggest contribution to revenue during the past fiscal year. High levels of demand for our newly developed Q7 SUV model also had a positive impact on revenue.

Other revenue, comprising 23 (20) percent of total revenue, includes goods and services supplied to affiliated companies and sales to third parties.

17 / *COSTS OF GOODS SOLD*

Cost of goods sold includes the production costs of the products sold, as well as the purchase costs of merchandise sold. This item also comprises research and development costs, warranty costs and adjustments to the value of inventories. Under the German Commercial Code (HGB) as amended by the Accounting Directive Implementation Act (BilRUG), cost of goods sold for the prior year amounted to EUR 41,947 million.

18 / *DISTRIBUTION COSTS*

Distribution costs substantially comprise expenses for marketing and sales promotion, advertising, public relations activities and outward freight.

19 / *OTHER OPERATING INCOME*

EUR million	2016	2015
Dissolution of special reserve with an equity portion	0	1
Dissolution of provisions	702	795
Miscellaneous income	1,917	2,741
Other operating income	**2,619**	**3,537**

Other income primarily comprises income from foreign currency and commodity hedging transactions. Also included is income from the transferring of expenses relating to the diesel issue, based on existing agreements with Volkswagen AG, Wolfsburg.

Income from foreign currency translation amounting to EUR 269 (482) million is also included. Based on the provisions of the German Commercial Code (HGB) as amended by the Accounting Directive Implementation Act (BilRUG), other operating income during the previous year would have totaled EUR 2,857 million.

20 / *OTHER OPERATING EXPENSES*

Other operating expenses largely comprise expenses for currency and commodity hedging transactions. Expenses resulting from foreign currency translation amount to EUR 280 (395) million.

Based on the German Commercial Code (HGB) as amended by the Accounting Directive Implementation Act (BilRUG), other operating expenses during the previous year would have totaled EUR 3,115 million.

21 / *RESULT FROM PARTICIPATIONS*

EUR million	2016	2015
Income from profit transfer agreements	420	413
Income from participations	481	908
of which from affiliated companies	*70*	*361*
Expense from the transfer of losses	– 1	– 3
Result from participations	**900**	**1,318**

Income from profit transfer agreements – in particular with Audi Sport GmbH, Neckarsulm – includes taxes passed on which are contingent on profit.

Income from participations primarily comprises the distribution of profits of FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

22 / *NET INTEREST*

EUR million	2016	2015
Other interest and similar income	101	46
of which from affiliated companies	*32*	*29*
Interest and similar expenses	– 345	– 614
of which to affiliated companies	*– 61*	*– 71*
Net interest	**–244**	**–568**

Net interest includes interest expenses totaling EUR 266 (529) million and income from discounting totaling EUR 53 (–) million.

23 / *INCOME TAX EXPENSE*

Income tax expense includes taxes passed on by Volkswagen AG, Wolfsburg, on the basis of the single-entity relationship between the two companies for tax purposes, along with taxes owed by AUDI AG.

Based on a profit and loss transfer agreement, deferred taxes are taken into account for Volkswagen AG, Wolfsburg, as parent company.

// *OTHER TAXES*

Other taxes, amounting to EUR 32 (32) million, are allocated to cost of goods sold, distribution costs and administrative expenses.

24 / *PROFIT TRANSFERRED UNDER A PROFIT TRANSFER AGREEMENT*

Pursuant to the profit transfer agreement, the amount of EUR 918 (2,752) million will be transferred to Volkswagen AG, Wolfsburg.

// NON-PERIODIC INCOME AND EXPENSES

Income not allocable to the current period amounts to EUR 1,010 (918) million and includes primarily the dissolution of provisions amounting to EUR 702 (795) million. This relates mainly to the areas of sales, labor and warranty costs. Non-periodic income also includes the recovery in value of a foreign subsidiary, the value of which had been impaired in previous years, in the amount of EUR 130 (–) million.

Expenses to be allocated to other fiscal years amount to EUR 1,944 (243) million and includes primarily non-periodic allocations to provisions totaling EUR 1,879 (179) million. This involves mainly risk provisioning in relation to the V6 3.0 TDI diesel issue. Expenses not allocable to the current period also include losses in relation to the disposal of property, plant and equipment.

With regard to the non-periodic expenses in connection with the V6 3.0 TDI diesel issue, please refer to the explanations concerning exceptionally significant expenses in the section on other particulars.

Other income and expenses not allocable to the current period is mainly apportioned to other operating result.

OTHER PARTICULARS

/ COST OF MATERIALS

EUR million	2016	2015
Expenses for raw materials and supplies, as well as purchased goods	32,152	30,916
Expenses for purchased services	4,637	3,566
Cost of materials	**36,789**	**34,482**

/ PERSONNEL COSTS

EUR million	2016	2015
Wages and salaries	4,643	4,622
Social insurance and expenses for retirement benefits and support payments	807	816
of which relating to retirement benefit plans	*104*	*125*
Personnel costs	**5,450**	**5,438**

/ TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR

	2016	2015
Ingolstadt plant	42,412	40,724
Neckarsulm plant	15,655	15,334
Employees	**58,067**	**56,058**
Apprentices	2,390	2,318
Workforce	**60,457**	**58,376**

/ DERIVATIVE FINANCIAL INSTRUMENTS
// NATURE AND EXTENT

AUDI AG is exposed to exchange rate fluctuations in view of its international business activities. These risks are limited by concluding appropriate hedges for matching amounts and maturities.

Commodities are subject to the risk of fluctuating prices given the volatile nature of the commodity markets. Commodity futures are used to limit these risks.

The total nominal volume of contracts for forward exchange contracts and commodity futures is EUR 40,117 (46,039) million. The nominal volumes of the cash flow hedges for hedging currency risks and commodity price risks represent the total of all buying and selling prices on which the transactions are based. The derivative financial instruments used exhibit a maximum hedging term of five years.

The following table shows the nominal volumes and fair values of derivative financial instruments not included in valuation units:

EUR million	Nominal volumes		Fair values	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Forward exchange contracts	741	738	75	118
of which positive fair values			*75*	*118*
of which negative fair values			–	–
Commodity futures	719	720	16	–151
of which positive fair values			*47*	*1*
of which negative fair values			*–31*	*–152*

Valuation units are formed for the remaining risk volume of contracts for forward exchange contracts totaling EUR 33,785 (44,030) million and foreign exchange options totaling 4,347 (551) million. As of the balance sheet date, this resulted in positive fair values of EUR 1,195 (443) million for forward exchange contracts and of EUR 74 (9) million for foreign exchange options, as well as negative fair values of EUR 1,475 (2,637) million for forward exchange contracts and of EUR 101 (9) million for foreign exchange options. The forward exchange contracts and forward exchange options included in valuation units serve to hedge against exchange rate risk of expected transactions in the amount of EUR 35,807 (43,002) million and pending transactions of EUR 2,325 (1,579) million.

Valuation units are also formed for foreign currency hedging transactions for the hedging of assets totaling EUR 525 (–) million. This results in negative fair values in the amount of EUR 23 (–) million as of the balance sheet date.

The transactions expected with a high degree of probability are planned sales and purchasing transactions. Based on the planned volumes of these transactions, hedging strategies are developed and the corresponding hedging transactions concluded.

The hedging relationship is constantly monitored and is sufficient insofar as underlying and hedging transactions are exposed to similar and opposite risks.

Other forward contracts also exist in relation to the hedging of residual value risks. Residual value risks arise from hedging agreements with sales partners, according to which any effects on profit are borne in part by AUDI AG within the context of buy-back obligations resulting from concluded leasing agreements. The nominal volume is EUR 4,485 (4,074) million with a fair value of EUR –216 (–202) million.

// MEASUREMENT METHODS

The fair values of foreign currency hedging transactions and commodity hedging transactions generally correspond 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 recognized option pricing models.

For many contracts for forward exchange contracts used for hedging purposes, opposite transactions are grouped together to create measurement portfolios. Any impairments incurred as a result of the underlying transaction or impending losses are recognized in off-balance-sheet accounts with opposite effects resulting from the hedging transaction; only the remaining negative balance surpluses are recorded in the Income Statement (net hedge presentation method). The effectiveness of the valuation units is examined prospectively using the critical terms match method. The retrospective evaluation of the effectiveness of hedges involves a test in the form of the dollar offset method. All of the valuation units formed were fully effective.

The hedging of residual value risks is measured based on the residual value recommendations adopted by the residual value committee and on current dealer purchase values on the market at the time. Depending on how dealer purchase values develop at the time of measurement, opportunities or risks will arise for AUDI AG, with only the latter being reported in the form of provisions for impending losses under other provisions.

// BALANCE SHEET ITEMS AND CARRYING AMOUNTS

Derivative financial instruments are included in the following balance sheet items:

EUR million		Carrying amounts	
Type	Balance sheet item	Dec. 31, 2016	Dec. 31, 2015
Impending losses from foreign exchange contracts	Liabilities to affiliated companies	49	100
Impending losses from commodity futures	Liabilities to affiliated companies	31	152

As a general rule, currency hedging transactions are performed by Volkswagen AG, Wolfsburg, on behalf of AUDI AG on the basis of an agency agreement.

There are also provisions of EUR 252 (236) million for negative market values from residual value risks. Non-recognized positive market values amount to EUR 36 (34) million.

Details of the hedged risks and the hedging strategy are provided in the Combined Management Report of the Audi Group and AUDI AG.

/ CONTINGENCIES

EUR million	Dec. 31, 2016	Dec. 31, 2015
Liabilities from sureties and similar contingencies	531	391
of which to affiliated companies	*34*	*33*
Furnishing of collateral for outside liabilities	62	50
of which to affiliated companies	*62*	*50*

In view of the current creditworthiness and previous payment behavior of the beneficiary, the possibility of utilizing the liabilities from sureties reported under contingencies is judged to be low. This also applies to the greater part of the collateral that is furnished for third-party liabilities. There are no recognizable indicators suggesting that a different assessment would be required.

AUDI AG is involved in litigation in a number of countries regarding the four-cylinder TDI engines affected by the diesel issue. Based on the agreements in place, Volkswagen AG, Wolfsburg, is responsible for defending these cases and the ensuing consequences. As a result, no resource outflows that would justify the creation of provisions are anticipated. It is considered highly improbable that AUDI AG will be the subject of a joint liability claim with regard to the four-cylinder TDI issue.

Measures have been agreed with U.S. authorities with regard to the conversion of the affected vehicles with V6 3.0 TDI engines. Despite the implementation measures already taken, there could, for example, be delays in implementing these specified conversions, or full conversion might not be achieved for technical reasons. This would lead to further penalty payments or a full recall of the affected vehicles and therefore cause additional financial burdens, which cannot be evaluated at the moment. For this reason, a pro memoria value of EUR 1 is taken into account under liabilities from sureties and similar contingencies.

/ TRANSACTIONS NOT POSTED IN THE BALANCE SHEET

AUDI AG finances some of its trade receivables from foreign affiliated companies and some selected non-Group importers using genuine factoring via Volkswagen Group Services S.A./N.V., Brussels (Belgium), and Volkswagen Finance Belgium S.A., Brussels (Belgium).

Selected receivables from partners in the domestic sales organization are financed using genuine factoring through Volkswagen Bank GmbH, Braunschweig. The volume during the fiscal year was EUR 22 (24) billion. Liquid assets in this amount were received by the company. These transactions do not present any particular risks.

Buy-back obligations exist from buy-back transactions in the amount of EUR 974 (789) million. Of this, EUR 611 (429) million relate to affiliated companies.

/ OTHER FINANCIAL OBLIGATIONS

Other obligations not posted in the Balance Sheet arising from rental, leasing and other agreements spanning several years total EUR 497 (608) million. Of this, EUR 66 (80) million relate to affiliated companies. The total amount can be broken down into the following maturity dates: short-term EUR 169 (173) million, medium-term EUR 234 (314) million, and long-term EUR 94 (121) million. AUDI AG is liable on the basis of its participations in commercial partnerships. Other financial obligations, particularly ordering commitments, are well within the bounds of standard business practice.

/ EXCEPTIONALLY SIGNIFICANT EXPENSES

The risk provisioning carried out during the 2016 fiscal year in relation to the V6 3.0 TDI diesel issue, in the form of provisions for technical measures, legal risks and sales measures, total EUR 1,632 (218) million. Expenses were recorded in other operating expense in the amount of EUR 1,027 (92) million, in cost of goods sold in the amount of EUR 424 (68) million and in distribution costs in the amount of EUR 181 (58) million.

/ AUDITOR'S FEES

EUR thousand	2016	2015
Auditing of the financial statements	1,050	985
Other assurance services	253	236
Tax consultancy services	–	10
Other services	183	422
Auditor's fees	**1,486**	**1,653**

/ DETAILS RELATING TO THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The members of the Board of Management and the Supervisory Board, together with details of their seats on other supervisory boards and regulatory bodies, are listed on pages 47 to 50.

The remuneration paid to members of the Board of Management for the 2016 fiscal year totaled EUR 21,089 (20,079) thousand, of which EUR 4,474 (4,691) thousand related to fixed remuneration components and EUR 16,615 (15,388) thousand to variable components. The variable components include expenses on bonuses totaling EUR 11,199 (10,293) thousand, and the long term incentive (LTI), amounting to EUR 5,416 (5,095) thousand.

Disclosure of the remuneration paid to each individual member of the Board of Management by name, pursuant to Section 285 No. 9a of the German Commercial Code (HGB) is included in the remuneration report which is part of the Combined Management Report of the Audi Group and AUDI AG. A payment of EUR 3,800 thousand was promised to Dr. Stefan Knirsch in connection with his early departure from the Board of Management.

Under certain circumstances, members of the Board of Management are entitled to retirement benefits and a disability pension. As of December 31, 2016, provisions for pensions for current members of the Board of Management totaled EUR 20,074 (19,658) thousand. Payments to former members of the Board of Management or their surviving dependents amount to EUR 6,744 (9,409) thousand. The sum provisioned for pension obligations to former members of the Board of Management and their surviving dependents is EUR 57,952 (57,404) thousand.

The remuneration paid to the Supervisory Board of AUDI AG, pursuant to Section 285, No. 9a of the German Commercial Code (HGB), is EUR 749 (202) thousand, of which EUR 231 (202) thousand related to fixed components and EUR 518 (–) thousand to variable components.

The level of the variable remuneration components is based on the compensatory payment made for the 2016 fiscal year in accordance with the applicable provision in the Articles of Incorporation and Bylaws.

The actual payment of individual parts of the total remuneration, which will only be determined upon finalization of the compensatory payment, will be made in the 2017 fiscal year pursuant to Section 16 of the Articles of Incorporation and Bylaws.

The system of remuneration for the Supervisory Board and Board of Management is presented in the remuneration report, which forms part of the Combined Management Report of the Audi Group and AUDI AG.

/ REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events of material significance after December 31, 2016.

/ DECLARATION OF CONFORMITY

The Board of Management and Supervisory Board of AUDI AG submitted the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code on November 24, 2016, and subsequently made it permanently accessible on the Audi website at www.audi.com/cgk-declaration.

/ PARENT COMPANY

Around 99.55 percent of the share capital of AUDI AG is held by Volkswagen AG, Wolfsburg, with which a control and profit transfer agreement exists.

The Company is included in the Consolidated Financial Statements of Volkswagen AG, Wolfsburg (smallest and largest group of consolidated companies). The Consolidated Financial Statements are available from the Company and are published in the Federal Official Gazette.

At 52.2 percent, Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the balance sheet date. The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche Automobil Holding SE can no longer appoint the majority of the members of the Super-visory Board of Volkswagen AG for as long as the State of Lower Saxony holds at least 15 percent of Volkswagen AG's ordinary shares. However, Porsche Automobil Holding SE has the power to participate in the operating policy decisions of the Volkswagen Group.

/ NOTICES AND DISCLOSURES OF CHANGES TO THE OWNERSHIP OF VOTING RIGHTS IN AUDI AG PURSUANT TO THE GERMAN SECURITIES TRADING ACT (WPHG)[1)]

// NOTIFICATION OF VOTING RIGHTS OF JUNE 17, 2016

1. Details of issuer

AUDI AG
Auto-Union-Straße 1
85045 Ingolstadt
Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
X	Acquisition/disposal of instruments
	Change of breakdown of voting rights
X	Other reason: Group announcement due to intragroup restructuring

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.
VOLKSWAGEN AKTIENGESELLSCHAFT

5. Date on which threshold was crossed or reached

15 Jun 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	99.55 %	0.00 %	99.55 %	43000000
Previous notification	99.55 %	99.55 %	99.55 %	/

1) For legal reasons, the voting rights notifications presented here correspond to the original wording of the voting rights notifications which we received.

7. Notified details of the resulting situation

a. Voting rights attached to shares (Sec.s 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0006757008	0	42807797	0 %	99.55 %
Total	42807797		99.55 %	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche. Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Familie WP Holding GmbH	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Ferdinand Porsche Familien- Privatstiftung	%	%	%
Ferdinand Porsche Familien- Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:	
Holding position after general meeting:	% (equals voting rights)

// NOTIFICATION OF VOTING RIGHTS OF JUNE 3, 2016

1. Details of issuer

AUDI AG
Auto-Union-Straße 1
85045 Ingolstadt
Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
X	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Mr. Dr. Wolfgang Porsche	

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.
VOLKSWAGEN AKTIENGESELLSCHAFT

5. Date on which threshold was crossed or reached

01 Jun 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	99.55 %	99.55 %	99.55 %	43000000
Previous notification	99.14 %	n/a %	0.00 %	/

7. Notified details of the resulting situation

a. Voting rights attached to shares (Sec.s 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0006757008	0	42807797	0 %	99.55 %
Total	42807797		99.55 %	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contribution Agreement	n/a	n/a	Physical	42807797	99.55 %
			Total	42807797	99.55 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Wolfgang Porsche	%	%	%
Familie WP Holding GmbH	%	99.55 %	99.55 %
Dr. Wolfgang Porsche	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %
Dr. Wolfgang Porsche	%	%	%
Ferdinand Porsche Familien-Privatstiftung	%	%	%
Ferdinand Porsche Familien-Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:	
Holding position after general meeting:	% (equals voting rights)

// NOTIFICATION OF VOTING RIGHTS OF JUNE 3, 2016

1. Details of issuer

AUDI AG
Auto-Union-Straße 1
85045 Ingolstadt
Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
X	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schroder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.
VOLKSWAGEN AKTIENGESELLSCHAFT

5. Date on which threshold was crossed or reached

01 Jun 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	99.55 %	99.55 %	99.55 %	43000000
Previous notification	99.55 %	n/a %	0.00 %	/

7. Notified details of the resulting situation

a. Voting rights attached to shares (Sec.s 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0006757008	0	42807797	0 %	99.55 %
Total	42807797		99.55 %	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contribution Agreement	n/a	n/a	Physical	42807797	99.55 %
			Total	42807797	99.55 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Familie WP Holding GmbH	%	99.55 %	99.55 %
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Ferdinand Porsche Familien-Privatstiftung	%	%	%
Ferdinand Porsche Familien-Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	%	%	%
VOLKSWAGEN AKTIENGESELLSCHAFT	99.55 %	%	99.55 %

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:	
Holding position after general meeting:	% (equals voting rights)

/ VOTING RIGHTS NOTIFICATIONS FROM PREVIOUS YEARS

// On August 04, 2015, Ferdinand Porsche Familien-Holding GmbH, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on July 31, 2015 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Ferdinand Porsche Familien-Holding GmbH in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG.

The voting rights attributed to Ferdinand Porsche Familien-Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case:

Hans-Peter Porsche GmbH, Grünwald; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Porsche GmbH, Grünwald; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On July 20, 2015, the following persons in each case have notified us in accordance with Article 21, Section 1 of the WpHG that their share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on July 14, 2015, and in each case amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date:

Dr. Geraldine Porsche, Austria,
Diana Porsche, Austria,
Felix Alexander Porsche, Germany.

Of this figure, in each case 99.55% of the voting rights (42,807,797 voting rights) are attributable to each of the above-mentioned notifying persons in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG.

The voting rights attributed to the notifying persons in each case are held via the following enterprises controlled by the notifying persons, whose share of the voting rights in AUDI AG amounts to 3% or more in each case:

Ferdinand Porsche Familien-Privatstiftung, Salzburg; Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// 1. On July 15, 2015, the following persons in each case have notified us in accordance with Article 21, Section 1 of the WpHG that their share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on July 14, 2015, and in each case amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date:

Ms. Dipl.-Design. Stephanie Porsche-Schröder, Austria,
Mr. Dr. Dr. Christian Porsche, Austria,
Mr. Ferdinand Rudolf Wolfgang Porsche, Austria.

Of this figure, in each case 99.55% of the voting rights (42,807,797 voting rights) are attributable to each of the above mentioned notifying persons in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG. The voting rights attributed to the notifying persons in each case are held via the following enterprises controlled by the notifying persons, whose share of the voting rights in AUDI AG amounts to 3% or more in each case:

Dr. Wolfgang Porsche Holding GmbH, Salzburg; Wolfgang Porsche GmbH, Grünwald; Ferdinand Porsche Familien-Privatstiftung, Salzburg; Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

2. On July 15, 2015, Familie Porsche Privatstiftung, Salzburg, Austria, has notified us in accordance with Article 21,

Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on July 14, 2015, and amounted to 0% of the voting rights (0 voting rights) at this date.

3. On July 15, 2015, Ferdinand Porsche Privatstiftung, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on July 14, 2015, and amounted to 0% of the voting rights (0 voting rights) at this date.

4. On July 15, 2015, Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on July 14, 2015, and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Ferdinand Porsche Familien-Privatstiftung in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG.

   The voting rights attributed to Ferdinand Porsche Familien-Privatstiftung are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case:

   Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On December 16, 2014, Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on December 15, 2014 and amounted to 0% of the voting rights (0 voting rights) at this date.

// Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria, (the “notifying party”) notified AUDI AG, Ingolstadt, Germany, on December 17, 2014 with reference to its notification of changes in voting rights in accordance with Article 21, Section 1 of the WpHG from the same day and the exceeding of the voting rights threshold of 75%, in accordance with Article 27a, Section 1, Sentence 1 of the WpHG of the following:

“The exceeding of the voting rights threshold is due to the initial attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG) held by a subsidiary of the notifying party and not because of a purchase of shares.

1. Aims underlying the acquisition of the voting rights (Article 27a, Section 1, Sentence 3 of the WpHG)

   a) The transaction underlying the attribution of the voting rights does not serve to generate a trading profit for the notifying party, nor is it designed to implement strategic objectives.

   b) The notifying party does not plan to acquire further voting rights within the next twelve months by means of a purchase or by any other means.

   c) The notifying party does not currently intend to exert an influence on the appointment or removal of members of the issuer’s administrative, managing and supervisory bodies.

   d) The notifying party does not intend to bring about a material change in the issuer’s capital structure, in particular as regards the ratio between equity financing and debt financing, and the dividend policy.

2. Source of the funds used (Article 27a, Section 1, Sentence 4 of the WpHG)

The voting rights were acquired solely by way of the attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG). No equity funds or debt funds were used to finance the acquisition of the voting rights.”

// On December 17, 2014, Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria, notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on December 15, 2014 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Dr. Wolfgang Porsche Holding GmbH in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG.

The voting rights attributed to Dr. Wolfgang Porsche Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Wolfgang Porsche GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On December 04, 2013, Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on December 02, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH in accordance with Article 22, Section 1, Sentence 1 No. 1 of the WpHG.

The voting rights attributed to Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart; Wolfgang Porsche GmbH, Stuttgart; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, (the "notifying party") notified AUDI AG, Ingolstadt, Germany, on December 4, 2013 with reference to their notification of changes in voting rights in accordance with Article 21, Section 1 of the WpHG from the same day and the exceeding of the voting rights threshold of 75%, in accordance with Article 27a, Section 1, Sentence 1 of the WpHG of the following:

"The exceeding of the voting rights threshold is due to the initial attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG) held by a subsidiary of the notifying party and not because of a purchase of shares.

1. Aims underlying the acquisition of the voting rights (Article 27a, Section 1, Sentence 3 of the WpHG)

   a) The transaction underlying the attribution of the voting rights does not serve to generate a trading profit for the notifying party, nor is it designed to implement strategic objectives.

   b) The notifying party does not plan to acquire further voting rights within the next twelve months by means of a purchase or by any other means.

   c) The notifying party does not currently intend to exert an influence on the appointment or removal of members of the issuer's administrative, managing and supervisory bodies.

   d) The notifying party does not intend to bring about a material change in the issuer's capital structure, in particular as regards the ratio between equity financing and debt financing, and the dividend policy.

2. Source of the funds used (Article 27a, Section 1, Sentence 4 of the WpHG)

   The voting rights were acquired solely by way of the attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG). No equity funds or debt funds were used to finance the acquisition of the voting rights."

// Ahorner Alpha Beteiligungs GmbH, Grünwald, Germany, Ahorner Beta Beteiligungs GmbH, Grünwald, Germany, Louise Daxer-Piech GmbH, Salzburg, Austria, and Ahorner Holding GmbH, Salzburg, Austria, (the "notifying parties") notified AUDI AG, Ingolstadt, Germany, on September 11, 2013 with reference to their notification of changes in voting rights in accordance with Article 21, Section 1 of the WpHG on September 11, 2013 and the exceeding of the voting rights threshold of 75%, in accordance with Article 27a, Section 1, Sentence 1 of the WpHG of the following:

"The exceeding of the voting rights threshold is due to the initial attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG) held by a subsidiary of the notifying party and not because of a purchase of shares.

1. Aims underlying the acquisition of the voting rights (Article 27a, Section 1, Sentence 3 of the WpHG)

   a) The transaction underlying the attribution of the voting rights does not serve to generate a trading profit for the notifying party, nor is it designed to implement strategic objectives.

   b) The notifying parties do not plan to acquire further voting rights within the next twelve months by means of a purchase or by any other means.

   c) The notifying parties do not currently intend to exert an influence on the appointment or removal of members of the issuer's administrative, managing and supervisory bodies.

   d) The notifying parties do not intend to bring about a material change in the issuer's capital structure, in particular as regards the ratio between equity financing and debt financing, and the dividend policy.

2. Source of the funds used (Article 27a, Section 1, Sentence 4 of the WpHG)

   The voting rights were acquired solely by way of the attribution of voting rights (Article 22, Section 1, No. 1 of the WpHG). No equity funds or debt funds were used to finance the acquisition of the voting rights."

// On September 11, 2013, Ahorner Holding GmbH, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on September 11, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Ahorner Holding GmbH in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

The voting rights attributed to Ahorner Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Louise Daxer-Piech GmbH, Salzburg, Austria; Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On September 11, 2013, Louise Daxer-Piech GmbH, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on September 11, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Louise Daxer-Piech GmbH in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

The voting rights attributed to Louise Daxer-Piech GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On September 11, 2013, Ahorner Beta Beteiligungs GmbH, Grünwald, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on September 11, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Ahorner Beta Beteiligungs GmbH in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

The voting rights attributed to Ahorner Beta Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// On September 11, 2013, Ahorner Alpha Beteiligungs GmbH, Grünwald, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on September 11, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date. Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to Ahorner Alpha Beteiligungs GmbH in accordance with Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

The voting rights attributed to Ahorner Alpha Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: Porsche Automobil Holding SE, Stuttgart; VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg.

// LK Holding GmbH, Salzburg, Austria, (the "notifying party") notified AUDI AG, Ingolstadt, Germany, in accordance with Article 27a, Section 1 of the WpHG of the following on September 9, 2013 with reference to its notification of changes in voting rights in accordance with Article 21, Section 1 of the WpHG on August 12, 2013:

"On August 10, 2013, Louise Daxer-Piech GmbH, Grünwald, was separated by a spin-off to the notifying party, to which voting rights attached to shares of the issuer were attributable for the first time in accordance with Article 22 of the WpHG. Voting rights attached to shares of the issuer were acquired solely as the result of this spin-off by way of the attribution of voting rights attached to shares held by a subsidiary of the notifying party (Article 22, Section 1, No. 1 of the WpHG).

1. Aims underlying the acquisition of the voting rights (Article 27a, Section 1, Sentence 3 of the WpHG)

   a) The transaction underlying the attribution of the voting rights does not serve to generate a trading profit for the notifying party, nor is it designed to implement strategic objectives.

   b) The notifying party does not plan to acquire further voting rights within the next twelve months by means of a purchase or by any other means.

   c) The notifying party does not currently intend to exert an influence on the appointment or removal of members of the issuer's administrative, managing and supervisory bodies.

   d) The notifying party does not intend to bring about a material change in the issuer's capital structure, in particular as regards the ratio between equity financing and debt financing, and the dividend policy.

2. Source of the funds used (Article 27a, Section 1, Sentence 4 of the WpHG)

   The voting rights were acquired solely as the result of the above-mentioned spin-off by way of the attribution of voting rights. No equity funds or debt funds were used to finance the acquisition of the voting rights."

// On August 12, 2013, Louise Daxer-Piech GmbH, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on August 10, 2013 and amounted to 0% of the voting rights (0 voting rights) at this date.

// On August 12, 2013, LK Holding GmbH, Salzburg, Austria, has notified us in accordance with Article 21, Section 1 of the WpHG that its share of the voting rights in AUDI AG, Ingolstadt, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on August 10, 2013 and amounted to 99.55% of the voting rights (42,807,797 voting rights) at this date.

Of this figure, 99.55% of the voting rights (42,807,797 voting rights) are attributable to LK Holding GmbH in accordance with Article 22, Section 1, Sentence 1 no. 1 of the WpHG.

The voting rights attributed to LK Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in AUDI AG amounts to 3% or more in each case: VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg; Porsche Automobil Holding SE, Stuttgart; Familien Porsche-Kiesling Beteiligung GmbH, Grünwald; Louise Daxer-Piech GmbH, Grünwald.

// Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany, has notified us pursuant to Section 21, Para. 1 of German Securities Trading Law that its share of voting rights in AUDI Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 29, 2010 and on this day amounts to 99.55% of the voting rights (42,807,797 voting rights).

All aforementioned 42,807,797 voting rights are allocable to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG pursuant to Section 22, Para. 1, Sentence 1, No. 1 of German Securities Trading Law via the following controlled companies, whose share of voting rights in AUDI Aktiengesellschaft is in each case 3% or more: Wolfgang Porsche GmbH, Grünwald; Familie Porsche Beteiligung GmbH, and each of Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen Aktiengesellschaft, Wolfsburg.

The voting rights were not acquired through the exercise of share purchase right granted by way of financial instruments in accordance with Section 25, Para. 1, Sentence 1 of German Securities Trading Law.

// 1. Porsche Automobil Holding SE, Stuttgart (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights). Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of its control of the following company:

   Volkswagen Aktiengesellschaft, Wolfsburg (Germany)

2. Mag. Josef Ahorner (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

3. Mag. Louise Kiesling (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that her share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of her control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

4. Prof. Ferdinand Alexander Porsche (Austria) has notified us pursuant to Section 21 Para 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

5. Dr. Oliver Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

6. Kai Alexander Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

7. Mark Philipp Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

8. Gerhard Anton Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Ferdinand Porsche Privatstiftung, Salzburg (Austria), Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

9. Ing. Hans-Peter Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

   Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

   Allocation is based on the fact of his control of the following companies:

   Familie Porsche Privatstiftung, Salzburg (Austria), Familie Porsche Holding GmbH, Salzburg (Austria), Ing. Hans-Peter Porsche GmbH, Salzburg (Austria), Hans-Peter Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

10. Peter Daniell Porsche (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of his control of the following companies:

    Familie Porsche Privatstiftung, Salzburg (Austria), Familie Porsche Holding GmbH, Salzburg (Austria), Ing. Hans-Peter Porsche GmbH, Salzburg (Austria), Hans-Peter Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

11. Dr. Wolfgang Porsche (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of his control of the following companies:

    Familie Porsche Privatstiftung, Salzburg (Austria), Familie Porsche Holding GmbH, Salzburg (Austria), Ing. Hans-Peter Porsche GmbH, Salzburg (Austria), Hans-Peter Porsche GmbH, Grünwald (Germany), Wolfgang Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

12. Ferdinand Porsche Privatstiftung, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Ferdinand Porsche Holding GmbH, Salzburg (Austria), Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald

(Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

13. Familie Porsche Privatstiftung, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Familie Porsche Holding GmbH, Salzburg (Austria), Ing. Hans-Peter Porsche GmbH, Salzburg (Austria), Hans-Peter Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

14. Ferdinand Porsche Holding GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Louise Daxer-Piëch GmbH, Salzburg (Austria), Louise Daxer-Piech GmbH, Grünwald (Germany), Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria), Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Gerhard Anton Porsche GmbH, Salzburg (Austria), Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

15. Familie Porsche Holding GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Ing. Hans-Peter Porsche GmbH, Salzburg (Austria), Hans-Peter Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

16. Louise Daxer-Piëch GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Louise Daxer-Piech GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

17. Louise Daxer-Piëch GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

Allocation is based on the fact of its control of the following companies:

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

18. Prof. Ferdinand Alexander Porsche GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Ferdinand Alexander Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

19. Ferdinand Alexander Porsche GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

20. Gerhard Anton Porsche GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Gerhard Porsche GmbH, Grünwald (Germany), Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

21. Gerhard Porsche GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

22. Ing. Hans-Peter Porsche GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

Allocation is based on the fact of its control of the following companies:

Hans-Peter Porsche GmbH, Grünwald (Germany), Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

23. Hans-Peter Porsche GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

24. Wolfgang Porsche GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Familie Porsche Beteiligung GmbH, Grünwald (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

25. Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

26. Familie Porsche Beteiligung GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

27. Porsche Holding Gesellschaft m.b.H., Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

Porsche GmbH, Salzburg (Austria), Porsche GmbH, Stuttgart (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

28. Porsche GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Porsche GmbH, Stuttgart (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

29. Porsche GmbH, Stuttgart (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Porsche Automobil Holding SE, Stuttgart (Germany), Volkswagen AG, Wolfsburg (Germany)

30. Dr. Hans Michel Piëch (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of his control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Hans Michel Piëch GmbH, Grünwald (Germany), Dr. Hans Michel Piëch GmbH, Salzburg (Austria)

31. Dr. Hans Michel Piëch GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Hans Michel Piëch GmbH, Grünwald (Germany)

32. Hans Michel Piëch GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany)

33. Dipl.-Ing. Dr.h.c. Ferdinand Piëch (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that his share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to him pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of his control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Ferdinand Piëch GmbH, Grünwald (Germany), Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg (Austria), Ferdinand Karl Alpha Privatstiftung, Vienna (Austria)

34. Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Ferdinand Piëch GmbH, Grünwald (Germany)

35. Ferdinand Piëch GmbH, Grünwald (Germany) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany)

36. Ferdinand Karl Alpha Privatstiftung, Vienna (Austria) has notified us pursuant to Section 21 Para. 1 of German Securities Trading Law that its share of voting rights in our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on September 16, 2008 and today amounts to 99.14% (42,631,250 voting rights).

    Of this voting rights the total of 42,631,250 voting rights are allocable to it pursuant to Section 22 Para. 1 Sentence 1 No. 1 of German Securities Trading Law.

    Allocation is based on the fact of its control of the following companies:

    Volkswagen AG, Wolfsburg (Germany), Porsche Automobil Holding SE, Stuttgart (Germany), Ferdinand Piëch GmbH, Grünwald (Germany), Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg (Austria)

STATEMENT OF INTERESTS PURSUANT TO SECTIONS 285 AND 313 OF THE GERMAN COMMERCIAL CODE (HGB)

for AUDI AG and the Audi Group as well as for the purpose of presenting the entities included in consolidation as of 12/31/2016, pursuant to IFRS 12

Name and registered office of company		Exchange rate	Capital share held by AUDI AG in %		Equity	Profit [1]		
	Currency	(1 euro =) as of Dec. 31, 2016	direct	indirect	Local currency (in thousands)	Local currency (in thousands)	Foot note	Year
I. PARENT COMPANY								
AUDI AG, Ingolstadt	EUR							
II. SUBSIDIARIES								
A. Fully consolidated companies								
1. Germany								
Audi Electronics Venture GmbH, Gaimersheim	EUR		100.00		32,018	-	2)	2016
AUDI Immobilien GmbH & Co. KG, Ingolstadt	EUR		100.00		89,317	4,289		2016
Audi Sport GmbH, Neckarsulm	EUR		100.00		100	-	2)	2016
HI-S 5-Fonds, Frankfurt am Main	EUR		100.00		-	-	3)	2016
PSW automotive engineering GmbH, Gaimersheim	EUR		100.00		31,200	–1,052		2016
Ducati Motor Deutschland GmbH, Cologne	EUR			100.00	9,709	1,645		2015
2. International								
Audi Australia Pty. Ltd., Zetland	AUD	1.4615	100.00		133,270	13,922		2015
Audi Australia Retail Operations Pty. Ltd., Zetland	AUD	1.4615		100.00	7,892	–2,802		2015
Audi Brussels S.A./N.V., Brussels	EUR		100.00		571,844	32,013		2016
Audi Brussels Property S.A./N.V., Brussels	EUR			100.00	89,012	1,487		2016
Audi do Brasil Indústria e Comércio de Veiculos Ltda., São Paulo	BRL	3.4372	100.00		745,378	–48,413		2015
Audi (China) Enterprise Management Co., Ltd., Beijing	CNY	7.3332	100.00		1,472,845	329,912		2016
Audi Hungaria Services Zrt., Győr	EUR		100.00		9,300,949	954		2016
Audi Hungaria Motor Kft., Győr	EUR			100.00	4,696,732	342,805		2016
Audi Japan K.K., Tokyo	JPY	123.5000	100.00		19,789,025	517,308		2015
Audi Japan Sales K.K., Tokyo	JPY	123.5000		100.00	10,559,988	–2,148,675		2015
Audi Luxembourg S.A., Luxembourg	EUR		100.00		685,737	–25	4)	2015
Audi México S.A. de C.V., San José Chiapa	USD	1.0560	100.00		1,274,946	–102,919	5)	2016
Audi Singapore Pte. Ltd., Singapore	SGD	1.5260	100.00		40,546	3,097		2015
Audi Tooling Barcelona, S.L., Martorell	EUR		100.00		37,141	1,976		2015
Audi Volkswagen Korea Ltd., Seoul	KRW	1,269.1100	100.00		191,571,716	–4,883,795		2016
Audi Volkswagen Middle East FZE, Dubai	USD	1.0560	100.00		97,954	7,525		2016
Audi Volkswagen Taiwan Co., Ltd., Taipei	TWD	34.1659	100.00		2,536,268	575,849		2016
Automobili Lamborghini S.p.A., Sant'Agata Bolognese	EUR		100.00		2,366,708	34,793		2015
Ducati Motor Holding S.p.A., Bologna	EUR			100.00	654,838	31,523		2015
Ducati do Brasil Indústria e Comércio de Motocicletas Ltda., São Paulo	BRL	3.4372		100.00	–30,503	–21,998		2015
Ducati Japan K.K., Tokyo	JPY	123.5000		100.00	368,907	71,901		2015
Ducati Motor (Thailand) Co. Ltd., Amphur Pluakdaeng	THB	37.8013		100.00	773,433	306,442		2015
Ducati North America, Inc., Cupertino / CA	USD	1.0560		100.00	45,599	3,575		2015
Ducmotocicleta S. de R.L. de C.V., Mexico City	MXN	21.8480		100.00	6,024	6,304		2015
Ducati North Europe B.V., Zoeterwoude	EUR			100.00	3,702	449		2015
Ducati (Schweiz) AG, Wollerau	CHF	1.0749		100.00	2,098	802		2015
Ducati U.K. Ltd., Towcester	GBP	0.8585		100.00	2,625	1,014		2015
Ducati West Europe S.A.S., Colombes	EUR			100.00	6,353	752		2015

Name and registered office of company		Exchange rate	Capital share held by AUDI AG in %		Equity	Profit 1)		
	Currency	(1 euro =) as of Dec. 31, 2016	direct	indirect	Local currency (in thousands)	Local currency (in thousands)	Foot note	Year
Italdesign Giugiaro S.p.A., Moncalieri	EUR			100.00	56,637	–31,907		2016
Officine del Futuro S.p.A., Sant'Agata Bolognese	EUR			100.00	5,003	307		2015
Volkswagen Group Italia S.p.A., Verona	EUR			100.00	457,192	1,909	5)	2015
Volkswagen Group Firenze S.p.A., Florence	EUR			100.00	5,329	–152		2015
Audi Canada Inc., Ajax / ON	CAD	1.4228	–	–	132,658	24,149	6)	2016
Audi of America, LLC, Herndon / VA	USD	1.0560	–	–	569,356	70,322	5) 6)	2016
Automobili Lamborghini America, LLC, Herndon / VA	USD	1.0560	–	–	3,744	2,421	5) 6)	2016
B. Non-consolidated companies								
1. Germany								
Audi Business Innovation GmbH, Ingolstadt	EUR		100.00		1,300	-	2)	2016
Audi e-gas Betreibergesellschaft mbH, Ingolstadt	EUR			100.00	25	-	2)	2016
AUDI Immobilien Verwaltung GmbH, Ingolstadt	EUR		100.00		29,615	207		2015
Audi Neckarsulm Immobilien GmbH, Neckarsulm	EUR			100.00	128	58		2016
Audi Real Estate GmbH, Ingolstadt	EUR			100.00	–772	–767		2015
FC Ingolstadt 04 Stadionbetreiber GmbH, Ingolstadt	EUR			100.00	1,162	-	2)	2015
Audi Planung GmbH, Ingolstadt	EUR		100.00		793	-	2)	2016
Audi Stiftung für Umwelt GmbH, Ingolstadt	EUR		100.00		5,013	3		2016
Auto Union GmbH, Ingolstadt	EUR		100.00		8,181	-	2)	2016
NSU GmbH, Neckarsulm	EUR			100.00	50	-	2)	2016
CC WellCom GmbH, Potsdam	EUR		100.00		1,244	-	2)	2016
quattro GmbH, Neckarsulm	EUR			100.00	25	-	2) 4) 7)	2016
csi Verwaltungs GmbH, Neckarsulm	EUR		49.01		7,235	3,450		2015
csi Entwicklungstechnik GmbH, Gaimersheim	EUR			100.00	1,910	1,431		2015
CSI Entwicklungstechnik GmbH, Munich	EUR			100.00	875	603		2015
csi entwicklungstechnik GmbH, Neckarsulm	EUR			100.00	2,128	1,386		2015
csi entwicklungstechnik GmbH, Sindelfingen	EUR			80.00	1,003	552		2015
ALU-CAR GmbH, Winterberg	EUR			80.80	490	288		2015
Italdesign-Giugiaro Deutschland GmbH, Wolfsburg	EUR			100.00	968	235		2016
Automotive Safety Technologies GmbH, Gaimersheim	EUR			75.50	5,464	928		2015
TKI Automotive GmbH, Gaimersheim	EUR			51.00	8,282	871		2015
2. Other countries								
Putt Estates (Pty) Ltd., Upington	ZAR	14.4848	100.00		113,325	3,677	8)	2016
Putt Real Estates (Pty) Ltd., Upington	ZAR	14.4848		100.00	36,348	125	8)	2016
Société Immobilière Audi S.A.R.L., Paris	EUR		100.00		29,546	134		2015
A4EX, LLC, Herndon / VA	USD	1.0560		100.00	19,500	-	4)	2015
Audi Regional Office S.A. de C.V., Puebla	MXN	21.8480		100.00	1,886	1,801	4) 7)	2016
Ducati Canada Inc., Saint John / NB	CAD	1.4228		100.00	–1,199	–1,199		2015
Ducati India Pvt. Ltd., New Delhi	INR	71.655		100.00	–86,469	–79,179	8)	2016
Fondazione Ducati, Bologna	EUR			100.00	–166	–2		2015
Italdesign Giugiaro Barcelona S.L., Barcelona	EUR			100.00	6,315	112		2016
NIRA Dynamics AB, Linköping	SEK	9.5672		94.66	266,651	64,364		2015

Name and registered office of company		Exchange rate	Capital share held by AUDI AG in %		Equity	Profit [1)]		
	Currency	(1 euro =) as of Dec. 31, 2016	direct	indirect	Local currency (in thousands)	Local currency (in thousands)	Foot note	Year
III. ASSOCIATES AND JOINT VENTURES								
A. Associates and joint ventures accounted for using the equity method								
1. Germany								
2. Other countries								
FAW-Volkswagen Automotive Co., Ltd., Changchun	CNY	7.3332	10.00		63,832,768	34,035,219		2015
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., Tianjin	CNY	7.3332	49.00		2,872,133	–787,812		2015
There Holding B.V., Rijswijk	EUR			33.33	1,945,937	–57,063	4) 5)	2015
Volkswagen Group Services S.A., Brussels	EUR			30.00	9,688,733	178,213		2015
B. Associates and joint ventures accounted for at cost								
1. Germany								
August Horch Museum Zwickau GmbH, Zwickau	EUR		50.00		1,072	104		2015
LGI Logistikzentrum im Güterverkehrszentrum Ingolstadt Betreibergesellschaft mbH, Ingolstadt	EUR		50.00		75,191	6,007		2015
Objekt Audi Zentrum Berlin-Charlottenburg Verwaltungsgesellschaft mbH, Berlin	EUR		50.00		74	2		2016
Objektgesellschaft Audi Zentrum Berlin-Charlottenburg mbH & Co. KG, Berlin	EUR		50.00		4,045	233		2016
GIF Gewerbe- und Industriepark Bad Friedrichshall GmbH, Bad Friedrichshall	EUR		30.00		5,823	500		2015
Fahr- und Sicherheitstraining FuS GmbH, Ingolstadt	EUR		27.45		53	1,343		2015
Digitales Gründerzentrum der Region Ingolstadt GmbH, Ingolstadt	EUR		25.00		-	-	7)	2016
VOLKSWAGEN AUDI China Dienstleistungen GmbH & Co. KG, Wolfsburg	EUR		25.00		-	-	7)	2016
VOLKSWAGEN AUDI China Dienstleistungen Beteiligungs GmbH, Wolfsburg	EUR		25.00		-	-	7)	2016
MOST Cooperation GbR, Karlsruhe	EUR		20.00		409	2	9)	2016
PDB-Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	EUR		20.00		41	-	9) 10)	2015
Abgaszentrum der Automobilindustrie GbR, Weissach	EUR		12.50		–13	–1	9) 10)	2015
FC Bayern München AG, Munich	EUR		8.33		424,600	20,600	8)	2016
IGE Infrastruktur und Gewerbeimmobilien Entwicklungs GmbH & Co. KG, Ingolstadt	EUR			100.00	21,230	940		2015
IN-Campus GmbH, Ingolstadt	EUR			95.10	4,310	–972		2015
e.solutions GmbH, Ingolstadt	EUR			49.00	14,420	4,505		2015
Elektronische Fahrwerksysteme GmbH, Gaimersheim	EUR			49.00	9,796	3,256		2015
Quartett mobile GmbH, Munich	EUR			49.00	671	405		2015
FC Ingolstadt 04 Fussball GmbH, Ingolstadt	EUR			19.94	13,982	8,938	8)	2016

Name and registered office of company		Exchange rate	Capital share held by AUDI AG in %		Equity	Profit 1)		
	Currency	(1 euro =) as of Dec. 31, 2016	direct	indirect	Local currency (in thousands)	Local currency (in thousands)	Foot note	Year
2. Other countries								
TTTech Computertechnik AG, Vienna	EUR		31.93		85,982	2,820		2015
Győr-Pér Repülötér Kft., Győr	HUF	309.8400		47.86	1,703,584	1,086		2015
Model Master S.r.l., in Liquidation, Moncalieri	EUR			40.00	–12,500	–1,506		2014
Cubic Telecom Ltd., Dublin	EUR			21.28	-	-	7)	2015
Silvercar, Inc., Austin / TX	USD	1.0560		20.00	23,609	–13,455		2015
Drive.AI, Inc., Santa Clara / CA	USD	1.0560		7.70	11,283	–314		2015
IV. PARTICIPATIONS								
1. Germany								
Pakt Zukunft Heilbronn-Franken gGmbH, Heilbronn	EUR		20.00		435	–70		2015
Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg	EUR		19.00		511	306,481		2015

1) Based on the individual financial statements in accordance with national laws; profit after tax
2) Profit and loss transfer agreement
3) Structured entities included in the Consolidated Financial Statements pursuant to IFRS 10 and 12
4) Short fiscal year
5) Figures pursuant to IFRS
6) AUDI AG exercises control pursuant to IFRS 10. B38
7) Newly established/new acquisition, financial figures in part not yet available
8) Divergent fiscal year
9) AUDI AG is a general partner with unlimited liability
10) Joint operation pursuant to IFRS 11

MANDATES OF THE BOARD OF MANAGEMENT

Status of all data: December 31, 2016

Prof. Rupert Stadler (53)
Chairman of the Board of Management
Mandates:
- ▪ FC Bayern München AG, Munich (Vice Chairman)
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria

Dr. Bernd Martens (50)
Procurement

Prof. h. c. Thomas Sigi (52)
Human Resources and Organization
Mandates:
- ▪ Digitales Gründerzentrum der Region Ingolstadt GmbH, member of the Supervisory Board
- ▪ Volkswagen Pension Trust e.V., Wolfsburg

Axel Strotbek (52)
Finance and IT
Mandate:
- ▪ VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig

Dr. Dietmar Voggenreiter (47)
Marketing and Sales

Prof. Dr.-Ing. Hubert Waltl (58)
Production and Logistics
Mandates:
- ▪ Digitales Gründerzentrum der Region Ingolstadt GmbH, Deputy Chairman of the Supervisory Board
- ▪ Technische Hochschule Ingolstadt, Chairman of the University Council
- ◆ VOLKSWAGEN FAW Engine (Dalian) Co., Ltd., Dalian, China

Resigned from the Board of Management with effect from September 23, 2016:
- **Dr.-Ing. Stefan Knirsch** (50)

In connection with their duties of Group steering and governance within the Audi Group, the members of the Board of Management hold further supervisory board seats at Group companies and material participations.

▪ Membership of statutorily constituted domestic supervisory boards

◆ Membership of comparable domestic and foreign regulatory bodies

MANDATES OF THE SUPERVISORY BOARD

Status of all data: December 31, 2016

Matthias Müller (63) [1)]
Chairman
Chairman of the Board of Management of Volkswagen AG, Wolfsburg
Member of the Board of Management of Porsche Automobil Holding SE, Stuttgart

Berthold Huber (66)
Vice Chairman
Mandate:
- ■ Porsche Automobil Holding SE, Stuttgart

Mag. Josef Ahorner (56)
Businessman, Vienna, Austria
Mandates:
- ◆ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ◆ Emarsys AG, Vienna, Austria (Chairman)

Senator h. c. Helmut Aurenz (79)
Owner of the ASB Group, Stuttgart
Mandates:
- ◆ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ◆ Scania AB, Södertälje, Sweden

Rita Beck (46), since December 13, 2016
Member of the Works Council of AUDI AG, Ingolstadt plant

Dr. rer. pol. h. c. Francisco Javier Garcia Sanz (59) [1)]
Member of the Board of Management of Volkswagen AG, Wolfsburg
Mandates:
- ■ Hochtief AG, Essen
- ◆ Criteria Caixaholding S.A., Barcelona, Spain

Dr. Christine Hohmann-Dennhardt (66) [1)], since February 16, 2016
Member of the Board of Management of Volkswagen AG, Wolfsburg
Mandate:
- ◆ Messe Frankfurt GmbH, Frankfurt am Main

Johann Horn (58)
Chief Executive of the Ingolstadt office of the IG Metall trade union
Mandates:
- ■ EDAG Engineering GmbH, Wiesbaden (Vice Chairman)
- ■ EDAG Engineering Holding GmbH, Munich (Vice Chairman)
- ■ Treuhandverwaltung IGEMET GmbH, Frankfurt am Main (Vice Chairman)

Rolf Klotz (58)
Chairman of the Works Council of AUDI AG, Neckarsulm plant

Peter Kössler (57)
Head of Engine Planning, AUDI AG, Ingolstadt plant
Chairman of the Board of Management of AUDI HUNGARIA SERVICES Zrt., Győr, Hungary
Chairman of the Board of Directors AUDI HUNGARIA MOTOR Kft., Győr, Hungary

Mag. Julia Kuhn-Piëch (35)
Property Manager, Salzburg, Austria
Mandates:
- ■ MAN SE, Munich
- ■ MAN Truck & Bus AG, Munich

Peter Mosch (44)
Chairman of the General Works Council of AUDI AG
Mandates:
- ■ Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Volkswagen AG, Wolfsburg

1) In connection with his/her duties of Group steering and governance within the Volkswagen Group, this member of the Supervisory Board holds further supervisory board seats at Group companies and material participations.

■ Membership of statutorily constituted domestic supervisory boards

◆ Membership of comparable domestic and foreign regulatory bodies

Dr. jur. Hans Michel Piëch (74)
Attorney, Vienna, Austria
Mandates:

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Volkswagen AG, Wolfsburg
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria
- ◆ Volksoper Wien GmbH, Vienna, Austria

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch (65)
Chairman of the Supervisory Board of Volkswagen AG, Wolfsburg
Chairman of the Board of Management and Chief Financial Officer of Porsche Automobil Holding SE, Stuttgart
Mandates:

- ■ Autostadt GmbH, Wolfsburg (Chairman)
- ■ Bertelsmann Management SE, Gütersloh
- ■ Bertelsmann SE & Co. KGaA, Gütersloh
- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Volkswagen AG, Wolfsburg (Chairman)
- ◆ Porsche Austria Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Retail GmbH, Salzburg, Austria (Chairman)
- ◆ VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman)
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. jur. Ferdinand Oliver Porsche (55)
Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria
Mandates:

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Volkswagen AG, Wolfsburg
- ◆ PGA S.A., Paris, France
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. rer. comm. Wolfgang Porsche (73)
Chairman of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart
Chairman of the Supervisory Board of Dr. Ing. h. c. F. Porsche AG, Stuttgart
Mandates

- ■ Dr. Ing. h. c. F. Porsche AG, Stuttgart (Chairman)
- ■ Porsche Automobil Holding SE, Stuttgart (Chairman)
- ■ Volkswagen AG, Wolfsburg
- ◆ Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria (Chairman)
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria

Jörg Schlagbauer (39)
Member of the Works Council of AUDI AG, Ingolstadt plant
Mandates:
- Audi BKK, Ingolstadt (Chairman)
- BKK Landesverband Bayern, Munich (Alternating Chairman)
- Sparkasse Ingolstadt, Ingolstadt

Irene Schulz (52), since July 11, 2016
Executive Member of the Managing Board of the IG Metall trade union,
Frankfurt am Main
Mandate:
- Osram Licht AG & Osram GmbH, Munich

Helmut Späth (60)
Member of the Works Council of AUDI AG, Ingolstadt plant
Mandates:
- Audi BKK, Ingolstadt
- Volkswagen Pension Trust e.V., Wolfsburg

Max Wäcker (62)
Vice Chairman of the Works Council of AUDI AG,
Ingolstadt plant
Mandate:
- Audi BKK, Ingolstadt

Resigned from the Supervisory Board with effect from June 30, 2016:
- **Sibylle Wankel** (52)

Resigned from the Supervisory Board with effect from November 30, 2016:
- **Norbert Rank** (61)

Resigned from the Supervisory Board with effect from January 31, 2017:
- **Dr. Christine Hohmann-Dennhardt** (66)

Since February 16, 2017, member of the Supervisory Board:
- **Hiltrud Dorothea Werner** (50)
  Member of the Board of Management of Volkswagen AG, Wolfsburg

RESPONSIBILITY STATEMENT

“RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Company, and the Management Report, which is combined with the Management Report of the Audi Group, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Ingolstadt, February 13, 2017

The Board of Management

Prof. Rupert Stadler

Dr. Bernd Martens

Prof. h. c. Thomas Sigi

Axel Strotbek

Dr. Dietmar Voggenreiter

Prof. Dr.-Ing. Hubert Waltl

"AUDITOR'S REPORT

We have audited the Annual Financial Statements – comprising the Balance Sheet, the Income Statement and the Notes to the Financial Statements – together with the bookkeeping system, and the Management Report of AUDI Aktiengesellschaft, Ingolstadt, which is combined with the Group Management Report, for the business year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the Annual Financial Statements and Combined Management Report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the Annual Financial Statements, together with the bookkeeping system, and the Combined Management Report based on our audit.

We conducted our audit of the Annual Financial Statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net worth, financial position and financial performance in the Annual Financial Statements in accordance with (German) principles of proper accounting and in the Combined Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company, and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the Annual Financial Statements and the Combined Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the Annual Financial Statements and Combined Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Annual Financial Statements comply with the legal requirements and give a true and fair view of the net worth, financial position and financial performance of the Company in accordance with (German) principles of proper accounting. The Combined Management Report is consistent with the Annual Financial Statements, complies with statutory requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we point out that the status of the investigation in connection with the diesel issue, presented in the Notes to the Financial Statements in the section "Notes on the diesel issue" and in the Combined Management Report in the section "Exceptional events – Diesel issue," was taken into account in the creation of provisions for legal risks and warranties. On that basis, we have no evidence that incumbent members of the Board of Management of the Company had knowledge of the unregistered software components (auxiliary emission control devices) in connection with V6 3.0 TDI engines, or knowledge of irregularities in connection with control software used on the four-cylinder diesel engines developed and submitted for type approval by Volkswagen AG, until notified by the U.S. Environmental Protection Agency (EPA) in fall 2015. Nevertheless, if in the course of further investigations new findings should come to light that indicate that members of the Board of Management were aware of the diesel issue earlier, these could potentially have an effect on the Annual Financial Statements as well as on the Combined Management Report for the 2016 fiscal year and previous years. The provisions for warranties and legal risks created so far are based on the presented state of knowledge. Due to the large number of technical solutions necessary and the inevitable uncertainties associated with the current and expected litigation, it cannot be excluded that a future assessment of the risks may be different."

Munich, February 22, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Klaus Schuster
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL EVENTS 2017

March 15, 2017
Annual Press Conference 2017

May 4, 2017
First Quarter Report 2017

May 18, 2017
Annual General Meeting 2017

July 28, 2017
Interim Financial Report 2017

October 30, 2017
Third Quarter Report 2017

reddot award
communication design
Winner 2016

DESIGN AWARD 2017
Winner 2017

bcm best of content marketing
Gold & Silver 2016

MERCURY PEARL ANNIVERSARY
Gold 2016/17

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