

Audi First Quarter Report 2016

January 1
to
March 31,
2016



ECONOMIC ENVIRONMENT

The global economy achieved moderate growth in the first quarter of 2016. Economic momentum in industrialized nations approached the level of the previous year, while the pace of growth in some emerging economies slipped further. In Western Europe the economic recovery continued. Overall, its northern countries achieved solid economic growth. The majority of countries on the southern periphery of Western Europe equally reported rising growth rates for gross domestic product. The economic development in Central Europe also made positive progress. By contrast, the continuing conflict between Russia and Ukraine as well as low energy prices had an adverse effect on Eastern Europe's economic growth. Under the influence of positive consumer confidence and falling unemployment, the U.S. economy expanded by a moderate rate in the first quarter of 2016. Brazil's economy remained in recession. The Chinese economy again grew at a fast rate in international terms. However, the ongoing structural change meant that the growth of the Chinese economy continued to slow.

Global demand for automobiles rose further in the first three months of 2016. Registrations of new cars increased in Western Europe, Central Europe, North America and the Asia-Pacific region. This contrasted with a notable decline in the sales figures in the Eastern European and South American automobile markets. In Germany, new registrations were 4.5 percent up

on the previous year and were bolstered above all by rising demand from commercial customers. The export markets elsewhere in Western Europe fared even better, with sales of passenger cars growing by 8.6 percent. In Russia, new registrations declined by -17.5 percent as a result of weak economic conditions. Despite increasing signs of market saturation, demand for automobiles in the United States rose – new passenger car and light commercial vehicle registrations grew by 3.4 percent. In Brazil, the market performance of passenger cars and light commercial vehicles was in sharp contrast at -28.4 percent. The Chinese passenger car market was yet again the main driver of the worldwide growth in demand for automobiles. With new registrations increasing by 8.9 percent, it benefited especially from the tax breaks introduced in October 2015 for vehicles with a displacement of up to 1.6 liters.

In the displacement segment above 500 cc, the established motorcycle markets recorded a 2.7 percent rise in demand in the first quarter of 2016. Along with their economic recovery, some markets in Western Europe achieved growth in new motorcycle registrations, whereas in Germany, for example, sales of motorcycles were down on the previous year's high level. In the United States, new motorcycle registrations improved.

PRODUCTION ¹⁾

The Audi Group manufactured 480,059 (500,643) vehicles in the first quarter of 2016. Of this total, 137,118 (151,452) cars of the Audi brand were manufactured by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Worldwide, the Audi Group built a total of 479,150 (499,602) vehicles of the premium brand Audi and 909 (1,041) supercars of the Lamborghini brand. During the same period, the Ducati brand manufactured a total of 21,985 (15,378) motorcycles.

1) Adjusted counting method for the Aurangabad (India) location
 Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 10.



Audi A4 allroad quattro

A total of 149,326 (149,582) automobiles were built at our Group headquarters in Ingolstadt from January through March 2016. Over the same period, 69,928 (71,878) Audi vehicles were produced at the Neckarsulm plant.

The Audi Group built a total of 27,641 (43,872) cars of the TT car line and A3 family at AUDI HUNGARIA MOTOR Kft. in Győr (Hungary). The year-on-year decrease is attributable, among other factors, to conversions being carried out to prepare for the production start of the redesigned Audi A3 models.

At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), a total of 30,405 (29,289) vehicles of the Audi A1 car line were manufactured from January through March 2016.

Along with the Audi A3 Sedan, the Brazilian location São José dos Pinhais, near Curitiba, built its first Audi Q3 cars in the first quarter of 2016. AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, manufactured a total of 1,236 (4) vehicles in the first three months of 2016.

Meanwhile, the Volkswagen Group locations Bratislava (Slovakia) and Martorell (Spain) built 24,067 (17,426) of the Audi Q7 and 37,669 (36,099) of the Audi Q3 models respectively.

The Aurangabad plant (India) – also a Volkswagen Group location – produced a total of 1,575 vehicles of the Audi A3, A4, A6, Q3, Q5 and Q7 car lines. In the prior-year period, parts and components had been delivered from other locations for the assembly of a total of 1,734 automobiles.

Over the first three months of the fiscal year, FAW-Volkswagen Automotive Company, Ltd. built 118,528 (133,201) cars of the A4L, A6L, Q3 and Q5 models at its company headquarters in Changchun (China) and 18,590 (18,251) vehicles of the Audi A3 family in the southern Chinese city of Foshan. The lower production volume at the Changchun location compared with the previous year is mainly attributable to preparations for the local production start of the improved Audi A6 L and Audi Q3 models.

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Car production by model ¹⁾

	1-3/2016	1-3/2015
Audi A1	7,970	9,057
Audi A1 Sportback	22,435	20,232
Audi Q2	204	-
Audi A3	4,580	6,274
Audi A3 Sportback	53,678	55,070
Audi A3 Sedan	29,321	38,442
Audi A3 Cabriolet	4,210	7,270
Audi Q3	53,869	58,609
Audi TT Coupé	4,818	6,583
Audi TT Roadster	1,702	1,422
Audi A4 Sedan	64,436	58,294
Audi A4 Avant	30,324	22,104
Audi A4 allroad quattro	3,160	4,256
Audi A5 Sportback	8,678	12,032
Audi A5 Coupé	4,082	5,808
Audi A5 Cabriolet	4,079	5,464
Audi Q5	67,341	69,560
Audi A6 Sedan	56,424	66,600
Audi A6 Avant	17,204	14,475
Audi A6 allroad quattro	3,024	2,889
Audi A7 Sportback	7,247	8,177
Audi Q7	24,295	17,426
Audi A8	5,293	8,969
Audi R8 Coupé	746	366
Audi R8 Spyder	30	223
Audi brand	479,150	499,602
Lamborghini Huracán	641	768
Lamborghini Aventador	268	273
Lamborghini brand	909	1,041
Automotive segment	480,059	500,643

1) The table also includes the vehicles built in China by the associated company FAW-Volkswagen Automotive Company, Ltd.



Audi A3 Cabriolet

Car engine production

	1-3/2016	1-3/2015
AUDI HUNGARIA MOTOR Kft.	493,026	524,979
Automobili Lamborghini S.p.A.	305	293
Car engine production	493,331	525,272

The Audi Group produced 493,331 (525,272) engines in the Automotive segment from January through March 2016.

Motorcycle production

	1-3/2016	1-3/2015
Scrambler	7,270	4,856
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	7,032	4,938
Dual/Hyper (Hypermotard, Multistrada)	5,390	1,930
Sport (Superbike)	2,293	3,654
Ducati brand	21,985	15,378
Motorcycles segment	21,985	15,378

Worldwide, the Ducati brand built 21,985 (15,378) motorcycles in the first three months of 2016. Of this total, 17,806 (12,700) bikes were produced at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 3,820 (2,447) motorcycles at the Amphur Pluakdaeng plant (Thailand). In Manaus (Brazil), 359 (231) units were built on a contract manufacturing basis.

DELIVERIES ¹⁾

From January through March 2016, the Audi Group increased deliveries to customers by 4.5 percent to 519,475 (496,967) cars worldwide. The core brand Audi delivered 455,754 (438,171) vehicles to customers – a year-on-year increase of 4.0 percent. This figure includes deliveries of 128,494 (119,948) vehicles built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Over the same period, the Lamborghini brand handed over 928 (884) supercars to customers. Total deliveries for the first quarter of 2016 included 62,793 (57,912) cars of other Volkswagen Group brands. In the Motorcycles segment, the Ducati brand increased its volume of deliveries to 13,336 (10,591) motorcycles.

Demand for vehicles of the Audi brand made very healthy progress in our domestic market Germany. This meant we increased our delivery volume in Germany by 11.0 percent to 81,263 (73,208) automobiles and thus outperformed the market as a whole.

Elsewhere in Western Europe, we also recorded a rise in deliveries to customers with a 5.7 percent increase to 128,955 (122,030) vehicles. In the United Kingdom – our main European export market – 47,735 (45,781) customers chose our models, an increase of 4.3 percent. Deliveries in Italy and Spain also performed well, with increases of 17.4 percent and 13.7 percent respectively compared with the prior-year period.

In the first quarter of 2016, we handed over a total of 12,140 (11,934) Audi vehicles to their new owners in Central and Eastern Europe. The positive trend in demand in Central European countries made up for the cyclical decline in deliveries in Russia.

In the North America region, the first three months of 2016 saw us deliver a total of 51,323 (47,961) vehicles with the Four Rings, marking a 7.0 percent increase. We are also maintaining our growth in the United States. With 41,960 (40,098) cars handed over to customers, we were able to deliver 4.6 percent more vehicles than in the prior-year period.

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

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 10.

Despite the marked slowdown in the South American market, we delivered 6,156 (6,476) vehicles to customers there, almost on a par with the prior-year period.

In the Asia-Pacific region a total of 162,928 (162,172) customers took possession of a new Audi vehicle in the first quarter of 2016. In the Chinese passenger car market, we increased our deliveries by 4.7 percent to 139,540 (133,315) units.

Car deliveries to customers by model ^{1), 2)}

	1-3/2016	1-3/2015
Audi A1	8,208	8,345
Audi A1 Sportback	22,910	17,796
Audi A3	5,858	6,009
Audi A3 Sportback	53,135	50,080
Audi A3 Sedan	34,079	32,643
Audi A3 Cabriolet	4,007	5,791
Audi Q3	53,776	49,263
Audi TT Coupé	6,685	5,541
Audi TT Roadster	2,105	798
Audi A4 Sedan	54,987	49,467
Audi A4 Avant	21,471	22,788
Audi A4 allroad quattro	3,143	4,302
Audi A5 Sportback	10,695	11,677
Audi A5 Coupé	3,945	5,415
Audi A5 Cabriolet	3,335	3,724
Audi Q5	61,222	60,560
Audi A6 Sedan	50,572	59,956
Audi A6 Avant	15,788	13,956
Audi A6 allroad quattro	2,686	2,775
Audi A7 Sportback	6,566	6,638
Audi Q7	23,564	12,467
Audi A8	6,151	7,509
Audi R8 Coupé	542	416
Audi R8 Spyder	53	255
Internal vehicles before launch	271	-
Audi brand	455,754	438,171
Lamborghini Huracán	604	605
Lamborghini Aventador	324	279
Lamborghini brand	928	884
Other Volkswagen Group brands	62,793	57,912
Automotive segment	519,475	496,967

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

2) The table also includes deliveries of vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd.

Motorcycle deliveries to customers ¹⁾

	1-3/2016	1-3/2015
Scrambler	3,588	2,092
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	4,476	4,616
Dual/Hyper (Hypermotard, Multistrada)	3,328	1,720
Sport (Superbike)	1,944	2,163
Ducati brand	13,336	10,591
Motorcycles segment	13,336	10,591

Worldwide, the Ducati brand delivered 13,336 (10,591) motorcycles to customers in the first three months of the current fiscal year.

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

PRODUCT PORTFOLIO

In January 2016 we presented the new Audi A4 allroad quattro at the Detroit Motor Show. With quattro drive as standard, increased ground clearance, a wide array of driver assistance and safety systems as well as many infotainment options, the midsize model combines off-road qualities with ride comfort. The highlights of the second-generation Audi A4 allroad quattro include the Audi virtual cockpit as well as trailer assist, both available as options. Audi is opening a new chapter in the history of quattro with the option of ordering ultra technology. With the help of a comprehensive sensor system and continuous evaluation of the data gathered on handling, road conditions and driver behavior, the all-wheel-drive system's intelligent control works predictively, in selecting the operating profile. At low loads where there is no risk of wheel slip, the new quattro drive uses the advantages of front-wheel drive to reduce fuel consumption. The Audi A4 allroad quattro is already available to order in Germany and will be arriving at dealers in Europe in summer 2016.

Another version of our successful Audi A4 model, the Audi S4 Avant, made its debut at the Geneva Motor Show in March 2016.

In unveiling the Audi Q2 at the Geneva Motor Show, we have added a compact SUV to the Audi Q family, thus branching out into a new market segment. The Audi Q2 is notable for its progressive design and high functionality. Its high-mounted Singleframe grille and the large air intakes on the front end, plus the accentuated wheel arches give the new SUV a powerful appearance. Standard progressive steering, where the ratio varies as a function of the steering movements, and the optional quattro drive make this car fun to drive. Furthermore, the compact SUV is equipped with infotainment and assistance systems from the full-size category. For example, as well as the optional Audi virtual cockpit our new SUV comes with Audi pre sense front as standard. In certain situations and up to certain speeds, Audi pre sense front can warn the driver of impending collisions with other vehicles or crossing pedestrians,

within the system limits, and intervene by applying the brakes. The new Audi Q2 will be available for ordering in mid-2016 and will be gradually rolled out in European markets from fall 2016.

The new top model of our Q3 model line – the Audi RSQ3 performance – was also given its first showing in Geneva. “Performance” stands for both increased power and the exclusive equipment that distinguishes the model from the rest of the portfolio. The top model will now be gradually introduced in the markets.

The Audi SQ7 made its premiere at our Annual Press Conference in March 2016. This first S model of our Q7 car line is equipped with several new features. Its newly developed engine uses an electric powered compressor, which is the key to dynamic starting performance. The new S model also features active roll stabilization, which significantly reduces the car's lateral inclination; this means it permits greater lateral acceleration and therefore faster cornering. The order book for the Audi SQ7 opened in spring 2016 in Europe.

We introduced our new open-top high-performance sports car, the Audi R8 Spyder, at the New York International Auto Show 2016. The new model combines impressive performance with the allure of open-top driving.

We presented the redesigned models of our A3 family at the start of April 2016. Our compact best-seller can be equipped optionally with a wide array of driver assistance systems such as traffic jam assist and emergency assist, the Audi virtual cockpit and Matrix LED headlights. In addition, its engine range has been extensively revised. The updated models will be arriving at dealers from summer 2016 in three-door, Sportback, Sedan and Cabriolet versions.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 10.



Audi TT RS Roadster, Audi TT RS Coupé

The Audi TT RS Coupé and TT RS Roadster models made their world premiere at the Auto China 2016 in Beijing. Optional in the TT RS, the efficient and visually impressive rear lights with Matrix OLED technology make their first-ever appearance in a production Audi. The two new models are also equipped with the Audi virtual cockpit with a 12.3-inch screen. It allows the driver to choose from three views, including a special RS screen that places the focus on the tachometer and provides information on tire pressure, torque and g-force, among other things. The new Audi TT RS Coupé and the new Audi TT RS Roadster are set to appear on the European market in fall 2016.

Our traditional Italian brand Lamborghini presented the Lamborghini Centenario at the Geneva Motor Show 2016. This supercar of futuristic, purist design will be built in a limited run of 20 coupe and 20 roadster versions. The monocoque and body of the Lamborghini Centenario are made entirely from carbon fiber, the key to its low weight of 1,520 kilograms. The

model also has actively self-steering rear wheels for added agility and stability.

Along with the Centenario, Lamborghini showcased the special series Huracán LP 610-4 Avio in Geneva, available in a limited edition of 250. The world of aviation supplied the inspiration for the new model's development, as evidenced by the center console. Deliveries to dealers will start in summer 2016.

Since the start of the year, Ducati has been steadily rolling out the two latest versions to join the successful Scrambler model range – the Scrambler Sixty2 and the Scrambler Flat Track Pro. The first quarter of 2016 also saw the sales launch of the new models Multistrada 1200 Enduro as well as the XDiavel and XDiavel S. These new models enable the Italian motorcycle manufacturer to serve two entirely new segments. Other models that have gradually been arriving on the markets since the start of the year include the new Hypermotard 939 and 939 SP models, along with the Hyperstrada 939, the 959 Panigale and the Multistrada 1200 Pikes Peak.

FINANCIAL PERFORMANCE

In the first quarter of 2016, revenue of the Audi Group came to EUR 14,511 (14,651) million. In particular the unfavorable currency environment compared with the previous year weighed on Audi Group revenue. In the Automotive segment, we generated revenue totaling EUR 14,285 (14,487) million. Above all, high demand for our new Audi Q7 and the new Audi A4 as well as growth in the Western Europe and North America regions had a beneficial effect on revenue. This was offset, however, by adverse effects from the currency environment coupled with intense competition in individual vehicle segments and regions. In the Motorcycles segment, we increased revenue to EUR 226 (164) million.

The Audi Group achieved an operating profit of EUR 1,202 (1,422) million from January through March 2016. This represents an operating return on sales of 8.3 (9.7) percent. The Automotive segment generated operating profit of EUR 1,176 (1,410) million and an operating return on sales of 8.2 (9.7) percent. Volume growth was offset by foreign currency translation effects as of the reporting date, as well as by continuing high upfront expenditures for our future model and technology

portfolio and for the ongoing expansion of the international production structures. We received a boost from the growth in deliveries in the Motorcycles segment where, taking into account expenditure for the introduction of new models, we reached an operating profit of EUR 26 (12) million, equating to an operating return on sales of 11.5 (7.0) percent. Adjusted for the effects of purchase price allocation, operating profit came to EUR 32 (17) million, and an operating return on sales of 14.1 (10.6) percent was achieved.

The Audi Group is currently working with the U.S. National Highway Traffic Safety Administration (NHTSA) to investigate the effects of potentially defective airbags supplied by the Japanese manufacturer Takata. In conjunction with a potential widening of vehicle recalls, the operating profit of the Audi Group was reduced by special items amounting to EUR 100 million in the first quarter of 2016. Before special items, the Audi Group achieved an operating profit of EUR 1,302 (1,422) million and an operating return on sales of 9.0 (9.7) percent in the first quarter of 2016.



Ducati XDiavel S

8 The financial result of the Audi Group for the first three months of the 2016 fiscal year declined to EUR -244 (75) million, in particular due to measurement effects on currency hedging transactions.

The Audi Group achieved EUR 959 (1,497) million in profit before tax for January through March 2016, representing a return on sales before tax of 6.6 (10.2) percent. The year-on-year drop is primarily attributable to the development in the financial result and to special items. Profit after tax of EUR 717 (1,097) million was generated.

As of March 31, 2016, the balance sheet total of the Audi Group was virtually unchanged from December 31, 2015, at EUR 56,731 (56,763) million.

Non-current assets increased to EUR 26,729 (25,963) million. Current assets totaled EUR 30,002 million compared with EUR 30,800 million as of December 31, 2015.

The Audi Group's equity increased to EUR 22,608 (21,779) million as of March 31, 2016. This pushed up the equity

ratio to 39.9 percent compared with 38.4 percent as of December 31, 2015.

Non-current liabilities of the Audi Group totaled EUR 13,803 (13,431) million, while current liabilities as of March 31, 2016, amounted to EUR 20,320 (21,554) million.

In the first quarter of 2016, the Audi Group generated a cash flow from operating activities of EUR 2,564 (1,872) million. Notable positive effects within this development included lower aperiodic tax payments as well as non-cash income effects from the measurement of financial instruments. For that reason, among others, the net cash flow increased to EUR 1,185 (876) million. As a result of the profit transfer to Volkswagen AG, Wolfsburg, net liquidity of the Audi Group as of March 31, 2016, was EUR 14,718 million, compared with EUR 16,420 million as of December 31, 2015.

In the first three months of 2016, there were no changes within the group of consolidated companies with a material impact on the presentation of the net worth, financial position and financial performance.

WORKFORCE

For the 2016 fiscal year, Audi intends to recruit 1,200 experts in Germany alone for the key strategic future areas of electric mobility and digitalization. In addition, the number of appren-

ticeships will grow by more than 10 percent. The future specialists will mainly support the current model and technology initiative as the Company progresses on its course of growth.

PERSONNEL CHANGES

Since January 1, 2016, Dr.-Ing. Stefan Knirsch has been a Member of the Board of Management of AUDI AG and responsible for Technical Development.

Effective February 16, 2016, Dr. Christine Hohmann-Dennhardt was appointed as new Supervisory Board member of AUDI AG.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Report on expected developments

For 2016 as a whole, we currently anticipate that global economic growth will be on a par with the previous year. Economic activity in industrialized nations should achieve a rate of expansion similar to that of 2015. Most emerging markets – especially in the region of Asia – should continue to grow at higher rates than the industrialized countries. There, too, economic growth is expected merely to reach the level of the past year.

We estimate that there will be slight growth in global demand for cars in 2016. We anticipate rising new registrations in the Western Europe, Central Europe, North America and Asia-Pacific

regions, while the sales figures in the South America and Eastern Europe regions are likely to decline.

In the motorcycle markets that are relevant for the Ducati brand – the displacement segment above 500 cc – we continue to expect a moderate rise in demand for 2016 as a whole.

Overall, the Board of Management considers the Audi Group to be well positioned to handle current and future challenges. The forecasts for the key performance indicators for the full year of 2016, which are outlined in the 2015 Annual Report on pages 187 ff., remain valid.

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Report on risks and opportunities

The central task of the risk management system is to systematically render risks transparent and improve their controllability, while also providing the impetus to generate or exploit opportunities. The priority is to increase the value of the Company.

The function of the risk and opportunity management system as well as the opportunities and risks to which the Audi Group is subject are described in detail in the 2015 Annual Report on pages 189 to 201. This also includes statements on the diesel issue which remain valid.

The Audi Group faces additional risks in connection with the recall for airbags supplied by the manufacturer Takata. On May 5, 2016, the U.S. authority National Highway Traffic Safety Administration (NHTSA) announced, jointly with the

Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. The previous recalls also included models manufactured by the Audi Group. Appropriate provisions have been recognized, based on current findings. Currently, the possibility of further extensions to the recalls that could also affect Audi Group models cannot be ruled out. The technical investigations and consultations with the authorities are still being carried out.

Further uncertainties stem from the referendum taking place in June 2016 on whether the United Kingdom is to remain in the European Union (EU). The possibility of the United Kingdom leaving the EU could have a negative impact on the key performance indicators of the Audi Group.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

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

FUEL CONSUMPTION AND EMISSION FIGURES AS WELL AS EFFICIENCY CLASSES

Fuel consumption and emission figures as well as the efficiency classes for the passenger cars mentioned in the document are given below.

Fuel consumption in l/100 km (combined): 16.0 – 1.5

Hybrid electric vehicles: power consumption in kWh/100 km (combined): 19.0 – 11.4

Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 3.6 – 3.3

CO₂ emissions in g/km (combined): 370 – 35

Efficiency classes: G – A+

Fuel consumption, CO₂ emissions and efficiency classes given in ranges depend on the tires/wheels used.

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

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DISCLAIMER

The First Quarter 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.



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