



Audi Group Quarterly Report

January 1 to March 31, 2017

ECONOMIC ENVIRONMENT

The first three months of 2017 brought moderate growth in the global economy. Industrial nations as well as emerging economies exhibited a slight upturn in economic momentum compared with the prior-year quarter. In Western Europe, gross domestic product achieved steady growth – underpinned by continuing low interest rates and declining unemployment, among other factors. The economy also took a positive direction in Central Europe. Economic activity in Eastern Europe benefited from a slight acceleration in energy prices and a recovery in Russian economic output following the lengthy recession. However, political uncertainty in the run-up to elections in important European countries as well as the United Kingdom’s official notice of its withdrawal from the European Union weighed on Europe’s economy in the first quarter. The U.S. economy continued along a path of growth in the period under review, bolstered by still-strong consumer spending. In Brazil, economic output fell yet again, though the decline in gross domestic product was less pronounced than in preceding quarters. By contrast, China continued to enjoy a high level of economic momentum by international comparison.

Global demand for cars increased by 3.3 percent in the first quarter of 2017. Western Europe, Central Europe, Eastern Europe as well as the Asia-Pacific and South America regions registered growth. Meanwhile, the sales figures for the North American car market remained flat. In Western Europe, the positive trend in new registrations continued. Sales of passenger cars went up by 7.4 percent in the first three months of

the year. In Germany too, the number of newly registered passenger cars showed very healthy progress, with a gain of 6.7 percent compared with the prior-year quarter. A major driver here was high demand from private customers, reflecting the sound development of the economy as a whole. The Russian car market achieved only slight growth in new registrations compared with the previous year. There was a drop in demand of –1.5 percent in the U.S. market for passenger cars and light commercial vehicles. Although there was growth in the light commercial vehicles segment, which includes SUVs as well as other vehicle types, sales of classic passenger car models declined more sharply. The market volume of cars in Brazil also contracted. 1.1 percent fewer new vehicles were registered there than in the prior-year period. Meanwhile, the Chinese car market expanded slightly. Although tax breaks for vehicles with an engine displacement of up to 1.6 liters were scaled back at the turn of the year, demand for passenger cars in China increased by 1.3 percent.

In the first quarter of 2017, against the backdrop of a regionally mixed performance, the established motorcycle markets recorded an overall fall in demand of –2.2 percent in the displacement segment above 500 cc. While the major Western European markets predominantly grew, the North American market experienced a significant fall in unit sales in the same period.

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 11.



PRODUCTION ¹⁾

From January through March 2017, the Audi Group produced 464,352 (480,059) cars. This figure includes 133,644 (137,118) Audi vehicles made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). Worldwide, the Audi Group built 463,300 (479,150) cars of the premium brand Audi and 1,052 (909) supercars of the Lamborghini brand in the first quarter. During the same period, the Ducati brand manufactured 17,193 (21,985) motorcycles overall.

At our Group headquarters in Ingolstadt, a total of 135,630 (149,326) cars of the Audi brand left the production lines in the first three months of 2017. One of the factors behind this lower figure compared with the prior-year period was a fire at a supplier. That event affected assembly of the A4 and A5 car lines for a short time in March. In Neckarsulm we manufactured 55,549 (69,928) Audi models, fewer than in the previous year due to model cycle factors that mainly affected the higher car lines.

At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we built a total of 27,817 (30,405) vehicles. We adjusted production of our A1 car line there to reflect the model cycle.

The plant at Audi Hungaria Zrt. in Győr (Hungary) manufactured 26,370 (27,641) cars overall.

At our Mexican production site in San José Chiapa, which opened in 2016, AUDI MÉXICO S.A. de C.V. built a total of 23,278 (185) vehicles in the first quarter of 2017.

In the first three months of 2017, AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, produced 2,114 (1,236) cars overall in São José dos Pinhais near Curitiba (Brazil).

In the same period, the two Volkswagen Group sites in Bratislava (Slovakia) and Martorell (Spain) built 25,222 (24,067) and 32,609 (37,669) Audi vehicles respectively.

In addition, the Aurangabad (India) plant – another Volkswagen Group site – produced a total of 1,067 (1,575) vehicles of the Audi brand. In China, the associated company FAW-Volkswagen Automotive Company, Ltd., manufactured 114,686 (118,528) cars of the Audi brand at its company headquarters in Changchun and 18,958 (18,590) Audi vehicles in the southern Chinese city of Foshan in the first three months of the fiscal year.



Read more about the **production sites** of the individual models on page 93 of the **Audi 2016 Annual Report**.

Car production by model ¹⁾

	1-3/2017	1-3/2016
Audi A1	6,331	7,970
Audi A1 Sportback	21,486	22,435
Audi Q2	26,144	204
Audi A3	1,801	4,580
Audi A3 Sportback	41,513	53,678
Audi A3 Sedan	28,907	29,321
Audi A3 Cabriolet	3,518	4,210
Audi Q3	58,620	53,869
Audi TT Coupé	4,837	4,818
Audi TT Roadster	1,771	1,702
Audi A4 Sedan	50,012	64,436
Audi A4 Avant	25,439	30,324
Audi A4 allroad quattro	4,178	3,160
Audi A5 Sportback	15,344	8,678
Audi A5 Coupé	8,169	4,082
Audi A5 Cabriolet	4,657	4,079
Audi Q5	63,792	67,341
Audi A6 Sedan	43,085	56,424
Audi A6 Avant	14,794	17,204
Audi A6 allroad quattro	2,914	3,024
Audi A7 Sportback	4,491	7,247
Audi Q7	25,388	24,295
Audi A8	5,243	5,293
Audi R8 Coupé	487	746
Audi R8 Spyder	379	30
Audi brand	463,300	479,150
Lamborghini Huracán	721	641
Lamborghini Aventador	331	268
Lamborghini brand	1,052	909
Automotive segment	464,352	480,059

Car engine production

	1-3/2017	1-3/2016
Audi Hungaria Zrt.	514,955	493,026
Automobili Lamborghini S.p.A.	326	305
Car engine production	515,281	493,331

¹⁾ This includes 133,644 (137,118) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Motorcycle production

	1-3/2017	1-3/2016
Scrambler	3,971	7,270
Naked/Sport Cruiser (Diavel, Monster)	5,544	7,032
Dual/Hyper (Hypermotard, Multistrada)	4,470	5,390
Sport (SuperSport, Superbike)	3,208	2,293
Ducati brand	17,193	21,985
Motorcycles segment	17,193	21,985

Worldwide, the Ducati brand produced 17,193 (21,985) motorcycles in the first three months of 2017. Also compared with earlier years, the first quarter of the reference year 2016 was influenced by market introductions brought forward for model-specific reasons, whereas in 2017 new models are being introduced according to a different timetable to reflect the requirements of the market. We built 15,435 (17,806) bikes at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 1,513 (3,820) motorcycles at the Amphur Pluakdaeng plant (Thailand). 245 (359) units were built in Manaus (Brazil) on a contract manufacturing basis.

DELIVERIES AND DISTRIBUTION ^{1), 2)}

In the first three months of 2017, the Audi Group delivered 487,434 (519,583) cars to customers worldwide – a decline of –6.2 percent in comparison with the previous year. This figure includes 99,613 (128,494) delivered Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi delivered 422,603 (455,869) vehicles to customers. The fall of –7.3 percent compared with the previous year is mainly attributable to a temporary special situation in connection with the further strategic development of our China business. Over the same period, the Lamborghini brand handed 987 (928) supercars over to customers. Deliveries to customers of other Volkswagen Group brands totaled 63,844 (62,786) cars in the first quarter of 2017. The Ducati brand delivered 12,530 (13,476) motorcycles to customers worldwide.

In Western Europe, we increased our delivery volume to 215,189 (210,215) Audi vehicles. Demand for our models of the Audi brand also developed positively in our home market Germany, where we registered a 2.1 percent rise to 82,968 (81,263) cars delivered.

In the United Kingdom, our largest European export market, we handed 47,882 (47,735) cars over to customers, representing a growth rate of 0.3 percent. The Audi brand put in a very pleasing performance in Italy. With 17,190 (14,784) vehicles delivered, we increased the unit total by 16.3 percent. While our deliveries in France were on a par with the previous year, in Spain demand for cars with the four rings was up 5.2 percent on the prior-year period.

In the Central and Eastern Europe region, we handed a total of

11,580 (12,153) Audi vehicles over to customers in the first quarter of 2017. The pleasing rise in deliveries in many countries throughout Central Europe only compensated in part for the dwindling volume of vehicles in Russia.

In the same period we handed a total of 55,730 (51,323) cars of the brand with the four rings over to customers in the North America region. Even though overall market demand was on the decline, we maintained our path of growth in the United States with 45,647 (41,960) deliveries to customers. This represents an 8.8 percent increase on the prior-year period. Deliveries in Canada also made good progress and were up 17.6 percent.

By contrast, we saw volume contract to 4,941 (6,150) cars in the South America region due to the continuing decline in deliveries in Brazil for economic reasons.

In the Asia-Pacific region, we handed a total of 126,297 (163,039) Audi vehicles over to customers in the first quarter of 2017. In our largest single market China, our delivery total of 108,707 (139,540) cars was the result of a temporary special situation in connection with the further strategic development of our China business. At the start of the year, we conducted negotiations with our local partners with the objective of preparing ourselves suitably for the next stage of growth planned. Throughout this phase the Chinese dealers adopted a cautious approach to business. Furthermore, as previously in the year 2016 as a whole, our volume in the Asia-Pacific region was inhibited by registration-based sales restrictions in South Korea.

Without the special situation in the Asia-Pacific region, we would have succeeded in increasing our worldwide deliveries.

1) This includes 99,613 (128,494) Audi models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

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

	1-3/2017	1-3/2016
Audi A1	5,073	8,208
Audi A1 Sportback	18,756	22,903
Audi Q2	21,687	271
Audi A3	2,787	5,866
Audi A3 Sportback	44,141	53,184
Audi A3 Sedan	27,958	34,071
Audi A3 Cabriolet	3,966	4,007
Audi Q3	45,830	53,777
Audi TT Coupé	4,936	6,683
Audi TT Roadster	1,673	2,105
Audi A4 Sedan	43,517	55,010
Audi A4 Avant	27,949	21,467
Audi A4 allroad quattro	4,765	3,143
Audi A5 Sportback	10,111	10,682
Audi A5 Coupé	5,720	3,949
Audi A5 Cabriolet	1,851	3,340
Audi Q5	58,627	61,260
Audi A6 Sedan	41,108	50,576
Audi A6 Avant	15,282	15,788
Audi A6 allroad quattro	2,785	2,686
Audi A7 Sportback	5,167	6,566
Audi Q7	23,362	23,573
Audi A8	4,676	6,158
Audi R8 Coupé	568	543
Audi R8 Spyder	308	53
Audi brand	422,603	455,869
Lamborghini Huracán	675	604
Lamborghini Aventador	312	324
Lamborghini brand	987	928
Other Volkswagen Group brands	63,844	62,786
Automotive segment	487,434	519,583

1) The table includes deliveries of 99,613 (128,494) vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

Motorcycle deliveries to customers ¹⁾

	1-3/2017	1-3/2016
Scrambler	2,890	3,605
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	3,844	4,522
Dual/Hyper (Hypermotard, Multistrada)	3,865	3,373
Sport (SuperSport, Superbike)	1,931	1,976
Ducati brand	12,530	13,476
Motorcycles segment	12,530	13,476

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







Due to market and model cycle factors, the Ducati brand delivered 12,530 (13,476) motorcycles to customers in the first three months of the current fiscal year – a drop of –7.0 percent compared with the previous year. Nevertheless, Ducati established a new monthly sales record for deliveries to customers in March. In particular, despite the changed timetable for market introductions, the motorcycle manufacturer increased its deliveries to customers in its home market Italy in the first quarter. By contrast, model cycle factors meant fewer motorcycles were handed over to customers than in the prior-year period in other important markets, including Germany and the United States.

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 11.






Audi S5 Cabriolet

Market introductions in 2017: Audi models presented or introduced in the first quarter

Models	Main characteristics and new features
Audi S5 Sportback and Audi A5 Sportback <i>(new models)</i> 	<ul style="list-style-type: none"> > 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 > Later on in 2017, also available for first time as A5 Sportback g-tron
Audi S5 Cabriolet and Audi A5 Cabriolet <i>(new models)</i> 	<ul style="list-style-type: none"> > New, sporty and 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 quattro permanent all-wheel drive
Audi SQ5 and Audi Q5 <i>(new models)</i> 	<ul style="list-style-type: none"> > Extensive range of driver assistance systems, e.g. standard-fit Audi pre sense city assistance system, which for instance warns of pedestrians and, within the system limits, triggers automatic emergency braking if necessary > Efficiency enhanced by improved aerodynamics and a reduced unladen weight of up to 90 kilograms compared with the predecessor model, depending on engine version > New adaptive air suspension as an option, e.g. to adapt damping characteristics
Audi RS 3 Sedan <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> > First compact Audi sedan with the RS label > Most powerful model in our updated A3 car line (together with the RS 3 Sportback) > Newly developed five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Dynamic press presentation in March 2017, market introduction later on in 2017
Audi RS 3 Sportback <i>(product improvement)</i> 	<ul style="list-style-type: none"> > Sharper RS design (e.g. striking Singleframe, large air inlets, angular sill trims) > Most powerful model in our updated A3 car line (together with the RS 3 Sedan) > Newly developed five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Presentation in Q1 2017, market introduction later on in 2017
Audi RS 5 Coupé <i>(new model)</i> 	<ul style="list-style-type: none"> > Combines elegant aesthetics with classic RS performance > Newly developed, powerful engine, quattro all-wheel drive as standard > Enhanced efficiency and reduced weight compared with predecessor model > Presentation in Q1 2017, market introduction later on in 2017

Market introductions in 2017: Lamborghini models presented or introduced in the first quarter

Models	Main characteristics and new features
Lamborghini Huracán RWD Spyder <i>(new model)</i> 	<ul style="list-style-type: none"> > 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
Lamborghini Aventador S <i>(product improvement)</i> 	<ul style="list-style-type: none"> > 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
Lamborghini Huracán Performante <i>(new model)</i> 	<ul style="list-style-type: none"> > Hybrid aluminum and carbon fiber chassis with clear focus on lightweight construction > New, active aerodynamic system "Aerodinamica Lamborghini Attiva" (ALA) actively distributes the aerodynamic load (for either high downforce or low drag) > Fitted with the most powerful ten-cylinder engine produced by Lamborghini to date > Presentation in Q1 2017, market introduction later on in 2017

Ducati models introduced in the first quarter of 2017

The Monster series was rounded off with the all-new 797 at the start of the year. The new Ducati Multistrada 950 has also been available to customers since the beginning of the year. The Ducati Scrambler series was expanded in the spring with

the additions of the Desert Sled and Café Racer models. The new Ducati SuperSport and the Ducati SuperSport S have also joined our Italian motorcycle manufacturer's product range.

FINANCIAL PERFORMANCE INDICATORS

In the first three months of 2017, the Audi Group generated revenue of EUR 14,378 (14,511) million.

Revenue for the Automotive segment reached EUR 14,200 (14,285) million. There were positive effects from the market success of our new Audi Q2 and the new Audi A5. The pleasing development in other automotive business, which in particular comprises deliveries of parts sets for local production in China, had a positive impact on revenue. However, the challenging environment that we currently face in the Asia-Pacific region and the overall decline in our vehicle volume as a result of this weighed on revenue development.

In the Motorcycles segment, our revenue came to EUR 179 (226) million substantially due to market and model cycle factors.

Operating profit of the Audi Group

EUR million	1-3/2017	1-3/2016
Operating profit before special items	1,244	1,302
Special items (Takata)	-	-100
Operating profit	1,244	1,202

Key earnings figures of the Audi Group

in %	1-3/2017	1-3/2016
Operating return on sales before special items	8.7	9.0
Operating return on sales	8.7	8.3
Automotive segment	8.7	8.2
Motorcycles segment	1.9	11.5
<i>adjusted for effects of PPA¹⁾</i>	5.2	14.1
Return on sales before tax	9.9	6.6

1) Effects of purchase price allocation

The Audi Group achieved an operating profit of EUR 1,244 (1,202) million in the first quarter of 2017. This represents an operating return on sales of 8.7 (8.3) percent. The operating profit of the prior-year period had included special items amounting to EUR -100 million in connection with recalls of vehicles fitted with airbags of the Japanese manufacturer Takata. Special items reflect certain matters in the financial statements in cases where their separate disclosure, based on our assessment, permits a more accurate evaluation of the economic performance of the Audi Group. In the Automotive segment, we achieved an operating profit of EUR 1,241 (1,176) million and an operating return on sales of 8.7 (8.2) percent. The year-on-year rise is essentially attributable to an improved result from the settlement of hedging transactions. Conversely, the expansion of our model and technology portfolio

Fuel consumption and CO₂ emission figures as well as efficiency classes can be found on page 11.





Ducati Multistrada 950

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and of our international manufacturing structures was also reflected in increased depreciation and amortization. In the Motorcycles segment, the operating profit declined to EUR 3 (26) million above all due to market and model cycle factors, but also because of model mix effects. This represents an operating return on sales of 1.9 (11.5) percent. After elimination of the effects of purchase price allocation, we achieved an operating profit of EUR 9 (32) million and an operating return on sales of 5.2 (14.1) percent. In light of the market introductions that have already taken place, with more to follow in the course of the year, we expect profitability and margins to improve significantly again.

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 increased to EUR 180 (-244) million in the first three months of the 2017 fiscal year. The improvement is substantially attributable to a better result from investments accounted for using the equity method amounting to EUR 254 (75) million. Of this figure, EUR 183 million was contributed by the investments accounted for using the equity method in There Holding B.V., Rijswijk (Netherlands), as a result of the participation of a new investor in the mapping services company HERE. The result from investments accounted for using the equity method also includes the result from the measurement of shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), of EUR 74 (95) million. In addition, the other financial result includes financial compensation amounting to EUR 46 (63) million agreed between AUDI AG and Volkswagen AG, Wolfsburg, to reflect the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd. The improvement in the financial result is also attributable to measurement effects of hedging transactions. Increases in the prior-year period in expenses from the measurement of long-term provisions also had an adverse impact.

The Audi Group achieved EUR 1,425 (959) million in profit before tax in the first quarter of 2017, representing a return on sales before tax of 9.9 (6.6) percent. Profit after tax came to EUR 1,071 (717) million.

The balance sheet total of the Audi Group rose to EUR 63,554 million as of March 31, 2017, compared with EUR 61,090 million as of December 31, 2016.

The non-current assets of the Audi Group totaled EUR 28,395 (28,599) million, while current assets amounted to EUR 35,159 (32,403) million.

As of March 31, 2017, Audi Group equity increased to EUR 25,576 (25,321) million. This corresponds to an equity ratio of 40.2 percent, compared with 41.4 percent as of December 31, 2016.

The non-current liabilities of the Audi Group amounted to EUR 14,805 (14,980) million as of March 31, 2017. At the same point in time, there was a rise in current liabilities to EUR 23,173 (20,705) million.

In the first quarter of 2017, the Audi Group generated a cash flow from operating activities of EUR 2,282 (2,564) million. Positive effects included especially the improved profit before tax, whereas in the previous year seasonal effects within working capital had exerted a clearly positive effect on cash flow from operating activities.

The net cash flow increased to EUR 1,517 (1,185) million. With our "SPEED UP!" program of measures we have further intensified our disciplined approach to investment spending. In addition, the lower cash outflows for the acquisition of participations and for capital increases at participations impacted the net cash flow positively. The net liquidity of the Audi Group amounted to EUR 17,771 million as of March 31, 2017, compared with EUR 17,232 million as of December 31, 2016. This takes account of the profit transfer to Volkswagen AG, Wolfsburg.

CONSOLIDATED COMPANIES

In the period under review, 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.

With effect from January 1, 2017, the fully consolidated AUDI HUNGARIA MOTOR Kft., Győr (Hungary), was merged with the fully consolidated AUDI HUNGARIA SERVICES Zrt., Győr, and the latter company was renamed Audi Hungaria Zrt., Győr at the same time. In addition, Volkswagen Group Firenze S.p.A., Florence (Italy), was removed from the consolidated companies of the Audi Group in the first quarter of 2017. The purpose of the sale is to separate importer and dealership operations.

In December 2016, There Holding B.V., Rijswijk (Netherlands), which is accounted for within the Audi Group using the equity method, signed contracts on the sale of shares in HERE International B.V., Eindhoven (Netherlands). A 15 percent stake was sold to Intel Holdings B.V., Schiphol-Rijk (Netherlands), and a 10 percent stake is to be transferred to a Chinese consortium comprising NavInfo Co. Ltd., Beijing (China), Tencent Holdings Ltd., Shenzhen (China), and GIC Private Ltd., Singapore (Singapore). The transaction with Intel was completed on

January 31, 2017. The transaction with the Chinese consortium is expected to be completed in the second quarter of 2017 following approval by the relevant agencies. HERE wants to develop an open platform that combines high-resolution maps with location-based real-time information as a precondition of autonomous driving.

Meanwhile, Audi is stepping up the pace of its technological development work on self-driving cars. For example, we established Autonomous Intelligent Driving GmbH (AID), Munich, in the period under review. This company is working on a system for driverless mobility in the urban environment. We want the employees of this startup to be able to work outside the constraints of rigid Group structures and within flexible organizational boundaries. Audi is assuming the lead role for the development of this technology of the future within the Volkswagen Group. As in the case of the mapping service HERE, the Audi Group is open to the idea of additional partners from the automotive and IT sectors participating in AID.

Plans to increase the investment in Silvercar Inc., Austin (USA), to 100 percent was also announced in the period under review. The U.S. mobility provider has specialized in digitally based services for flexible vehicle use in the high-end market segment.

WORKFORCE

Audi is actively shaping the transformation of the automotive industry and provides all employees with training tailored to new technologies and tasks, especially in the future fields of electrification and digitalization. Against this background, the Company holds more than 13,500 training courses a year and

permanently adjusts job profiles in line with new developments. Audi will train more than 800 young people in 20 vocations again in 2017. The expertise of our workforce will continue to serve as the basis of our entrepreneurial success.

PERSONNEL CHANGES

With effect from January 31, 2017, Dr. Christine Hohmann-Dennhardt left the Supervisory Board of AUDI AG. She was succeeded by Hiltrud Dorothea Werner with effect from February 16, 2017.

Dr.-Ing. Peter Mertens took office as member of the Board of Management of AUDI AG with responsibility for the Technical Development division with effect from May 1, 2017.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Report on expected developments

For 2017 as a whole, we continue to expect slightly stronger global economic growth than in the previous year. While the economy in industrialized nations should experience moderate expansion, we anticipate that emerging countries will have a stronger influence on the expanding global economy – with the Asia-Pacific region providing a major impetus. Protectionist tendencies, turbulence on financial markets and structural deficits in individual countries could continue to hamper the growth prospects. In addition, political tensions and conflicts could continue to influence economic development.

We assume there will be slight growth in worldwide demand for cars in 2017. We expect an increase in new registrations in

the Western Europe, Central Europe, South America and Asia-Pacific regions, but a decrease in North America and Eastern Europe.

In the motorcycle markets that are relevant for the Ducati brand – the displacement segment above 500 cc – we continue to expect a slight downturn in demand for 2017 as a whole.

Overall, the Board of Management considers the Audi Group to be well equipped to handle both current and future challenges. The forecasts for the key performance indicators for the 2017 fiscal year, which are presented in detail in the Audi 2016 Annual Report on pages 137 ff., remain valid.

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 2016 Annual Report on pages 140 to 151. This also includes statements regarding the most significant risks in connection with the diesel issue, statutory emissions regulations and the product creation area which remain valid.

As presented in the 2016 Annual Report, against the backdrop of the diesel issue there are risks that could fundamentally arise from further governmental investigations and inquiries, including in jurisdictions outside the United States. In connection with the diesel issue, in March 2017 the Munich public prosecutor's office started investigations against persons unknown on suspicion of fraud and criminal advertising in the United States. Its actions included searches of individual locations of the Company. We are still cooperating with all the responsible authorities to clarify these matters completely and transparently. The agreements reached on the diesel issue in the United States and Canada were previously presented in detail in the 2016 Annual Report. Our agreements with the U.S. government, which resolve federal environmental claims and all federal criminal claims against Volkswagen relating to the diesel emissions issue in the United States and had been reached in January, were ap-

proved by the court in the meantime. The agreement concerning the four-cylinder diesel engines in Canada reached in December 2016 has been approved by the court as well. The additional agreements reached in the USA, in particular with respect to the V6 3.0 TDI diesel engine vehicles, still remain subject to final court approval. Furthermore in March 2017 Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG, entered into a settlement agreement resolving the environmental claims of ten states – Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington – in the USA.

In addition, in the period under review we created a new department at AUDI AG to bring together the existing Compliance/Integrity and Corporate Risk Management functions and supplement them with a new project management organization. The latter is tasked with ensuring how the conditions imposed by the agreements reached in the United States are dealt with in the Audi Group and to cooperate directly with the Independent Monitor appointed by the U.S. authorities. The newly created area reports directly to the CFO and will further intensify integrity and compliance activities within the Company.

The risk provisioning undertaken up until now in the form of provisions for the V6 3.0 TDI is based on current knowledge. Based on pending final 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.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no reportable events of material significance after March 31, 2017.

FUEL CONSUMPTION AND EMISSION FIGURES AS WELL AS EFFICIENCY CLASSES

The 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): 16.9 – 1.6

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): 4.3 – 3.3

CO₂ emissions in g/km (combined): 394 – 36

Efficiency classes: G – A+

Fuel consumption, CO₂ emission figures 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

This First Quarter Report contains forward-looking statements relating to anticipated future 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. The figures in brackets represent those for the corresponding prior-year period.



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