



# Audi Group Quarterly Report

January 1 to September 30, 2017



Audi A8

## ECONOMIC ENVIRONMENT

2 The first nine months of 2017 was characterized by robust global economic growth, with both industrialized and developing economies picking up momentum compared with the prior-year period.

Supported by sustained low interest rates, Western European economies held their positive trajectory. This was also reflected in declining unemployment figures. Economic output likewise improved in Central and Eastern Europe, notably aided by economic recovery in Russia after a lengthy recession. The U.S. economy benefited from strong consumer demand and recorded a higher GDP growth than in the same period last year. Following prolonged recessionary conditions, the health of the Brazilian economy improved in the first nine months of 2017. The Chinese economy continued expanding at a rapid rate by global standards, driven by economic policy stimuli and strong domestic demand.

Global demand for passenger cars rose by 3.2 percent from January through September 2017 to 61.3 (59.4) million vehicles. New registrations increased in Western Europe, Central and Eastern Europe, the Asia-Pacific region and South America, but were down in North America.

In the course of the positive macroeconomic trends, the Western European automotive market recorded 2.8 percent growth in new registrations. The German market grew with a 2.2 percent increase in car sales on the back of strengthening demand from both private and commercial customers. At 10.6 percent growth in new vehicle registrations, the Russian automotive market made a sharp recovery. By contrast, the U.S. market for passenger cars and light commercial vehicles was unable to match its high prior-year level, with sales down by -1.8 percent. At 7.9 percent growth, new registrations of passenger cars and light commercial vehicles in Brazil increased for the first time in four years. The number of newly registered vehicles in China rose by 4.5 percent, which also made for another record in absolute growth.

Compared with the prior-year period, the established motorcycle markets in the displacement segment above 500 cc recorded a decline in demand of -2.4 percent from January through September. While new registrations in Western European markets showed a mixed picture, unit sales in North America were down.

## PRODUCTION <sup>1)</sup>

The Audi Group produced 1,398,543 (1,445,824) cars worldwide in the first nine months of 2017. This figure includes 395,748 (411,814) Audi vehicles manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The Audi Group built 1,395,654 (1,443,097) cars of the Audi brand and 2,889 (2,727) Lamborghini brand vehicles from January through September. In the same period, 47,729 (50,655) motorcycles of the Ducati brand were produced.

A total of 415,552 (460,388) Audi brand vehicles left the production line at our Group headquarters in Ingolstadt in the first three quarters of 2017. The factors behind this lower production figure compared with the prior-year period include model changeovers and production starts. In addition, a fire at a supplier temporarily affected production of the A4 and A5 car lines in the first quarter.

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.

<sup>1)</sup> This includes 395,748 (411,814) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

In Neckarsulm, we manufactured 150,768 (202,853) Audi models, fewer than in the previous year due to model cycle factors that mainly affected the upper car lines.

At AUDI MÉXICO S.A. de C.V., we built 107,923 (843) vehicles at our production site in San José Chiapa (Mexico) in the first nine months of the current fiscal year.

Audi Hungaria Zrt. produced 78,536 (93,011) vehicles at our site in Győr (Hungary), driven among other factors by current market demand in the compact sedan segment.

At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we produced a total of 74,510 (84,002) vehicles of the brand with the Four Rings. The plant was also preparing to produce our first all-electric SUV, the Audi e-tron.

At São José dos Pinhais near Curitiba (Brazil), AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, manufactured a total of 3,538 (5,817) cars in the first three quarters of 2017.

At the Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia), 85,327 (103,851) and 78,646 (75,547) vehicles, respectively, of the brand with the Four Rings left the production line in the same period. We managed production of our Audi Q3 car line in Martorell to reflect the model cycle. The Bratislava plant already built the first units of our new Audi Q8 in preparation for its volume production starting in 2018. With the Q8, a premium SUV with the style of a coupe, we will gain access to a new segment in the full-size category.

At Aurangabad (India) – also a Volkswagen Group site – a total of 5,106 (4,971) Audi vehicles were produced in the first three quarters of 2017.

The associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), manufactured 335,484 (352,065) Audi brand cars at its production site in Changchun

(China) and 60,264 (59,749) Audi vehicles in the southern Chinese city of Foshan in the first nine months of the current fiscal year. In light of the necessary coordination concerning the long-term strategic direction in China, we adopted a flexible approach to our production management at the Chinese sites.

Automobili Lamborghini S.p.A., Sant'Agata Bolognese (Italy), produced 2,889 (2,727) Lamborghini brand vehicles in the first three quarters of 2017. We already built the first models of the Lamborghini Urus in preparation for its series production starting in 2018. The Urus marks Lamborghini's debut in the Super SUV segment, combining all-terrain capability with the power and driving characteristics of a supercar. At the same time, this third car line is expected to stabilize volume growth at the Lamborghini brand, strengthening its brand awareness and earnings power.

The Audi Group produced 455,377 (460,613) cars worldwide in the third quarter of 2017. This figure includes 136,886 (131,647) Audi vehicles manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). A total of 454,553 (459,834) units were attributable to the Audi core brand. The Lamborghini brand manufactured 824 (779) vehicles in the same period. In all, 9,859 (7,541) motorcycles of the Ducati brand were produced from July through September 2017.



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

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.



Car production by model <sup>1)</sup>

	1-9/2017	1-9/2016
Audi A1	15,940	19,621
Audi A1 Sportback	58,570	64,381
Audi Q2	77,429	2,503
Audi A3	6,689	12,290
Audi A3 Sportback	126,416	158,116
Audi A3 Sedan	89,567	97,586
Audi A3 Cabriolet	9,211	12,058
Audi Q3	151,538	174,450
Audi TT Coupé	14,309	17,111
Audi TT Roadster	3,862	4,445
Audi A4 Sedan	149,468	171,655
Audi A4 Avant	78,771	100,456
Audi A4 allroad quattro	16,914	11,142
Audi A5 Sportback	57,813	26,195
Audi A5 Coupé	21,240	10,802
Audi A5 Cabriolet	15,580	10,662
Audi Q5	208,695	218,309
Audi A6 Sedan	137,360	157,996
Audi A6 Avant	41,475	47,016
Audi A6 allroad quattro	8,056	8,184
Audi A7 Sportback	12,805	21,694
Audi Q7	78,863	76,266
Audi Q8	250	-
Audi A8	12,330	17,627
Audi R8 Coupé	1,434	2,254
Audi R8 Spyder	1,069	278
<b>Audi brand</b>	<b>1,395,654</b>	<b>1,443,097</b>
Lamborghini Urus	47	-
Lamborghini Huracán	1,926	1,852
Lamborghini Aventador	916	875
<b>Lamborghini brand</b>	<b>2,889</b>	<b>2,727</b>
<b>Automotive segment</b>	<b>1,398,543</b>	<b>1,445,824</b>

1) The table includes 395,748 (411,814) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

## Car engine production

	1-9/2017	1-9/2016
Audi Hungaria Zrt.	1,499,362	1,477,286
Automobili Lamborghini S.p.A.	918	897
<b>Car engine production</b>	<b>1,500,280</b>	<b>1,478,183</b>

## Motorcycle production

	1-9/2017	1-9/2016
Scrambler	12,280	16,237
Naked/Sport Cruiser (Diavel, Monster)	14,749	16,029
Dual/Hyper (Hypermotard, Multistrada)	11,763	12,592
Sport (SuperSport, Superbike)	8,937	5,797
<b>Ducati brand</b>	<b>47,729</b>	<b>50,655</b>
<b>Motorcycles segment</b>	<b>47,729</b>	<b>50,655</b>

Worldwide, the Ducati brand produced 47,729 (50,655) motorcycles from January through September 2017. The first half of 2016 was influenced by market introductions being brought forward, whereas market introductions in 2017 were scheduled differently in line with market requirements. Production consequently increased over the course of the year and was significantly higher in the third quarter than in the prior-year quarter. A total of 39,475 (42,017) bikes were produced in the first nine months at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 7,374 (7,970) bikes at the Amphur Pluakdaeng plant in Thailand. In Manaus (Brazil), 880 (668) units were built on a contract manufacturing basis.

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.



## DELIVERIES AND DISTRIBUTION <sup>1), 2)</sup>

The Audi Group delivered 1,552,472 (1,578,784) cars to customers worldwide from January through September 2017 – a year-on-year decline of –1.7 percent. This figure includes deliveries of 381,800 (402,960) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The Audi core brand handed a total of 1,380,778 (1,408,828) vehicles over to customers. This –2.0 percent decline in deliveries compared with the previous year was attributable in particular to the growing intensity of negotiations conducted with our Chinese partners in the first half of 2017 concerning the further strategic development of our China business. Following successful conclusion of the negotiations in China, the Audi brand again recorded growth in deliveries in the third quarter of 2017, up 3.6 percent to 471,826 (455,535) cars. In the first nine months of the current fiscal year, the Lamborghini brand increased its deliveries to customers to 2,930 (2,867) supercars. Deliveries to customers of other Volkswagen Group brands totaled 168,764 (167,089) cars. The Ducati brand delivered a total of 46,896 (46,660) motorcycles to customers.

In Western Europe, we increased our delivery volume to 622,882 (616,091) Audi vehicles. Demand for our Audi models was also positive in our home market Germany, rising by 0.7 percent to 232,518 (230,890) cars. At 138,870 (139,039) Audi vehicles, our volume in the United Kingdom was almost at the prior-year level despite the decline in overall market demand. By contrast, we increased Audi brand deliveries in Italy by 10.3 percent to 51,765 (46,931) cars. While demand for Audi vehicles in Spain also recorded encouraging growth of 6.3 percent, our deliveries in France were down –1.0 percent year on year.

In the Central and Eastern Europe region, we handed a total of 38,691 (40,934) Audi vehicles over to customers in the period January through September 2017. The rise in deliveries in numerous Central European countries only partly made up for the dwindling volume of vehicles in Russia.

In the same period, a total of 198,997 (186,837) cars of the brand with the Four Rings were handed over to customers in the North America region. For example, we continued our

growth trajectory in the USA with an increase of 5.7 percent to 160,914 (152,179) units despite the declining overall market volume. Demand for our Audi models in that country has continuously posted new monthly highs since January 2011. Our deliveries also recorded encouraging growth in Canada, showing a significant increase of 19.4 percent.

We handed 15,520 (17,475) Audi vehicles over to customers in South America in the first nine months of 2017 – primarily because of declining delivery volumes in Brazil.

In the same period, we recorded 471,917 (509,983) Audi brand deliveries in the Asia-Pacific region. In China, our biggest single market, the delivery volume has been growing again since June 2017, exceeding the prior-year period by 9.2 percent in the third quarter. The negotiations on the further strategic development of our China business, which have now been successfully concluded, were a factor in the –4.9 percent decline in deliveries to 418,670 (440,233) vehicles from January through September. As throughout 2016, our delivery performance in the Asia-Pacific region was again negatively affected by certification-related sales restrictions in South Korea. In the first few months of 2017, the special situation in the Asia-Pacific region weighed on our global delivery performance. Since June, growth – especially in China – has been having positive effects again, with the result that the cumulative global shortfall has been diminishing month by month and finally stood at just –2.0 percent.

The Audi Group increased deliveries to customers to 517,433 (499,044) cars worldwide in the third quarter of 2017. This figure includes deliveries of 148,389 (137,250) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The Audi core brand delivered a total of 471,826 (455,535) vehicles. In all, 44,768 (42,655) cars of other Volkswagen Group brands were handed over to customers in the same period. The Lamborghini brand delivered 839 (854) supercars from July through September 2017, while in the same period the Ducati brand delivered a total of 12,038 (11,857) motorcycles.

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.

1) This includes 381,800 (402,960) 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.



Audi RS 4 Avant

Car deliveries to customers by model <sup>1) 2)</sup>

6

	1-9/2017	1-9/2016
Audi A1	15,550	21,453
Audi A1 Sportback	57,050	66,446
Audi Q2	70,572	967
Audi A3	7,523	13,322
Audi A3 Sportback	132,262	149,715
Audi A3 Sedan	92,701	105,337
Audi A3 Cabriolet	10,735	11,978
Audi Q3	149,888	172,227
Audi TT Coupé	14,443	19,369
Audi TT Roadster	4,237	5,486
Audi A4 Sedan	154,097	169,261
Audi A4 Avant	80,696	85,560
Audi A4 allroad quattro	15,384	9,796
Audi A5 Sportback	47,590	29,957
Audi A5 Coupé	18,924	11,916
Audi A5 Cabriolet	10,542	12,073
Audi Q5	200,522	203,944
Audi A6 Sedan	138,466	153,457
Audi A6 Avant	42,284	44,967
Audi A6 allroad quattro	8,159	8,211
Audi A7 Sportback	13,785	19,140
Audi Q7	77,705	74,307
Audi A8	15,172	17,708
Audi R8 Coupé	1,493	2,014
Audi R8 Spyder	998	217
<b>Audi brand</b>	<b>1,380,778</b>	<b>1,408,828</b>
Lamborghini Huracán	1,963	1,953
Lamborghini Aventador	967	914
<b>Lamborghini brand</b>	<b>2,930</b>	<b>2,867</b>
<b>Other Volkswagen Group brands</b>	<b>168,764</b>	<b>167,089</b>
<b>Automotive segment</b>	<b>1,552,472</b>	<b>1,578,784</b>

1) The table includes deliveries of 381,800 (402,960) 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 <sup>1)</sup>




	1-9/2017	1-9/2016
Scrambler	11,976	13,249
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	14,245	15,346
Dual/Hyper (Hypermotard, Multistrada)	12,533	11,558
Sport (SuperSport, Superbike)	8,142	6,507
<b>Ducati brand</b>	<b>46,896</b>	<b>46,660</b>
<b>Motorcycles segment</b>	<b>46,896</b>	<b>46,660</b>

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





Worldwide, the Ducati brand delivered 46,896 (46,660) motorcycles to customers in the first nine months of 2017. The motorcycle manufacturer recorded positive delivery performance, particularly in its Italian home market. By contrast, the German market posted a decrease.

## Audi models presented or introduced in the 2017 reporting period

Models	Main characteristics and new features
<b>Audi S5 Sportback and Audi A5 Sportback</b> <i>(new models)</i> 	<ul style="list-style-type: none"> <li>&gt; New, elegant and emotional design</li> <li>&gt; Newly developed suspension and high-performance drives</li> <li>&gt; Numerous driver assistance systems, e.g. optional adaptive cruise control (ACC) with traffic jam assist</li> <li>&gt; Gradual market introduction since January 2017</li> </ul>
<b>Audi S5 Cabriolet and Audi A5 Cabriolet</b> <i>(new models)</i> 	<ul style="list-style-type: none"> <li>&gt; New, sporty and elegant design</li> <li>&gt; Fully automatic acoustic hood opens and closes up to a speed of 50 km/h</li> <li>&gt; Optionally available with efficient quattro drive with ultra technology or quattro permanent all-wheel drive</li> <li>&gt; Phased market introduction since March 2017</li> </ul>
<b>Audi SQ5 and Audi Q5</b> <i>(new models)</i> 	<ul style="list-style-type: none"> <li>&gt; Extensive range of driver assistance systems, e.g. standard-fit Audi pre sense city assistance system which, for instance, warns of crossing pedestrians and, within the system limits, triggers automatic emergency braking if necessary</li> <li>&gt; Efficiency enhanced by improved aerodynamics and a reduced unladen weight of up to 90 kilograms compared with the predecessor model, depending on engine version</li> <li>&gt; New adaptive air suspension as an option, for instance to adapt damping characteristics</li> <li>&gt; Gradual market introduction since January (Q5) and April (SQ5) 2017</li> </ul>
<b>Audi RS 3 Sedan</b> <i>(new model, no predecessor)</i> 	<ul style="list-style-type: none"> <li>&gt; First compact Audi sedan with the RS label</li> <li>&gt; Five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems</li> <li>&gt; Phased market introduction since May 2017</li> </ul>
<b>Audi RS 5 Coupé</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; Combines elegant aesthetics with RS performance</li> <li>&gt; Newly developed, powerful engine, quattro permanent all-wheel drive as standard</li> <li>&gt; Enhanced efficiency and reduced weight compared with predecessor model</li> <li>&gt; Gradual market introduction since July 2017</li> </ul>
<b>Audi A4 Avant g-tron</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; Combines familiar sportiness and a progressive design idiom with climate-friendly mobility</li> <li>&gt; Can be powered with compressed natural gas (CNG) or with gasoline</li> <li>&gt; Phased market introduction since August 2017</li> </ul>
<b>Audi A5 Sportback g-tron</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; Combines familiar sportiness and a progressive design idiom with climate-friendly mobility</li> <li>&gt; Can be powered with compressed natural gas (CNG) or with gasoline</li> <li>&gt; Phased market introduction since August 2017</li> </ul>
<b>Audi RS 3 Sportback</b> <i>(product improvement)</i> 	<ul style="list-style-type: none"> <li>&gt; Sharper RS design (e.g. eye-catching Singleframe, large air inlets, striking sill trims)</li> <li>&gt; Five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems</li> <li>&gt; Gradual market introduction since August 2017</li> </ul>

Models	Main characteristics and new features
<b>Audi A8</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; New design gives expression to sporty elegance, sophistication and quattro permanent all-wheel drive</li> <li>&gt; Clear, new formal idiom in interior design: Reduction as an aesthetic design principle</li> <li>&gt; New MMI touch response operating concept increases ease of operation thanks to the combination of haptic and acoustic feedback; fully integrated into the interior's black panel surface</li> <li>&gt; Systematically electrified drive: new mild hybrid technology with 48-volt electrical system as standard</li> <li>&gt; Extensive range of innovative driver assistance systems, e.g. optionally with Audi AI traffic jam pilot likely to be the world's first solution for highly automated driving in slow-moving traffic at up to 60 km/h on freeways (the driver assistance systems will be gradually rolled out in individual markets once the required legal frameworks are in place)</li> <li>&gt; Redesigned, optional Audi AI active suspension acts on each wheel individually and permits a wide range of driving characteristics – from the smooth ride comfort of a luxury sedan to the dynamism of a sports car</li> <li>&gt; Presentation in July 2017, market introduction later on in 2017</li> </ul>
<b>Audi RS 4 Avant</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; The fourth generation combines everyday usability with RS performance</li> <li>&gt; Sharper RS design (e.g. large air inlets with typical RS honeycomb structure, striking Singleframe, prominent roof edge spoiler)</li> <li>&gt; Enhanced efficiency and reduced weight compared with predecessor model</li> <li>&gt; Presentation in September 2017, market introduction in early 2018</li> </ul>
<b>Audi A7 Sportback</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; Four-door coupe embodies progressiveness in design and technology</li> <li>&gt; Clear, reduced formal idiom in the interior, supplemented by the new MMI touch response operating concept</li> <li>&gt; Systematically electrified drive: new mild-hybrid system available as standard</li> <li>&gt; Extensive range of standard and optional driver assistance systems</li> <li>&gt; Presentation in October 2017, market introduction in early 2018</li> </ul>

## Lamborghini models presented or introduced in the 2017 reporting period

Models	Main characteristics and new features
<b>Lamborghini Huracán RWD Spyder</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; New front and rear design for a powerful look</li> <li>&gt; Modern infotainment with high-resolution 12.3-inch TFT display</li> <li>&gt; Exclusively rear-wheel drive for dynamic handling</li> <li>&gt; Available for customers since March 2017</li> </ul>
<b>Lamborghini Aventador S Coupé</b> <i>(product improvement)</i> 	<ul style="list-style-type: none"> <li>&gt; Large number of new design features with focus on aerodynamic optimization</li> <li>&gt; New four-wheel steering provides improved agility and stability</li> <li>&gt; Individually configurable EGO driving mode and adaptive dampers</li> <li>&gt; Available for customers since June 2017</li> </ul>
<b>Lamborghini Huracán Performante</b> <i>(new model)</i> 	<ul style="list-style-type: none"> <li>&gt; Hybrid aluminum and carbon fiber chassis with clear focus on lightweight construction</li> <li>&gt; New, active aerodynamic system "Aerodinamica Lamborghini Attiva" (ALA) actively distributes the aerodynamic load (for either high downforce or low drag)</li> <li>&gt; Fitted with the most powerful ten-cylinder engine equipped by Lamborghini to date</li> <li>&gt; Available for customers since September 2017</li> </ul>
<b>Lamborghini Aventador S Roadster</b> <i>(product improvement)</i> 	<ul style="list-style-type: none"> <li>&gt; Aerodynamic roadster design</li> <li>&gt; Removable carbon fiber hardtop roof elements with a convex shape ensure sufficient space in the interior</li> <li>&gt; New four-wheel steering provides improved agility and stability</li> <li>&gt; Individually configurable EGO driving mode and adaptive dampers</li> <li>&gt; Presentation in September 2017, gradual market introduction in 2018</li> </ul>



### Ducati models introduced in the period under review

The Monster series was rounded out with the all-new Monster 797 at the start of the year. The new Ducati Multistrada 950 has also been on sale to customers since the start of 2017. In spring, the Ducati Scrambler series was expanded with the additions of the Desert Sled and Café Racer models. The new Ducati SuperSport and the Ducati SuperSport S are other new arrivals in our Italian motorcycle manufacturer's product

range. Furthermore, Ducati launched the exclusive 1299 Superleggera, the most powerful twin-cylinder bike it ever built. In addition, the Multistrada 1200 Enduro Pro and the 1299 Panigale R Final Edition – each in exclusive design – have been on sale at dealers since the summer. The Ducati Scrambler series was extended by the Mach 2.0 model in September.

## FINANCIAL PERFORMANCE INDICATORS

The Audi Group generated revenue of EUR 44,235 (44,017) million from January through September 2017.

Revenue for the Automotive segment reached EUR 43,638 (43,404) million. In particular, strong demand for the new Audi A5 family and the Audi Q2 as well as volume growth in the North America region were factors driving this positive trend. In addition, the development of other automotive business, which comprises deliveries of parts sets for local production in China and also the engine business, impacted revenue positively. However, the current model cycle, the challenging environment that we face in the Asia-Pacific region and the devaluation of the pound sterling weighed on revenue growth.

In the Motorcycles segment, revenue generated in connection with the Ducati brand amounted to EUR 598 (612) million; this was mainly due to model cycle factors.

### Operating profit, Audi Group

EUR million	1-9/2017	1-9/2016
<b>Operating profit before special items</b>	<b>3,941</b>	<b>3,918</b>
Special items	-	-885
<i>of which diesel issue</i>	-	-752
<i>of which Takata</i>	-	-133
<b>Operating profit</b>	<b>3,941</b>	<b>3,033</b>

### Key earnings figures, Audi Group

in %	1-9/2017	1-9/2016
<b>Operating return on sales before special items</b>	<b>8.9</b>	<b>8.9</b>
<b>Operating return on sales</b>	<b>8.9</b>	<b>6.9</b>
Automotive segment	9.0	6.9
Motorcycles segment	4.4	7.3
<i>adjusted for effects of PPA<sup>1)</sup></i>	<i>7.3</i>	<i>10.1</i>
<b>Return on sales before tax</b>	<b>9.2</b>	<b>6.5</b>

1) Effects of purchase price allocation

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.



The Audi Group achieved an operating profit of EUR 3,941 (3,033) million in the first three quarters of 2017. This represents an operating return on sales of 8.9 (6.9) percent. The figure for the prior-year period reflected the negative impact of special items amounting to EUR –885 million, of which EUR –752 million related to the diesel issue. In the prior-year period, a further EUR –133 million resulted from recalls of vehicles equipped with airbags made by the Japanese manufacturer Takata. Special items reflect certain matters in the financial statements in cases where we believe their separate disclosure permits a more accurate evaluation of the economic performance of the Audi Group.

In the Automotive segment, we recorded an operating profit of EUR 3,915 (2,989) million. The operating return on sales was 9.0 (6.9) percent. The figure from the prior-year period reflected the negative impact of special items. In addition to currency management, lower distribution costs and our programs of measures had a positive impact on operating profit. By contrast, the expansion of our model and technology portfolio and of our international manufacturing structures were also reflected here in the form of increased depreciation and amortization.

Operating profit for the Motorcycles segment declined to EUR 26 (44) million from January through September 2017, mainly as a result of model cycle effects. This represents an operating return on sales of 4.4 (7.3) percent. Adjusted for the effects of purchase price allocation, operating profit came to EUR 44 (62) million and the operating return on sales was 7.3 (10.1) percent.

In the first three quarters of 2017, the financial result stood at EUR 113 (–194) million. The financial result of the Audi Group includes the result from investments accounted for using the equity method, the finance expenses and the other financial result. The main driver of the improvement in the financial result in the reporting period was the fall in finance expenses to EUR –94 (–325) million from the interest-related change in the measurement of long-term provisions. In addition, the result from investments accounted for using the equity method improved to EUR 443 (240) million. Of this figure, EUR 183 million was contributed by the investment 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 service HERE. The measurement of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), at EUR 228 (292) million is also included in the result from investments accounted for using the equity method. The measurement of the shares in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin

(China), at EUR 67 (–38) million, had a positive effect. Following the successfully completed ramp-up, the Chinese plant in Tianjin manufactures vehicle transmissions for the local market. The other financial result 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 142 (251) million.

In the first nine months of 2017, the Audi Group recorded profit before tax of EUR 4,054 (2,839) million, which represents a return on sales before tax of 9.2 (6.5) percent. Profit after tax was EUR 3,065 (2,158) million.

The Audi Group generated revenue of EUR 14,092 (13,883) million in the third quarter of 2017, of which EUR 13,954 (13,756) million is attributable to the Automotive segment. In the Motorcycles segment, revenue generated in connection with the Ducati brand amounted to EUR 139 (127) million. From July through September 2017, the Audi Group generated an operating profit of EUR 1,261 (632) million, with the operating return on sales reaching 8.9 (4.6) percent. The prior-year figures reflected the negative impact of special items of EUR –620 million. The Automotive segment's operating profit was EUR 1,273 (646) million. Quarterly operating profit in the Motorcycles segment was EUR –12 (–14) million due to seasonal factors.

The Audi Group's financial result in the third quarter of 2017 decreased to EUR –5 (17) million.

From July through September 2017, the Audi Group recorded profit before tax of EUR 1,256 (649) million, with the return on sales before tax amounting to 8.9 (4.7) percent. Profit after tax came to EUR 969 (476) million.

The Audi Group's total assets as of September 30, 2017, rose to EUR 64,057 million, compared with EUR 61,090 million as of December 31, 2016.

At EUR 28,400 (28,599) million, non-current assets were almost on a level with December 31, 2016, whereas current assets rose to EUR 35,568 (32,403) million.

The Audi Group's equity as of September 30, 2017, increased to EUR 28,239 million, compared with EUR 25,321 million as of December 31, 2016. Compared with December 31, 2016, the equity ratio for the Audi Group as of September 30, 2017, was 44.1 (41.4) percent.

The Audi Group's non-current liabilities as of the same date amounted to EUR 13,833 (14,980) million. Current liabilities as of September 30, 2017, rose to EUR 21,985 million, compared with EUR 20,705 million as of December 31, 2016.

The Audi Group generated cash flow from operating activities of EUR 5,461 (6,890) million in the first nine months of 2017. The increased profit before tax had a positive impact. As expected, however, cash used in connection with the diesel issue amounting to approximately one billion euros weighed on cash flow from operating activities.

Net cash flow declined to EUR 2,489 (3,086) million as a result of cash used in connection with the diesel issue. The

fundamental improvement in our disciplined investment management as part of our programs of measures produced encouraging results. In addition, cash outflows for equity investments and for capital increases were lower than in the prior-year period. The Audi Group's net liquidity as of September 30, 2017, was EUR 19,039 million, compared with EUR 18,160 million as of September 30, 2016.

## CONSOLIDATED COMPANIES AND STRATEGIC INVESTMENTS

In the period under review, there were no changes to the group of consolidated companies with a material impact on the presentation of 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 renamed Audi Hungaria Zrt., Győr. Furthermore, 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.

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), in December 2016. A 15-percent stake was sold to Intel Holdings B.V., Schiphol-Rijk (Netherlands). The transaction with Intel was completed on January 31, 2017. A 10-percent stake was scheduled to be transferred to a consortium comprising NavInfo Co. Ltd., Beijing (China), Tencent Holdings Ltd., Shenzhen (China), and GIC Private Ltd., Singapore (Singapore). To date, completion of the transaction with the consortium had been subject to the receipt of official approvals. A decision was taken in the third quarter not to continue with the transaction because the official review process indicated that there was no practicable solution for obtaining

the necessary approvals. In the same period, negotiations started concerning the partial sale of shares in There Holding B.V., Rijswijk (Netherlands), in order to further expand the basis of cooperation. The corresponding investment is classified as available-for-sale assets. This is not expected to have any material impact on net worth, financial position and financial performance. 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 first quarter of 2017. This company's focus is on the development of a software module that will enable autonomous driving in the urban environment. We want the employees of this start-up to be able to work outside the constraints of 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.

Additionally, plans announced in the first quarter of 2017 to increase the investment in Silvercar Inc., Austin (USA), to 100 percent were realized in the third quarter of 2017. The U.S. mobility provider has specialized in digital services for flexible vehicle use in the high-end market segment.



Lamborghini Aventador S Coupé

## WORKFORCE

12 With Audi actively shaping the transformation of the automotive industry, the focus for recruitment and qualification is on the important strategic future areas of electric mobility and digitalization. For example, we are offering tailor-made qualification measures for new technologies and tasks, and run over 13,500 training courses each year. The vocational careers

are also being continually adjusted to reflect new developments. Over 800 young people embarked on dual vocational training at Audi in 2017. The expertise of our workforce will continue to serve as the basis of our entrepreneurial success.

## PERSONNEL CHANGES

In the third quarter, the following changes in the Board of Management of AUDI AG took effect as of September 1, 2017: Alexander Seitz assumed responsibility as Board of Management member for Finance, IT and Integrity, for which Axel Strotbek had previously been responsible. Bram Schot succeeded Dr. Dietmar Voggenreiter as Board of Management member responsible for Marketing and Sales. Wendelin Göbel is also new to the Board of Management at AUDI AG, respon-

sible for Human Resources and Organization. He succeeded Prof. h. c. Thomas Sigi. Peter Kössler assumed Board of Management responsibility for Production and Logistics from Prof. Dr.-Ing. Hubert Walzl. Peter Kössler left the Supervisory Board of AUDI AG at the end of August 31, 2017. He was succeeded by Stefanie Ulrich effective September 14, 2017.

## REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

### Report on expected developments

The Audi Group continues to expect stronger global economic growth for the full year 2017 than in the previous year. Within this, we anticipate robust growth in economic output in the advanced economies and higher expansion rates in the emerging economies with a major contribution from Asian countries. Risks relate to protectionist tendencies, financial market volatility and structural deficits in individual countries. Growth prospects may also be negatively impacted by geopolitical tensions and conflicts.

As before, we expect that the full year 2017 will show an increase in global automotive demand. For Western Europe, Central and Eastern Europe, South America and the Asia-Pacific region we anticipate an increase in new registrations, while we expect unit sales in North America to be down.

The Audi Group currently expects full year 2017 unit sales for the established motorcycle markets in the displacement segment above 500 cc to be slightly down on the previous year.

Overall, the Board of Management considers the Audi Group to be still well equipped to handle both current and future challenges. The forecasts for the key performance indicators for fiscal year 2017, which are explained in detail in the 2016 Annual Report on pages 137 ff., fundamentally remain valid. However, we currently expect that the ratio of capex will be

moderately above the strategic target corridor of 5.0 to 5.5 percent. Against a backdrop of substantial model launches in the upper segment, we thus anticipate an intensification of capital expenditure in the fourth quarter of 2017. In the 2016 Annual Report, we forecast a ratio of capex within the target corridor.

## Report on risks and opportunities

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

The risks and opportunity management system as well as the opportunities and risks to which the Audi Group is subject are presented in detail in the 2016 Annual Report on pages 140 to 151. The comments made there also include statements that are still valid in connection with the most significant risks from the diesel issue and other possible proceedings as well as risks from the statutory emission regulations and product development.

As presented in the 2016 Annual Report, against the backdrop of the diesel issue there are risks that could in principle arise from further governmental investigations and inquiries, including in jurisdictions outside the United States. Agreements reached on the diesel issue in the United States and Canada were likewise described in detail in the 2016 Annual Report. Official procedures and consultations in this connection are still ongoing. Risks also continue to exist in light of customer programs that have not yet been concluded, deadlines, and legal fees that cannot yet be conclusively quantified.

In March 2017, Volkswagen AG and certain affiliates, including AUDI AG, entered into a settlement agreement resolving the environmental claims of ten U.S. states.

In April 2017, the U.S. federal court in California granted final approval for the Third Partial Consent Decree settling civil claims and injunctive relief under the U.S. Clean Air Act related to vehicles with four-cylinder diesel engines and the V6 3.0 TDI diesel engines. In May 2017, the same court granted final approval for the Second Partial Consent Decree resolving claims for injunctive relief under the U.S. Clean Air Act and California environmental, consumer protection and false advertising laws related to V6 3.0 TDI diesel engine vehicles. Also in May, the same court granted final approval for the

Second California Partial Consent Decree, the second 3.0 l Partial Stipulated Order with the US Federal Trade Commission (FTC) and the class action settlement reached with private plaintiffs related to vehicles with V6 3.0 TDI diesel engines.

Various cases filed against Volkswagen AG and its affiliates, including AUDI AG, remain pending before the federal court in the multidistrict litigation in California. Moreover, certain members of the consumer and dealer classes have opted out of the settlements in the California multidistrict litigation and instead filed their own lawsuits, which are pending in the California multidistrict litigation and various state courts in the United States.

Also in April 2017, the U.S. federal court in Michigan accepted a January 2017 agreement by Volkswagen AG to plead guilty and to pay a criminal penalty, and imposed three years' probation. In June 2017, Larry Thompson was named as Independent Compliance Monitor and Independent Compliance Auditor. Together with his team, he will fulfill this role for a period of three years pursuant to the criminal plea agreement and the Third Partial Consent Decree, respectively.

Within the reporting period, the topics of risk management, compliance and integrity were brought together in a new organizational unit at AUDI AG. It reports directly to the Board Member for Finance, IT and Integrity. The new organizational unit has the task of reinforcing integrity and compliance activities in the Company and of assuring Group-wide fulfillment of the conditions attached to the agreements on the diesel issue. This organizational unit's tasks also include assuring cooperation with the Independent Monitor appointed by the U.S. agencies. Deadlines for the obligations set forth in Section V of the Third Partial Consent Decree due during the reporting period were met.

Moreover, in April 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that the defendants concealed the existence of “defeat devices” in Audi brand vehicles with automatic transmissions. There are now 14 such putative class actions pending in the California multi-district litigation. On October 12, 2017, plaintiffs filed a consolidated class action complaint. The defendants’ motion to dismiss is due on December 11, 2017.

Also in April 2017, the Canadian courts approved the settlement agreement entered into between consumers and Volkswagen AG, AUDI AG and other Canadian and U.S. Volkswagen Group companies relating to four-cylinder diesel vehicles.

And in May 2017, the U.S. federal court in the multidistrict litigation in California remanded the consumer and environmental claims brought by the attorney generals of 12 U.S. states to their respective state courts, where future litigation of these claims will proceed.

In July 2017, the same California court approved the Third California Partial Consent Decree resolving claims for California environmental penalties and refunds for both four-cylinder and V6 3.0 TDI diesel engine vehicles. An agreement in principle had been reached in January 2017.

Also on July 21, 2017, the California federal court granted the motion of the Plaintiffs’ Steering Committee seeking attorneys’ fees and costs in connection with the 3.0 l TDI settlement.

In August 2017, the federal court in the multidistrict litigation in California granted Volkswagen AG, Volkswagen Group of America, Inc., AUDI AG and Audi of America, LLC’s motion to dismiss the environmental suit filed by the State of Wyoming on the grounds that the lawsuit was preempted by the US Clean Air Act.

In September 2017, a Canadian court approved agreement reached by Volkswagen AG and other Canadian and US Volkswagen Group and Audi Group companies to resolve class counsel’s legal fees in connection with the four-cylinder diesel engines class action settlement with Canadian consumers outside of the province of Quebec.

In September 2017, a provincial regulator in Canada, the Ontario Ministry of the Environment and Climate Change, charged Volkswagen AG under the province’s environmental statute with one count alleging that it caused or permitted the operation of 2.0 l diesel vehicles including Audi vehicles that did not comply with prescribed emission standards. A court appearance is scheduled for November 15, 2017.

From July through September 2017, plaintiffs filed numerous complaints in various jurisdictions on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers including Volkswagen AG, AUDI AG and its related entities. These complaints assert claims under the US Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection statutes, and common law unjust enrichment. The complaints allege that since the 1990s, defendants engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs and suppliers. Moreover, the plaintiffs allege that the defendants agreed to limit the size of Ad-Blue tanks to ensure that US emissions regulators did not scrutinize the emissions control systems in defendants’ vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. In September 2017 a hearing before the Judicial Panel on Multidistrict Litigation (JPML) was held, and in October the JPML issued its decision consolidating and transferring these cases to Judge Breyer in the Northern District of California.

Fuel consumption and CO<sub>2</sub> emission figures as well as the efficiency classes can be found on page 16.



In October 2017, regulatory approval for an emission compliant repair of more than 38,000 generation 2.1 and 2.2 SUV vehicles with V6 3.0 TDI diesel engines was granted. The emission complaint repair was agreed within the Second Partial Consent Decree.

In connection with the diesel issue, the public prosecutor's office of Munich II initiated a criminal investigation at first against persons unknown and by now against several suspects on suspicion of fraud and false advertising in connection with V6 3.0 TDI diesel engine vehicles. Regulatory offense proceedings ("Ordnungswidrigkeitenverfahren") relating to the diesel issue have also been initiated at Audi in July 2017. These cases are at an early stage and it remains to be seen how they will proceed.

On July 21, 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the USA and Canada. The measure will mainly serve to further improve the vehicles' emissions in real driving conditions beyond the current legal requirements. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions.

For months, Audi has been systematically checking the emissions of engine-transmission combinations, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA).

Audi currently assumes that the overall cost of the software-based retrofit program including the part related to recalls will be manageable and has recognized provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the U.S. authorities for information regarding automatic trans-

missions in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

We continue to cooperate with all competent authorities to clarify these matters completely and transparently. And as we continue to move forward from the diesel issue, customer satisfaction remains one of our highest priorities.

Official procedures and consultations continue. And despite good progress, the customer programs stipulated in the settlements reached with the US authorities regarding the V6 3.0 TDI vehicles have not yet been concluded. The risk provisioning made so far in the form of provisions, notably in relation to the diesel issue, is based on the current state of knowledge and is therefore subject in principle to substantial estimation risk due to the large number of parameters that are not yet certain. Until conclusion of the official procedures and consultations as well as of the customer programs, we will therefore continue to monitor the parameters relating to the provisions for the diesel issue together with the development of costs in this connection and will make adjustments in line with current findings as necessary.

Within the scope of the European Commission's ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the Group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.

The systematic implementation of our corporate strategy 2025 requires a very high level of availability and consistency of the critical IT systems for the digitalization process. Risks exist here due to the higher demands placed on the IT system landscape and infrastructure.

As described in the 2016 Annual Report, Audi – along with numerous other automobile manufacturers – is unable to rule out the risks in connection with potentially defective airbags supplied by Takata. In the third quarter of 2017, by order of



Audi A7 Sportback

16 the Chinese authority AQSIQ, a recall was announced for Audi vehicles fitted with front airbags made by Takata that use ammonium nitrate as a propellant. The related adjustments to risk provisioning on the balance sheet were made at associate FAW-Volkswagen Automotive Company, Ltd., Changchun

(China). However, further recalls in connection with Takata front airbags cannot be ruled out. The technical investigations as part of the analysis program within the VW Group and the official consultations continue.

## EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no reportable events of material significance after September 30, 2017.

## FUEL CONSUMPTION AND EMISSION FIGURES, 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

CO<sub>2</sub> emissions in g/km (combined): 394–36

Efficiency classes: G–A+

Fuel consumption, CO<sub>2</sub> 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 CO<sub>2</sub> emissions of new passenger cars can be found in the “Guide on the fuel economy, CO<sub>2</sub> 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](http://www.dat.de)).

## DISCLAIMER

This Third 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. The figures in brackets represent those for the corresponding prior-year period.



**AUDI AG**

Financial Communication/Financial Analysis  
I/FF-3

Auto-Union-Straße 1  
85045 Ingolstadt  
Germany

Phone +49 841 89-40300

Fax +49 841 89-30900

email [ir@audi.de](mailto:ir@audi.de)

[www.audi.com/investor-relations](http://www.audi.com/investor-relations)