



2017
Annual Report



traction



Audi e-tron

Full speed ahead into the future: The Audi e-tron, our first fully electric SUV, hits the streets in 2018. The car has a range of up to 500 kilometers.

An aerial photograph of a rugged coastline. The sea is a deep, dark blue, contrasting sharply with the golden-brown and grey rocky shore. The rocks are jagged and uneven, with some areas appearing more eroded than others. A thin, dark line, possibly a road or railway, runs along the top edge of the frame. The overall scene conveys a sense of wild, untamed nature.

A change of perspective

opens up new ways of thinking. At Audi, we use these to achieve our **goals** faster and avoid standing still.

On the contrary:

Challenges stimulate, **boldness** inspires, **complexity** motivates.

We derive strength from this **thirst for action**. Strength to create innovations that we put on the streets.

Feel the traction!

*Dear Readers,
Dear Shareholders,*

What keeps you going in turbulent times? Our source of inspiration are delighted customers. We want to surprise them and put a smile on their faces. That is the fundamental compass along which we align our company strategy. Our **Audi. Vorsprung. 2025.** strategy ensures that our brand will continue to be a driving force also in the future. And that brings me to the central theme of our 2017 Annual Report: **traction**.

The automotive industry is currently undergoing the greatest transformation in its history. We are accelerating the alignment of our company with three strategic fields of action: digitalization, sustainability and urbanization.

We are dramatically expanding the diversity of drive systems in our product range. For example, we already have three g-tron models in our lineup. They are powered primarily with compressed natural gas (CNG). Based on a calculated average, Audi replaces the proportion of natural gas used by the customer with renewable Audi e-gas, which reduces the g-tron models' carbon footprint by over 80 percent. On the political front, it is to be hoped that the regulatory bodies setting down emissions legislation also recognize the important lever alternative fuels represent. In 2018, we celebrate the world premiere of our first series-production electric car, the Audi e-tron. For 2025, our goal is for every third Audi to feature electric drive. To get there, we are adding over 20 electric cars and plug-in hybrids to all segments in our portfolio.

Autonomous driving is a key technology for future mobility. The new Audi A8 is the world's first production car developed specifically for conditional automated driving at level 3. Find out how Audi is using increasingly automated driving functions to turn its models into personal companions. Companions that think for themselves, support their occupants intelligently and actively, and can get them where they are going safely.

Learn in this Annual Report how we are creating "Vorsprung" for our customers day in, day out.



Rupert Stadler
Chairman of the Board of Management of AUDI AG



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EXPERIENCE THE WORLD
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INTERACTIVELY AS WELL.

Photos, videos, information at:

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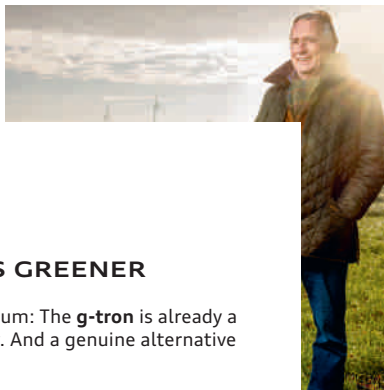
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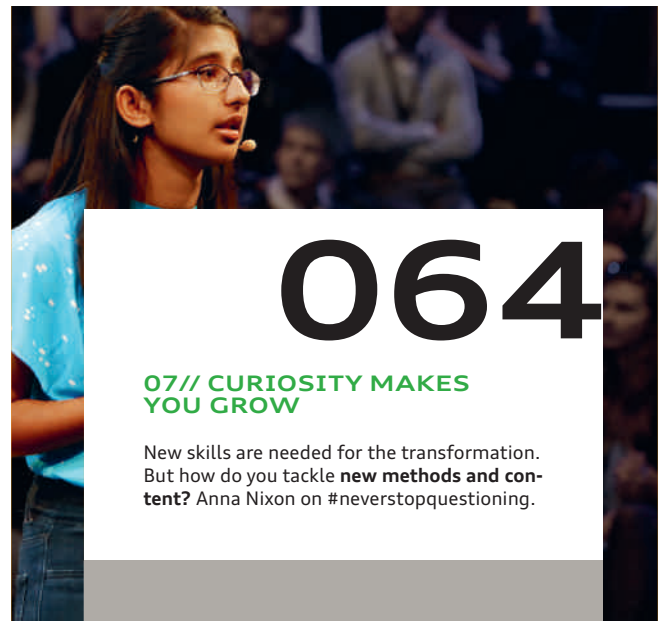
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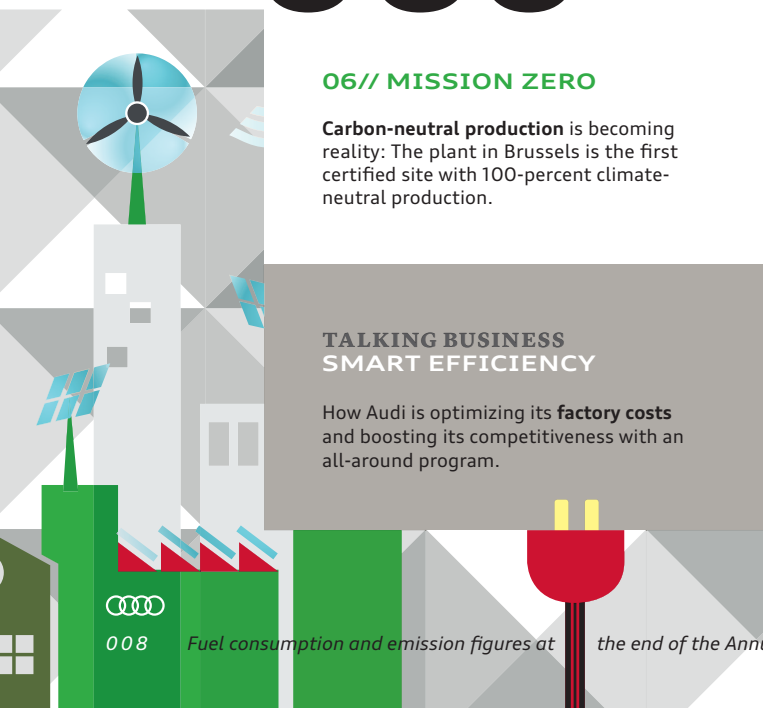
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THE AUDI CHANGE OF PERSPECTIVE YU ZHAO (SCOTT)

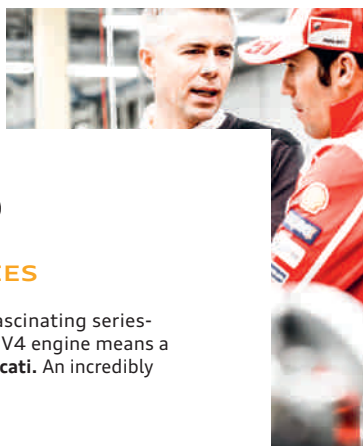
To be successful on the world's most complex market, you have to understand it. And precisely that is the job of **Audi Innovation Research** in Beijing.



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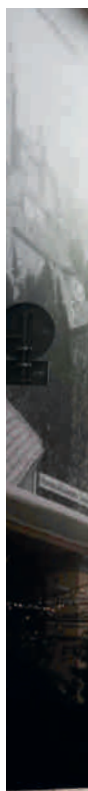
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Lamborghini is capturing a completely new market segment with the Urus. And wants to continue to grow profitably with the powerful Super SUV.





Peter Kössler

Production and Logistics

Bernd Martens

Procurement

Bram Schot

Marketing and Sales

Peter Mertens

Technical Development

THE BOARD OF MANAGEMENT



Rupert Stadler
Chairman of the Board
of Management

Alexander Seitz
Finance, IT and Integrity

Wendelin Göbel
Human Resources
and Organization



Audi Aicon – the mobility concept is a window on the autonomous future.

Audi is putting power on the streets.

With its Strategy 2025, Audi has charted its course for the future – and set in motion the biggest transformation in its brand’s recent history. The company is realigning itself step by step, yet at a rapid pace. A far-reaching program of measures known as the Audi Action and Transformation Plan is paving the way for this renewal.

It is probably the most exciting time the automotive industry has ever witnessed. Digitalization, sustainability and urbanization are the megatrends driving changes in customer needs, value chains and business models. Audi is up for the challenge. Throughout the company, Audi employees are tackling the topics of the future – in particular, electric mobility, autonomous driving and digital services – with great commitment. For tomorrow’s “Vorsprung.” All this calls for investments in the billions. At the same time, Audi still aims to achieve an operating return on sales of between eight and ten percent. “With the Audi Action and Transformation Plan, we are unleashing energies,” CEO Rupert Stadler says. “We are trimming costs and reducing complexity. Mainly, however, we are aiming for growth. With additional models and derivatives, we underscore our aspiration to play a leading role in the premium car segment.”

What will it take to reach these goals? An agile and capable organization. “Our team is the backbone of Audi,” says Wendelin Göbel, Board Member for Human Resources and Organization. “We systematically refine our structures and workflows. The goal: short decision-making processes and clear responsibilities.” That is key to business success for Audi, Göbel emphasizes. “Apart from that, we cultivate a contemporary leadership and collaborative culture based on values such as integrity and appreciation. This enables us to offer our employees the best possible conditions to live out their creativity and drive innovations.”

**“Our team is the
backbone of Audi.”**

*Wendelin Göbel,
Human Resources and Organization*



The Technical Development division is the Audi innovation factory – some 14,000 engineers around the world work with passion, spirit and energy on the future of the Four Rings. Transformation here is not an abstract term, but a long-standing component of day-to-day work.

**“With the Audi Action and
Transformation Plan,
we are unleashing energies.”**

*Rupert Stadler,
Chairman of the Board of Management*





“The definitions of premium and customer requirements are changing radically and faster than ever before,” says Peter Mertens, Board Member for Technical Development. “We are shifting the paradigms that guide how we develop cars and digital services in the future. And we are defining new technological focus areas that will fascinate customers.” As an example, Mertens points to visionary interior concepts for an autonomous, digital world. This includes the Audi Aicon mobility concept, which illustrates how autonomous driving is set to become a new kind of customer experience – superior usability in a luxurious atmosphere. “What will not change amid these dynamic developments are our high quality standards – even in the era of changing mobility.”

“We are defining new technological focus areas that will fascinate customers.”

*Peter Mertens,
Technical Development*

One prime focus on this journey is electric mobility. 2018 marks the debut of the Four Rings’ first fully electric series-production model, the Audi e-tron. Altogether, over ten fully electric cars are already earmarked for investments in the cycle plan. The aim: By 2025, one in three Audi cars sold is to be an electric model. This ambitious roadmap is a powerful statement – and also a major financial challenge. Due to the expensive batteries, product costs in the electric mobility area are still relatively high. Audi is countering this

with a holistic approach, systematically leveraging cost potential and using an intelligent platform strategy to get others within the group of companies on board. “Together with our suppliers, we make sure innovations are transferred to production models quickly and, most importantly, in a cost-efficient manner,” says Bernd Martens, Board Member for Procurement. “We are building strategic partnerships in growth areas such as battery cells, and forging bonds between Audi and established tech companies as well as up-and-coming startups at an early stage and in a spirit of trust.”

“We are building strategic partnerships in growth areas.”

*Bernd Martens,
Procurement*

In the 2017 fiscal year, Audi launched an unprecedented model initiative, starting with the presentation of the full-size class models A8 and A7 Sportback. Six core car lines, including the Audi A6, will be renewed in 2018, which means that on average a new model will go into production every three weeks. No small feat for the Audi manufacturing network. On top of that, the increasingly diverse product portfolio is expanding into a growing range of different drives – from diesel and gasoline engines, through CNG and hybrid systems, to fully electric cars. “The tight schedule for production starts and high levels of complexity make it a Herculean task,” concedes Peter Kössler, Board Member for Production

and Logistics. “Thanks to our flexible, efficient production system, which makes consistent use of Smart Factory technologies, we are able to mitigate this task. This way, we are advancing our vision of an intelligent, networked factory step by step.” Kössler also points out that Audi is streamlining factory costs. “We take an ambitious holistic approach. And that, in turn, gives our sites a lasting competitive edge.

“The tight schedule for production starts and high levels of complexity make it a Herculean task.”

*Peter Kössler,
Production and Logistics*

Keyword: new models. The new Audi A8 is a groundbreaking calling card for “Vorsprung durch Technik.” With a style-defining design language and innovative touch operating concept, it is a compelling package. Plus, it is the world’s first series-production car developed for conditional automated driving. “We aspire to make our mark on the prestigious full-size and luxury class in terms of both technology and

design,” says Bram Schot, Board Member for Marketing and Sales. “But the A8, A7 Sportback and A6 are just the prelude to an even bigger product extravaganza across all segments. Now they’re coming thick and fast – from the A1 and Q3, through the e-tron, to the Q8.”

“We aspire to make our mark on the prestigious full-size and luxury class in terms of both technology and design.”

*Bram Schot,
Marketing and Sales*

“To make sure the new models don’t just boost volumes, but also leave a greater impact on profit, we are positioning ourselves cleverly on the markets,” says Alexander Seitz, Board Member for Finance, IT and Integrity. Audi is only producing what customers really want. “The market tells us what it wants and we act accordingly. That also helps us with pricing,” explains Seitz. With a range of models and variants tailored to customers’ wish lists, Audi is strengthening its traditional core business – the production and sale of





“The market tells us what it wants and we act accordingly. That also helps us with pricing.”

*Alexander Seitz,
Finance, IT and Integrity*

premium vehicles. At the same time, the company uses the opportunities digitalization offers. Such as function on demand, for example. Going forward, customers will be able to order certain vehicle upgrades quickly and conveniently – including, for instance, the Matrix function for LED headlights before a long nighttime journey. The activation process takes the quick and uncomplicated form of a software update. Customers only pay for functions they intend to use over a specific period.

Nowhere is digitalization surging ahead faster than in China, the biggest single market for Audi. For exactly 30 years now, the company has been shaping that country’s premium car market and scoring big with an in-depth understanding of Chinese customers, with strong local production and sales expertise plus – and this is key – with strong partners at its

side. Now it is time to launch the next stage in China. “To make it happen, we are repositioning ourselves and expanding our local commitment as a way of preparing for the next growth spurt,” says CEO Rupert Stadler. All this shows that Audi has clear goals, ambition and strength of purpose. The path to attaining these goals is clearly defined. “The entire company is experiencing far-reaching change,” says Stadler. “With the Action and Transformation Plan, we are laying the foundation for Strategy 2025 – and putting power on the streets.”

“The entire company is experiencing far-reaching change.”

*Rupert Stadler,
Chairman of the Board of Management*



The Board of Management at the new Audi Design Center in Ingolstadt.



CHALLENGING

TEXT: Lidija Marinkovic // PHOTOS: Klaus Mellenthin, Shutterstock

The Audi change of perspective
Silja Pieh // Munich

2021. In just three years' time, highly automated driving is set to become a reality for mobility services in urban environments. It is certainly an ambitious goal. To achieve it, Audi has found a way to fast-track things: with AID. The acronym stands not only for Munich-based Autonomous Intelligent Driving GmbH, but also for the future of urban mobility. To go the distance, you need the right skills. At the heart of the action: Silja Pieh, responsible for Finance and Product Management at the Audi subsidiary.

STIMU
LATING



The Audi change of perspective Silja Pieh // Munich

Audi is now also a software company. Well, almost. By establishing Autonomous Intelligent Driving GmbH, the car manufacturer is exploring new avenues. In line with its focus on software development, artificial intelligence and robotics. AID focuses on software rather than hardware. As such, it is an important cornerstone for the future of mobility. The goal: autonomous driving.



Located in the heart of Munich, a team of international experts develops new software technologies and solutions for the urban environment. Silja Pieh, 43, has been part of it from the outset – as far back as when Autonomous Intelligent Driving GmbH was just an in-house project. A year ago, it was transformed into a company in its own right. The fully owned Audi subsidiary is not your typical spin-off. That is because at its core, AID is a software company focusing on the innovation area of autonomous driving. For this, you need not only new skills, but also new ways of working. In other words, a change of perspective. Silja and Autonomous Intelligent Driving GmbH understand this – and put it into action each and every day. This is immediately apparent as soon as you walk through the premises. Colleagues speak English and the atmosphere is decidedly cosmopolitan. Staff members come from a long list of different places – Canada, Russia, Sweden and France, to name but a few. Many young people are drawn to Munich to work for the Audi subsidiary. Plans are for as many as 600 people to be employed by the spin-off in the future. And there is no shortage of applications – autonomous driving is definitely a hot future topic. One where you can make a big difference. Which is exactly what drives Silja – pushing for change and endeavoring new things. Anything but standing still.

**“YOU HAVE TO BE PERSISTENT –
THERE’S NO GUARANTEE OF SUCCESS
WITH A SPIN-OFF LIKE OURS.”**

That is not always easy. Especially when you have to try and reconcile a big corporation and the startup way of thinking. Having close ties with Audi is important and brings major benefits. The dialogue with the development team working on

series-production models is crucial. After all, the ultimate goal of the development process is to put a self-driving car on the market. Silja describes the feedback loop with Audi as a process of balancing the evolutionary and the revolutionary path. The evolutionary tendency describes the direction that series development at Audi and in other parts of the Group takes – in other words, the step-by-step progress of advancing from assistance systems. For a recent example, look no further than the new Audi A8, which is the first series-production car in the world developed for conditional automated driving at level 3. With the next step being the highway pilot. Autonomous Intelligent Driving GmbH, however, is aiming directly for level 4+: highly automated driving in an urban environment. Which is why the company needs people who will forge ahead in fields such as machine learning and develop programs to handle complex situations in cities.

**“I DON’T SEE IT AS A RISK
BUT RATHER AS A TREMENDOUS
OPPORTUNITY.”**

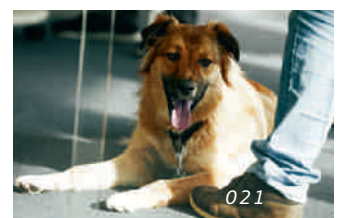
That goes for Silja, too. She is constantly seeking challenges and it is not hard to get her excited about new ideas. What others find difficult to imagine only serves to stimulate her. And Silja sees the big picture at the end of the road: autonomous driving with the wide range of possibilities that this technology offers customers – from greater flexibility to time savings and hence more personal freedom. For Silja, the chance to create something new and co-found a company are thrilling prospects. This is precisely the kind of enthusiasm she brings to Autonomous Intelligent Driving GmbH. Although it is still early days for the team, they already have their sights set on a demanding task and major goal: 2021.



AUTONOMOUS INTELLIGENT DRIVING GMBH

Highly automated driving for mobility services in an urban environment by 2021. Audi is relying on a fast, agile structure to achieve this goal and has established its own software company especially for this purpose.

www.aid-driving.eu





01 // AI IN THE GENES

TEXT: Lidija Marinkovic // PHOTOS: Tobias Sagmeister

ACTIVE NOISE CANCELLATION

Psssst: With certain engines, the A8 is additionally equipped with Audi active noise cancellation. Selective counter-noise is emitted by the sound system speakers in order to suppress unwanted noise in the vehicle interior. This lets occupants concentrate on what is important. Or simply enjoy the silence.

DYNAMIC ALL-WHEEL STEERING

Sporty and safe: The optional function combines a sporty and direct steering response with maximum stability. At low speeds, the rear wheels are turned by up to five degrees in the opposite direction to the front wheels to facilitate maneuvering on tight bends and reduce the turning circle by about one meter – making it even smaller than that of the A4. Above speeds of around 60 kilometers per hour, the wheels are turned by up to two degrees in the same direction as the front wheels for increased stability during abrupt lane changes and evasive maneuvers.

(REMOTE) PARKING PILOT AND REMOTE GARAGE PILOT*

Feels like magic: The two optional assistants autonomously guide the Audi A8 into parallel or right-angle parking spaces as well as into and out of a garage. The systems not only recognize obstacles, such as bicycles, but also gauge if there is enough space for the car. The driver monitors the maneuver, but does not need to be seated inside the car.

INTELLIGENCE MAKES DRIVING FUN

Clever: The new A8 features quattro permanent all-wheel drive as standard. Those who want more can go one step further – with the optional sport differential. When cornering at high speeds, it actively and intelligently distributes the drive torque between the rear wheels wherever necessary, for even sportier driving and more stable handling.

PALPABLE COMFORT

Relaxation: The new seats in the A8 are available with optional pneumatic seat cushion and backrest side bolster adjustment, as well as seat heating and ventilation. Each front backrest contains 16 massage bubbles, with as many as 18 in the rear seats. The rear right-hand seat offers another optional feature: a foot massage and foot warming function.

ADAPTIVE AIR SUSPENSION

Like riding on air: The air suspension with controlled damping gives Audi models such as the A8 optimum roll comfort and sporty handling. The Audi drive select system lets the driver choose between four operating modes – each of which changes not only the engine and transmission characteristics, but also the steering and suspension response and even the ride height of the body. Whether comfort, auto, dynamic or individual – the different adjustments can be felt in every situation and give the car an entirely new character.

PREDICTIVE ACTIVE SUSPENSION

Quick-change artist: Depending on engine choice, the electro-mechanical active suspension is optional and allows the A8 to alternate between the roles of sports car and luxury sedan, depending on the situation. With the help of electric actuators, the intelligent, fully active suspension system can increase or reduce the load on each wheel individually. This almost completely eliminates factors such as the roll and pitching motion of the body, making for an even smoother ride.

NATURAL VOICE CONTROL

The intelligent conversation partner: K.I.T.T., the talking car from the famous 80s TV series Knight Rider, would be green with envy. After all, the natural voice control system in the A8 understands many everyday spoken expressions and can even respond to commands and questions. To do this, the system accesses data on the user's preferences. Spoken commands are compared with both the onboard content and, via Audi connect, with content stored in the cloud. This makes for better recognition, thereby improving accuracy.



INTELLIGENT DRIVE MANAGEMENT

Optimum efficiency level: The optional laser scanner, optional long-range radar and the front camera create a trio of sensors and, together with predictive navigation data, pave the way for anticipatory driving. And all without the customer having to lift a finger. This technology not only saves fuel, but actually generates energy. How smart is that?

MILD HYBRID TECHNOLOGY

Smart saving: Thanks to mild hybrid technology, the A8 can switch off the engine and make use of the dynamic coasting function in the speed range between 55 and 160 kilometers per hour. The vehicle then travels with virtually zero emissions for up to 40 seconds. Thanks to this technology, a total of up to 0.7 liters of fuel can be saved per 100 kilometers. The system's central components are the water-cooled 48-volt belt alternator starter (BAS) and the lithium-ion battery.

SMART LIGHT

Let there be light: The optional HD Matrix LED headlights with Audi laser light adjust to every situation, providing excellent illumination of the road, which can improve safety. The rear of the car is fitted with a continuous LED light strip and the optional wafer-thin OLED lights.

AUDI CONNECT AND INFOTAINMENT

Entertainment at the highest level: The optional service offering is particularly diverse. It ranges from the hybrid radio functionality which, depending on the reception quality, can switch seamlessly between FM, DAB and online radio stations, through emergency call, roadside assist, traffic sign and hazard information all the way to displaying vacant parking spaces. This is brought about by features including two innovative Car-to-X services that make use of the Audi fleet's swarm intelligence. This year will see the addition of the on-street parking service, which facilitates searching for a parking space. The new myAudi app connects cars closely with smartphones – taking intelligence outside the confines of the car itself.

AUDI AI TRAFFIC JAM PILOT*

Hands-free thanks to level 3: Put simply, in gridlock and slow-moving traffic traveling at up to 60 kilometers per hour, the A8 can take over the task of driving on highways or multi-lane roads with physical barriers between oncoming lanes. Drivers can take their foot off the accelerator and their hands off the steering wheel for longer periods. In lines of traffic traveling at up to this speed, the Audi AI traffic jam pilot handles starting from a stop, accelerating, steering and braking in its lane. That is some visionary leap.

MMI TOUCH RESPONSE

Futuristic: The innovative touch operating concept does away with the rotary/push-button control and replaces the previous model's touchpad. The instrument panel is kept largely free of buttons and switches. The highlight of the system is the haptic feedback provided as a mechanical pulsation and accompanied by a click sound.

*The assistance systems and automated technologies mentioned herein are currently still in the development stage and are not yet available in production vehicles. Further information about their availability can be obtained from your Audi partner. At the moment, automated driving is not legally approved for use on public roads in most countries. Please also note in general that assistance systems can only assist the driver in the task of driving within the respective system limits. The responsibility and attention necessary for executing the driving task always remain with the driver.



Can a car be smart? The fourth-generation Audi A8 certainly is. Equipped with numerous intelligent systems, it acts as a conversation partner, efficiency guru, drive torque distributor, masseur, light animator and lots more besides.

Beyond these pages, you will find many highlights of the new Audi flagship. Online you can also discover how the A8 is actually two cars in one and how it very quickly becomes its driver's best friend.

**WHY
IS THE
AUDI A8
SO INTEL-
LIGENT?**

www



audi.com/ar17/A8

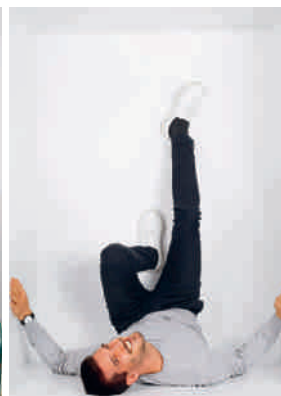
02// FAM ILY BUSI NESS

TEXT: Maj-Britt Peters // PHOTOS: Thomas Dashuber, AUDI AG



A6





Nothing brings out similarities and differences quite like a family photo. The A8 is status-minded and upstanding, the A7 Sportback is athletic and dynamic, the A6 moves elegantly between the two. Their characters are uncompromisingly reflected in their design, right down to the last detail. And yet their shared DNA is unmistakable.

The diversity of the new Audi full-size models is mirrored by the designers themselves. Whether in looks, personality, perspective or source of inspiration – the team combines a wealth of different facets. But as with shared DNA, they are all linked by the same goal: creating a custom-made suit that shows character and brings technology to life. Discover online why an Audi car, much like an Audi team, is far more than the sum of its parts.

**HOW
DOES THE
DESIGN
TEAM EN-
GINEER
THE NEW
FULL-SIZE
CLASS?**

WWW

audi.com/ar17/design



TALKING BUSINESS

POWERING PROFITABILITY

Audi is setting itself ambitious goals for electric mobility. Production of the Audi e-tron electric SUV is scheduled to begin this year, followed by the e-tron Sportback in 2019. By the year 2025, one in every three Audi vehicles sold is to be a fully electric car. At the same time, the company's target for operating return on sales will remain between eight to ten percent in the future as well. No mean feat given that the product costs of electric vehicles are (still) comparatively high due to the costly batteries. Despite this, Audi aims to inspire as many customers as possible with attractive offers to make the switch. A challenge for the entire automotive industry. All of this shows: Sustained financial success by Audi calls for profitable electric mobility.

To achieve this goal, Audi is pursuing an integral approach based on factors including lean, optimized cost structures. "Powerful leverage can be achieved by making the best possible use of synergies," says Board Member for Technical Development Peter Mertens. Synergies between individual Audi models. And within the group of companies. Know-how is pooled, architectures and components are jointly developed and deployed. "This also benefits the customer. The resources freed up as a result allow us to extend our lead in other important

growth areas such as autonomous driving." At the same time, Audi is tapping the revenue potential of electric mobility and plans to offer additional services in the future that customers can use temporarily or permanently via an app.

Audi is designing electric mobility to drive profits:

- > with competitive cost structures,
- > through optimized use of synergies,
- > by opening up added revenue potential.

HOW DOES
AUDI
MAKE
ELECTRIC
MOBILITY
PROFIT-
ABLE?

WWW

audi.com/ar17/e-mobility

Power Statistics

History

-5h

-3h

-1h



85 % Power



03 // FOUR-PART HARMONY



Sixth floor, Building S49 of the Audi plant in Ingolstadt. This is not a room you would expect to find on a carmaker's premises. It is not a design studio, not a body shop and not an office. Instead, it's a place for music – the rehearsal room of the Four Rings' works orchestra, the Audi Philharmonic Wind Orchestra. Here, Audi Board Members Alexander Seitz and Wendelin Göbel meet with sociology professor Stefan Köhl and integrity expert Holger Eckstein. A discussion about the conflicting pull between goal-oriented leadership, the pressure to perform as well as integrity and compliance.

Mr. Göbel, here we are holding a conversation between drums, trumpets and music stands. Isn't a company such as Audi a little bit like a big orchestra?

GÖBEL: Yes, there are a lot of parallels. Each musician is an artist in their own right with unique skills. But to achieve lasting success, they all have to devote themselves to a greater cause, casting aside vanity and sensitivities. And follow the conductor's lead. If just one of them steps out of line, the overall sound quality suffers.



ALEXANDER SEITZ
Finance, IT and Integrity

Alexander Seitz was born in Lahnstein, Germany, in 1962. He studied business administration in Saarbrücken and began his career at what was formerly Daimler-Benz AG. There he assumed various national and international positions in Accounting, Controlling and Purchasing. Seitz joined Volkswagen AG in 2005. After a number of different roles, including as member of the executive management of Volkswagen do Brasil, he was named First Vice President & Commercial Executive Vice President of SAIC Volkswagen Automotive Co., Ltd., in Shanghai. In 2017, Seitz became Member of the Board of Management of AUDI AG, where he is responsible for Finance, IT and Integrity.

In business, playing by the book is called compliance. Mr. Seitz, you are also responsible for integrity at Audi. What is the difference?

SEITZ: There are lots of definitions, but the way I like to explain it is with an example. When in the seventies seatbelts became mandatory in Germany, there was initially a huge outcry because drivers felt this encroached on their freedom. It was only the threat of fines that made us grit our teeth and buckle up. That's compliance – adhering to rules. Today, no responsible driver would think of setting off on vacation without ensuring that his children's seatbelts are securely fastened, regardless of whether he's likely to hit a police checkpoint or not. Why? Because standards have changed. That's integrity – doing the right thing even when no one is looking. This is something we aim to pursue systematically at Audi.

Which brings us to the next topic – diesel. Does there always have to be a scandal before we have these conversations?

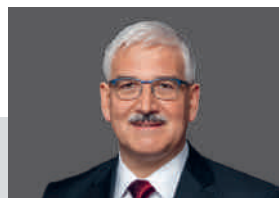
KÜHL: Especially after a scandal, companies want to prove to the public that they are ready to acknowledge their mistakes and do better. Structural changes are initiated, regulations tightened and new specialist departments created. This certainly applies to Audi, too, and as a first step, that's the right thing to do. Then comes a lot of flowery language about values, which often fails to get to the heart of the matter. Instead, companies would do well to admit that there are always conflicting goals in business. That is why, for legitimate reasons, businesses operate in the gray areas on the borders of what's permissible.

What do you mean?

KÜHL: One of the first things I learned in the automotive industry was how to deal with competitive pressure. A few years ago, I visited a manufacturing site and asked whom they considered to be their fiercest competitor. To my surprise, they didn't answer "competitor A" or "B" but "our plant next door" that produces the same parts and may well be awarded the next model. And if you're too quick to reply that we must all pull together as a team, you're missing the point about how these employees perceive reality.

SEITZ: You're right, that's a good example of conflicting goals. There are opposing interests and perspectives in our Group, too. But at the end of the day, it's about achieving success together. Over the course of my own career, I've assumed the most varied positions and, of course, thrown my weight behind the respective interests in the process. But such conflicting goals have nothing to do with gray areas. We are a profit-oriented organization and have ambitious goals, which we pursue relentlessly. Nevertheless, scams and rule violations must be taboo. Rules – whether in the form of laws, regulations or corporate guidelines – must be strictly adhered to. Without exception.

GÖBEL: Especially in the premium segment, the truth is that customers buy a brand that they connect with emotionally and that they trust. And they identify powerfully with the Four Rings. By nature, that excludes shady and corrupt business practices. I like to hold our corporate activities up to the ideal of the honest salesman. He also faces conflicting goals but, for all his commercial drive, would never conceive of breaking the rules. Once you shake on it, it's binding.



WENDELIN GÖBEL

Human Resources and Organization

Wendelin Göbel was born in Eichstätt, Germany, in 1963. After training as a publishing clerk and then earning his degree in industrial engineering at Munich University of Applied Sciences, Göbel started his career at Audi in 1987. He occupied various roles, including in Procurement at Audi and within the Volkswagen Group. From 2003 to 2007, he served as Head of the Board of Management's Office of AUDI AG and was a member of the Audi Strategy Committee. He was then appointed Head of the Board of Management's Office of the Volkswagen Group and of the Volkswagen brand. In 2017, Göbel was appointed to the Board of Management of AUDI AG, where he is responsible for Human Resources and Organization.





HOLGER ECKSTEIN
Integrity expert



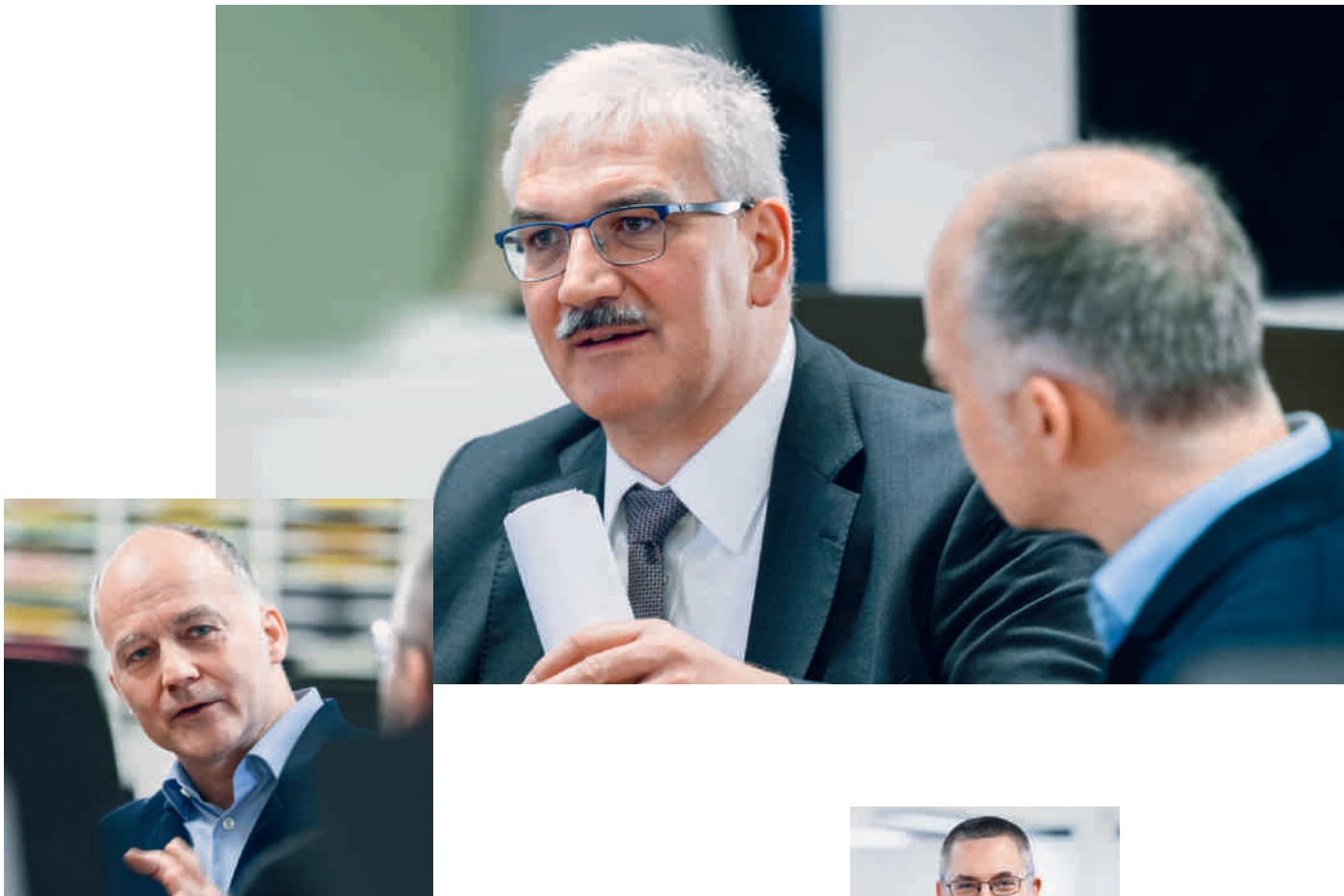
Holger Eckstein, who was born in 1965, studied business administration at the WHU – Otto Beisheim School of Management in Vallendar, Germany. After ten years as a business consultant, executive and HR consultant, he opened his own business as a life and leadership coach and change management consultant in 2000. In the years that followed, he became an expert in meaning and integrity. He helps people and companies use integrity to shape their lives and their businesses in a meaningful way that generates the greatest good for all those involved.

So integrity pays in the long run?

ECKSTEIN: Yes, staying clean pays. There is this pre-conception that integrity is an obstacle to a career. That saying yes and doing what you're told without arguing will get you ahead a lot faster. From my many years of experience as a transformation coach, I can tell you that's definitely not true. Integrity builds a strong support base. I sense a real desire among people for leaders who, in times of doubt, follow their own convictions instead of being swayed by some faction's interests. My unequivocal recommendation to Audi is: Stay true to your values. That way, others will follow your lead.

GÖBEL: That's a good point. Successful transformation needs a contemporary culture of leadership and teamwork. I'm a native of this region and came to Audi 30 years ago. Since then I've borne witness to an unparalleled success story. But we can't afford to rest on our laurels. We know we need to make changes in many areas. For instance, by further honing our leadership principles and the Audi Code of Conduct.





I consider our key corporate values to be appreciation, openness, responsibility and integrity. With the “Stimmungsbaremeter,” we regularly survey our employees about our progress, which is a good touchstone for integrity and the culture at Audi.

ECKSTEIN: We need to be clear about the fact that selectively engineering a change in culture is a far-reaching process that takes many years. There’s no manual for how to go about it. It’s no easy feat and demands a great deal of the executives. Along the way, it helps to engage in honest dialogue with the employees. You’ll be surprised at how much employees are capable of. Because, believe me, people have a sixth sense for whether you’re serious about change or not.



STEFAN KÜHL
Sociology professor

Stefan Kühl, who was born in 1966, studied history and economics at the University of Bielefeld, John Hopkins University in Baltimore, the University Paris Nanterre and the University of Oxford. He earned a doctorate in sociology from the University of Bielefeld and another in economics from Chemnitz University. Following various professorships, including at the Helmut Schmidt University/University of Armed Forces in Hamburg, Kühl has been a professor of sociology at the University of Bielefeld since 2007. He is also an organization consultant for the Meta-plan company.



- > Sustained, financial success and responsible action are inseparably linked.
- > This is why Audi has defined integrity, respect and collaboration as an independent strategic goal – on an equal footing with corporate image, agility and profitable growth.
- > To achieve this goal, Audi is pursuing a holistic approach, systematically fine-tuning existing processes, structures and its corporate culture as a way of consolidating the Four Rings' ongoing viability.

And is Audi serious?

GÖBEL: For one thing, there's already a fantastic energy in the team today. This is what made Audi great. However, we also have to ask ourselves how can we advance our shared understanding of values. This is only possible through open dialogue across all hierarchies. We've established platforms and formats for this, where thinking outside the box is not only accepted but encouraged. I want it to be easier to put forward new ideas and openly discuss them.

KÜHL: Most innovations actually come from pushing back boundaries. We organizational sociologists like to talk about "useful illegality." Only when members continually weigh up whether to abide by formal structures or bend the rules will their organization become truly agile. It's no mere chance that work-to-rule is one of the most effective forms of industrial strike in a company.

ECKSTEIN: It stands to reason that no company can achieve a transformation with a work-to-rule approach. It takes entrepreneurship and the drive to shape change. And integrity is our North Star. Laws, rules and regulations are natural boundaries that are non-negotiable. This is a balancing act that calls for a shared understanding of "What's possible?" and "What's off limits?" that applies to everyone.

SEITZ: I think there's one thing we all realize: A second diesel scandal must never be allowed to happen. This goal unites us all. To achieve it, we are guided by the concept of entrepreneurial integrity. This is why we have pooled and reinforced the areas of Integrity, Compliance and Risk Management. We have honed our processes in product development and put integrity under the authority of the Board of Management.

GÖBEL: And we are bringing all employees on board. Integrity, culture and compliance are not "wellness" topics; they have very specific consequences and measurable effects. It's about reputation and financial success. So at the end of the day, it's also about job security going forward.



The Audi Philharmonic Wind Orchestra's rehearsal room: Audi Board Members Alexander Seitz and Wendelin Göbel along with Stefan Kühn and Holger Eckstein in dialogue with musicians.

AUDI PHILHARMONIC WIND ORCHESTRA

Since 1962, Audi has offered the music aficionados among its Ingolstadt workforce the opportunity to play in the company's symphonic wind ensemble. Comprising some 60 members, the Audi Philharmonic Wind Orchestra takes part in the Summer Concerts, gives a benefit concert each fall and accepts invitations to perform all over Germany. While two thirds of its members are current and former Audi employees, other amateur musicians from the region can also join their ranks.



CHALLENGING

COOPERATION ON AUTONOMOUS DRIVING AND ARTIFICIAL INTELLIGENCE



Two powerful technology statements //

Bit by bit more intelligent

In 2017, Audi presented the **concept cars Elaine and Aicon** to the public. The two vehicles look in differing depth into the future of autonomous driving: Elaine previews the next level while Aicon is even more futuristic with its new-style interior concept, completely dispensing with the steering wheel and pedals. Both demonstrate how advanced the Four Rings' visionary thinking is today and what needs future cars are expected to meet. In order to push ahead with autonomous driving as rapidly as possible, Audi also enters into cooperation with others to further expand its global artificial intelligence network. In one such project, Audi joined forces in 2017 with the **Institute of Bioinformatics at the Johannes Kepler University in Linz, Austria**, to promote fundamental research in this field. Alongside the Audi.JKU deep learning center and other university cooperation projects devoted to the subject of AI, Audi collaborates with top players from the electronics industry, such as **NVIDIA**.

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ABOUT THE
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DRIVING.

WWW

audi.com/ar17/AI

TEXT: Lidija Marinkovic // PHOTOS: AUDI AG, Aydın Büyüktaş

STIMULATING



Audi at the UN Congress // **AI for Good**

Artificial intelligence (AI) is a key technology in autonomous driving. And not only that – AI will also change the working world. To make sure it is applied for the good of society as a whole, Audi set up the **bey^{ond} initiative**, an interdisciplinary network comprising international AI thought leaders, over two years ago. Rupert Stadler introduced the initiative at the **United Nations AI for Good Global Summit** in Geneva in June 2017. In bey^{ond}, Audi experts work with software engineers, philosophers, psychologists, legal experts and startup entrepreneurs. For good teamwork between man and machine.



Startup spirit at Audi //

25 hours to devise new soft- ware ideas

Headed toward the factory of the future with 19 interdisciplinary teams: At the second **Smart Factory Hackathon** in October 2017, everything revolved around big data, machine learning, algorithms and data visualization. **Some 80 data science specialists** from ten countries were in attendance. Using real data sets from Audi Production, software solutions for the factory of the future were developed as part of a 25-hour sprint. The best ideas are to be put into practice at a later date. The winners: a team of students and their model, with which potential flaws in the bodywork can be predicted at an early stage.



BOLD

TEXT: Kerrin Nausch // PHOTOS: Klaus Mellenthin, Markus Klug, Shutterstock



The Audi change of perspective Matthias Brendel // Berlin

Are cars dead? No! They just need to be reinterpreted. Taken farther. More digital. Successfully transforming Audi into a digital car company by 2025 calls for new approaches. Like the Audi Denkwerkstatt in Berlin. As a startup among startups, Matthias Brendel and his team pick up ideas in the company, take them to the next level and return the refined concepts to Audi. In the Factory Görlitzer Park coworking space, the team lives and breathes the change of perspective every day.

IN SPIRING



“IN THE PAST, WE DEFINED
MOBILITY SOLELY BY CARS. IN THE
FUTURE, WE ALSO WANT TO OFFER
ALTERNATIVE FORMS.”

The Audi change of perspective Matthias Brendel // Berlin

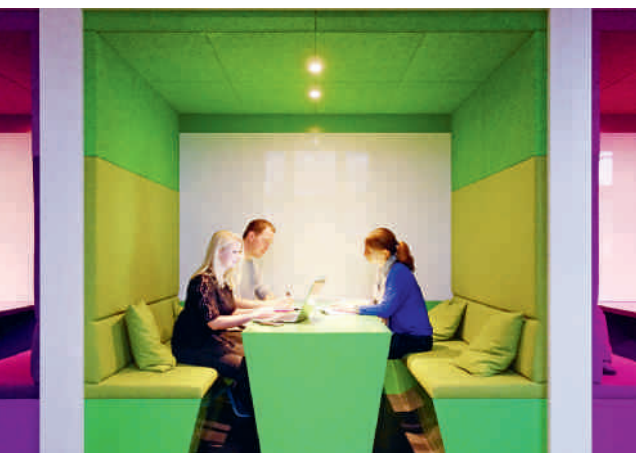
The Audi Denkwerkstatt is located where the action is. In Berlin, a city that attracts countless pioneers, creators, movers and shakers. The home of the premier network for entrepreneurs. Where two billion U.S. dollars in venture capital flow into startups every year. An important hotbed of ideas in Western Europe, along with London and Paris. More and more major corporations are being attracted to the city, too. The Denkwerkstatt started out in Berlin in fall 2016 with a bold experiment that has long since become an established way of doing business.



Listening to Matthias, it is easy to see why he is predestined for the Audi Denkwerkstatt. He contributes more than just his professional expertise gained from several years as a drive system engineer in Technical Development at Audi. His greatest strength is his passion for ideas and sustainability reaching far beyond drive systems and cars.

The 35-year-old's eyes light up when he talks about what his team is working on. The think tank's mission is to look at much more than just the vehicle itself. Their work extends to not just drivers, but to all road users. With this, Audi aims to find suitable solutions tailored to customers' needs.

An innovative, startup-oriented setting was therefore critical to the success of the Denkwerkstatt from the very beginning. The seven-strong team started out in a coworking space in Berlin. While there is an Audi team office, all employees are also free to use other spaces such as a library, meeting rooms





and a kitchen. They share these spaces with other extensions of multinational corporations as well as individual freelancers and startups. The ideal conditions for networking. The pace here is extremely fast and the working methods creative. Audi employees in the think tank are consciously encouraged to break the mold when it comes to established structures and workflows.

The core team comprises members from all areas of the company. This unit is joined regularly by a different group of 15 Audi colleagues from locations such as Ingolstadt and Neckarsulm who stay for six months at a time. Although the idea behind the think tank was born in Technical Development, the participants now come from all divisions. Every department from Sales through Procurement to Design is represented. The advantage is that a diverse group generates deeper discussion. The result? A greater wealth of innovative solutions that can be immediately tested and analyzed in the



AUDI DENKWERKSTATT

Quick, effectively networked and an integral part of Berlin's startup community: The think tank turns the dreams of urban customers into solutions for future mobility.

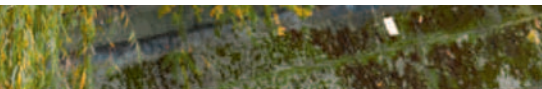
www.audi-denkwerkstatt.com

creative hub that is Berlin. If these are truly good enough to help resolve issues more than just temporarily, then comes the next challenge – developing them into a viable business model.

Matthias is proud of having launched a genuine spin-off that is already doing business on its own. He is thrilled by the enormous energy unleashed by this new way of working collaboratively. And reveals an important lesson he has learned: Changing perspectives is not always comfortable.

“WE ARE 100 PERCENT BELIEVERS IN THE CONCEPT OF NETWORKING, WHICH ALSO INCLUDES BEING DRAWN OUT OF OUR PERSONAL COMFORT ZONES TO THE FULLEST EXTENT POSSIBLE.”

During their six months in Berlin, the participants also share housing. Apartments in a boarding house are shared by two or three people. It's a living situation most have not experienced since their college days, but it works well and helps the team grow closer together. From the very first day, that makes the Audi Denkwerkstatt more than just an ideas incubator: It is also a transformation engine. When those taking part return to Ingolstadt or Neckarsulm after six months, they have internalized the startup mentality. So the network of innovative thinkers grows from one session to the next, and with it the innovative edge that will also ensure “Vorsprung” for Audi in the future.





04 // THE VOLT DIGGERS

TEXT: Verena Schwanitz // PHOTOS: Bernhard Huber, AUDI AG



The racing team of the Four Rings has a prominent position on the world map: Neuburg an der Donau, 35 kilometers southwest of Ingolstadt and 95 kilometers north of Munich. The place where 500-horsepower DTM racing cars receive their final tune-up during the racing season. This is where Rupert Stadler, Chairman of the Board of Management of AUDI AG, meets Alejandro Agag, CEO of the Formula E electric racing series. Two visionaries, a Faraday cage and an electrifying dialogue about family politics, extreme pioneering spirit, illuminated racing cars and women in the driving seat.



Mr. Agag, with your flight to Munich, you are responsible for just under half a metric ton of CO₂ emissions. Doesn't that make you feel like an environmental polluter, or did you buy CO₂ certificates in compensation?

AGAG: You've got me! To be honest: no. Nowadays, mobility is nearly always a burden on the environment. That's why we are doing everything we can in Formula E to focus on renewable energy and efficiency. Like most of the world, we are on our way into the electric age at full speed.

Mr. Stadler, how important is it to you that Audi has a small environmental footprint?

STADLER: Our goal is to further reduce our cars' emissions and to produce them in clean plants. At the same time, we have to be commercially successful in order to have a positive influence on society, so a small environmental footprint is very important to me. Anyone who doesn't ensure long-term sustainability in his company won't have a future.

“Despite all the uncertainty, for me, Formula E was a bright star in the sky right from the start.”

Rupert Stadler



ALEJANDRO AGAG

was born in Madrid in 1970. Following his studies of business management, he became the youngest Spanish member of the European Parliament at the age of 28. In 2001, he decided to leave politics and moved to motorsport. Alejandro Agag acquired the Spanish TV rights for Formula 1 and successfully managed the Spanish GP2 team. Since 2012, he has been the CEO and promoter of Formula E Holdings. In 2002, he married Ana Aznar Botella, the daughter of the former prime minister of Spain. They have four children.

Mr. Agag, you preach sustainability. But be honest, do you use green electricity at home?

AGAG: I have two homes. In sunny Spain, I have solar modules on the roof. In London, the rainy weather dampens my energy balance.

What took you to London, was it caused by your move from politics to motorsport?

AGAG: It was due to my wife. I left politics for her sake. Her father was the prime minister of Spain. In the end, we were talking about politics every day. And you know, it got to the point where I'd had enough. I decided to have a business affair and found it in Formula E.

Mr. Stadler, have you driven the Audi e-tron FE04 yet?

STADLER: That's definitely on the agenda next! I've already driven the Audi RS 5 DTM a few times. It's loud, hard and as wild as an untamed animal. And it's a lot of fun. I have great respect for the drivers who sit behind its wheel in a full race suit in temperatures that often reach 65 degrees Celsius. These cars' braking performance is incredible. I've heard enthusiastic reports of the fantastic acceleration of the e-tron FE04. So I'm looking forward to driving it through the double right-hand bend in Neuburg.

Lots of people think you're crazy, Mr. Agag, because you were bold enough to establish an environmentally friendly motorsport series.

AGAG: You're right, that's what a lot of people think. At first, it was hard work getting my team enthusiastic about the idea, while fighting for sheer survival. Many skeptics regarded us with suspicion and arrogance. They were convinced that this adventure wouldn't last long. The biggest challenge was to convince major sponsors and car manufacturers of the long-term perspective. Now, I'm amazed how quickly Formula E has progressed: much faster than expected. We were in the right place at the right time. Our idea was crazy and daring, but our courage paid off.

STADLER: Crazy? *(Laughs)*. In 2006, they said the same about Audi and the diesel engine in Le Mans. Then we even showed up with a diesel hybrid. We brought lots of victories and trophies home with Audi Sport. And after all those years, we left Le Mans in 2017. We left with mixed feelings. But it's often the bold decisions that lead to success. Despite all the uncertainty, for me, Formula E was a bright star in the sky right from the start. We took the first pole position, we were the first German premium carmaker to enter a works team. Other competitors soon followed us.

Apropos pole position, what is it about Formula E that electrifies you?

AGAG: Our racing series is unique. The electric racing cars battle it out through city centers, past residential buildings, shops and parks. By the year 2050, two thirds of all people will probably live in cities. That's an ideal situation for staging the races in large urban centers around the world. So I'm the circus director and bring the artists together in an exciting show in the ring.

STADLER: As an electric racing series, Formula E impressively demonstrates that thrilling motorsport is possible with almost no emissions. I'm looking forward to the Formula E circus bringing its show to Berlin again. The race-track at the former Tempelhof Airport is something very special.

cancel this year's season finale there. Aren't you being overly optimistic about your series?

AGAG: Like other motorsport, Formula E also polarizes. And we don't want to be seen through organically green-tinted glasses. Different opinions and controversial standpoints are part of motorsport and make it interesting.

STADLER: I fully understand that. Controversies are what make motorsport so interesting for us at Audi, too.

Do you choose the Formula E venues according to their market potential or your sponsors' wishes?

AGAG: We bring racing action to the spectators and not the other way around. That wasn't easy at first. We



Asian express: the first Formula E race of the 2017/18 season against the stunning skyline of Hong Kong.

“ 210 kilometers per hour is extremely fast on our race courses in the confined space of a city, and the slightest mistake means that the driver is immediately kissing a concrete wall. ”
Alejandro Agag

Motorsport means speed. Formula E cars are fairly slow at 210 kilometers per hour. How do you intend to speed up, Mr. Agag?

AGAG: The venues are our success formula. We travel from the Hong Kong skyline to the Eternal City of Rome and Marrakesh, the pearl of the south, all the way to the Big Apple. 210 kilometers per hour is extremely fast on our race courses in the confined space of a city, and the slightest mistake means that the driver is immediately kissing a concrete wall. We present thrilling action with stunning backdrops.

That might be your impression – but all hell broke loose at the last race in Montreal. The residents protested against Formula E. You even had to

went where we were tolerated. Nowadays, we focus on the most important automobile markets. That's why we're fighting to hold two races in Germany. In addition to Berlin, Munich is a vibrant metropolis and would be terrific. A race in the center of London in front of Buckingham Palace would also be a dream. But for that, we would need the permission of a very important aristocratic lady (*laughs*). And China is also very high on my list.

Is China with its electric-car quota leaving Germany behind, Mr. Stadler? By 2019, every tenth Audi sold there will have to be an electric car.

STADLER: I can understand that the Chinese government wants to quickly improve air quality and climate protec-

tion in the big cities. Nobody wants to live under a gray cloud of polluted air. As the world's most populous country, China will set the pace for electric mobility. And we have the advantage that with FAW, we have a Chinese joint-venture partner by our side. We have been collaborating successfully for exactly 30 years now. And we have prepared a plan for the future with a focus on electric mobility. I'm amazed every time I discover a new car brand in China that only produces electric cars.

Be honest, Mr. Stadler, aren't you just trying to improve the image of Audi with environmentally friendly motorsport?

STADLER: Not at all. Sustainability and urbanization are two main elements of our Strategy 2025, and for us are synonymous with future viability. I believe I can speak for everyone at Audi. We see the electric racing series as symbolic of progress and innovation. Our motto for Formula E is emotion not emissions.

Mr. Stadler, critics claim that Audi is lagging behind in its qualifying times for electric mobility.

STADLER: The winner of a race isn't determined in qualifying. Electric mobility is a key driver of our product development. Essential aspects include a good electric range and an appropriate charging infrastructure. We already presented the Audi R8 e-tron in 2009. That was one of the world's first electric super sports cars. It never went into series production, but it was our technology carrier and learning lab with electric drive. In 2011, we launched the Audi Q5 hybrid on the market. And in the coming months, we will put the Audi e-tron on the roads – our first fully electric SUV. Audi shows like no other brand how well sportiness and electric mobility can be combined. I am sure that our customers see it this way as well.

“

I'm amazed every time I discover a new car brand in China that only produces electric cars.

Rupert Stadler

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RUPERT STADLER

was born in Titting, Germany, in 1963. He studied business management and started working at Audi in Controlling for Marketing and Sales in 1990. From 1994 until 1997, he was Commercial Director at Volkswagen/Audi España S.A. in Barcelona. After that, Stadler was Head of the Board of Management's Office at Volkswagen AG and as of 2002 was additionally responsible for Group Product Planning. He became a Member of the Board of Management of AUDI AG in 2003 and Chairman of the Board of Management of AUDI AG in 2007. In 2010, he was also appointed to the Board of Management of Volkswagen AG. Together with his wife Angelika, he has three children and lives in Ingolstadt.

What happens to the old batteries of the Formula E racing cars, Mr. Agag?

AGAG: We use the batteries for up to ten years. They are charged about 30 times each year. They have an extremely long lifetime. After that, they will be used for other purposes or recycled to conserve resources.

Germany gets most of its electricity from coal-fired power stations. Isn't that a serious handicap for electric mobility, Mr. Stadler?

STADLER: Is a glass half full or half empty? I'm an optimist. Our society's environmental impact is improving step by step. And the key sectors of energy production and automotive industry are working in tandem. Mobility is rapidly changing and that's why motorsport also has to be sustainable. So it's a good thing when we think unconventionally and tackle future challenges with confidence. For me, this means making bold business decisions and preparing the mindset of our Audi team for the future. That's why we recently reached an agreement called Audi. Zukunft. which offers job guarantees until 2025. Only when all at Audi know that they will also have a secure job in 2025 will they put their full energy into achieving our shared goals.

AGAG: I find it hard enough being in charge of a team of one hundred people. I can only admire how Rupert is responsible for nearly 90,000 Audi employees.

The production of Audi cars entails high CO₂ emissions. Is the current Audi model range really as environmentally friendly as you claim?

STADLER: Just three facts on that question. In Ingolstadt, we have one of the most environmentally friendly paint shops worldwide. Our factory there is supplied with regenerative hydroelectric power. And with our water treatment plant, we will save up to half a million cubic meters of fresh water every year in the future. That's equivalent to the annual water use of more than 11,000 people. Our goal is the completely carbon-neutral production of cars at all our sites, and without any waste water. For sustainable mobility, our cars have to be produced with a minimal environmental impact. Not only our customers expect that, but of course our employees as well.

“

I recently drove a prototype with electric drive. It purred like a cat, but sounded like an Audi R8.

Rupert Stadler

”

Mr. Agag, quiet motorsport per se is not spectacular. How do you want to have an emotive impact on the fans despite your “sound of silence” events?

AGAG: Life isn't a hard rock concert. Our races have differing impacts on old and young, and are genuine family events. For the millennials and YouTube generation, it's completely normal that our electric racing cars make hardly any noise. One advantage is that no one has to wear earplugs at our races.

STADLER: Although we are increasingly playing the electric guitar, engine noise is the dominant sound in my generation. I can well imagine that we will be able to use an app to download various en-

gine sounds for our series-produced cars in the future. I recently drove a prototype with electric drive. It purred like a cat, but sounded like an Audi R8.

Formula E has recently been accused of manipulation. Were you able to dispel those accusations, Mr. Agag?

AGAG: That's right, it was about FanBoost. Our fans can vote for their favorites on social media channels. The three drivers with the most votes can use an extra portion of energy during the race. For a short time, they have an extra 27 horsepower available. This often allows them to overtake. It was suspected that this online voting had been manipulated by bots. We looked into it, but didn't find any firm evidence. Nonetheless, we protect our social media channels as well as possible, also with artificial intelligence.

Mr. Agag, in the races so far, you stopped the show just as it was getting interesting by requiring the drivers to swap cars at the halfway stage. Is that exciting motorsport?

AGAG: Fans find the changeover entertaining and it's an important element of strategy for the drivers. But to convince skeptics, there won't be any more changeovers as of season 2018/19. But we have plenty of other crazy ideas. As soon as the technology allows, I want to illuminate the cars. Red for attack, green for energy-saving mode.

Mr. Stadler, changing cars in Formula E is a clear demonstration of the dilemma

of lack of range. When will you go on the attack?

STADLER: Our development team is already delivering very fast lap times. Our first fully electric SUV with a range of up to 500 kilometers will soon be produced in Brussels. The plant is the first in the world with carbon-neutral large-scale production in the premium segment. Our agreement with the workforce safeguards production of electric cars at our German plants. Electric mobility will bring opportunities to many parties. Audi customers, too, will experience the fun of electric drive. Formula E is our lighthouse project, also for series production.

In the past 20 years, all of the Formula 1 world champions came from Europe and all of them were men. Mr. Agag, how do you plan to attract the talent of tomorrow to Formula E, skilled race drivers from Asia for example?

AGAG: That's a key point. Our Formula E racing teams' recruitment is guided by just one goal: success! Of course, it would be great to have some Chinese drivers for example. China has boosted the NBA tremendously with Yao Ming. Such a talent would be a real stroke of luck for our racing series. And I have myself tried in vain to attract women to the series. But the fact is that none of them have been fast enough so far ...

... reinforcing the cliché of women drivers?

AGAG: Believe me, we would be open to a talented woman driver. I welcome any applications.

A lot of people miss Tesla in your racing series. Couldn't you convince Elon Musk?

AGAG: I communicate with him regularly and we often philosophize about his Mars plans. But he declines to join us

because he prefers his engineers to be involved in developing series-production cars. Tesla would be a strong opponent for Audi.



Two deep in conversation: Rupert Stadler and Alejandro Agag discuss the Formula E electric racing series.

“We have plenty of other crazy ideas. As soon as the technology allows, I want to illuminate the cars.”

Alejandro Agag

STADLER: Why not? At first, I was unsure whether we should enter Formula E. We have now been followed by BMW, Mercedes and Porsche. That confirms our bold decision. We enjoy competition. See you on the racetrack!

Mr. Stadler, does the old marketing saying of “Win on Sunday, sell on Monday” still apply for your sales people?

STADLER: Of course, otherwise we wouldn't be involved in DTM, customer racing, the rally-cross world championship and Formula E. But to me, the entrepreneurial spirit is just as important. Decisions in motorsport require agility, speed and team spirit. And that can benefit us at Audi. Otherwise, the differences are not so great. In the end, it's the checkered flag and the podium that count!

Three on the case: Alejandro Agag and Rupert Stadler talk about electric mobility with author Verena Schwanitz.



Aerodynamics Adjustable front and rear wings

Battery Rechargeable Energy Storage System (RESS) from Williams Advanced Engineering, charging time: approx. 45 minutes

Suspension Front and rear independent on lower and upper steel wishbones, pushrod system

Chassis
Specification
carbon fiber/
aluminum
chassis

Powertrain Audi Schaeffler
MGU02 motor-generator unit,
1-speed transmission

NEW GENERATION OF A WINNING CAR

The Audi e-tron FE04 for the fourth season of Formula E is a thoroughbred racing car and the new generation of Lucas di Grassi's championship-winning car.

“

Nowadays, we no longer ride to work on horses, but horse racing is still very popular.

Alejandro Agag

”

Nowadays, we no longer ride to work on horses, but horse racing is still very popular.

Mr. Stadler, can you imagine that the electric racing series will one day be as well known as Formula 1?

STADLER: Formula 1 is the top tier. Formula E is the new kid on the block. It allows us to implement innovative ideas quickly and definitely has great growth potential. Sure, Formula 1 is world famous, but one day Formula E will be just as successful. I see it quite objectively.

Many people see you, Mr. Agag, as the legitimate successor to Bernie Ecclestone. In which aspects would you prefer not to be like him?

AGAG: (*Laughs*). I certainly prefer to be a bit taller. But seriously, he's my role model in many ways. Ecclestone was the

Major sponsors are a part of modern motorsport. Formula 1 became a big event due to tobacco advertising. When that was prohibited, the racing series was suddenly in a crisis. How do you want to avoid becoming a pawn of large corporations that only want to pursue their own interests, Mr. Agag?

AGAG: Large corporations want to be associated with positive values. As well as technology and innovation, we particularly offer sustainability. As long as we embody these values, we will remain

attractive for many sectors. This recently brought us into contact with a producer of water vacuum cleaners that wants to expand worldwide.

You have learned a lot in motorsport, Mr. Agag. How would you organize a new Formula 1?

AGAG: It would be electric ...

STADLER: ... that's why he established Formula E.

AGAG: As well as power and acceleration, it's also a bit of anachronism.



Steering wheel Specification steering wheel with paddles for shifting and recuperation, controls for various motor settings and a display for all key information

Brakes Hydraulic dual-circuit braking system, adjustable brake force distribution

Wheels 9 x 18 front and 11 x 18 rear aluminum rims, treaded Michelin tires

Dimensions

Length: 5,000 mm
Width: 1,790 mm
Height: 1,070 mm
Weight: min. 880 kg including driver

Power output

Practice and qualifying: 200 kW (270 hp)
Races: 180 kW (245 hp) plus FanBoost

first to recognize the global attraction and business model of motorsport and his success proved him right.

But he also nearly ruined Formula 1.

AGAG: Formula 1 and Formula E are two different things. I see us as a start-up that I am passionately developing. I enjoy doing pioneering work, but can't apply myself day in, day out to the same thing. I already have an idea for my next motorsport project. It will take place in exotic venues, with electric SUVs and perhaps without spectators.

That sounds like a fantasy world. Can you be more precise?

AGAG: I can only tell you that it will be held in the Sahara, at the North Pole and on a remote island. It will be very cold, hot and wild. Drones will also play a part. Just give me a bit more time to develop the idea.

Will there soon be a Formula H with hydrogen drive, Mr. Stadler?

STADLER: The fuel cell is the most logical form of electric mobility and, in the long term, offers great opportunities for a sustainable future. But just now, Formula H is still Captain Future.

AGAG: By the way, Formula E also owns the rights to hydrogen racing cars ...

STADLER: ... then we would be partners again!

Mr. Agag, you support Roborace, a racing series with autonomous cars on Formula E racetracks. Can that still be described as motorsport?

AGAG: Motorsport is fascinating when a person is behind the wheel. Roborace is a technological showcase for electric, driverless vehicles.

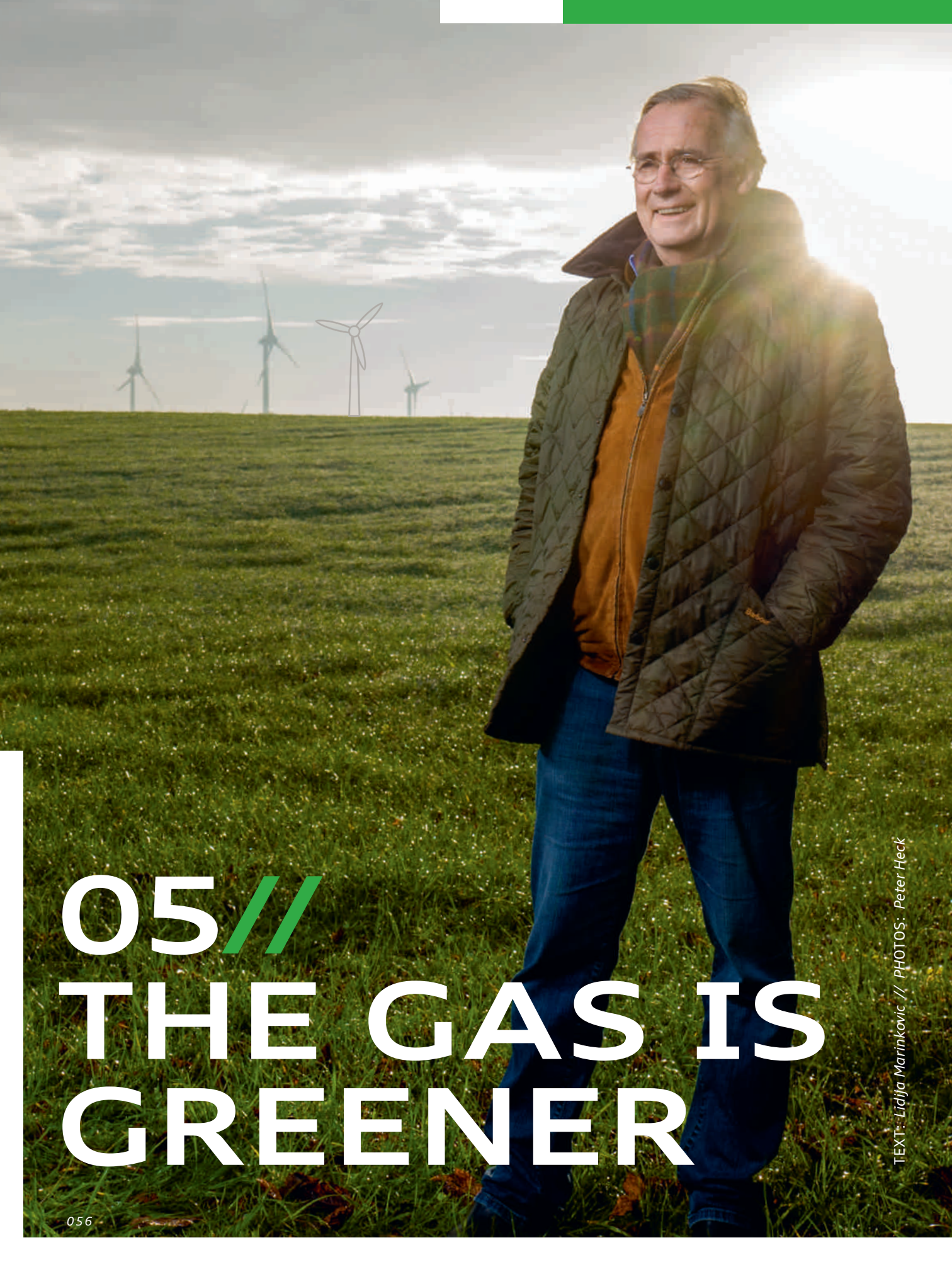
STADLER: I am impressed by this technology. Our industry is faced with disruptive transformations. We at Audi look

forward, not back. Formula E shows us how sexy electric mobility can be. And we already demonstrated how courageous we are 30 years ago. While everyone else goes down the ski jump, we drive up it with the quattro.

HOW DOES ALEJANDRO AGAG EXPERIENCE AUTOMATED DRIVING AT AUDI?

WWW

audi.com/ar17/formula-e

A man with glasses, wearing a brown quilted jacket over an orange shirt and blue jeans, stands in a lush green field. In the background, several wind turbines are visible against a cloudy sky. The sun is shining from the upper right, creating a lens flare effect. The overall mood is positive and eco-friendly.

05// THE GAS IS GREENER

TEXT: Lidija Marinkovic // PHOTOS: Peter Heck



What do an organic farmer and Audi have in common?
Both are pursuing the same goal of holistic sustainability. Dr. Heinrich Graf von Bassewitz owns a biogas plant that uses natural wastes to produce heat and power, enough to make his holiday estate and farm almost completely self-sufficient. Audi, too, is putting its faith in eco-friendly energy systems with its g-tron models.

Sustainability is rooted in the Audi DNA and is part of the corporate strategy. The goal: premium personal mobility that meets the urgent challenges of the future such as resource scarcity, environmental destruction and climate change. The carmaker has the entire value chain, from suppliers through production to product, in its sights. Heinrich Graf von Bassewitz follows the same approach. A meeting in northern Germany.



Dr. Heinrich Graf von Bassewitz

has been an advocate of organic farming for many years. From 2010 to 2013, he was a member of the German government's Council for Sustainable Development. His sustainable holiday estate is located in Mecklenburg-Western Pomerania.

www.feriengutdalwitz.de

The number one topic of the moment in the automotive industry is electric mobility. Yet Audi has also been working on other innovative, holistically sustainable drive technologies for some time. One of them is the g-tron drive system powered by compressed natural gas (CNG). With a range of up to 500 kilometers when running purely on gas and a refueling time of only about three minutes, the A4 Avant g-tron, for one, meets the demands even of long-distance drivers. The infrastructure is already well developed, with around 3,500 CNG filling stations across Europe. At the same time, drivers have the peace of mind that the gasoline tank is there if needed. Customers like the sustainable approach – so much so that Audi met its g-tron sales target for the whole of 2017 within half the time.

The company is convinced of the technology and expanded its g-tron model range in 2017. Alongside the A3 Sportback, g-tron versions of the A4 Avant and A5 Sportback are also available – a clear sign of the carmaker's commitment to the CNG powertrain. What's more, the A4 Avant g-tron was already subjected to emissions tests by independent institutions last year under real road conditions and readily met the Euro 6d emissions standard not due to take effect until 2020 – a groundbreaking achievement that underscores the Audi claim to "Vorsprung."

Home-grown sustainability

As CNG technology is particularly clean, it is supported by many cities and municipalities. The combustion of natural gas generates almost no particulates. But also in terms of climate protection, the CNG powertrain is interesting: The main constituent of natural gas is methane (CH₄), which produces the lowest specific CO₂ emissions of all fossil fuels. In addition, methane can also be

produced from organic wastes (biomethane). With g-tron technology, Audi is pursuing an end-to-end approach and has independently developed a climate-friendly fuel: Audi e-gas.

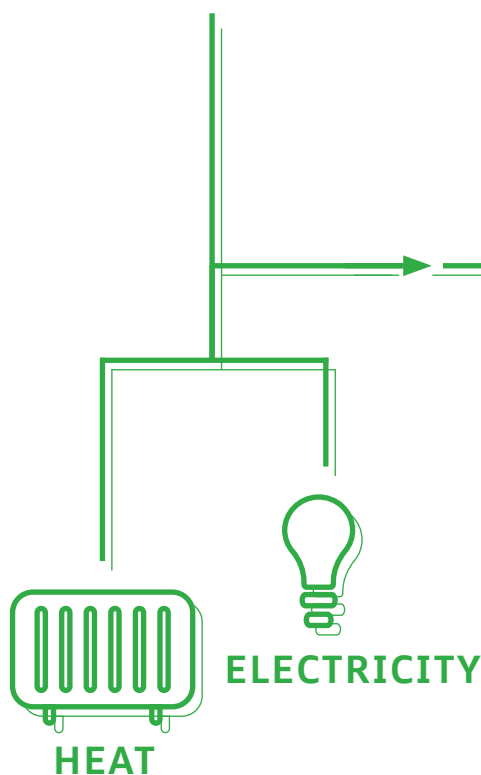
This synthetic fuel is generated from renewable energies, water, CO₂ and wastes, making it sustainable. Audi g-tron drivers do not need to head to a dedicated e-gas filling station. Instead, the natural gas they fill up with is replaced in the natural gas grid with virtually climate-neutral Audi e-gas.

Audi e-gas is produced at various locations, including in what is currently the world's biggest power-to-gas facility in Emsland, Germany. Since 2013, the facility has been producing up to 1,000 metric tons of synthetic methane per year, while at the same time binding some 2,800 metric tons of carbon dioxide.

"Every type of sustainable mobility is welcome."

Audi promises to provide all customers who order a g-tron before May 31, 2018 with green credentials certifying that the amount of gas they consume in the first three years will be replenished with sustainable Audi e-gas. Compensating for the gas used comes at no extra cost to drivers and gives them a better feeling about supporting the environment.

Heinrich Graf von Bassewitz also backs the approach: "Every type of sustainable mobility is welcome, whether it's highly efficient combustion engines in CNG vehicles or electric cars. I believe we need





“BIOGAS PLANTS ARE A GREAT WAY OF ENSURING SUSTAINABLE MOBILITY.”

to make use of all the renewable energy sources available to us. Biogas plants can be used not just to generate electricity and heat, but also to ensure sustainable mobility.”

The farmer owns one of the 8,000 biogas plants installed throughout Germany. Of these, 250 produce biomethane. The trend is on the rise – and it’s supported by Germany’s federal government. For a time, biogas faced criticism because of the many farms that grow corn specifically for the purpose of methanation, adding to the “food versus fuel” debate. In many instances – especially large-scale monoculture – that is neither sustainable nor sensible. However, organic farming of the kind practiced by Heinrich Graf von Bassewitz does not use corn. “We run our biogas plant on dung and clover grass that grows in our fields. We’re recycling our agricultural wastes, so to speak.”

Biogas affords greater flexibility

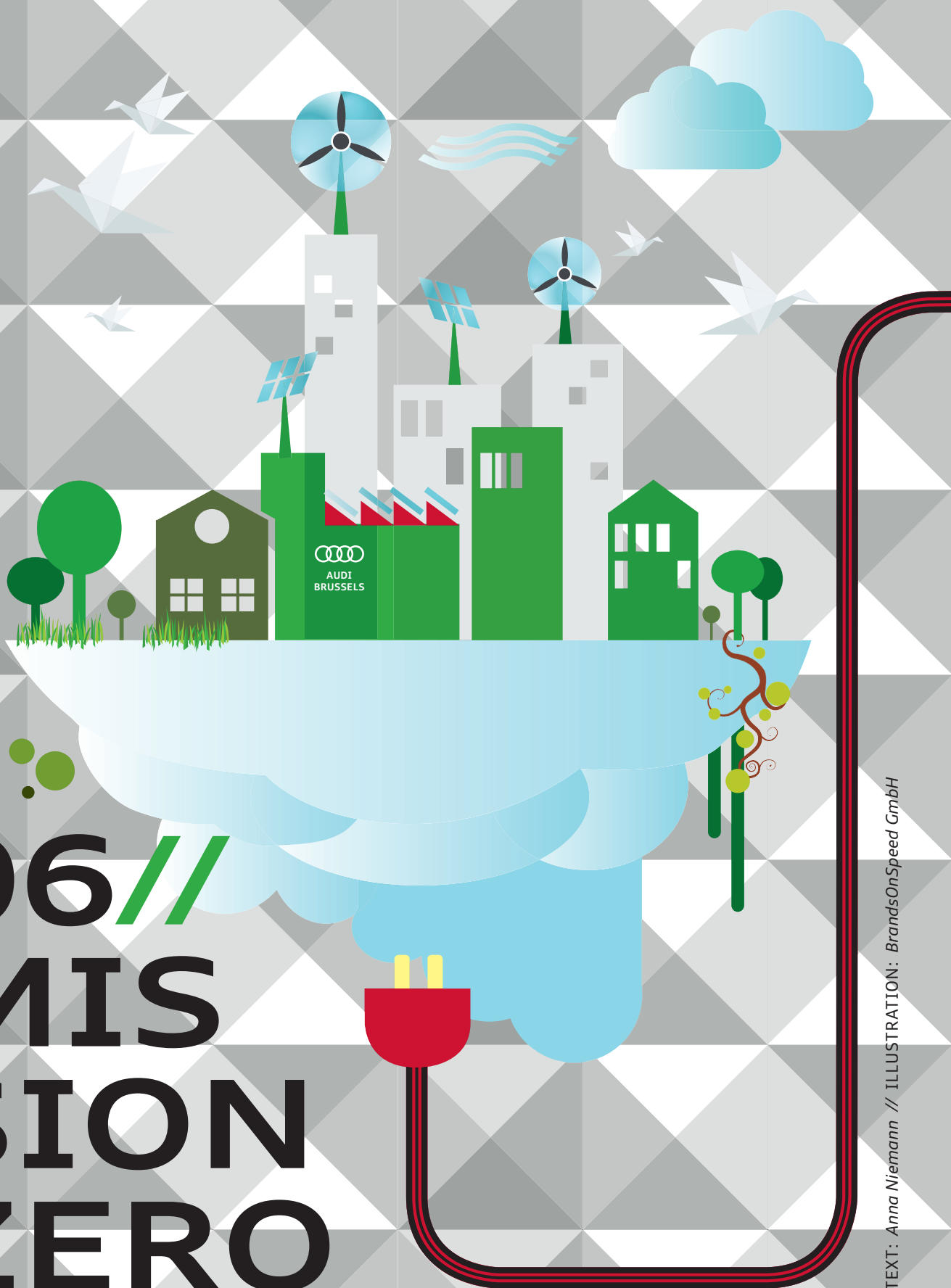
Generating electricity and heat at the same time is a practical, efficient way of using biogas. Add to the equation the third possibility – feeding biomethane into the grid and using it for mobility – and you get a completely flexible and sustainable solution. That is exactly how Audi sees it, as demonstrated in the here and now by the g-tron. Heinrich Graf von Bassewitz agrees: “We all have to make the move toward sustainability. It’s just as important for the automotive industry as it is for farming and end consumers. And g-tron technology coupled with power-to-gas is undoubtedly a good and above all important contribution because it helps advance the storage of fluctuating energy sources such as wind and solar energy.”

**WHY IS
G-TRON
A KEY
ELEMENT
IN THE
AUDI DRIVE
STRATEGY?**

WWW

**audi.com/
ar17/g-tron**

06 // MISSION ZERO



TEXT: Anna Niemann // ILLUSTRATION: BrandsOnSpeed GmbH

4,200

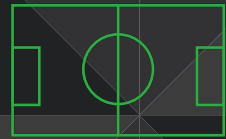


Audi in Brussels offsets CO₂ emissions generated by the use of natural gas by purchasing biogas certificates, thereby compensating for around 22,000 metric tons of CO₂ pollution annually. For this amount, an Audi A3 Sedan could drive nearly 4,200 times around the globe.

5

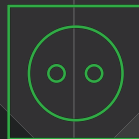


The Audi plant in Brussels has the largest photovoltaic system in the region on its roof, covering an area about the size of five soccer fields.



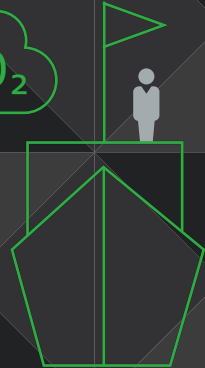
1,500

Since 2016, the switch to green electricity has enabled Audi Brussels to prevent the release of around 17,000 metric tons of CO₂ into the atmosphere each year – equivalent to the footprint of some 1,500 Germans per year.



5

Starting in 2018, the Brussels site will compensate with certificates for around 4,250 metric tons of CO₂ each year that cannot be avoided by using other energy sources. That's enough to power a cruise ship with 4,000 passengers at sea for about five days.



Audi has set an important sustainability milestone in production: The Brussels plant is the Four Rings' first certified carbon-neutral site. That means: All production processes are 100-percent climate neutral. The plant takes a holistic approach to meeting this goal. It makes sense: After all, this is the facility that manufactures the first fully electric series-production vehicle from Audi.

The largest photovoltaic system in the entire Brussels region is located on the Audi plant site. Why there? Because it is an important component of the company's green production efforts. The system generates green – hence carbon-neutral – electricity

equivalent to what over 760 four-person households in Germany consume in a year.

For Audi in Brussels, green production also means championing carbon-neutral heating. By acquiring biogas certificates, the company compensates for emissions including those generated by heating production facilities and offices. Other processes, too, such as transportation at the plant, are streamlined through environmental projects.

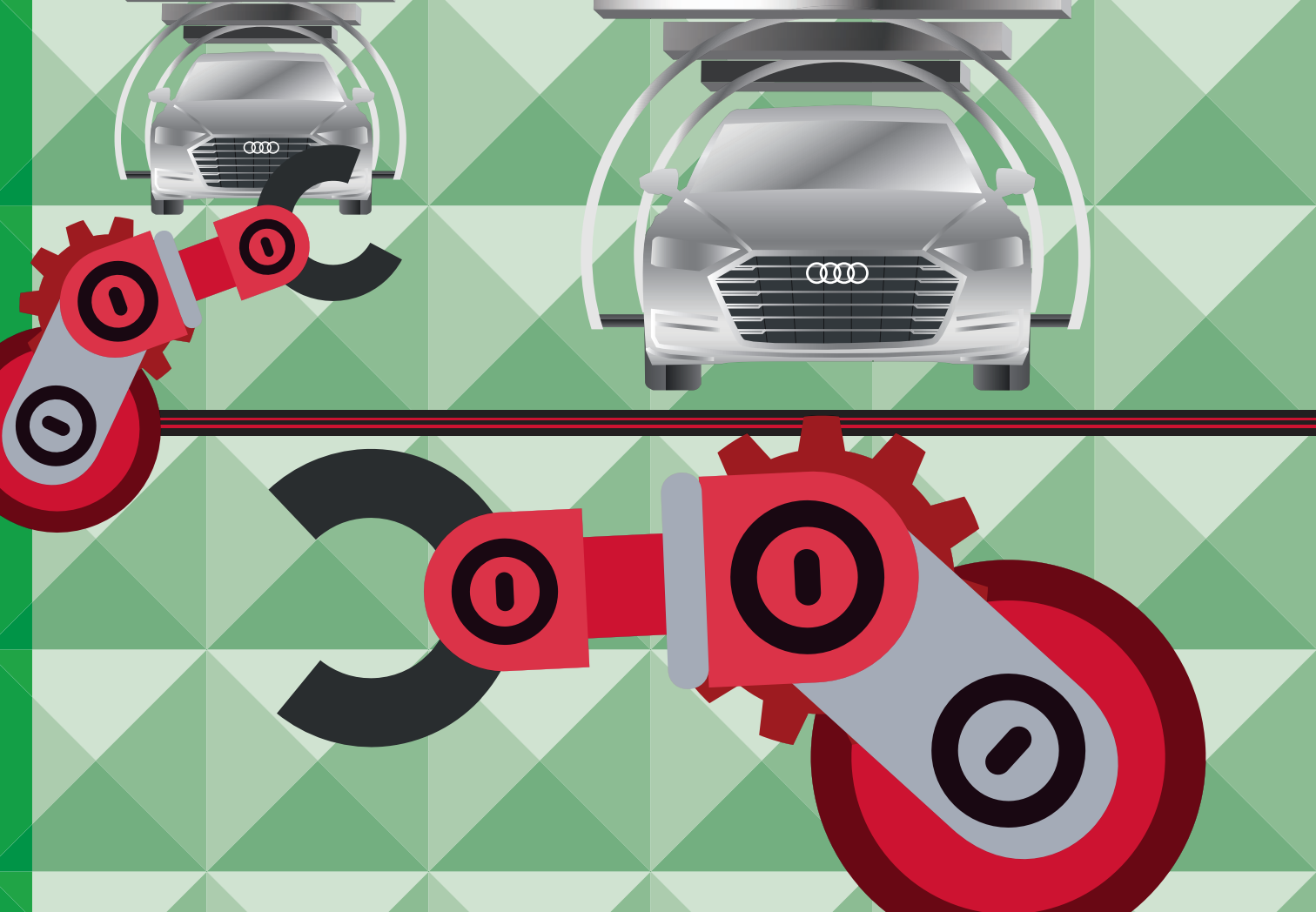
All of these efforts are geared to conserving resources and preventing environmental pollution before it even happens. Their implementation shows that sustainability is firmly anchored in the company's strategy. To find out

how this is accomplished and which environmental projects in Brussels and around the world are contributing to this result, read more online.

**HOW IS
AUDI
MAKING
CARBON-
NEUTRAL
PRODUCTION A
REALITY?**

WWW

audi.com/ar17/zero



TALKING BUSINESS SMART EFFICIENCY

The Smart Factory is helping Audi pave the way to the production facilities of the future. The company is networking employees and plants in a targeted manner, ensuring data-driven, flexible and consequently efficient production. And it boosts competitiveness with an all-around program to optimize factory costs across all divisions.

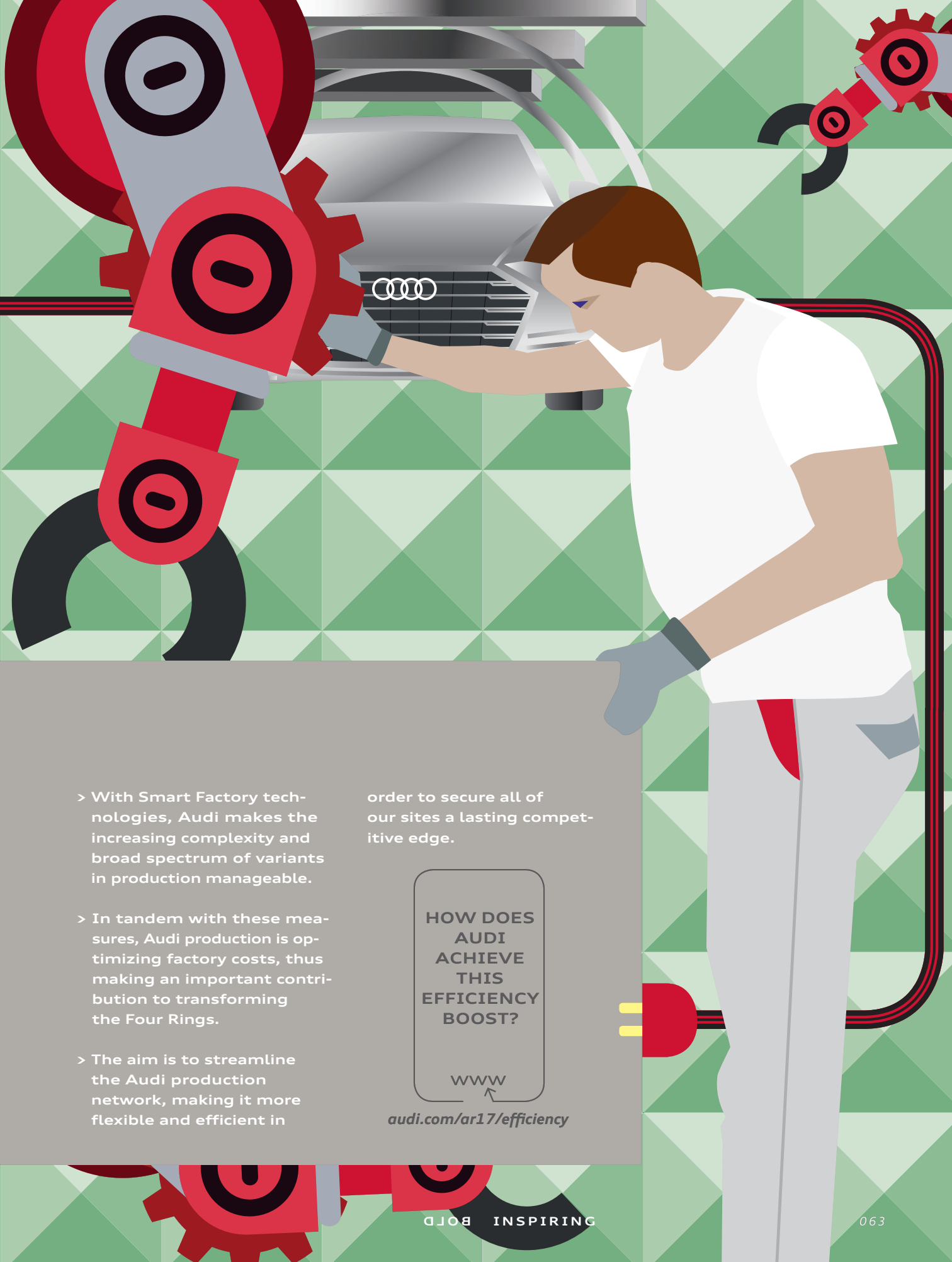
The Smart Factory is being systematically rolled out around the world as part of Strategy 2025 and at all sites as a company-wide beacon toward future profitability. This vision of production includes

Audi potentially no longer manufacturing its vehicles solely on assembly lines, but also using elements of modular assembly – such as production cells where employees and robots perform specific tasks. Driverless transport systems will find their way autonomously to employees. 3D metal printers and virtual reality goggles ensure greater efficiency in a digital, environmentally friendly and innovative production environment. Driven by an ever broader variety of models in ever shorter product life cycles, Audi employs new materials, goods and information flows to manage the growing

complexity. Even today, it is already hard to find two identical cars rolling off the line, given the infinite number of equipment variations that call for flexible production planning.

Audi is working on groundbreaking solutions for that all-important “Vorsprung” in production: The company is taking the opportunity to completely rethink processes and structures for the Smart Factory.

TEXT: Jan Rentzow // ILLUSTRATION: BrandsOnSpeed GmbH



> With Smart Factory technologies, Audi makes the increasing complexity and broad spectrum of variants in production manageable.

> In tandem with these measures, Audi production is optimizing factory costs, thus making an important contribution to transforming the Four Rings.

> The aim is to streamline the Audi production network, making it more flexible and efficient in

order to secure all of our sites a lasting competitive edge.

HOW DOES
AUDI
ACHIEVE
THIS
EFFICIENCY
BOOST?

WWW

audi.com/ar17/efficiency



07 // CURI OSITY MAKES YOU GROW

TEXT: Franziska Queling // PHOTO: AUDIAG



“Ask questions, understand different perspectives and never stop being curious!” This is how Anna Nixon brings to a close her address at the Audi Innovation Summit “MQ! The Mobility Quotient.” Just 17 years old, Anna is talking about the lifelong learning that is everyone’s constant companion. While still attending high school, she offers young girls learning formats for STEM (Science, Technology, Engineering and Math) subjects. Her secret to success? Learning that is fun and does not feel like learning.

Audi is continually expanding its network and, with MQ!, provides a whole new platform for exchanging ideas between pioneers in science, culture, business, politics, society – and Audi employees. Whether speakers such as Wikipedia founder Jimmy Wales, Apple co-founder Steve Wozniak, Chief Business Officer Mo Gawdat from Google X or the person who must be the world’s youngest robot expert and teacher, Anna Nixon. They all stand for innovation and the endless urge to learn, to understand and apply new concepts and so contribute to pioneering efforts. It is pure inspiration.

As the mouthpiece for the new, digitally driven generation, Anna notably also embodies the future of learning and the expertise whose impact extends to the Audi working world. Spellbound, we listen to how she approaches her subject and marvel at the motivation with which she soaks up new things – at the same time also offering tips on how best to tackle new methods and content.

To learn Anna’s perspective on what impacts further education, learning methods and tomorrow’s working world with its new areas of expertise, watch the online video interview.

**HOW
WILL WE
LEARN
IN THE
FUTURE?**

WWW

audi.com/ar17/learning



TALKING BUSINESS

SKILLED FOR THE FUTURE

Audi is evolving into a provider of individual premium mobility. For tomorrow's "Vorsprung," the company is counting on its most important resource: the knowledge and skills of its employees.

The major trends in the automotive industry are not only changing business models. They are also initiating a far-reaching transformation of the working world.

After all, the mobility of the future will create new professions and call for new skills. How many fuel cell development engineers will Audi need in 2020? And five years after that? How many engineers for the development of a new electric motor? To answer these and other questions, Audi has created a Strategic Resource and Competence Management unit:

- > to identify the human resources needs for future-related topics,
- > to recognize and point out potential shortages early on,
- > to selectively develop the right skills to meet real needs,
- > to make sure employees are on board with the transformation and ready to embrace new challenges.

The collaboration between Audi and the Technical University of Ingolstadt is enabling drive system developers, for instance, to learn more about electric mobility. Until now, they were more at home in the world of combustion engines.

Audi engineers hit the books. One example of transformation lived in practice. Other divisions, too, are getting their teams fit for the future – and working with the Audi Akademie to develop targeted, holistic programs for competence development.

**HOW IS
AUDI PRE-
PARING TO
MEET TO-
MORROW'S
NEEDS?**

WWW

audi.com/ar17/competence

TEXT: Jan Rentzow // PHOTOS: Michael Kuhlmann



New expertise at work on the Audi Elaine concept car: In collaboration with the Technical University of Ingolstadt, these Audi drive system developers have gained qualifications in electric mobility.

BOLD

COOPERATION FOR SUSTAINABLE MOBILITY



Rapid-charging network is growing //

Charge & Go

Electric mobility that is practical enough for everyday use calls for a high-power charging infrastructure. That is precisely the mission of the joint venture **IONITY GmbH**. Since November 2017, the **Volkswagen Group** has been working with **Audi** and **Porsche**, the **BMW Group**, **Daimler AG** and the **Ford Motor Company** on building up a rapid-charging network for electric vehicles in Europe. High-power charging with a capacity of up to 350 kilowatts will significantly reduce charging time compared with the stations that have been available to date. That makes charging during a break at a rest stop possible. Some 400 of these progressive rapid-charging points are to be available by 2020. Another major benefit for drivers: a uniform charging standard.

Audi is also developing solutions for intelligent, convenient charging at home. This way, customers can in the future, for instance, recharge their car preferably with electricity from their own photovoltaic system – inexpensively and free of CO₂.

HERE YOU
CAN READ
MORE
ABOUT AL-
TERNATIVE
DRIVE
SYSTEMS.

WWW

[audi.com/
ar17/futuredrive](http://audi.com/ar17/futuredrive)

TEXT: AUDI AG // PHOTOS: AUDI AG, Aydın Büyüksağ

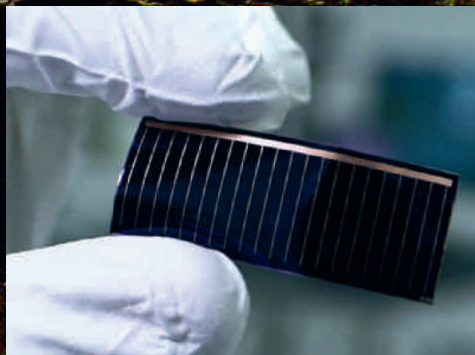
INSPIRING



Audi joins forces with Porsche //

Setting the course for the future

Group sister companies **Audi** and **Porsche** are collaborating on the future and pooling their efforts in Technical Development. This collaboration focuses chiefly on electrification, digitalization and autonomous driving. One example is the **Premium Platform Electric (PPE)**, where both brands work in tandem on the development and production of vehicle architectures, modules and components.



Audi models with solar roof //

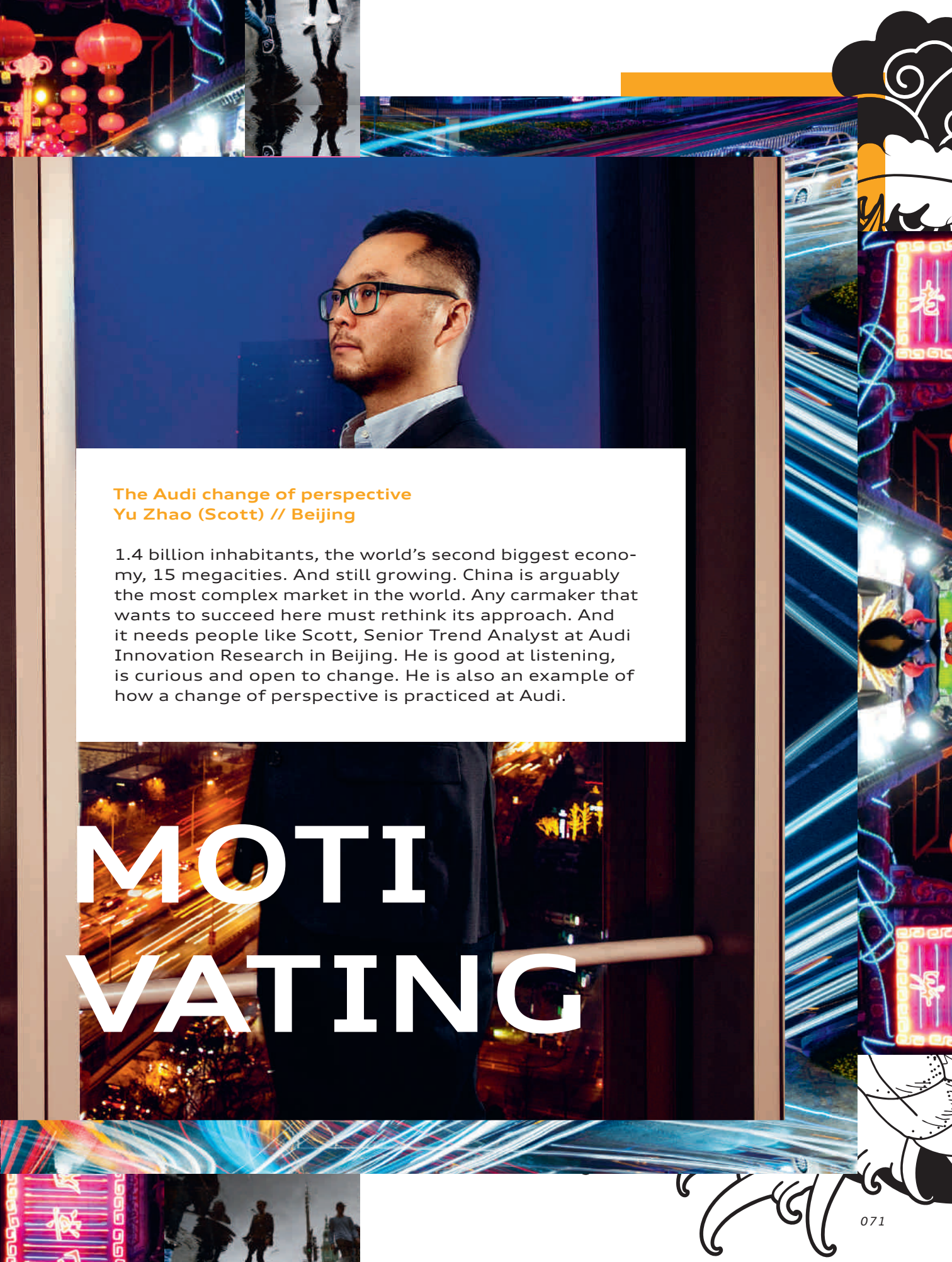
New technology for greater range

Audi and **Alta Devices**, a subsidiary of Chinese solar cell specialist Hanergy, are working together to develop **thin-film solar cells**. These are to be used in the panoramic glass roofs of Audi electric vehicles. The power gained flows into the electrical system and can help to significantly extend the vehicle's range by supplying energy-intensive functions such as the air-conditioning system. So the technology is not only sustainable, but also appealing to the eye. A prototype was built in late 2017.



COMPLEX

TEXT: Kerrin Nausch // PHOTOS: Yuanlong Li, Manuel Hollenbach, Shutterstock



The Audi change of perspective
Yu Zhao (Scott) // Beijing

1.4 billion inhabitants, the world's second biggest economy, 15 megacities. And still growing. China is arguably the most complex market in the world. Any carmaker that wants to succeed here must rethink its approach. And it needs people like Scott, Senior Trend Analyst at Audi Innovation Research in Beijing. He is good at listening, is curious and open to change. He is also an example of how a change of perspective is practiced at Audi.

MOTIVATING



The Audi change of perspective Yu Zhao (Scott) // Beijing

Audi Innovation Research (AIR) in Beijing functions as the Four Rings' ear in the important Chinese market. And Scott has been responsible for topics relating to trends and innovation there since 2013. The AIR team scans the Middle Kingdom for new currents that Audi can turn into products and services to satisfy the prosperous new generation. Being able to listen carefully in order to understand the unique Chinese perspective is essential to Scott's work.



Scott, in his mid-30s, wears a blue linen jacket and stylish glasses. His English is fluent. He is communicative and shows an unbroken interest in the person he is talking to. All this makes him the perfect trend researcher. Talking with people, gathering and analyzing information and quickly gleaming insights from that pretty much sums up the job of a trend analyst.

“YOU HAVE TO LISTEN TO WHAT PEOPLE HAVE TO SAY, TRANSLATE THAT INTO TRENDS AND TAKE THIS PERSPECTIVE INTO THE COMPANY.”

In developing new products, Audi takes its cues from international trends. Components of this include the insights personally generated by the AIR team in Beijing and the analysis of scientific studies. These create the basis for innovative mobility solutions that are custom-tailored to the rapidly changing Chinese market. A new generation for whom the word “premium” no longer means simply showing your status, but rather being able to enjoy greater personal freedom. Worsening air

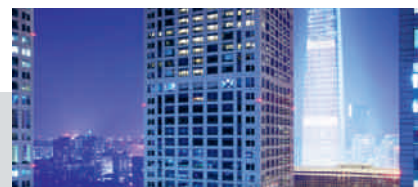




quality and increasingly tight conditions in megacities that continue to grow. Scarce, overpriced parking space and car registrations that can only be obtained by winning a lottery. The challenges are manifold and, above all, complex.

To ensure long-term economic success for Audi in the extremely important Chinese market, Scott not only talks to people about mobility issues, but also about social, cultural and technological developments. He communicates with trend “receivers” in regular workshops. These are people who are very close to sociopolitical or urban events and who have a very finely tuned radar for new trends. They include opinion leaders from the worlds of politics and industry as well as start-up founders, bloggers, artists and students – in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu.

Scott wants to understand how both established experts and young people think. What is important to them? What values do they have? What is happening in China? What is happening in the world? Scott’s antennae are always set to receive signals. His biggest inspiration? When something he has taken from his discussions and analyzed is turned into a concrete idea.



AUDI INNOVATION RESEARCH

Understanding people today in order to move them tomorrow: At the Audi Innovation Research offices, trend and innovation researchers in Europe, China and the USA examine how society is changing. And what that means for the Audi brand.

www.audi.com/en/innovation/air.sc.html

When Audi takes things that the Chinese want seriously and transforms them into a feature or a function in the cars.

“I AM THE VOICE OF THE CHINESE CUSTOMERS, SO TO SPEAK. WITH MY WORK, I ENSURE THAT THEIR REQUESTS ARE TAKEN SERIOUSLY.”

Scott and his colleagues are in constant dialogue with the international Audi sites, organize events such as workshops with designers and participate in various innovation formats in development and sales. Teams from AIR Beijing, AIR San Francisco and departments in Ingolstadt get together in Germany three or four times each year during the SHAIRE meetings, when they inspire a great many of their colleagues with their analysis and knowledge. After all, China, like the USA, is a market of enormous strategic importance. Not only because of the impressive sales potential, but especially due to the speed with which new mobility concepts develop here, the country serves as a blueprint for other markets – a blueprint that introduces new perspectives into the company and enriches it.





08// CASTING A WIDE NET



A luxury sedan and a 15-year-old aspiring superhero. Not an obvious pair. Audi of America used this unusual connection, a lot of creativity and the courage to explore new paths to score a big advertising win.

Sony Pictures' "Spider-Man: Homecoming" was not the first marketing promotion for Audi of America (AoA) to create in the Marvel Cinematic Universe. From the first Iron Man film to the latest Captain America movie, Audi has regularly shared the spotlight in major cinematic moments, ensuring that the Audi brand is immersed in current critical, cultural and dinner table conversations.

Read online to learn how a driving test, one of the world's most progressive cars and a 15-year-old superhero all came together to create yet another water-cooler moment for the brand.

**DOES A
SUPER-
HERO
NEED A
DRIVER'S
LICENSE?**

WWW

www.audi.com/ar17/usa

TEXT: Lisa Feldmann // PHOTO: Audi of America



TALKING BUSINESS

30 YEARS OF TOMORROW

For exactly 30 years, Audi has shaped China's premium car market like hardly any other carmaker. But there's no time to look back. With an ambitious growth plan and a strong portfolio offensive, Audi is helping to shape the future of mobility in China.

Young, sporty, modern, with an attractive interior. And, most importantly, completely connected. That is the way Chinese customers love their Audi.

Almost one in three Audi cars is sold in China, making this the company's largest single market by far. And no other market presents such promising growth prospects for the future.

But China's role goes even further. The country is the key driver of electric mobility worldwide. And, thanks to its tech-savvy customers, it is the flagship market for automotive digitalization – from connectivity to autonomous driving.

"We have been operating in China for three decades. Now it's time for the next level," CEO Rupert Stadler says. To get there, Audi is repositioning itself.

And, together with its partner FAW, it has set out an ambitious ten-year growth plan:

- > with expanded production capacities and upgraded local development capabilities,
- > with an expanded range of models made in China and imports – clearly focusing on electric mobility,
- > with a digitalization offensive.

In order to make the most of China's market potential in the long term, Audi will be expanding the existing joint venture structure to include a second partnership with SAIC Motor.

HOW IS
AUDI SET-
TING THE
COURSE
FOR THE
FUTURE IN
CHINA?

www

audi.com/ar17/china



RA ERAST 时代中心
泰达时代中心



09// RACING SERIES

TEXT & PHOTOS: Berthold Dörlich



How do you make one of the fastest series-production motorcycles even faster? Ideally, by asking someone who must know more about speed and riding enjoyment than just about anyone else: Michele Pirro, Grand Prix racer and test rider for the Ducati development team.

Marco Sairu, Head of Engine Project Management at Ducati, has spent the past four years optimizing the V4 engine in the Panigale, a team effort to which Michele Pirro lent support.

This way, Ducati makes sure customers can enjoy motor racing technology in a series-production motorcycle to the fullest extent possible. A challenge that can only succeed if you always keep that goal in your sights. Because it was clear the task was not going to be an easy one: After all, the V2 engine already makes the Panigale one of the most powerful streetbikes around. And more

than merely being the power unit of choice, it is a legend in its own time!

So how do you actually transform a race engine into a roadgoing series-production version? Countless hurdles needed to be taken before the new V4 engine was ready to go into series production. Read online about the technical solutions it took to get there.

**HOW MUCH
RACING
PEDIGREE
DOES THE
NEW DUCATI
V4 ENGINE
HAVE IN
ITS DNA?**

WWW

audi.com/ar17/ducati





TALKING BUSINESS

TOP OF THE LINE

Born in motorsport, tested under the most extreme conditions and taken to series maturity. That is what the high-performance R/RS models from Audi Sport are all about, combining maximum prestige with everyday usability and unparalleled performance.

But the Audi Sport brand is more. Ever since quattro GmbH was transformed into Audi Sport GmbH in 2016, the Audi Sport sub-brand has brought the high-performance sports models together with topics such as customer racing, racing, customization in the form of the Audi exclusive program, including performance parts, and the Audi Sport collection under its umbrella. In this way, the sub-brand fuses the most emotionally

charged aspects of the Four Rings with the red rhombus to create an unparalleled world of experience.

A successful brand needs strong DNA coupled with a clear vision of the future. Audi Sport has both. With the expansion of our SUV range as well as new, high-performance models, Audi Sport is increasingly meeting the ever growing needs of international markets. Delivering a unique brand experience and a forward-looking product portfolio, Audi Sport will set itself apart from the mainstream and competition even more markedly in the future.

- > **Audi Sport continues to grow dynamically: Within just five years, volumes have more than doubled – providing an ideal launch pad for further expansion.**
- > **Powerful product offensive: Part of the ambitious growth plan involves systematically augmenting the portfolio with highly dynamic SUV models for global markets.**
- > **Sustainability reigns supreme: In the medium term, Audi Sport intends to define a new dimension in sportiness in the field of electric mobility –**

TEXT: Jan Rentzow // PHOTO: AUDI AG

which is why, going forward,
it will be making a clear
statement in favor of alter-
native drive systems.

HOW
IS AUDI
SPORT
POSITION-
ING ITSELF
FOR THE
FUTURE?

WWW

audi.com/ar17/audi-sport





10// BULL COM PANION

TEXT: Susanne Mellinghoff // PHOTOS: Deniz Saylan



It is midday in the centro storico of a small Italian town. Narrow alleyways, picturesque sand-colored palatial buildings, curvaceous archways and frescoes are reminders of a bygone era. People stroll through the little lanes as cyclists wind their way through the pedestrians. And there at the heart of it all stands a Lamborghini Urus in Giallo Auge yellow. But instead of a couple on a shopping spree – as you might expect with a sports car – an entire family gets out of the vehicle.

For all its everyday practicality, the Urus, the first Super SUV built by the tradition-steeped brand, still embodies the genetic legacy of the Lamborghini bull. And the pure luxury of a supercar. With a power output of 478 kW (650 hp), the Urus can accelerate to over 300 kilometers per hour with ease. Whether cruising in comfort through the city, speeding around the racetrack, or driving off road through snow or sand – all no problem for the Urus thanks to the ANIMA driving mode system. Yet unlike in the Huracán and the Aventador, there is driving enjoyment for more than two people here.

With up to five seats, the Urus has room for the whole family. Plus luggage. The spacious luggage compartment even makes the SUV suitable for extended vacations.

Combined with the unmistakable design of a Lamborghini. Because when it comes to elegance, luxury and emotion, the Urus is every bit the equal of its brand siblings.

Read online about what a family day trip with this luxurious vehicle can look like and why the Super SUV is unmistakably a true Lamborghini, right down to the smallest detail.

**HOW
MUCH
FAMILY
CAN YOU
FIT INTO
A SUPER-
CAR?**

WWW

audi.com/ar17/urus





TALKING BUSINESS

TAKING LAMBORGHINI TO A NEW LEVEL

Strategic. Groundbreaking. Lamborghini – the design legend, the ultimate in emotions and performance – is ready to satisfy everyday mobility needs and captivate new target groups.

Prepared for a new level – the plant area doubled in just a short time, a new assembly line put into operation, a new final inspection facility and a new testing ground with 13 different road surfaces ready for use. The Audi subsidiary has begun the greatest transformation in its history, advancing into a new dimension of business.

The Urus – the world's first Super SUV – is rolling off the company's assembly line at the digitally connected Manifattura Lamborghini, which covers 160,000 square meters. "The brand as a whole is headed in a new direction. We are moving into an entirely new market segment with the Urus and capturing new target groups," says Chairman and CEO Stefano Domenicali. "It is the most visible signal of our profitable plan for the future."

Lamborghini's growth is already dynamic and qualitative today:

> In 2017, the Audi subsidiary delivered more than 3,800 automobiles to customers – ten percent more than in 2016.

> This means that in terms of volumes, the supercar manufacturer has continued its growth trajectory for the seventh year in a row.

> Lamborghini is also growing in terms of revenue and is reaching a new record figure.

WHAT
MAKES
THE URUS
SUCH A
GAME
CHANGER?

WWW

audi.com/ar17/lamborghini



TEXT: Jan Rentzow // PHOTO: Automobili Lamborghini S.p.A.



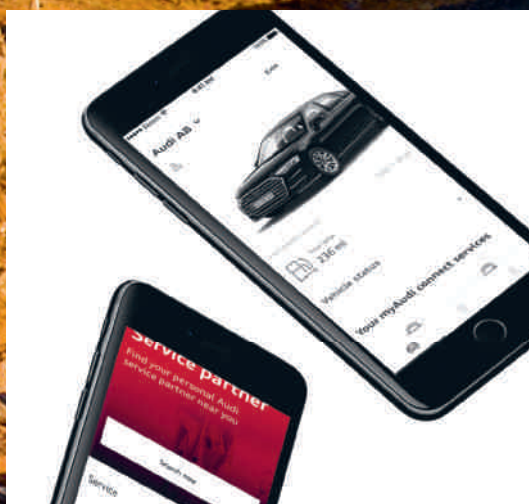
HERE YOU
CAN READ
MORE
ABOUT
AUDI
CONNECT.

WWW

audi.com/ar17/connect

COMPLEX

COOPERATION FOR A PERSONALIZED PREMIUM EXPERIENCE



The next step in
digital retail //

24/7 customer convenience

Audi is one of the first carmakers to introduce **digital service stations** in the retail sector. Benefits for customers: They can conveniently drop off their cars for servicing and pick them up again – regardless of the dealership's opening hours. Replacement vehicles are also available at the digital service stations. Developed together with an Audi partner, **Audi München GmbH**, the concept is to be rolled out more widely in 2018 following the successful pilot phase.

myAudi app //

One click does the trick

Operating your car's functions via smartphone? This is already possible today with the **myAudi app**, which bundles the Audi connect services on your mobile and links customers with their Audi. It lets you activate functions such as locking and unlocking the doors, operate the optional auxiliary heater, or use the remote parking pilot* and remote garage pilot* in the Audi A8, for example – all without having to be inside your car. Audi developed the system behind the functions in partnership with its subsidiary **Quartett mobile GmbH**. The range of functions will be expanded in 2018.

*The assistance systems and automated technologies mentioned herein are currently still in the development stage and are not yet available in production vehicles. Further information about their availability can be obtained from your Audi partner. At the moment, automated driving is not legally approved for use on public roads in most countries. Please also note in general that assistance systems

MOTIVATING



Audi on demand in Asia //

Tested and approved

Asian megacities rank among the key target markets for **Audi mobility services**. That is why, in 2016, the company tested an initial exclusive pilot project in **Hong Kong's Dragons Range luxury residential complex**. Thanks to the positive experiences, Audi is significantly expanding its Audi on demand mobility offerings in Hong Kong. Available to the public since 2017, the service offers even more flexible booking options. Customers can use their smartphones to book their preferred car from among a fleet of Audi top models for a period of up to one month. In addition to its presence in Hong Kong, Audi on demand also became available in Beijing starting in September 2017 and in Singapore starting in January 2018. In addition, the service is offered in San Francisco and at Munich Airport, plus, as of February 2018, in the UK.



Scent of an Audi A8 //

You smell really good!

How should an Audi car smell to ensure that drivers enjoy a **premium feast for the senses**? The brand pledge is also reflected in the quality of the fragrances. This is why materials technology specialists employ a variety of odor tests to establish the composition of fragrances in the interior. Alongside the much-loved, typical new-car smell, the new Audi A8 also treats occupants to two very special optional Audi scents, which were created in the **international perfumery hub of Grasse in France**. One is a winter fragrance that evokes the snow-covered Alps, while the other is summery and gives you the feeling of being at the seaside.

can only assist the driver in the task of driving within the respective system limits. The responsibility and attention necessary for executing the driving task always remain with the driver.

> REPORT OF THE SUPERVISORY BOARD

> FINANCES

COMBINED MANAGEMENT
REPORT
OF THE AUDI GROUP AND
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CONSOLIDATED
FINANCIAL STATEMENTS
OF THE AUDI GROUP
FOR THE FISCAL YEAR
FROM JANUARY 1
TO DECEMBER 31, 2017 // 177

INFORMATION:

The fuel consumption and emission figures for the vehicles mentioned in the Combined Management Report of the Audi Group and AUDI AG are listed starting on page 262. All figures are rounded off, which may lead to minor deviations when added up. The figures in brackets refer to the figures for the previous year. Internet sources refer to the status as of February 12, 2018. The Management Report contains forward-looking statements relating to anticipated developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.



Matthias Müller,
Chairman of the Supervisory Board

Dear Shareholders,

The automotive industry is experiencing radical upheaval. Audi, equally, is in the middle of redefining its future role and is rapidly turning its attention to the action areas of digitalization, sustainability and urbanization. Step by step, the Company is implementing its strategy **Audi. Vorsprung. 2025**. This transformation to a new age of mobility is flanked by an extensive program of measures through which Audi is streamlining costs,

reducing complexity and unlocking new income potential – and, in the process, cementing its profitability expectations for future mobility.

These important landmark decisions and the robust operative development in the 2017 fiscal year would not have been possible without the dedication of the Audi workforce. On behalf of the Supervisory Board, I would like to thank

the members of the Board of Management, managers and all employees for their active commitment. With its capabilities and spirit, the Audi workforce will also successfully accomplish the challenges that lie ahead in the coming years.

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

At its four ordinary meetings in 2017, the Supervisory Board also considered at length the opportunities and risks for Audi in key markets, in particular the United States, China and European markets. The subject areas it examined in this connection included ensuring a sustainable return, pricing options, the inventory situation and the utilization of the individual plants. The Supervisory Board also consulted with the Board of Management on the further approach to participations, the proportion of women in the Company, in particular on the Board of Management but also below it, progress with digitalization and the connectivity of vehicles with their environment, as well as alternative drive systems and

their prevailing legal position. It approved specific goals for the composition of the Supervisory Board, a competence profile for the board and also the diversity concept for the Supervisory Board and Board of Management. The Supervisory Board was also regularly briefed by the Board of Management on the key content of Strategy 2025 and its progress.

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

reporting year. The Supervisory Board was kept constantly informed of the diesel crisis by the Board of Management in the past fiscal year, both in writing and orally. This applies in particular to events in the United States, but also in other countries or regions of the world, for example South Korea, Japan, Australia and Europe. In this connection the Supervisory Board held four extraordinary meetings in the past fiscal year.

In addition to its four ordinary meetings, the Presiding Committee of the Supervisory Board held four extraordinary meetings in 2017. The purpose of

preparing and deciding on human resources matters.

All Supervisory Board members were present at more than half of the meetings. The average attendance rate in the past fiscal year was above 96 percent. The members of the Presiding Committee held full consultations before each ordinary meeting. The Negotiating Committee did not need to be convened in 2017.

The Audit Committee met once per quarter in the past fiscal year. At its meetings, this committee considered the Annual and Consolidated Financial Statements

“Audi is systematically implementing its new strategy – and cementing its profitability expectations for future mobility with a far-reaching program of measures.”

Matthias Müller,
Chairman of the Supervisory Board

tunity beforehand to view future models and technologies at various vehicle presentations by the Board of Management, at which specialists provided detailed information about them.

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

In addition, the diesel crisis, in particular concerning the V6 3.0 TDI engine, as well as human resources decisions accounted for a significant portion of the Supervisory Board's work in the

the extraordinary meetings of both bodies was, for example, to prepare and pass resolutions on the “DoJ Criminal Settlement Agreement,” the “2nd” and “3rd Partial Consent Decree,” the “CBP Settlement Agreement” as well as the situation regarding the V6 and V8 TDI engine in Europe, especially in Germany. Before the respective resolutions were passed, the Presiding Committee and Supervisory Board sought comprehensive technical and legal advice from internal and external experts and took account of their assessments in the decision-making process.

One extraordinary Presiding Committee meeting and one extraordinary Supervisory Board meeting was assigned for

for the 2016 fiscal year as well as other topics such as risk management, compliance and auditing work. In addition, the Audit Committee scrutinized the 2017 Interim Financial Report prior to its publication and discussed its contents with the Board of Management and representatives of the auditing firm. The Audit Committee also advised on the independence of the auditor, the findings of additional audits commissioned and the situation of the Company at the end of 2017. It passed the necessary resolutions for putting the auditing of the Annual Financial Statements out to tender.

Upon the proposal of the Supervisory Board, the Annual General Meeting of

AUDI AG appointed Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditor of the accounts for the 2017 fiscal year. The Supervisory Board awarded the audit assignment to the auditing firm after its election. The auditor of the accounts confirmed the Annual Financial Statements of AUDI AG, the Consolidated Financial Statements as well as the Combined Management Report of the Audi Group and AUDI AG for the 2017 fiscal year, and in each case issued its unqualified certification with an additional note.

The members of the Audit Committee and Supervisory Board received the documentation for the Annual and Consolidated Financial Statements, together with the corresponding audit reports by the auditor, in advance of their meeting on February 22, 2018. The auditing firm's representatives explained the key findings of their audit in detail at the meetings of the Audit Committee and Supervisory Board, and then answered queries from members of both bodies. According to information supplied by the auditing firm, there were no circumstances that might give cause for concern about the auditor's partiality.

Following examination of the audit documents received and in-depth discussions with the auditing firm's representatives, and based on its own conclusions, the Audit Committee recommended to the Supervisory Board at the meeting on February 22, 2018, that the Annual and Consolidated Financial Statements each be signed off. After appropriate discussions, the Supervisory Board accepted this recommendation and signed off the Annual and Consolidated Financial Statements prepared by the Board of Management. The Annual Financial Statements are thus established.

There have been the following changes in the composition of the Supervisory Board since February 23, 2017: Peter Kössler resigned as a member of the Supervisory Board of AUDI AG at the close of August 31, 2017. The Supervisory Board would like to express its thanks to him in recognition of the work he performed on the board. At the request of the Board of Management of AUDI AG, the Local Court of Ingolstadt appointed Stefanie Ulrich as supplementary member of the Supervisory Board with effect from September 14, 2017.

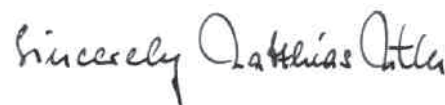
There have been the following changes in the composition of the Company's Board of Management since February 23, 2017: With effect from May 1, 2017, Dr.-Ing. Peter Mertens took up office as member of the Board of Management with responsibility for the "Technical Development" division.

With effect from September 1, 2017, the Supervisory Board reshuffled four Board of Management positions. Wendelin Göbel assumed responsibility for the "Human Resources and Organization" division, Peter Kössler responsibility for the "Production and Logistics" division, Alexander Seitz responsibility for the "Finance, IT and Integrity" division and Abraham Schot responsibility for the "Marketing and Sales" division. The following left the Board of Management with effect from the close of August 31, 2017, by mutual agreement with the Supervisory Board: Prof. h. c. Thomas Sigi, Axel Strotbek, Dr. Dietmar Voggenreiter and Prof. Dr.-Ing. Hubert Walzl. The Supervisory Board would like to thank the former members of the Board of Management. They were instrumental in the success of the company.

The Board of Management has suitably taken account of the economic environment as well as future challenges when making its plans. Together with

the entire Audi team, it will seek to maintain the qualitative growth of recent years and transform Audi systematically into a provider of sustainable, individual premium mobility. The Supervisory Board will continue to support the Board of Management in this undertaking to the very best of its ability.

Ingolstadt, February 22, 2018



Matthias Müller,
Chairman of the
Supervisory Board of AUDI AG

AUDI GROUP KEY FIGURES

		2017	2016	Change in %
Production				
Automotive segment	Cars ¹⁾	1,879,840	1,903,259	- 1.2
	Engines	1,966,434	1,927,838	2.0
Motorcycles segment	Motorcycles	56,743	56,978	- 0.4
Deliveries to customers				
Automotive segment	Cars	2,105,084	2,088,187	0.8
Audi brand ²⁾	Cars	1,878,105	1,867,738	0.6
Lamborghini brand	Cars	3,815	3,457	10.4
Other Volkswagen Group brands	Cars	223,164	216,992	2.8
Motorcycles segment	Motorcycles	55,871	55,451	0.8
Ducati brand	Motorcycles	55,871	55,451	0.8
Workforce	Average	90,402	87,112	3.8
Revenue	EUR million	60,128	59,317	1.4
Operating profit before special items	EUR million	5,058	4,846	4.4
Operating profit	EUR million	4,671	3,052	53.0
Profit before tax	EUR million	4,783	3,047	57.0
Profit after tax	EUR million	3,479	2,066	68.4
Operating return on sales before special items	Percent	8.4	8.2	
Operating return on sales	Percent	7.8	5.1	
Return on sales before tax	Percent	8.0	5.1	
Return on investment (ROI)	Percent	14.4	10.7	
Ratio of capex ³⁾	Percent	6.4	5.7	
Research and development ratio	Percent	6.3	7.5	
Cash flow from operating activities	EUR million	6,173	7,517	- 17.9
Net cash flow ⁴⁾	EUR million	4,312	2,094	105.9
Balance sheet total (Dec. 31)	EUR million	63,680	61,090	4.2
Equity ratio (Dec. 31)	Percent	44.2	41.4	

¹⁾ Including vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)

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

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

⁴⁾ Taking into account the transfer of the minority interest in Volkswagen Group Services S.A./N.V., Brussels (Belgium), to Volkswagen AG, Wolfsburg, in 2017

COMBINED MANAGEMENT REPORT

OF THE AUDI GROUP AND AUDI AG
FOR THE FISCAL YEAR
FROM JANUARY 1 TO DECEMBER 31, 2017

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SEPARATE NON-FINANCIAL REPORT

AUDI AG uses the option pursuant to Section 289b, Para. 2 of the German Commercial Code (HGB) and pursuant to Section 315b, Para. 2 of the German Commercial Code (HGB) to be exempted from submitting the non-financial declaration and the non-financial Group declaration, and refers to the combined separate non-financial report of Volkswagen AG for the 2017 fiscal year, which will be made available on the Internet in German at https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nichtfinanzieller_Bericht_2017_d.pdf and in English at https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nonfinancial_Report_2017_e.pdf by no later than April 30, 2018.

BASIS OF THE AUDI GROUP

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

STRUCTURE

/ COMPANY

AUDI AG is the parent company of the Audi Group and, in supplying the products of the Audi brand, is among the leading manufacturers of premium automobiles. Business activities mainly comprise the development, production and sale of cars, along with the task of managing the Audi Group. In addition to AUDI AG, the Audi Group comprises all material companies or entities over which AUDI AG exercises direct or indirect influence. The Audi Group is a decentralized organization, with the individual subsidiaries conducting their business activities independently. Group management and governance are ensured through guidelines, channels of reporting and committees. The Management Reports of the Audi Group and AUDI AG are combined in this report.

/ CONSOLIDATED COMPANIES

In the 2017 fiscal year, there were no changes to the group of consolidated companies with a material impact on the presentation of the net worth, financial position and financial performance. Volkswagen Group Firenze S.p.A., Florence (Italy), was sold effective January 1, 2017. The purpose of the sale was to separate importer and retail operations. Furthermore, AUDI HUNGARIA Kft., Győr (Hungary), merged with AUDI HUNGARIA SERVICES Zrt., Győr, as of January 1, 2017. AUDI HUNGARIA SERVICES Zrt. was consequently renamed Audi Hungaria Zrt., Győr. Both companies were at that point consolidated subsidiaries.



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

/ BRANDS AND PRODUCT PORTFOLIO

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

The Audi brand stands for “Vorsprung durch Technik.” For our customers, “Vorsprung” is to express sustainable, individual premium mobility and an extension of their personal freedom. The model portfolio of the Audi brand spans all major automobile segments. Our customers can select whichever model in our product range meets their individual requirements, from the compact Audi A1 car line across the A3, A4 and A5 product families right up to the full-size car lines A6, A7 and A8. In addition, our Audi TT and Audi R8 models are an especially emphatic expression of our brand’s sportiness. We also enjoy a broad presence in the SUV segment with the Audi Q2, Q3, Q5 and Audi Q7. The 2017 fiscal year saw production of the first Audi Q8 cars in preparation for the series production start in 2018. During the year under review we also built the first models of our fully electric SUV – the Audi e-tron – which goes into series production in 2018. In many of our car lines, we offer top-of-the-line S and RS models with high performance and extensive equipment.

The exclusive high-performance models of the Lamborghini brand are renowned for their excellent driving dynamics, unmistakable design, consistent use of lightweight construction and high quality of materials and finish. The product portfolio of the Lamborghini brand comprises models of the Huracán and Aventador car lines, as well as their exclusive special models. The Urus will be added to the product range starting in 2018. With the Urus, Lamborghini is tapping into the segment of the Super SUV, which combines off-road capability with the handling characteristics of a supercar. This third car line also has the mission of further strengthening volume development and brand awareness, while improving profitability.

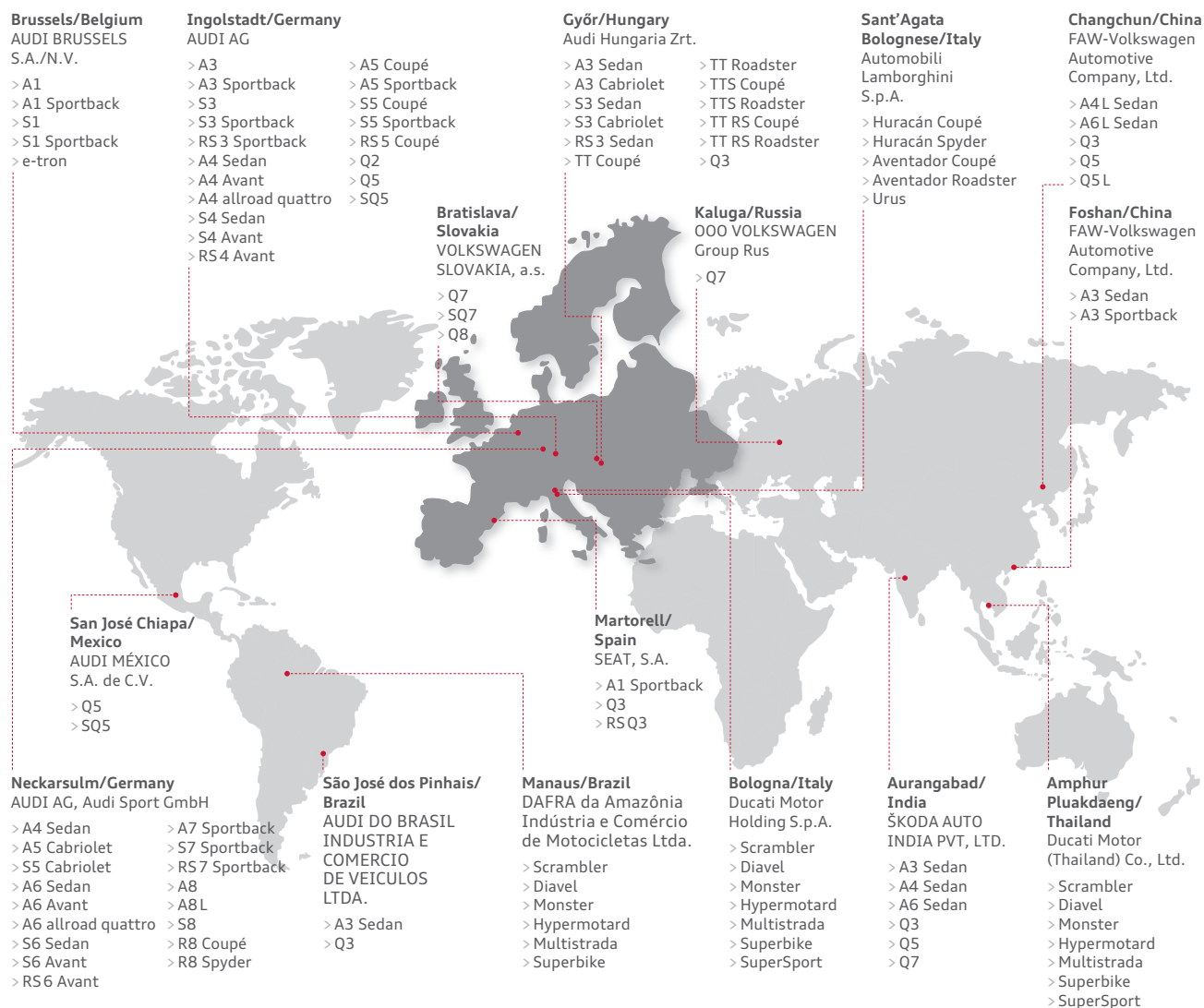
With its motorcycles, the Ducati brand particularly embodies sportiness, modern design, lightweight construction and high-performance engines. The product portfolio comprises the Scrambler series as well as the Diavel, Hypermotard, Monster, Multistrada and Superbike models. The 2017 fiscal year saw the Ducati SuperSport models join the product portfolio.



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

/ MAIN PRODUCTION SITES

The sites at which cars of the Audi and Lamborghini brands as well as motorcycles of the Ducati brand were manufactured in the 2017 reporting year are shown in the following diagram.



The production site in Neckarsulm is also home to Audi Sport GmbH, a fully owned subsidiary of AUDI AG. Audi Sport GmbH supplies the high-performance models of the R8 car line and the RS models as well as an extensive range of customization

options through the Audi exclusive program and sophisticated lifestyle articles in the Audi collection. Audi Sport GmbH also takes charge of Audi Sport customer racing. As well as cars, Audi Hungaria Zrt., Győr (Hungary), builds engines for

AUDI AG, other Volkswagen Group companies and third-party companies. In addition, it manufactured its first electric motors for the electrified powertrain of the Audi e-tron, our first all-electric SUV, in the 2017 fiscal year.

/ SALES STRUCTURES

The Audi brand sells vehicles of the Audi and Lamborghini brands as well as motorcycles of the Ducati brand internationally through its own sales companies and in partnership with local importers. Besides this, vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen

Commercial Vehicles brands are also sold through our sales subsidiaries VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), AUDI VOLKSWAGEN MIDDLE EAST FZE, Dubai (United Arab Emirates), AUDI SINGAPORE PTE. LTD., Singapore (Singapore), and Audi Volkswagen Taiwan Co., Ltd., Taipei.



Read more about our **deliveries** on pages 118 ff.

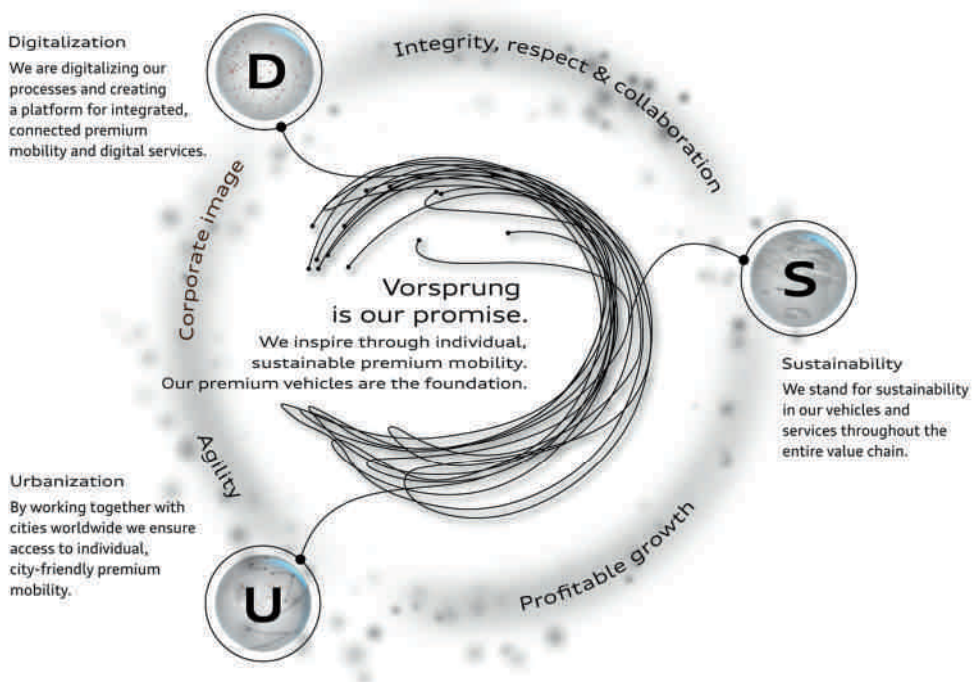
STRATEGY

/ VISION: “VORSPRUNG IS OUR PROMISE”

The megatrends of digitalization, sustainability and urbanization are transforming the automotive industry. With its Strategy 2025, the Audi Group is driving this change as one of the most successful manufacturers of premium automobiles, supercars, Super SUVs and sporty motorcycles. We have

embedded our overarching strategic goal in our vision: We want to become a provider of sustainable, individual premium mobility and to use that role to delight customers worldwide. Our premium vehicles will remain the basis of what we do – so core business will continue to be fundamentally important to our future success.

Audi Strategy 2025



/ MISSION

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

// DIGITALIZATION

For us, digitalization means consistently digitalizing our business processes and creating the leading ecosystem for premium mobility and digital services.

With digital services for our customers, we will develop new business models and exploit new sales potential – in retail, in the vehicle as well as with mobility offerings and by using anonymized data.

Our digital platform myAudi forms the common basis for this – a digital ecosystem which is equally attractive to customers and partners.

By systematically harmonizing and personalizing our digital customer interfaces, we will have an opportunity to shape new customer experiences and processes.

Digitalization also enables us to realize substantial efficiency potential along our entire value chain and therefore to continue financing investments in future topics ourselves.

By 2025 we want to achieve:

- > The best digital processes in the industry
- > 10 million active users on the digital platform myAudi
- > Substantial operating profit through digital services and new business models
- > A superior user experience – number one for customer experience
- > A seamless omnichannel sales and service experience, whether online or directly at the dealer partner
- > A virtually fully connected vehicle portfolio
- > Sustainable product optimization and complexity reduction through the use of data
- > Comprehensive digitalization of the sales processes with the potential to cut distribution costs by 1 percentage point

// SUSTAINABILITY

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

With sustainable products and services, we want to provide our customers with individual premium mobility that lives up to the pressing challenges of the future: resource scarcity, environmental destruction and climate change.

This is why we are advancing the development of innovative drive technologies. We are investing in fuels that will support climate-neutral driving and are reducing the ecological footprint of our production facilities. And we are working on material cycles that will leave little or absolutely no room for waste in the future.

Sustainability not only encompasses product-related environmental aspects, but it also applies to civic and social issues. Our demand for social sustainability should also apply to our supply chain. We want it to be free of child labor and human rights violations, for example.

By 2025 we want to achieve:

- > 1/3 of the vehicles produced are electrically powered
- > Fuel cell vehicle in series production
- > Upscaling Audi g-tron
- > Scaling up Audi e-fuels/e-power, so that all Audi tron customers can drive with virtually no impact on the climate
- > Best system range for alternative powertrains
- > Circular economy in value creation



Read more about our **alternative drive concept g-tron** in the magazine section on pages 56 ff.

// URBANIZATION

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

Urban areas need new solutions to ensure that individual mobility does not cause things to grind to a halt. Instead of banning cars from the city, they should become part of the solution and help to create an intelligent, sustainable and livable city without any pollutant emissions that are damaging to the climate and environment, as well as a connected traffic concept. Within the scope of Audi Urban Solutions, we are kicking off various initiatives and pilot projects to

develop new solutions and business models. We are also creating mobility services, including in collaboration with other providers. Autonomous driving will become an integral part of future intelligent, sustainable and connected mobility. It is designed to increase the safety of all road users, improve traffic flows and help to make more effective use of urban space.

By 2025 we want to achieve:

- > A significant market share of premium mobility services
- > Inclusion of our services in city-wide intermodal mobility concepts
- > Leading position in automated and autonomous driving

/ GOALS

At the heart of our strategy is the vision of delighting customers through sustainable, individual premium mobility. To achieve this, we must accomplish our mission in the future areas of digitalization, sustainability and urbanization. We have also set ourselves the following corporate goals, which we continuously review, broadening or adjusting them as appropriate:

// 1. PROFITABLE GROWTH

Audi is committed to a comprehensive premium business model. Profitable growth for core business means achieving corporate growth based on a robust return. New products, services and business models – especially in the digital world – only become profitable above a certain volume. Above all, the crucial factor here is how rapidly new digital services can be scaled. The following financial targets are used in assessing our performance:

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



Read more about our **management system** and our **key financial indicators** on pages 100 f. and 123 ff.

// 2. AGILITY

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

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

// 3. INTEGRITY, RESPECT AND COLLABORATION

Integrity, respect and values-based, compliant behavior build trust and make us viable for the future. We want cooperation within Audi itself and also throughout the Volkswagen Group to be honest, uncomplicated, unreserved, at eye level and in our mutual interest – entirely in keeping with the Group-wide Code of Cooperation. Furthermore, the new Audi Code of Conduct constitutes the basis of our day-to-day actions. This enables us to focus on the following goals:

- > To assume social responsibility and embed integrity permanently within the Company
- > To build on corporate culture in keeping with the Audi Code of Conduct and leadership principles
- > To extend cooperation at Audi and within the Volkswagen Group and exploit synergies



Read more about **integrity and compliance** at Audi on pages 157 ff.

// 4. CORPORATE IMAGE

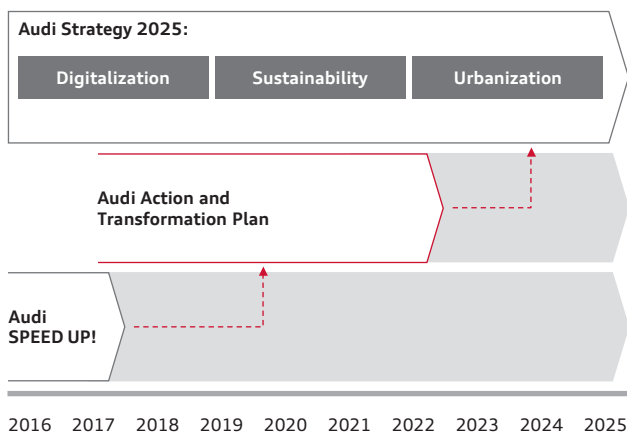
The goal is an image superior to that of our competitors as the main driver of our premium business model. In the interests of our stakeholders, we also sponsor projects that are designed to make life lastingly better for people. Specifically, we have set ourselves the following goals:

- > Brand image superior to that of competitors in Europe, the United States and China
- > Leader for innovation, quality and design
- > Further improving our attractiveness as an employer

/ IMPLEMENTATION OF STRATEGY 2025

We previously defined a variety of top projects in the 2016 fiscal year to achieve our strategic goals. Mentors on the Board of Management and project managers at top or senior management level are responsible for implementing each project. The progress of the projects is reported continuously to the Board of Management – in keeping with our principle of “Clear objective, clear measurability, clear responsibility.” The past fiscal year saw us transfer a number of top-level projects to the line. For example, we were already able to reduce complexity in the first product lines by using more carry-over parts. We also finalized our electrification roadmap and incorporated the implementation of Strategy 2025 and the newly initiated Action and Transformation Plan into the remuneration system for management.

Implementation of Strategy 2025



To achieve our strategic goals more quickly and unlock the resources needed to implement Strategy 2025, we launched the “SPEED UP!” program of measures in 2016. Thanks to “SPEED UP!” we have been able to optimize a large number of areas of the Company. Especially thanks to a more disciplined approach to costs, the now-completed program contributed around EUR 1 billion to earnings in the 2017 fiscal year.

Following on from that, we initiated the Audi Action and Transformation Plan in the reporting year. To make Strategy 2025 work, this plan realigns the organization and creates the necessary financial leeway. It focuses on the financing of future projects and protects our long-term competitiveness and future viability by securing our strategic return target. To this end, the Action and Transformation Plan comprises a return and investment program. On the one hand, we therefore look at the costs side, for example by becoming even more efficient and further reducing unnecessary complexity. On the other hand, we also focus on the performance side: We invest the freed-up resources in new models that generate additional earnings potential for us, for example, and support us with implementing our electrification roadmap. The Action and Transformation Plan also guarantees the reorientation of our organization – which includes, for example, the digitalization of processes and the strategic allocation of resources. All in all, the Action and Transformation Plan is intended to unlock around EUR 10 billion in earnings potential by 2022, ensuring our strategic return target during the intensive transformation phase.

The Action and Transformation Plan is subdivided into seven work packages, with two Board members in tandem responsible for each one. In the individual work packages, module managers take charge of developing and implementing the necessary measures. A Project Management Office (PMO) oversees implementation of the Action and Transformation Plan.

The Audi Action and Transformation Plan

Project Management Office (PMO)

Model initiative 	Market penetration 	Material, investment and indirect purchasing costs 	Factory costs 	Technical Development transformation 	Organization 	China 
Board of Management tandem:						
Stadler/Schot	Schot/Seitz	Martens/Mertens	Kössler/Göbel	Mertens/Martens	Göbel/Seitz	Stadler/Schot
Examples:						
At least 4 new models	Profit-oriented sales management	Optimization of material costs	Optimization of production	Process initiative	Digitalization of processes	Implementation of 2-partner strategy

MANAGEMENT SYSTEM

We apply central benchmarks in the Audi Group to manage and monitor our strategic and operational goals. Alongside important financial key figures, the Audi Group management system also contains non-financial performance indicators. In the course of repositioning the Company under Strategy 2025, the Audi Group's management system will also undergo various changes in the future, for instance through a clearer distinction between vehicle and service business. The management's performance-related remuneration will in addition be brought more closely in line with the management system. Certain financial targets as well as particular drivers of profit will be considered in greater detail than previously.

We outline the current internal management process below and describe the current key performance indicators in the management system.

/ MANAGEMENT PROCESS IN THE AUDI GROUP

The Audi Group is incorporated as an integral part into the Volkswagen Group's management process. Management of the Audi Group encompasses AUDI AG and the consolidated companies, which is why there is no separate management and forecast of the key performance indicators at AUDI AG. Appropriate account is taken of the complex value chains and organizational structures as well as the legal requirements. The starting point for the management of the Audi Group is the long-term strategic planning prepared every year for a period of ten years, as well as the medium-term planning

derived from this for a three to five-year period. This process incorporates significant aspects of our operational planning.

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

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

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

A binding first-year plan is derived from the medium-term planning and a budget for operations is drawn up on a month-by-month basis. The level of budgetary target attainment is tracked and reviewed each month with the help of various management tools such as target/actual analyses, year-on-year comparisons and deviation analyses. If necessary, action plans are additionally developed and implemented to back up

the budgeted objectives. On a rolling monthly basis, detailed advance estimates are drawn up for the full year and also for the following three-month period. Measures developed to reflect the prevailing opportunity and risk position are also taken into account. Continuously adapting to internal and external changes is therefore of central importance for management during the year. At the same time, the current forecast constitutes the basis for the next medium-term and budget planning.

/ KEY PERFORMANCE INDICATORS OF GROUP MANAGEMENT

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

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

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

With Strategy 2025, the focus within our Company is shifting even more strongly towards profitable growth. We now systematically examine the profitability of our regional sales planning with the help of financial performance indicators.

The financial key performance indicators of the Audi Group include revenue, which is a financial reflection of our market success. Operating profit is the balance of revenue and

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

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

The research and development ratio expresses the innovative strength of the Company and also ensures that it maintains competitive cost structures. The research and development ratio is the ratio of research and development activities to the revenue of the Audi Group. Development projects take shape from product or technology decisions or are launched in response to strategic directions.

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



Read more about our **key performance indicators** on pages 112 ff., 118 ff. and 123 ff.

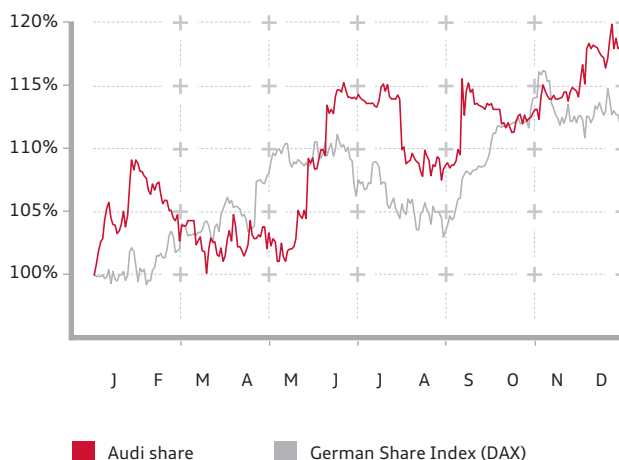
SHARES

/ AUDI TRADING PRICE TREND

The German Share Index (DAX) developed positively in 2017 along with the major international indices. The trading prices of German car manufacturers and suppliers listed in the DAX experienced mixed fortunes with greater volatility than the German Share Index as a whole. The shares of the premium car manufacturer Audi are listed in the General Standard stock exchange segment and, in a reflection of the low free float of around 0.45 percent, see comparatively low trading volumes. The Audi trading price on the whole experienced an upward trend in the past fiscal year. The first day of trading in 2017 also marked the year-low, with a closing price of EUR 623.15. Against the backdrop of industry-specific stress factors, such as the debate over the future of diesel drive technology, in broad terms the Audi trading price tended to move sideways over the first half of 2017. The temporary effects of our negotiations on the strategic further development of our China business probably also served to curb the trading price. An upward trend in the Audi trading price then set in towards the end of the first half and continued for the remainder of the year, despite isolated price fluctuations. The capital market responded well, among other things, to the successful conclusion of negotiations with our contract partners in China and the imminent prospect of new products and technologies. For example, we showcased our innovativeness and technological direction at the International Motor Show (IAA) in September 2017. The favorable economic conditions were undoubtedly responsible for other positive developments.

The AUDI AG trading price shrugged off the Federal Reserve's further base rate increase in December 2017. The Audi shares reached their year-high of EUR 747.00 on December 20, 2017, and closed at EUR 725.95 on the year's final day of trading, 16.5 percent up on the level at the start of the year.

Indexed Audi trading price trend in 2017 (ISIN: DE0006757008, stock exchange: Xetra)



Read more about **Audi shares** at
www.audi.com/shares.

DISCLOSURES REQUIRED UNDER TAKEOVER LAW

The following disclosures under takeover law are made pursuant to Section 289a, Para. 1 and Section 315a, Para. 1 of the German Commercial Code (HGB).

/ CAPITAL STRUCTURE

On December 31, 2017, the subscribed capital of AUDI AG remained unchanged at EUR 110,080,000 and comprised 43,000,000 no-par bearer shares. Each share represents a notional share of EUR 2.56 of the subscribed capital.

/ SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Shareholders enjoy property and administrative rights. The property rights include, above all, the right to a share in the profit (Section 58, Para. 4 of the German Stock Corporation Act [AktG]) and in the proceeds of liquidation (Section 271 of the German Stock Corporation Act), as well as a subscription right to shares in the event of capital increases (Section 186 of the German Stock Corporation Act). The administrative rights include the right to participate in the Annual General Meeting and the right to speak, ask questions, table motions and exercise voting rights there. Shareholders may assert these rights in particular by means of a disclosure and avoidance action.

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

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

/ CAPITAL INTERESTS EXCEEDING 10 PERCENT OF THE VOTING RIGHTS

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

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

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

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

According to stock corporation regulations, the Annual General Meeting may grant authorization to the Board of Management for a maximum of five years to issue new shares. The meeting may authorize the Board of Management, again for a maximum of five years, to issue convertible bonds on the basis of which new shares are to be issued. The extent to which the shareholders have an option on these new shares is likewise decided upon by the Annual General Meeting. The acquisition of treasury shares is regulated by Section 71 of the German Stock Corporation Act (AktG). No resolutions to this effect were passed by the Annual General Meeting of AUDI AG in the 2017 fiscal year.

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

AUDI AG is party to the shareholder agreement concerning There Holding B.V., Rijswijk (Netherlands), which is the majority shareholder of the HERE Group. Under the shareholder agreement, in the event of a change of control at a party to the agreement, that party must offer the shares it holds directly or indirectly in There Holding B.V. to the other shareholders for purchase. In the case of AUDI AG, a change of control occurs if a person acquires or loses control over AUDI AG, wherein control is defined as (i) holding or having control over more than 50 percent of the voting rights, (ii) the scope for controlling more than 50 percent of the voting rights that can be exercised at Annual General Meetings on all or virtually all matters, or (iii) the right to determine the majority of the members of the Board of Management or Supervisory Board. Furthermore, a change of control occurs if competitors of the HERE Group or certain potential competitors of the HERE Group from the technology industry acquire at least 25 percent of AUDI AG. If neither of the other shareholders takes on these shares, the other shareholders have the right to resolve the dissolution of There Holding B.V.

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

ECONOMIC REPORT

In the 2017 fiscal year, the Audi Group made extensive preparations for the production of numerous new models within the scope of its model initiative. Despite challenges in the Asia-Pacific region, deliveries of the Audi brand were increased by 0.6 percent to the record figure of 1,878,105 cars. However, the effects of the diesel issue negatively impacted our business activity again in 2017.

BUSINESS AND UNDERLYING SITUATION

/ GLOBAL ECONOMIC SITUATION

The global economy recorded growth of 3.2 (2.5) percent in 2017. Both industrial nations and emerging economies accomplished an upturn in economic momentum compared with the prior-year period. Despite an overall still-expansionary monetary policy coupled with predominantly low interest rates and higher commodity prices, the global inflation rate rose less steeply than one year previously.

The economy in Western Europe expanded by 2.3 (1.8) percent in the period under review. Almost all countries in the region benefited from continuing low interest rates and stronger gross domestic product (GDP) growth year-on-year; this was also reflected in dwindling unemployment figures. There was political uncertainty due to parliamentary elections in several countries as well as the start of negotiations over the United Kingdom's exit from the European Union. In Germany, the region's biggest national economy, economic output increased by 2.5 (1.9) percent on the back of optimistic consumer sentiment and a healthy labor market. The unemployment rate in Western Europe fell to 8.5 (9.3) percent, though it was again more than double that rate in Greece and Spain.

GDP was up 3.8 (1.8) percent in Central and Eastern Europe. Among the positive factors at work there was the recovery in the Russian economy, which pulled out of recession with growth of 1.6 (-0.4) percent thanks to the higher energy price level.

The United States achieved economic growth of 2.2 (1.5) percent, driven by robust private-sector demand. Comparatively still-low interest rates were a major determining factor behind this economic dynamism.

After a lengthy phase in recession, the economy in Brazil revived in 2017. Brazil's GDP grew by 1.0 (-3.5) percent, underpinned mainly by a rebound in domestic demand and higher commodity prices. Continuing political uncertainty was nevertheless an inhibiting factor.

The Asia-Pacific region again delivered the most dynamic economic performance worldwide. The Chinese economy furthermore accomplished the highest absolute rise in economic output by international comparison, expanding by 6.9 (6.7) percent. Economic policy stimuli helped the situation. With GDP up 1.8 (0.9) percent, Japan's economy also improved thanks to such factors as growing exports and consumer spending.

/ INTERNATIONAL CAR MARKET

Worldwide demand for cars rose by 2.9 percent in 2017 to a new record level of 83.5 (81.2) million vehicles. Western Europe, Central and Eastern Europe, South America and the Asia-Pacific region all saw new registrations rise, while sales figures were down in North America.

In Western Europe, the positive development in demand for passenger cars continued, supported above all by the healthy development in the economy as a whole. New registrations grew by 2.5 percent to 14.3 (14.0) million to reach their highest level for ten years. The German passenger car market performed well, with higher demand from both private and business customers, and increased in volume by 2.7 percent to 3.4 (3.4) million cars. In the United Kingdom, the number of newly registered vehicles slipped by –5.7 percent from the previous year's record figure, among other reasons because of growing uncertainty surrounding the United Kingdom's impending exit from the European Union. On the French passenger car market, new registrations grew by 4.8 percent. The car markets in Italy and Spain achieved steeper growth rates of 8.1 and 7.7 percent respectively.

New registrations of vehicles in Central and Eastern Europe were 12.6 percent up on the previous year, at 3.0 (2.7) million cars. Russia, the largest market in the region, returned to a path of growth along with the improving overall economic situation. From a low base level, sales of vehicles there grew by 12.3 percent to 1.5 (1.3) million units.

The U.S. market for passenger cars and light commercial vehicles was unable to match the previous year's record level and saw demand slip by –1.8 percent to 17.2 (17.6) million units. Demand continued to shift towards SUV and pick-up models, while the classic passenger car segments contracted.

The Brazilian market for passenger cars and light commercial vehicles benefited from an improved economic situation in 2017 after a protracted phase of declining new registrations. The previous year's relatively low volume was increased by 9.4 percent to 2.2 (2.0) million units.

The Asia-Pacific region again achieved the highest absolute growth in volume in the period under review, with 37.0 (35.3) million units. In China, the world's biggest automobile market, the number of newly registered passenger cars climbed 4.5 percent to 23.9 (22.9) million units. However, demand grew much more slowly because higher tax breaks for vehicles with a displacement of up to 1.6 liters had triggered pull-forward effects in the previous year. The Japanese automobile market grew by 6.1 percent to 4.4 (4.1) million units, in part thanks to state support.

/ INTERNATIONAL MOTORCYCLE MARKET

In 2017, international registrations of new motorcycles in the displacement segment above 500 cc declined by –3.5 percent. The individual markets presented a mixed picture. While the German motorcycle market contracted by –12.3 percent, the French and Italian motorcycle markets achieved growth of 3.3 and 11.9 percent respectively. In the United States – the world's biggest motorcycle market – the number of newly registered motorcycles fell by –6.9 percent.

/ MANAGEMENT'S OVERALL ASSESSMENT

// COURSE OF BUSINESS

The Audi Group forged ahead with implementing the strategic fields of action digitalization, sustainability and urbanization in the 2017 fiscal year. We illustrated our future viability at the Audi Summit in Barcelona, for example through new offerings for automated and autonomous driving as well as by giving a preview of digitally connected, sustainable mobility in the smart city of the future. The highlight was the world debut of our new Audi A8, which heralds in a new design era at Audi. With its many driver assistance systems, to some extent highly automated, it serves as the benchmark for our major model initiative under the banner of "Vorsprung durch Technik." To ensure the success of Strategy 2025, the Audi Action and Transformation Plan agreed on in the reporting year realigns the organization and creates the necessary financial leeway. Following on from our successfully completed "SPEED UP!" program of measures, it focuses on the financing of our future projects. The Action and Transformation Plan is intended to unlock around EUR 10 billion in earnings potential by 2022, guaranteeing our strategic return target during the impending transformation phase. The newly appointed Board of Management team has also given an extra push to our operative and strategic measures. To draw maximum long-term benefit from the market opportunities offered by the world's biggest automotive market China, Audi will pursue a two-partner strategy in the future. In addition, we were able to reach further important agreements to resolve the diesel issue, above all in the United States. We have consequently introduced comprehensive procedural and organizational changes. The implementation of the conditions from the U.S. settlements will also be supervised by the Independent Compliance Monitor/Auditor appointed by the U.S. authorities, Larry D. Thompson, for at least three years.

Furthermore, we are continuously monitoring the implementation of the settlement agreements in North America in connection with the diesel issue. The repurchase and retrofit programs to be implemented are both extensive and technically complex. Our provisions for these were likewise adjusted in the 2017 fiscal year on the basis of updated measurement assumptions. Other adverse effects arose from market restrictions in the Asia-Pacific region and from the restructuring of our production network. The latter activities also involved making preparations for the series production of multiple new models, including the fully electric Audi e-tron.

With 1,878,105 (1,867,738) deliveries to customers of the core brand Audi, we bettered our prior-year volume figure as expected, despite challenging conditions in the Asia-Pacific region. This volume growth of 0.6 percent means we have set a new deliveries record. Growth expectations at the start of the year had been slightly higher.

Revenue of the Audi Group rose slightly to EUR 60,128 (59,317) million for reasons including the market success of our new products – especially the Audi A5 family and the Audi Q2 – as well as improved other automotive business, and was thus in line with our forecast. There was an opposite effect from the drop in sales of products that are in the advanced stage of their life cycle, challenges in certain regions and a disadvantageous currency environment for us compared with the previous year.

Operating profit of the Audi Group for the 2017 fiscal year amounted to EUR 4,671 (3,052) million, representing an operating return on sales of 7.8 (5.1) percent. This figure includes special items in connection with the diesel issue totaling EUR –387 (–1,632) million. In the previous year, this figure had also included EUR –162 million in special items in connection with airbags from the manufacturer Takata. Adjusted to take account of these special items, operating profit totaled EUR 5,058 (4,846) million and the operating return on sales came to 8.4 (8.2) percent. In the 2016 Annual Report, we had anticipated an operating return on sales within the strategic target corridor of 8 to 10 percent. Especially our “SPEED UP!” program of measures

as well as the revenue performance had a positive impact. Lower distribution costs and currency hedging management also helped improve operating profit. In addition to the special items, unfavorable impacts included upfront expenditures for the ongoing expansion of our model and technology portfolio and of our manufacturing structures.

The return on investment (ROI), which was also negatively impacted by the special items, reached 14.4 (10.7) percent and thus exceeded our minimum rate of return of 9 percent. This key figure also reflects our model initiative and associated effects on invested assets. In the 2016 Annual Report, we had planned an ROI of between 15 and 18 percent for 2017.

Thanks to our strong financial base and the positive effects of changes in participations in the fourth quarter of 2017, we generated a net cash flow of EUR 4,312 (2,094) million in the past fiscal year. In the past period the Audi Group transferred its minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg, with a positive non-recurring effect of EUR 3,278 million. Our forecast at the start of 2017 was based on the assumption of a positive cash flow well below the prior-year level in view of the expected use of cash in connection with the diesel issue. Cash outflows for the diesel issue amounted to around EUR 1.5 billion.

Helped by optimizations already made in the Research and Development area, the research and development ratio reached a figure of 6.3 (7.5) percent and was therefore within the strategic target corridor of 6.0 to 6.5 percent. In our forecast, we had anticipated a research and development ratio slightly above that corridor.

Against the backdrop of extensive production starts in the top segment, we increased our investing activities in the fourth quarter. This took the ratio of capex for the 2017 fiscal year of 6.4 (5.7) percent moderately above our strategic target corridor of 5.0 to 5.5 percent and therefore in the range of our updated forecast in the Third Quarter Report 2017. In the 2016 Annual Report, we had anticipated that the ratio of capex would be within the strategic target corridor in 2017.

Forecast/actual comparison Audi Group

	Actual 2016	Forecast for 2017	Actual 2017	Evaluation ¹⁾
Deliveries of cars of the Audi brand to customers	1,867,738	slight increase	1,878,105	⇒
Revenue in EUR million	59,317	slight increase	60,128	✓
Operating profit in EUR million	3,052	within the strategic target corridor of 8 to 10 percent	4,671	⇒
Operating return on sales in percent	5.1		7.8	⇒
Return on investment (ROI) in percent	10.7	within a range of 15 to 18 percent and therefore above the minimum rate of return of 9 percent	14.4	⇒
Net cash flow in EUR million	2,094	positive, but significantly below the previous year due to anticipated outflows from the diesel issue	4,312 ²⁾	↑
Research and development ratio in percent	7.5	slightly above the strategic target corridor of 6.0 to 6.5 percent	6.3	↑
Ratio of capex in percent	5.7	within the strategic target corridor of 5.0 to 5.5 percent ³⁾	6.4	✓

1) The evaluation reflects the Company's assessment of target attainment.

Forecast achieved ✓ Significantly above forecast ↑ Significantly below forecast ↓ Slight forecast deviation ⇔

2) Includes a positive non-recurring effect of EUR 3,278 million from the transfer of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg.

3) Updated in the Third Quarter Report 2017 to "moderately above the strategic target corridor of 5.0 to 5.5 percent"

// EXCEPTIONAL EVENTS**/// DIESEL ISSUE**

In September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles of the Volkswagen Group with EA189 2.0 l diesel engines. In this context, Volkswagen announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around 11 million vehicles worldwide with type EA189 diesel engines, including around 2.4 million Audi vehicles. In November 2015, the EPA issued a "Notice of Violation" alleging that irregularities had also been discovered in the software installed in U.S. vehicles with type V6 3.0 TDI engines. The matter affected around 113,000 vehicles in the United States and Canada, where the regulations on NO_x limits are stricter than in other parts of the world. The California Air Resources Board (CARB) – part of the Californian Environmental Protection Agency – announced its own investigations into this matter.

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

Volkswagen and Audi are still working intensively to clarify these issues. To this end, Volkswagen has ordered both internal inquiries and external investigations. The external investigations have been conducted with the involvement of external lawyers in Germany and the United States. The international

law firm Jones Day has also conducted an extensive investigation into this matter at AUDI AG and received operational support from the auditing firm Deloitte. To clarify this issue in particular, the Board of Management set up an internal task force and furnished committees as well as divisions with the necessary resources. Regular reporting to the Board of Management has been part of the initiatives as well. We are cooperating with all the responsible authorities to clarify these matters completely and transparently.

The incumbent members of the Board of Management of AUDI AG at that time have declared that prior to their notification by the EPA in November 2015, they had no knowledge of the use of an unlawful "defeat device software" under U.S. law in the V6 3.0 TDI engines.

Also, the publications released by the reporting date as well as the continued investigations and interviews in connection with the diesel issue did not provide the Board of Management with any reliable findings or assessments regarding the facts which would lead to a different assessment of the associated risks.

Besides, there are no reliable findings or facts to the incumbent Board of Management of AUDI AG suggesting that the Annual and Consolidated Financial Statements as well as the Combined Management Report for the 2017 fiscal year and previous years were materially incorrect. However, if new findings should come to light that indicate that individual members of the Board of Management at that time were aware of the diesel issue earlier, this could potentially have an effect on the Annual and Consolidated Financial Statements

as well as on the Combined Management Report for the 2017 fiscal year and previous years.

Numerous court and governmental proceedings were subsequently initiated in the United States and the rest of the world in connection with the diesel issue. Having previously reached comprehensive settlements in North America in 2016, we succeeded in ending a majority of major court and governmental proceedings in the United States by concluding settlement agreements in the 2017 fiscal year. This includes, in particular, settlements with the U.S. Department of Justice (DoJ)). Outside the United States, we also reached agreements with further authorities with regard to the implementation of technical measures.

In April 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that 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 multidistrict litigation. On October 12, 2017, plaintiffs filed a consolidated class action complaint. Volkswagen AG and certain affiliates, including AUDI AG, filed for the dismissal of this action in December 2017. In January 2018, the plaintiffs filed an opposition to the dismissal motion. The court has granted the defendants a period of time until February 16, 2018, to submit a reply, and oral argument on defendants’ motion to dismiss is scheduled for May 11, 2018. On December 22, 2017, a mass action on behalf of around 75 individual plaintiffs was filed in a state court in California, based on similar claims.

In Canada, two similar putative class actions including a national class action against AUDI AG, Volkswagen AG and affiliated companies in the United States and Canada were filed in courts in Ontario and Quebec relating to alleged CO₂ defeat devices in certain Audi gasoline vehicles with automatic transmission. Both these Canadian lawsuits are in the pre-admission phase.

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

A large number of putative class actions by customers and dealers have been filed with U.S. federal courts and referred to a federal court in California for pre-litigation coordination. In addition, some putative class actions, some individual actions by customers and some state or municipal claims have been filed with courts in individual states.

In addition, certain claims brought by the attorneys general of certain states or by counties within certain states are proceeding either in the U.S. federal court in the multidistrict litigation or in state courts. These lawsuits seek monetary penalties, and, in certain cases, injunctive relief. Audi (along with Volkswagen AG and other affiliated companies) has moved to dismiss certain of the states’ and counties’ environmental claims as preempted by the U.S. Federal Clean Air Act. The environmental lawsuits of Alabama and Wyoming were so dismissed, though Alabama has appealed that ruling.

In addition, Volkswagen and certain affiliated companies, including AUDI AG, reached separate settlement agreements with the attorneys general of eleven U.S. states to resolve actual or potential future claims from civil penalties and injunctions for claimed violation of environmental laws.

In June 2017, Larry D. Thompson was named as Independent Compliance Monitor and Independent Compliance Auditor. Together with his team he will fulfill this role for a period of at least three years pursuant to the criminal plea agreement and the Third Partial Consent Decree.

In July 2017, the U.S. federal court in the multidistrict litigation in California 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 in July 2017, the California federal court granted the motion of the Plaintiffs' Steering Committee seeking attorneys' fees and costs in connection with the settlement on vehicles with V6 3.0 TDI engines.

In the United States and Canada, three generations of certain vehicles with four-cylinder diesel engines under the responsibility of Volkswagen and two generations of certain vehicles with V6 3.0 TDI engines are affected. The EPA and CARB have approved emissions modifications for the majority of affected vehicles with four-cylinder diesel engines and granted resale approvals. For Generation 2 vehicles with V6 3.0 TDI engines, the EPA and CARB have approved repair solutions. For Generation 1 vehicles with V6 3.0 TDI engines, we have submitted proposed emissions modifications, and those proposals are under review by the EPA and CARB. Volkswagen is cooperating closely with EPA and CARB to receive approval for the remaining vehicles.

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. In September 2017, a Canadian court approved the agreement reached by Volkswagen AG and other Canadian and U.S. Volkswagen Group and Audi Group companies to resolve the 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 Canadian provincial regulatory agency – the Ministry of the Environment and Climate Change of

Ontario – charged Volkswagen AG with a violation of an environmental law of the province, alleging that Volkswagen AG had caused or permitted the operation of four-cylinder diesel vehicles of Volkswagen and Audi of the model years 2010 to 2014 that did not conform to the prescribed emission standards. Following the initial court hearings in November 2017 and February 2018, the matter was postponed to April 2018, after the continuous disclosure of evidence. No trial date has been set.

In December 2017, Volkswagen announced an agreement in principle on a proposed settlement with consumers in Canada in connection with V6 3.0 TDI diesel vehicles. The court preliminarily approved the settlement agreement in January 2018. The notice and opt-out period began on January 17, 2018. Dates for final approval hearings have been set for April 2018 in Quebec and Ontario.

In January 2018, Volkswagen also reached a civil resolution with the Canadian Commissioner of Competition to settle consumer protection matters in respect of V6 3.0 TDI diesel vehicles. In addition, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulatory in Canada relating to four-cylinder and V6 3.0 TDI diesel vehicles are ongoing.

In addition, putative class action and joinder lawsuits by customers, and a certified environmental class action on behalf of Canadian residents, remain pending in certain provincial courts in Canada.

During the first quarter of 2017, the German Federal Motor Transport Authority (Kraftfahrt-Bundesamt, KBA) issued the final outstanding official approvals needed for technical measures to convert Volkswagen Group vehicles fitted with four-cylinder diesel engines falling within its remit, including Audi models. The KBA ascertained for all clusters (groups of vehicles) that implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO₂ emissions figures, engine power, maximum torque and noise emissions. Once the modifications have been

made, the vehicles will thus also continue to comply with all legal requirements and applicable emission standards. The technical measures for all affected vehicles with type EA189 engines in the European Union were approved without exception and predominantly carried out.

In connection with the diesel issue, AUDI AG is cooperating with the Munich prosecutor's office II (Staatsanwaltschaft München II), who initially investigated the issue in relation to V6 3.0 TDI engines marketed in the United States. In the meantime, the Munich prosecutor's office II has extended its investigation to vehicles on the European market (V8 4.2 TDI and V6 3.0 TDI EU5/EU6). Regulatory offense proceedings ("Ordnungswidrigkeitenverfahren") relating to the diesel issue were also initiated at Audi in July 2017. These cases have not yet been completed.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potentials. A systematic review process for all engine and gear variants has been underway since 2016. In this regard it has been working closely with the authorities – in particular the German Federal Ministry of Transport and the KBA – and reporting to them in detail.

On June 14, 2017, based on a technical error in the parametrization of the transmission software for a limited number of specific Audi A7/A8 models that AUDI AG itself discovered and reported to the KBA, the KBA issued an order with which a correction proposed by AUDI AG will be submitted. The technical error lies in the fact that, in the cases concerned, by way of exception a specific function that is standard in all other vehicle concepts is not implemented in actual road use. In Europe, this affects around 24,800 units of certain Audi A7/A8 models. The KBA has not categorized this error as an illegal defeat device.

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 in inner city areas beyond the legal requirements. Customers will not be charged for the new software.

The entire package is also offered for certain Volkswagen and Porsche models and comprises voluntary and, to a small extent, measures directed by authorities. These are measures taken within the scope of a recall, which were proposed by AUDI AG itself, reported to the KBA and taken up and ordered by the latter. The measures adopted and mandated by the KBA involved the recall of different diesel vehicles with a V6 or V8 engine meeting the EU6 emission standard, for which the KBA categorized certain emission strategies as an illegal defeat device. From July 2017 to January 2018, the measures proposed by AUDI AG have been adopted and mandated in various decisions by the KBA on vehicle models with V6 and V8 TDI engines. All models of the Audi brand currently offered already have a new-generation engine or were not the subject of KBA complaints.

The voluntary checks of the vehicles of the Audi brand with Euro 6 engines have almost been concluded. The investigations of vehicles with Euro 5 engines are already at an advanced stage and their conclusion is expected during the first quarter of 2018. In addition, Audi is responding to requests from the U.S. authorities for information regarding automatic transmissions in certain vehicles.

We currently assume that the overall cost of the software-based retrofit program including the part related to recalls will be manageable and have recognized corresponding balance-sheet risk provisions. Should additional measures become necessary as a result of the investigations by AUDI AG and the consultations with the KBA, AUDI AG will quickly implement these as part of the retrofit program in the interest of customers. Further field measures with financial consequences can therefore not be ruled out completely at this time.

Between July and November 2017, plaintiffs in various U.S. jurisdictions filed a large number of lawsuits against several car manufacturers, including Volkswagen AG and its associated companies, on behalf of putative buyer classes of German luxury vehicles. These lawsuits assert claims under the U.S. Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection acts as well as under common law for unjust enrichment. The lawsuits allege that from the 1990s the defendants collaborated in the unlawful fixing of the prices of German

luxury vehicles by agreeing to share sensitive business information and entering into unlawful agreements on technology, costs and suppliers. In addition, the plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to ensure that the U.S. emissions regulatory agencies would not conduct any detailed examination of the emissions control system in vehicles of the defendants, and that this agreement acted as the catalyst for Volkswagen to create the defeat device.

On September 28, 2017, a hearing took place before the Judicial Panel on Multidistrict Litigation (JPML). On October 4, 2017, the JPML resolved to consolidate these cases and to refer them to Judge Breyer of the Northern District of California. On December 14, 2017, the Co-Lead Counsel was appointed, who represents the interests of a putative indirect buyer class and a putative direct buyer class, as well as the Plaintiffs' Steering Committee (PSC). On December 20, 2017, the deadlines for the initial submissions were set and the first discussion of the status of the proceedings scheduled for April 5, 2018, and the Co-Lead Counsel was instructed to submit consolidated class action complaints on behalf of two putative classes by March 15, 2018.

Between July and October 2017, plaintiffs in Ontario, Quebec and British Columbia filed lawsuits against several car manufacturers including Volkswagen Canada Inc., Audi Canada Inc. and other companies of the Volkswagen brand on behalf of putative buyer classes of German luxury vehicles. The plaintiffs are bringing claims under the Competition Act, and common law, as well as under Quebec civil law. The proceedings are based on similar allegations as the U.S. proceedings in the previous paragraph.

Based on the facts of the diesel issue available to and assessed by the incumbent Board of Management of AUDI AG at the time of preparation of the financial statements, relating both to the four-cylinder diesel engines for which Volkswagen AG is accountable and to the V6 3.0 TDI diesel engines which are the responsibility of AUDI AG, it is the opinion of the Board of Management of AUDI AG that adequate risk provisioning has been made in the form of provisions for technical measures and legal risks in connection with the settlement agreements for the diesel issue in the United States. The provisioning also covers diesel issues in Canada and sales measures in the

markets affected by a freeze on sales. In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue which is the responsibility of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation. Additional information regarding the provisions created at the Audi Group in connection with the diesel issue is available in the Notes to the Consolidated Financial Statements under Note 33 "Other provisions."

Furthermore, we are continuously monitoring the implementation of the settlement agreements in North America in connection with the diesel issue. The repurchase and retrofit programs to be implemented are both extensive and technically complex. Our provisions for these were likewise adjusted in the 2017 fiscal year on the basis of updated measurement assumptions. Special items in connection with the settlement agreements in North America with an effect on profit or loss came to EUR -387 (-1,632) million in the 2017 fiscal year. This figure takes account of expenditure and provisioning for legal risks as well as expenditure for technical measures. The prior-year figure in addition included sales-related measures in the markets affected by the suspension of sales, which were reported as special items in connection with the diesel issue. The official proceedings and consultations are ongoing. In addition, despite good progress the customer programs laid down in the settlement agreements have not yet been completed. The risk provisioning made to date in the form of provisions, especially for the diesel issue, are based on current knowledge and are therefore fundamentally subject to significant evaluation risks because of the large number of still-uncertain measurement inputs. Until the official proceedings and consultations as well as the customer programs have been concluded, we will therefore continue to monitor the measurement inputs in connection with the provisions created for the diesel issue as well as the development in the associated costs, and adjust them in line with more recent knowledge as necessary.

As far as manageable and economically viable we have taken out insurances in appropriate scope to cover risks. For the perceptible and assessable risks, provisions have been created that appear appropriate or rather disclosures to contingent liabilities have been stated. Contingent liabilities have not been stated if they are not assessable at the moment. Because some risks are not assessable, or only to a limited extent, we cannot exclude that losses occur which are not covered by the insured or deferred amounts. This is especially valid for the estimation of the legal risks regarding the diesel issue.

The diesel issue prompted a comprehensive process within the Audi Group that is aimed at strengthening our compliance,

our internal control system and our risk management. In particular, we are developing our corporate culture and supporting integrity within the company through programs and projects.

As far as the product development process is concerned, we have improved our internal control systems and vehicle testing. The revision of our Code of Conduct and the restructuring of the whistleblower system are accompanied by regular training for employees.

The trust of our customers, shareholders, partners, employees and the public at large is our most vital asset. We will do all in our power to strengthen that trust in the best way possible.

RESEARCH AND DEVELOPMENT

The Research and Development area is of key importance for the future viability of Audi as a premium car manufacturer. In the 2017 fiscal year we employed an average of 13,672 (13,562) people in this area throughout the Audi Group.

Workforce in the Research and Development area

<i>Average for the year</i>	2017	2016
AUDI AG	10,823	10,714
Audi (China) Enterprise Management Co., Ltd.	242	265
Audi Hungaria Zrt.	348	321
Automobili Lamborghini S.p.A.	364	347
Italdesign Giugiaro S.p.A.	785	788
PSW automotive engineering GmbH	871	892
Ducati Motor Holding S.p.A.	231	229
Other	8	6
Workforce in the Research and Development area	13,672	13,562

We are currently in the midst of the biggest model initiative in our history. Meanwhile, we continue to promote future topics such as the electrification of our vehicles and automated driving. Efficient processes as well as the clear planning, allocation and management of both human and financial

resources are of key importance. We are addressing precisely those points through the transformation of the Research and Development area that we kicked off in the 2017 fiscal year. This includes ongoing personnel development for the employees of that area. We are promoting the quick and targeted buildup of skills in the crucial future fields through such measures as retraining and a variety of partnerships.

On top of that, competitive cost structures are essential to the long-term success of Audi. That is why we have defined the research and development ratio within the corridor of 6.0 to 6.5 percent as a strategic target and a key performance indicator for financial management. As well as allocating resources efficiently, the task at hand involves using and building on synergies even further within the Volkswagen Group. For example, we are working together with Dr. Ing. h.c. F. Porsche AG, Stuttgart, on the electrification of both brands' product portfolios. To that end, we are pooling our resources in the joint development of vehicle architectures, modules and components in what is known as the Premium Platform Electric (PPE). The first model based on the PPE is to appear on the market at the start of the next decade. To complement this, we have teamed up with the Volkswagen Passenger Cars brand to work on the Modular Electrification Toolkit (MEB) in the smaller vehicle segments.

In addition, Audi is the lead player for development activities connected with automated and autonomous driving within the Volkswagen Group. For example, we established Autonomous Intelligent Driving GmbH, Munich, in the first quarter of 2017. We are promoting other future topics, including for instance through selected partnerships and strategic participations.

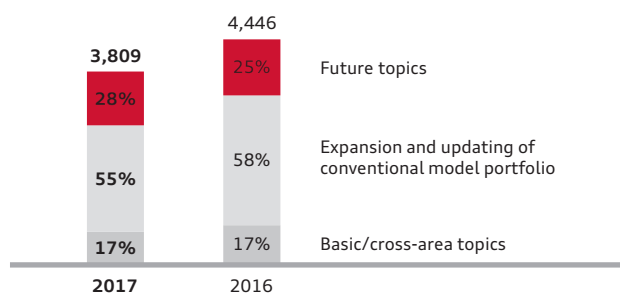
The research and development activities of the Audi Group came to EUR 3,809 (4,446) million in the year under review. This represents a research and development ratio of 6.3 (7.5) percent. The decrease compared with the previous year is attributable to a systematic efficiency improvement in our research and development activities. Capitalized development costs fell to EUR 1,243 (1,676) million – equivalent to a capitalization ratio of 32.6 (37.7) percent. Amortization of capitalized development costs totaled EUR 1,025 (871) million in the 2017 fiscal year.

Research and development activities

EUR million	2017	2016
Research expense and non-capitalized development costs	2,565	2,770
Capitalized development costs	1,243	1,676
Research and development activities	3,809	4,446

Our activities in the Research and Development area fall into three main subject areas: “future topics,” “expansion and updating of the conventional model portfolio” and “basic/cross-area topics.” The “future topics” include research and development activities that are of importance particularly to the implementation of our Strategy 2025. Currently, “expansion and updating of the conventional model portfolio” mainly reflects our model initiative. Under “basic/cross-area topics” we essentially address cross-model activities in the Research and Development area as well as trial runs and tests.

Research and development activities by subject area (EUR million)



Selected activities in the Research and Development area in the 2017 fiscal year

Future topics

Electrification, sustainability and efficiency

- > Development of models with fully electric drive (series-production start of Audi e-tron in 2018, Audi e-tron Sportback and a further model to follow by 2020; one-third of vehicles produced are electrically powered by 2025)
- > Expansion of 48-volt electrification (basis for a wide range of new technologies and further efficiency gains [e.g. the new Audi A8 can drive in the 55 to 160 km/h range with almost zero emissions for up to 40 seconds])
- > Expansion of plug-in hybrid range (e.g. presentation of Audi A8 e-tron)
- > Expansion of g-tron product range (market introduction of Audi A4 Avant g-tron and A5 Sportback g-tron)
- > Further development of fuel cell technology (h-tron model in series production by 2025)
- > Further development of alternative fuels (Audi e-fuels)
- > Expansion of charging infrastructure/systems (for instance in collaboration with other car manufacturers and IONITY GmbH, Munich)
- > Expansion of efficiency technologies (e.g. quattro drive with ultra technology)
- > Consistent use of lightweight construction involving multi-material applications
- > Development of circular economy solutions (according to the “reduce, reuse, recycle” principle)

Future topics (continued)	
Driver assistance systems, automated driving and artificial intelligence	> Further development of automated driving (new Audi A8 with potential for conditional automated driving [Level 3]; from 2018 we will be gradually rolling out automated driving functions such as parking pilot and garage pilot in series-production models) > Development of autonomous driving (including founding of the company Autonomous Intelligent Driving GmbH, Munich) > Development of artificial intelligence as a key factor in autonomous driving > Further development of connected chassis systems > Gradual expansion of range of assistance systems (e.g. PIA, the Personal Intelligent Assistant) > Groundbreaking in-vehicle computing power (zFAS in new Audi A8)
Audi connect and connectivity technologies	> New display and operating systems (e.g. MMI touch response in new Audi A8) > Expansion of in-vehicle Internet services by expanding Audi connect range of services > High-precision navigation thanks to HERE map data, incl. detailed 3D models of many European cities (already in new Audi A8) > Connectivity beyond the automobile with the myAudi app > Development of a range of new electronic personalization options in the vehicle > Expansion of broadband connectivity (LTE Advanced, 5G)
Lighting technologies	> Development of HD Matrix LED headlights, laser lighting and OLED rear lights (e.g. new Audi A8 optionally with HD Matrix LED headlights in new development phase, Audi laser lighting and OLED rear lights available)
Wellbeing and stress reduction	> New air quality systems (e.g. optional air quality package in new Audi A7 and A8) > Development of new premium sound systems > Development of innovative stress reduction solutions
Audi design and aerodynamics	> Progressive, sophisticated design solutions for exterior and interior > Consistent aerodynamics developments
Audi Sport	> Formula E
Expansion and updating of conventional model portfolio	
Model portfolio	> Expansion of the model portfolio to tap into new customer segments: > Audi RS 3 Sedan > Audi Q4 (market introduction in 2019) > Audi Q8 (market introduction in 2018) > Lamborghini Urus (new Super SUV; market introduction in 2018) > Updating of existing model portfolio in the fiscal year: > Audi RS 4 Avant (market introduction in 2018) > Audi A5 Sportback and Audi S5 Sportback > Audi A5 Cabriolet and Audi S5 Cabriolet > Audi RS 5 Coupé > Audi A7 (market introduction in 2018) > Audi A8 > Audi Q5 and Audi SQ5 > Preparations for models appearing on the market in the near future, including: > Audi A1 > Audi A6 > Audi Q3
Updating of model portfolio	> Model updates to existing product portfolio: > Audi RS 3 Sportback
Basic/cross-area topics	
Basic/cross-area topics	> Cross-model activities, e.g. trial runs and tests > Motorsport



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

PROCUREMENT

Against the background of shifting conditions in the automotive industry and the strategic direction of the Audi Group, our value chains as well as the goods we procure are changing. For example, we seek to identify new partners together with which we can develop new technologies. As a consequence, innovation management and cooperation with suppliers in the pre-development phase continued to grow in importance in the year under review. In addition, Audi Procurement stepped up its efforts to create a sustainable supply chain and continued to focus on maintaining profitability, premium quality, technological innovativeness and the availability of purchased parts.

In 2017, the prices of the commodities that are relevant for the Audi Group rose. Thanks to procurement strategies tailored individually to the commodity markets, we were nevertheless able to minimize commodity price risks. The cost of materials, which also includes expenses for raw materials and supplies, as well as purchased goods and services, amounted to EUR 40,370 (40,596) million in the past fiscal year.

/ OPTIMIZING COSTS AND USING SYNERGIES

As part of the Audi Action and Transformation Plan, Procurement is working intensively with Technical Development to reduce material, investment and indirect purchasing costs. The use of carry-over parts plays an important role here. Under the Group-wide modular platform strategy, we pool procurement volumes for various brands and models across the entire Volkswagen Group so that we can make the best possible use of synergies. For example, in the future we will be focusing our resources on the joint development of vehicle architectures, modules and components for what is known as the Premium Platform Electric (PPE) in partnership with Dr. Ing. h.c. F. Porsche AG, Stuttgart. However, wherever a component has a brand-differentiating function we continue to avoid using common parts.

Another tool for optimizing costs is value analysis. This involves examining the cost structures of new technologies while still at a very early phase of the product development process. We are thus able to optimize the technical concepts behind the components right from the start from a financial perspective. This approach plays an important role

especially in innovation sourcing where market benchmarks do not yet exist.



*Read more about the Audi Action and Transformation Plan in the **Management Report** on pages 99 f.*

/ CREATING AND SOURCING INNOVATIONS

We ensure a close strategic dialogue with selected suppliers and jointly develop innovations through our suppliers program FAST (Future Automotive Supply Tracks). In an early phase – possibly even before a specific vehicle project has started – we enter into dialogue with certain suppliers and involve them in our innovation process. Innovation management at Audi Procurement draws in both established and new partners, such as startups. Our suppliers benefit from added planning certainty and new contract models. Under the FAST program we have introduced various formats where we engage in dialogue with our external innovation partners on specific search areas. We refined the program in the past fiscal year and concluded the first cooperation agreements with partners for the development of innovations.

/ IMPROVING SUSTAINABILITY IN THE SUPPLY CHAIN

We introduced a sustainability rating for suppliers in the period under review. This move reflects our determination to improve sustainability in our supply chain. Potential partners must make self-disclosures using a standardized questionnaire, and also undergo a site check at their production location. The check covers twelve general criteria in the areas of environment and social. Only suppliers that achieve a positive rating have the prospect of becoming Audi partners. The required standards reflect the Audi sustainability requirements. In this way, we are rendering the supply chain more transparent. The gradual roll-out of the sustainability rating started in April 2017. It focuses initially on suppliers of purchased parts and components, and in the future will be extended to include service providers and equipment and machinery suppliers.

PRODUCTION

/ AUTOMOTIVE SEGMENT¹⁾

Car production by model

	2017	2016
Audi A1	19,010	23,652
Audi A1 Sportback	76,336	81,600
Audi Q2	102,084	19,419
Audi A3	7,818	14,736
Audi A3 Sportback	167,741	198,086
Audi A3 Sedan	127,204	134,145
Audi A3 Cabriolet	10,716	15,029
Audi Q3	205,001	231,451
Audi TT Coupé	17,568	21,562
Audi TT Roadster	4,606	5,324
Audi A4 Sedan	205,423	222,566
Audi A4 Avant	99,505	119,271
Audi A4 allroad quattro	20,379	16,160
Audi A5 Sportback	76,919	34,782
Audi A5 Coupé	25,102	18,484
Audi A5 Cabriolet	17,574	11,851
Audi Q5	289,892	297,750
Audi A6 Sedan	195,295	203,766
Audi A6 Avant	54,131	61,508
Audi A6 allroad quattro	10,192	10,889
Audi A7 Sportback	16,968	26,307
Audi e-tron	4	–
Audi Q7	106,847	103,507
Audi Q8	436	–
Audi A8	15,854	24,147
Audi R8 Coupé	1,888	3,050
Audi R8 Spyder	1,291	638
Audi brand	1,875,784	1,899,680
Lamborghini Urus	121	–
Lamborghini Huracán	2,649	2,419
Lamborghini Aventador	1,286	1,160
Lamborghini brand	4,056	3,579
Automotive segment	1,879,840	1,903,259

// AUDI BRAND

In the 2017 fiscal year, we produced 1,875,784 (1,899,680) premium cars of the Audi brand.

We built 538,103 (592,337) vehicles at our Group headquarters in Ingolstadt. The lower volume, year on year, reflects the influence of model changeovers among other factors.

In Neckarsulm we manufactured 193,016 (260,603) Audi

models, fewer than in the previous year due to model cycle factors that mainly affected car lines in the upper segments. From January through December 2017, we built 158,543 (10,746) of the second-generation Audi Q5 at AUDI MÉXICO S.A. de C.V. in San José Chiapa (Mexico), our newest production site.

Over the same period, Audi Hungaria Zrt. manufactured a total of 105,491 (122,975) cars at the Győr site (Hungary). The drop in production compared with the previous year is mainly attributable to a current decline in market demand in the compact sedan segment. As part of restructuring our production network, we are also preparing for the future series production of the Audi Q3 in Győr.

We produced a total of 95,288 (105,252) vehicles at AUDI BRUSSELS S.A./N.V. in Brussels (Belgium). We also made further progress there with the conversion work for the production start of our first fully electric SUV, the Audi e-tron. As part of our careful preparations for the volume production start in 2018, we already built the first Audi e-tron cars in December 2017.

AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo (Brazil), built a total of 5,159 (7,846) cars in São José dos Pinhais, near Curitiba, in the 2017 fiscal year, reflecting the shift in demand.

At the Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia), 114,372 (135,852) and 106,640 (102,614) cars of the Audi brand left the production lines respectively. As at the Győr and Brussels sites, the restructuring of the production network again influenced our processes in Martorell, where we are preparing to go into series production with the Audi A1, with the first models already having been built. Meanwhile, we have managed Audi Q3 production volumes to reflect the model cycle. In Bratislava, we already built the first models of our new Audi Q8 in anticipation of the series production start in 2018.

We manufactured 6,513 (5,667) cars in Aurangabad (India), another Volkswagen Group site.

In the 2017 fiscal year, the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China), produced a total of 467,468 (471,975) cars at the company headquarters in Changchun and 85,191 (83,813) vehicles in the southern Chinese city of Foshan. These sites also witnessed production preparations for new models, including the long-wheelbase version of the Audi Q5.

1) This includes 552,659 (555,788) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

// LAMBORGHINI BRAND

Automobili Lamborghini S.p.A. built 4,056 (3,579) cars of the Lamborghini brand at its company headquarters in Sant'Agata Bolognese (Italy) in the year under review. In preparation for the series production start of the Lamborghini Urus in 2018, we already built the first vehicles of our new Super SUV in the 2017 fiscal year.

// ENGINE AND MOTOR PRODUCTION

The Audi Group produced a total of 1,966,434 (1,927,838) engines and motors for cars in the 2017 fiscal year. Of this total, 1,965,165 (1,926,638) were manufactured by Audi Hungaria Zrt. in Győr (Hungary). The figure already includes the first electric motors for the electrified powertrain of the Audi e-tron, our first fully electric SUV, which will soon be going into volume production. Over the same period, Automobili Lamborghini S.p.A. built 1,269 (1,200) 12-cylinder engines in Sant'Agata Bolognese (Italy).

/ MOTORCYCLES SEGMENT

The Ducati brand produced 56,743 (56,978) motorcycles worldwide in the past fiscal year. 46,780 (47,193) units were built at the company headquarters in Bologna (Italy). Ducati produced 8,792 (8,761) motorcycles at the Amphur Pluakdaeng (Thailand) plant. In addition, 1,171 (1,024) bikes were built on a contract manufacturing basis in Manaus (Brazil).

Motorcycle production

	2017	2016
Scrambler	14,461	17,254
Naked/Sport Cruiser (Diavel, Monster)	17,069	17,697
Dual/Hyper (Hypermotard, Multistrada)	14,357	14,556
Sport (SuperSport, Superbike)	10,856	7,471
Ducati brand	56,743	56,978
Motorcycles segment	56,743	56,978



Read more about the **production sites** of the individual models on page 95.

/ SIGNIFICANT EXPANSIONS AT THE GROUP SITES

// NEW DEVELOPMENTS AT INGOLSTADT SITE

In the 2017 fiscal year, we completed our new Design Center at the north end of the factory site in Ingolstadt. Designers, project managers and model engineers are all able to work together under one roof on the future series-production models and showcars of the brand with the Four Rings. Also at the north end of our Ingolstadt plant, we are currently building a new three-story body shop. We will be manufacturing vehicle bodies for the Audi A3 family there from the end of 2019. The special features of the new body shop include increased flexibility in the management of production volume.

// METICULOUS PREPARATIONS FOR AUDI E-TRON VOLUME PRODUCTION IN BRUSSELS

Volume production of our first fully electric SUV – the Audi e-tron – will start at the Brussels site in 2018. Shortly after that, another fully electric car – the Audi e-tron Sportback – will go into production in Brussels beginning in 2019. In anticipation of these events, we moved forward with preparations for both production starts in the 2017 fiscal year. In addition, our Belgian site will have its own battery assembly facility. As part of restructuring our production network, production of the Audi A1 will be transferred from Belgium to Martorell (Spain).

// FUTURE FOCUS IN HUNGARY

Our Audi Q3, which is currently built in Martorell, will be manufactured in Győr (Hungary) in the future. We expect the restructuring of our production network to give us even greater scope for exploiting synergies within the Volkswagen Group and for pooling important key expertise – with the result of further increasing our production efficiency at all sites. The new Audi Q4 will soon join the Audi Q3 in 2019 as an additional model built in Győr. A large number of expansion measures are under way to accommodate the two new models, including a new body shop which is being built on a site covering some 80,000 square meters. We also manufactured the first electric motors at the Győr site in the 2017 fiscal year, ahead of the volume production start of our Audi e-tron in 2018, at a facility covering around 8,500 square meters. This involved the installation of production facilities, robots as well as screw-fitting and measuring stations in the year under review. Now for the first time, some areas feature the modular assembly principle in line with our Smart Factory concept: The motor is assembled using a modular approach, on various production islands.

// CAPACITY DOUBLED AT SANT'AGATA BOLOGNESE

In preparation for the planned market introduction of the Super SUV Lamborghini Urus in the 2018 fiscal year, we have significantly expanded our site in Sant'Agata Bolognese (Italy). By increasing the production area from around 80,000 to

some 160,000 square meters and adopting new production technologies based on our Smart Factory concept, we have doubled our production capacity to 7,000 vehicles per year. In addition, the benefit of these technologies include greater flexibility in the production process.

DELIVERIES AND DISTRIBUTION**/ AUTOMOTIVE SEGMENT ¹⁾****Car deliveries to customers by model**

	2017	2016
Audi A1	19,541	27,190
Audi A1 Sportback	76,184	87,256
Audi Q2	93,483	8,797
Audi A3	9,166	16,624
Audi A3 Sportback	172,142	196,616
Audi A3 Sedan	128,032	142,035
Audi A3 Cabriolet	12,594	14,596
Audi Q3	207,774	232,045
Audi TT Coupé	18,901	24,681
Audi TT Roadster	4,998	6,386
Audi A4 Sedan	215,146	211,512
Audi A4 Avant	105,503	110,338
Audi A4 allroad quattro	20,722	15,012
Audi A5 Sportback	67,784	37,868
Audi A5 Coupé	25,506	16,251
Audi A5 Cabriolet	13,534	13,468
Audi Q5	281,854	278,968
Audi A6 Sedan	190,696	203,492
Audi A6 Avant	54,946	59,113
Audi A6 allroad quattro	10,523	10,776
Audi A7 Sportback	18,641	25,399
Audi Q7	106,004	102,038
Audi A8	21,323	24,399
Audi R8 Coupé	1,916	2,576
Audi R8 Spyder	1,152	302
Internal vehicles before market introduction	40	–
Audi brand	1,878,105	1,867,738
Lamborghini Huracán	2,642	2,353
Lamborghini Aventador	1,173	1,104
Lamborghini brand	3,815	3,457
Other Volkswagen Group brands	223,164	216,992
Automotive segment	2,105,084	2,088,187

// AUDI BRAND

In the 2017 fiscal year, we delivered 1,878,105 (1,867,738) cars of the core brand Audi to customers worldwide. This increase of 0.6 percent therefore means we achieved our highest-ever delivery volume in a single fiscal year. Despite the challenging conditions we faced in individual markets, this growth is attributable especially to the market success of the new Audi Q2 and the new Audi A5 family. The very healthy volume trend in the second half of 2017 also contributed to growth in deliveries.

In Western Europe, we increased our delivery volume by 0.5 percent to 805,388 (801,116) Audi vehicles. Deliveries in our home market Germany came to 294,544 (293,307) cars, 0.4 percent up on the previous year. In the United Kingdom – our biggest European export market – a total of 175,217 (177,565) customers chose vehicles of the brand with the Four Rings in the 2017 fiscal year. Despite the decline in overall market demand, we almost matched our prior-year figures with volume down by –1.3 percent. Deliveries of the Audi brand in Italy developed favorably. We delivered 68,954 (62,430) Audi vehicles to customers there, an increase of 10.5 percent. In France, we delivered 63,980 (61,752) cars and again exceeded the prior-year volume by 3.6 percent. Our delivery performance in Spain remained dynamic. We handed 56,083 (51,879) Audi vehicles over to customers there – an increase of 8.1 percent. In Belgium, our volume of 32,760 (33,270) cars was –1.5 percent below the previous year's level.

The growth in demand for our vehicles in Western Europe is also reflected in our orders received. This figure went up by 3.1 percent compared with the prior-year period.

1) This includes 545,000 (539,000) delivered Audi models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

From January through December 2017, we registered deliveries of 55,236 (55,853) Audi models in the Central and Eastern Europe region, representing a volume decrease of –1.1 percent. The healthy situation in most countries throughout Central Europe only compensated in part for the downward trend in Russia. Our deliveries in Russia decreased by –18.5 percent to 16,876 (20,705) vehicles.

In the same period, we delivered 277,569 (256,087) units in the North America region – an increase of 8.4 percent. We maintained our growth in the United States with 226,511 (210,213) delivered Audi models, representing a 7.8 percent increase. In Canada, too, growth of 17.9 percent to 36,007 (30,544) cars reflected a very healthy development in demand.

With 21,864 (22,589) cars, we saw deliveries in the South America region fall by –3.2 percent. The main factor at work here was the volume development in Brazil – our biggest

national market in the region. We handed 10,035 (12,011) Audi vehicles over to customers in that country in the year under review – a decrease of –16.5 percent.

In the Asia-Pacific region, we delivered a total of 669,771 (680,507) Audi vehicles to customers from January through December 2017. The volume was therefore –1.6 percent down on the previous year. Deliveries in that region were impacted mainly by approval-related sales restrictions in South Korea along with the now successfully concluded negotiations on the further strategic development of our China business. With 597,866 (591,554) delivered Audi vehicles, we exceeded the high prior-year volume by 1.1 percent in our largest market China, above all thanks to the positive development in volume in the second half of 2017. In Japan, deliveries of 28,301 (28,452) units were roughly on a par with the previous year's level.

Market introductions of new Audi models in the 2017 fiscal year

Models	Main characteristics and new features
Audi S5 Sportback and Audi A5 Sportback <i>(new models)</i> 	> New, progressive and emotional design > Newly developed suspension and high-performance drives > Numerous driver assistance systems, e.g. optional adaptive cruise control (ACC) with traffic jam assist > Gradual market introduction since January 2017
Audi S5 Cabriolet and Audi A5 Cabriolet <i>(new models)</i> 	> New, sporty and progressive 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 > Phased market introduction since March 2017
Audi SQ5 and Audi Q5 <i>(new models)</i> 	> Extensive range of driver assistance systems, e.g. standard-equipped Audi pre sense city assistance system which, for instance, warns of crossing 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, for instance to adapt damping characteristics > Gradual market introduction since January (Q5) and April (SQ5) 2017
Audi RS 3 Sedan <i>(new model, no predecessor)</i> 	> First compact Audi sedan with the RS label > Five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Phased market introduction since May 2017

Models	Main characteristics and new features
Audi RS 5 Coupé <i>(new model)</i> 	> Combines elegant aesthetics with RS performance > Newly developed, powerful engine, quattro permanent all-wheel drive as standard > Enhanced efficiency and reduced weight compared with predecessor model > Gradual market introduction since July 2017
Audi A4 Avant g-tron <i>(new model, no predecessor)</i> 	> Combines familiar sportiness and elegant design language with climate-friendly mobility > Can run on a choice of natural gas (CNG) or gasoline > Phased market introduction since August 2017
Audi A5 Sportback g-tron <i>(new model, no predecessor)</i> 	> Combines familiar sportiness and elegant design language with climate-friendly mobility > Can run on a choice of natural gas (CNG) or gasoline > Phased market introduction since August 2017
Audi RS 3 Sportback <i>(product improvement)</i> 	> Sharper RS design (e.g. eye-catching Singleframe, large air inlets, striking sill trims) > Five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Gradual market introduction since August 2017
Audi A8 <i>(new model)</i> 	> New design gives expression to sporty elegance, sophistication and quattro permanent all-wheel drive > Clear, new formal idiom in interior design: reduction as an aesthetic design principle > 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 > Systematically electrified drive: new mild hybrid technology with 48-volt electrical system as standard > 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) > Redesigned, optional predictive 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 > Phased market introduction since November 2017

Audi models presented in the 2017 fiscal year with phased market introduction in 2018

Models	Main characteristics and new features
Audi RS 4 Avant <i>(new model)</i> 	> Combines everyday usability with RS performance > Sharper RS design (e.g. large air inlets with typical RS honeycomb structure, prominent Singleframe, striking roof edge spoiler) > Enhanced efficiency and reduced weight compared with predecessor model > Presentation in September 2017, market introduction at start of 2018
Audi A7 Sportback <i>(new model)</i> 	> Four-door coupé embodies progressiveness in design and technology > Clear, minimalistic formal idiom in interior complemented by new MMI touch response operating concept > Systematic electrification of the driveline: with new mild-hybrid system as standard > Extensive range of standard and optional driver assistance systems > Presentation in October 2017, market introduction in spring 2018



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

// LAMBORGHINI BRAND

The Italian brand Lamborghini delivered a total of 3,815 (3,457) supercars to customers in the 2017 fiscal year – an increase of 10.4 percent on the previous year and therefore a

new record. The United States remains the largest individual market for the Lamborghini brand.

Lamborghini models presented or introduced in the 2017 fiscal year

Models	Main characteristics and new features
Lamborghini Huracán RWD Spyder <i>(new model)</i> 	> 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 > Available to customers since March 2017
Lamborghini Aventador S Coupé <i>(product improvement)</i> 	> 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 > Available to customers since June 2017
Lamborghini Huracán Performante <i>(new model)</i> 	> 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 installed by Lamborghini to date > Available to customers since September 2017
Lamborghini Aventador S Roadster <i>(product improvement)</i> 	> Aerodynamic roadster design > Detachable roof elements of carbon fiber hardtop with convex shape ensure ample interior space > New four-wheel steering provides improved agility and stability > Individually configurable EGO driving mode and adaptive dampers > Presentation in September 2017, gradual market introduction in 2018
Lamborghini Urus <i>(new model, no predecessor)</i> 	> First Super SUV of the Lamborghini brand combines off-road capability with the handling characteristics of a supercar > Permanent all-wheel drive and all-wheel steering enable perfect handling > Carbon ceramic brakes, adaptive air suspension and active roll stabilization provide high safety and comfort (including on long journeys) > Luxurious interior with room for up to five people > Presentation in December 2017, gradual market introduction from summer 2018



Read more online about our **Lamborghini models**
at www.lamborghini.com.

// OTHER VOLKSWAGEN GROUP BRANDS

Our sales companies VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), AUDI VOLKSWAGEN MIDDLE EAST FZE, Dubai (United Arab Emirates), AUDI SINGAPORE PTE. LTD., Singapore (Singapore), and Audi Volkswagen Taiwan Co., Ltd., Taipei, delivered a total of 223,164 (216,992) vehicles of other Volkswagen Group brands in the 2017 fiscal year. These include vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands.

/ MOTORCYCLES SEGMENT

Our Italian motorcycle manufacturer Ducati handed 55,871 (55,451) motorcycles over to customers worldwide in the 2017 fiscal year – an increase of 0.8 percent. The Ducati brand benefited from a positive trend in deliveries especially in its home market Italy. Ducati also increased its delivery volume in its largest market the United States and in China, whereas the volume in Germany decreased.

Motorcycle deliveries to customers

	2017	2016
Scrambler	14,055	15,527
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	17,173	18,114
Dual/Hyper (Hypermotard, Multistrada)	14,784	13,528
Sport (SuperSport, Superbike)	9,859	8,282
Ducati brand	55,871	55,451
Motorcycles segment	55,871	55,451

We brought the Ducati SuperSport and the Ducati SuperSport S – two streetbikes that offer both sportiness and versatility – onto the market in the 2017 fiscal year. Our Italian motorcycle manufacturer taps into a new customer segment with the two new models. In addition, the Monster series was expanded by the all-new Monster 797 and the Monster 821. The year under review also saw the new models Multistrada 950, Multistrada 1200 Enduro Pro as well as the Multistrada 1260, 1260 S, 1260 Pikes Peak and 1260 S D|Air arrive at Ducati dealers. The Ducati Scrambler series was also expanded with the additions of the Desert Sled, Café Racer and Mach 2.0 models. As well as the exclusive 1299 Superleggera, the most powerful two-cylinder motorcycle ever built by Ducati, the 1299 Panigale R Final Edition with its exclusive design became available to customers in the 2017 reporting year.



Read more online about our **Ducati models**
at www.ducati.com.

FINANCIAL PERFORMANCE INDICATORS

The Audi Group increased its revenue to EUR 60.1 billion in the 2017 fiscal year in the face of challenging conditions. The operating return on sales was impacted by special items in connection with the diesel issue and came to 7.8 percent. Before special items, our “SPEED UP!” program of measures in particular enabled us to again achieve our strategic target with an operating return on sales of 8.4 percent.

FINANCIAL PERFORMANCE

The Audi Group generated revenue of EUR 60,128 (59,317) million in the 2017 fiscal year.

In the Automotive segment we increased revenue to EUR 59,394 (58,587) million.

We generated revenue of EUR 41,067 (41,556) million through sales of vehicles of our core brand Audi. Positive effects resulted especially from the volume development of the new Audi A5 family and the new Audi Q2, as well as from growth in volume in the North America region. The current model cycle in the upper model lines, the challenging conditions we faced in the Asia-Pacific region and above all the devaluation of the pound sterling had an adverse effect, however.

Revenue from the sale of vehicles of the Lamborghini brand increased to EUR 933 (853) million.

In addition to cars of the Audi and Lamborghini brands, the Audi Group sells vehicles of the Bentley, SEAT, Škoda, Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands through its own sales companies. Revenue from the sale of vehicles of these other brands increased to EUR 3,900 (3,599) million in the 2017 fiscal year.

Revenue from other automotive business amounted to EUR 13,494 (12,579) million. As well as the higher revenue from deliveries of parts sets for local production in China, this figure mainly reflects the higher revenue from the engine business.

In the Motorcycles segment, revenue generated in connection with the Ducati brand amounted to EUR 736 (731) million. As expected, this growth is attributable above all to the positive development in revenue in the second half of the year. The market success of the new Ducati SuperSport was one of the driving factors behind this.

Condensed Income Statement, Audi Group

EUR million	2017	2016
Revenue	60,128	59,317
Cost of goods sold	– 50,545	– 49,390
Gross profit	9,584	9,927
Distribution costs	– 5,297	– 5,807
Administrative expenses	– 685	– 663
Other operating result	1,069	– 405
Operating profit	4,671	3,052
Financial result	112	– 5
Profit before tax	4,783	3,047
Income tax expense	– 1,304	– 980
Profit after tax	3,479	2,066

Operating profit, Audi Group

EUR million	2017	2016
Operating profit before special items	5,058	4,846
Special items	– 387	– 1,794
<i>of which diesel issue</i>	– 387	– 1,632
<i>of which Takata</i>	–	– 162
Operating profit	4,671	3,052

In the 2017 reporting year, the cost of goods sold for the Audi Group increased to EUR 50,545 (49,390) million. The rise is attributable to such factors as higher direct material and purchase costs for our trading transactions with the other Volkswagen Group brands. In addition, the cost of goods sold reflects the expansion of our model and technology portfolio. For example, the higher personnel total as well as increased depreciation and amortization affected the cost of goods sold. It additionally includes expenses in connection with the special items from the diesel issue – in the year under review this was lower than in the prior-year period.

In the 2017 fiscal year, we placed particular emphasis on systematically managing our resources and on improving efficiency in the Research and Development area. We thus reduced research and development activities to EUR 3,809 (4,446) million. Relative to revenue, the research and development ratio improved to 6.3 (7.5) percent. An amount of EUR 1,243 (1,676) million of development activities was capitalized – this represents a capitalization ratio of 32.6 (37.7) percent. On the other hand, the expansion of our model and technology portfolio that we had already embarked on in previous years is reflected in the amortization of capitalized development costs – this rose to EUR 1,025 (871) million. The research and development expenditure recognized as an expense thus came to EUR 3,590 (3,640) million, helped by the downward trend in research expense and non-capitalized development costs to EUR 2,565 (2,770) million.

The gross profit of the Audi Group for the 2017 fiscal year came to EUR 9,584 (9,927) million.

Distribution costs fell to EUR 5,297 (5,807) million. Thanks to our successfully completed “SPEED UP!” program of measures, we have realized significant efficiency improvements which include reductions in marketing costs. The burden on distribution costs in connection with the diesel issue was also lower.

Administrative expenses of the Audi Group for the 2017 fiscal year amounted to EUR 685 (663) million.

The other operating result of the Audi Group improved to EUR 1,069 (–405) million. Year on year, this is primarily due to the lower burden from legal risks, especially in connection with the diesel issue. Higher earnings from the settlement of currency hedging transactions also contributed to this pleasing development.

Key earnings figures, Audi Group

in %	2017	2016
Operating return on sales before special items	8.4	8.2
Operating return on sales	7.8	5.1
Automotive segment	7.8	5.2
Motorcycles segment	3.8	3.4
<i>adjusted for effects of PPA and initial consolidation ¹⁾</i>	<i>7.0</i>	<i>7.0</i>
Return on sales before tax	8.0	5.1

1) Adjusted for the effects of subsequent measurement in connection with the purchase price allocation (PPA) amounting to EUR 23 (23) million as well as in the previous year additionally for the effects of initial consolidation

The operating activities of the Audi Group are reflected in operating profit before special items of EUR 5,058 (4,846) million. The operating return on sales before special items in the 2017 fiscal year improved to 8.4 (8.2) percent and was therefore within our strategic target corridor of 8 to 10 percent. With the adverse effect of special items totaling EUR –387 (–1,794) million, operating profit of the Audi Group came to EUR 4,671 (3,052) million. This corresponds to an operating return on sales of 7.8 (5.1) percent.

Special items reflect certain matters in the financial statements in cases where we believe their separate disclosure, based on our assessment, permits a more accurate evaluation of the operating economic performance of the Audi Group.

We are continuously monitoring the implementation of the settlement agreement in North America in connection with the diesel issue. The repurchase and retrofit programs to be implemented are both extensive and technically complex. Our provisions for these were likewise adjusted in the 2017 fiscal year on the basis of updated measurement assumptions. Special items affecting profit or loss in connection with the settlement agreements in North America came to EUR –387 (–1,632) million in the reporting year. This figure takes account of expenses and provisioning for legal risks as well as spending for technical measures. The prior-year figure also included sales-related measures in the markets affected by the suspension of sales, which were reported as special items in connection with the diesel issue.

It cannot be ruled out that the assessment of the risks may change in the future.

In the 2016 reporting year, additional special items amounting to EUR –162 million in connection with recalls ordered for vehicles equipped with airbags from the Japanese manufacturer Takata negatively impacted operating profit.



Read more about the **diesel issue** on pages 107 ff.

In the Automotive segment, taking into account the negative special items, we achieved an operating profit of EUR 4,643 (3,027) million – the operating return on sales reached 7.8 (5.2) percent. Above all our “SPEED UP!” program of measures and revenue performance had a positive impact on operating profit in the 2017 fiscal year. Currency management activities and lower distribution costs also helped improve the operating profit. In the Automotive segment, operating profit came under pressure from upfront spending for the ongoing expansion of our model and technology portfolio as well as for our international manufacturing structures, resulting in higher personnel costs, depreciation and amortization in the period under review. Difficult conditions in individual markets as well as the current model cycle and special items impacted operating profit as well.

In the Motorcycles segment, we increased operating profit mainly through model mix factors to EUR 28 (25) million. This represents an operating return on sales of 3.8 (3.4) percent. After adjusting for the effects of subsequent measurement in connection with the purchase price allocation of EUR 23 (23) million, operating profit reached EUR 51 (51) million and the operating return on sales 7.0 (7.0) percent. In the previous year, there had additionally been an adjustment for the effects of initial consolidation.

Financial result, Audi Group

EUR million	2017	2016
Result from investments accounted for using the equity method	526	365
of which FAW-Volkswagen Automotive Company, Ltd. ¹⁾	301	398
of which Volkswagen Automatic Transmission (Tianjin) Company Limited	86	– 29
of which There Holding B.V.	121	– 56
Net interest result ²⁾	– 39	– 277
Other financial result ²⁾	– 375	– 94
of which brand settlement, China business	271	237
Financial result	112	– 5

1) 5 percent of shares were classified as “Available-for-sale assets” pursuant to IFRS 5.

The result in the 2017 fiscal year only comprises the period up until classification.

2) The previous year was adjusted according to the new structure.

The financial result of the Audi Group showed an increase to EUR 112 (–5) million in the past fiscal year. The growth is attributable to a variety of factors, including the year-on-year higher net interest result of EUR –39 (–277) million, reflecting the interest-related change in the measurement of long-term provisions. The higher result from investments accounted for using the equity method of EUR 526 (365) million also had a positive effect on the financial result. 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 measurement of the shares in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin (China), at EUR 86 (–29) million also had a positive effect. Following the successfully completed ramp-up, the Chinese plant in Tianjin manufactures vehicle transmissions for the local market. The measurement of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), at EUR 301 (398) million is also included in the result from investments accounted for using the equity method. The other financial result declined to EUR –375 (–94) million. Adverse factors included effects from the measurement and settlement of hedging transactions. The other financial result also includes a financial brand settlement agreed between AUDI AG and Volkswagen AG, Wolfsburg, for the China business in connection with associated companies totaling EUR 271 (237) million.

The Audi Group posted a profit before tax of EUR 4,783 (3,047) million in the 2017 fiscal year. The return on sales before tax was 8.0 (5.1) percent. After deduction of income tax expense, we generated a profit of EUR 3,479 (2,066) million.

Return on investment, Audi Group

EUR million	2017	2016
Operating profit after tax	3,270	2,136
Invested assets (average)	22,659	19,978
Return on investment (ROI) in %	14.4	10.7

The return on investment (ROI) expresses the return achieved on the capital employed. We obtain this indicator by determining the ratio of operating profit after tax to average invested assets. For the 2017 fiscal year, the Audi Group achieved a ROI of 14.4 (10.7) percent. As a consequence, ROI for the

2017 fiscal year was again above our minimum rate of return of 9 percent of invested assets. The year-on-year rise in the return on investment stems mainly from the development in operating profit – in the previous year, this item was negatively impacted by higher special items among other things. Higher invested assets weighed on ROI, however. This reflected our continuing product and technology offensive as well as the expansion of our production network. Operating profit after tax of the Audi Group for the year under review reached EUR 3,270 (2,136) million. The standardized average tax rate

for the Volkswagen Group of 30 percent was assumed for this purpose. The average invested assets came to EUR 22,659 (19,978) million and are calculated from the asset items on the balance sheet that serve the core business purpose (intangible assets, property, plant and equipment, leasing and rental assets, investment property, inventories and receivables) less non-interest-bearing liabilities (trade payables and advances received). The average of the value of invested assets at the start and the value of the invested assets at the end of the fiscal year is then calculated.

NET WORTH

As of December 31, 2017, the balance sheet total of the Audi Group increased to EUR 63,680 (61,090) million.

Condensed Balance Sheet, Audi Group

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	29,469	28,599
Current assets	33,846	32,403
Available-for-sale assets	365	87
Balance sheet total	63,680	61,090
Equity	28,171	25,321
Liabilities	35,509	35,685
<i>of which non-current liabilities</i>	14,301	14,980
<i>of which current liabilities</i>	21,208	20,705
Liabilities classified as held for sale	–	84
Balance sheet total	63,680	61,090

Non-current assets of the Audi Group amounted to EUR 29,469 (28,599) million at the end of 2017. The rise in other financial assets to EUR 4,940 (1,275) million played a major role in this development. This item includes a long-term loan extended to Volkswagen AG, Wolfsburg, in connection with the sale of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG. Higher property, plant and equipment as a result of investing activities – which reached EUR 13,660 (12,591) million – also drove up this item. Intangible assets also exceeded the prior-year level at EUR 6,785 (6,550) million, above all because of the higher balance sheet item “Capitalized development costs.”

There was an opposite effect compared with the previous year from lower investments accounted for using the equity method mainly following the sale of the minority interest in Volkswagen Group Services S.A., Brussels, to Volkswagen AG as well as the upcoming sale of shares in There Holding B.V., Rijswijk (Netherlands). In addition, negotiations are under way with Volkswagen AG, Wolfsburg, over the sale of 5 percent of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China). These shares were also reclassified to the balance sheet item “Available-for-sale assets.”

Total capital investments in the 2017 fiscal year amounted to EUR 5,235 (5,466) million.

The rise in current assets to EUR 33,846 (32,403) million was attributable mainly to higher inventories amounting to EUR 7,893 (7,233) million – reflecting, for example, vehicle repurchases in connection with the settlement agreements on the diesel issue in North America. Furthermore, the higher trade receivables especially from related parties also drove this development.

As of December 31, 2017, Audi Group equity increased to EUR 28,171 (25,321) million. The measurement effects to be recognized under IFRS rules with no effect on profit or loss led to an increase in equity by EUR 1,319 million. These result primarily from fluctuations in the market value of hedge-effective currency hedging instruments mainly in connection with the devaluation of the U.S. dollar as well as the pound

sterling and the Chinese renminbi against the euro. The balance remaining after the transfer of profit in accordance with IFRS furthermore increased retained earnings by EUR 1,149 million. The capital injection by Volkswagen AG, Wolfsburg, with a contribution of EUR 459 million to the capital reserve of AUDI AG, also increased equity. The equity ratio of the Audi Group as of December 31, 2017, was 44.2 (41.4) percent.

As of the end of 2017, non-current liabilities of the Audi Group fell to EUR 14,301 million compared with EUR 14,980 million as of December 31, 2016. Lower other financial liabilities of EUR 448 (993) million – mainly as a result of the market performance of hedging transactions – were the key driver of this fall.

The current liabilities of the Audi Group as of December 31, 2017, grew to EUR 21,208 (20,705) million mainly because of the rise in other financial liabilities to EUR 4,928 (3,893) million. These include a liability in connection with the upcoming profit transfer to Volkswagen AG, Wolfsburg, for the 2017 fiscal year. This has increased as a result of profit performance. There was an opposite effect from the decline in

other provisions, which can be attributed partly to utilization of provisions created in the previous year for the special items.

As of December 31, 2017, the balance sheet item “Available-for-sale assets” relates to the following two matters:

In December 2017, contracts for the sale of a combined 3.9 percent of the shares in There Holding B.V., Rijswijk (Netherlands), were signed between the Audi Group and Robert Bosch Investment Nederland B.V., Boxtel (Netherlands), and Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands). This interest was reclassified to available-for-sale assets based on the equity carrying amount.

In addition, negotiations are under way with Volkswagen AG, Wolfsburg, over the sale of 5 percent of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China). These shares were also reclassified to available-for-sale assets.

The above transactions are subject to official approval.

In the 2016 fiscal year, the balance sheet items “Available-for-sale assets” and “Liabilities classified as held for sale” related to a signed contract on the sale of Volkswagen Group Firenze S.p.A., Florence (Italy), which took effect in January 2017.

FINANCIAL POSITION

/ PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

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

Our overriding financial goal is to ensure the solvency and financing of the Audi Group at all times, while at the same time achieving a suitable return on the investment of surplus liquid funds. To that end, we identify cash flows in a multi-stage liquidity planning process and consolidate them at Audi Group level. The material companies of the Audi Group

are included in the cash pooling of the Volkswagen Group. This permits the efficient handling of intra-Group and external transactions, and also reduces transaction costs for the Audi Group.

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

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

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

/ FINANCIAL SITUATION

The Audi Group generated cash flow from operating activities of EUR 6,173 (7,517) million in the 2017 fiscal year. Positive effects resulted primarily from the higher profit before tax and also from the less significant rise in receivables compared with the previous year. As expected, cash used in connection with the diesel issue of around EUR 1.5 billion impacted cash flow from operating activities unfavorably.

The cash outflow for investing activities attributable to operating activities decreased to EUR 1,861 (5,423) million as a result of participations sold. The main driver is a positive non-recurring effect in connection with the transfer of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg, totaling EUR 3,278 million. There was an opposite effect from capital expenditure, which was above the prior-year level at EUR 3,872 (3,409) million in the wake of our product initiative and the restructuring of our production network. As well as investments in property, plant and equipment, this includes investment property and other intangible assets (excluding capitalized development costs). The 2017 fiscal year consequently saw us invest principally in manufacturing structures

for the production start of our new models, and in the expansion and conversion of our sites. For example, we brought the new Audi A5 family onto the markets and commenced with the market introduction of our new Audi A8. Series production of the new Audi A7 also started, and the production starts of the new Audi A6 and Q8 models were prepared. The restructuring of our production network and the doubling of capacity at Lamborghini for the addition of the new Super SUV Urus to the model range also prompted a rise in capital expenditure. The ratio of capex in the year under review of 2017 came to 6.4 (5.7) percent.

In terms of segments, EUR 5,047 (5,021) million of investments in property, plant and equipment, investment property and intangible assets (including capitalized development costs) was for the Automotive segment and EUR 69 (64) million for the Motorcycles segment.

The investing activities attributable to operating activities also include capitalized development costs amounting to EUR 1,243 (1,676) million. The prior-year figure was increased by such factors as preparations for new models in the upper and high-margin segments. At the same time, efficiency improvements in the Research and Development area also impacted capitalized development costs.

In the 2017 fiscal year, the Audi Group transferred its minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg, with a positive non-recurring effect of EUR 3,278 million. This is reflected in the acquisition and sale of participations, which totaled EUR 3,190 (–366) million.

From January through December, we thus generated a total net cash flow of EUR 4,312 (2,094) million. The figure was once again positive – even before reflecting the change in participations – despite substantial investments and the cash used in connection with the diesel issue.

Overall, cash flow from investing activities, taking account of changes in cash deposits and loans extended, came to EUR –5,498 (–943) million. The changes in cash deposits and loans extended also include one long-term loan extended to Volkswagen AG, Wolfsburg, in connection with the sale of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium).

Cash flow from financing activities amounted to EUR –524 (–2,454) million. This figure includes both the profit transfer to Volkswagen AG, Wolfsburg, in the amount of EUR 918 million, and the returns on the capital injection into AUDI AG by Volkswagen AG in the amount of EUR 459 million.

As of the balance sheet date, cash funds showed a decrease of EUR –140 million to EUR 11,255 (11,395) million.

The net liquidity of the Audi Group as of December 31, 2017, rose to EUR 20,788 (17,232) million. This sum includes an amount of EUR 126 (84) ¹⁾ million on deposit at Volkswagen Bank GmbH, Braunschweig, for the financing of independent dealers and which is only available to a limited extent. Furthermore, the Audi Group has committed yet currently unused external credit lines amounting to EUR 282 (282) million.

Other financial obligations, which comprise ordering commitments in particular, totaled EUR 4,883 (5,155) million as of December 31, 2017. There were other off-balance-sheet obligations in the form of contingent liabilities and financial guarantees amounting to EUR 281 (217) million.



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

Condensed Cash Flow Statement, Audi Group

EUR million	2017	2016
Cash and cash equivalents at beginning of period	11,395	7,218
Cash flow from operating activities	6,173	7,517
Investing activities attributable to operating activities ¹⁾	– 1,861	– 5,423
of which capital expenditure ²⁾	– 3,872	– 3,409
of which capitalized development costs	– 1,243	– 1,676
of which acquisition and sale of participations ^{3), 4)}	3,190	– 366
Net cash flow	4,312	2,094
Change in cash deposits and loans extended ⁴⁾	– 3,637	4,480
Cash flow from investing activities	– 5,498	– 943
Cash flow from financing activities	– 524	– 2,454
Change in cash and cash equivalents due to changes in exchange rates	– 292	56
Change in cash and cash equivalents	– 140	4,177
Cash and cash equivalents at end of period	11,255	11,395

1) The item also includes other cash changes amounting to EUR 64 (28) million.

2) This includes investments in property, plant and equipment, investment property and other intangible assets.

3) Including changes in capital

4) For reasons of internal management, the disposal of the minority interest in Volkswagen Group Services S.A. in the amount of EUR 3,278 million and the related long-term loan extended to Volkswagen AG are reported gross

EUR million	Dec. 31, 2017	Dec. 31, 2016
Cash funds as per Cash Flow Statement	11,255	11,395
Fixed deposits, securities and loans extended	10,180	6,653
Gross liquidity	21,435	18,048
Credit outstanding ¹⁾	– 647	– 816
Net liquidity	20,788	17,232

1) Current financial liabilities and non-current financial liabilities

1) The prior-year figure was adjusted.

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

In the 2017 fiscal year, AUDI AG increased revenue to EUR 51.4 billion despite a difficult environment. Although negatively impacted by special items from the diesel issue, profit before tax reached EUR 3.6 billion.

FINANCIAL PERFORMANCE

AUDI AG generated revenue of EUR 51,402 (50,305) million in 2017.

Revenue from the sale of cars of the Audi brand came to EUR 38,833 (38,976) million, virtually unchanged from the previous year. The main positive factors were the market success of the new Audi A5 family and new Q2. The favorable volume development in the North America region also impacted revenue positively. On the other hand, our revenue performance was hampered by our current model cycle and by an unfavorable currency environment compared with the previous year.

Within other automotive business, higher revenue from sales of company cars and deliveries of parts sets for local production in China resulted in a welcome rise in revenue.

Condensed Income Statement, AUDI AG

EUR million	2017	2016
Revenue	51,402	50,305
Cost of goods sold	-45,711	-45,115
Gross profit	5,691	5,190
Distribution costs	-3,725	-3,591
Administrative expenses	-361	-345
Other operating result	1,431	-245
Financial result	521	527
Profit before tax	3,557	1,536
Income tax expense	-1,151	-618
Profit transferred under a profit transfer agreement	-2,406	-918
Net profit for the year	-	-

Cost of goods sold increased especially as a result of higher direct material and purchase costs to EUR 45,711 (45,115) million. On the other hand, our consistent management of resources and efficiency gains is reflected in lower research and development costs. The cost of goods sold additionally included expenses in connection with the special items from the diesel issue – however, in the year under review, this was lower than in the prior-year period.

AUDI AG posted gross profit of EUR 5,691 (5,190) million for the past fiscal year.

Distribution costs, including the current development in residual values, came to EUR 3,725 (3,591) million.

Administrative expenses increased to EUR 361 (345) million.

The other operating result of AUDI AG amounted to EUR 1,431 (-245) million in the past fiscal year. The increase is essentially attributable to lower expenses for creating provisions in connection with the diesel issue. A better result for the settlement of foreign currency hedges also contributed to the positive development.

AUDI AG achieved a financial result of EUR 521 (527) million in 2017. The result from participations reflected within the financial result fell to EUR 829 (900) million. The net interest result – which also forms part of the financial result – declined to EUR -295 (-244) million, in particular reflecting the change in the actuarial interest rate applied in measuring pension obligations. On the other hand, the higher dividend payment from our treasury fund had a positive impact on the development of the financial result.

As a result of the effects presented here, AUDI AG posted a profit before tax of EUR 3,557 (1,536) million. The figure also includes special items for the diesel issue amounting to EUR –387 (–1,632) million. After deduction of income tax expense, AUDI AG earned EUR 2,406 (918) million. Consequently, the return on sales after tax was 4.7 (1.8) percent.



Read more about the **diesel issue** on pages 107 ff.

NET WORTH

As of December 31, 2017, the balance sheet total of the Audi Group increased to EUR 39,312 (36,591) million. Fixed assets of EUR 16,425 (15,122) million were up on the previous year's level as a result of capital investments in property, plant and equipment and long-term financial investments.

Total investments by AUDI AG in the 2017 fiscal year came to EUR 3,070 (3,539) million.

The increase in current assets (including deferred expenses) to EUR 22,887 (21,469) million was mainly due to higher inventories.

The past fiscal year saw equity, including the special reserve with an equity portion, rise to EUR 13,708 (13,249) million as a result of the capital injection of EUR 459 million into the capital reserve by Volkswagen AG, Wolfsburg. The equity ratio of AUDI AG was 34.9 (36.2) percent.

Borrowed capital (including deferred income) showed a year-on-year rise to EUR 25,604 (23,342) million. Liabilities in particular went up as a result of the higher profit transfer to Volkswagen AG, Wolfsburg. Provisions decreased in a reflection of the progress achieved in dealing with the diesel issue, among other things.

Condensed Balance Sheet, AUDI AG

EUR million	Dec. 31, 2017	Dec. 31, 2016
Fixed assets	16,425	15,122
Current assets incl. deferred expenses	22,887	21,469
Balance sheet total	39,312	36,591
Equity incl. special reserve with an equity portion	13,708	13,249
Provisions	16,317	16,500
Liabilities incl. deferred income	9,287	6,842
Balance sheet total	39,312	36,591

FINANCIAL POSITION

AUDI AG generated a cash flow from operating activities totaling EUR 2,582 (3,571) million in the 2017 fiscal year. The figure also includes cash outflows in connection with the diesel issue.

In the same period, the cash used in investing activities attributable to operating activities, excluding the change in securities, amounted to EUR 3,049 (3,524) million. There was a particular focus here on capital expenditure for our product initiative. For example, we brought the new Audi A5 family and our new Audi A8 onto the markets. Another investment priority was the expansion of the manufacturing structures for the production starts of new models. As well

as starting series production of our new Audi A7, we prepared the production start of the new Audi A6.

Compared with the previous year, there was an opposite effect from lower long-term financial investments. The net cash flow before the change in cash deposits in marketable securities came to EUR –467 (47) million, reflecting in particular the higher utilization of provisions in the 2017 fiscal year. Including cash deposits in securities, the cash used in investing activities reached a figure of EUR 3,176 (4,714) million, leading to a net cash flow of EUR –594 (–1,143) million. Net liquidity as of December 31, 2017, was up on the previous year's level at EUR 12,679 (12,507) million.

PRODUCTION

In the 2017 fiscal year, AUDI AG produced 1,295,792 (1,309,160)¹⁾ cars of the Audi brand.

It also manufactured a total of 560,150 (551,509) parts sets for local production in China.

DELIVERIES AND DISTRIBUTION

In the past fiscal year, 1,878,105 (1,867,738) cars of the Audi brand were delivered to customers worldwide. A total of 294,544 (293,307) vehicles were handed over to customers

in the home market Germany. Deliveries to international customers rose to 1,583,561 (1,574,431) cars.

EMPLOYEES

Workforce, AUDI AG

Average for the year	2017	2016
Ingolstadt plant	42,498	42,412
Neckarsulm plant	15,995	15,655
Employees	58,493	58,067
Apprentices	2,470	2,390
Workforce²⁾	60,963	60,457

2) Of these, 1,304 (1,003) were in the passive stage of partial retirement.

AUDI AG had an average of 60,963 (60,457) employees in 2017. As of the end of the year, the workforce increased to 61,172 (60,655) employees. The year-on-year increase is mainly attributable to the new recruitment of experts in strategic future areas such as electric mobility and digitalization.

RESEARCH AND DEVELOPMENT

On average, 10,823 (10,714) people were employed in the Research and Development area of AUDI AG in the past fiscal year.

Research and development activities came to EUR 3,401 (3,991) million.

PROCUREMENT

The cost of materials for AUDI AG climbed to a total of EUR 37,358 (36,789) million in the 2017 fiscal year.

REPORT ON RISKS AND OPPORTUNITIES

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



Read more about the **risks and opportunities** of the Audi Group on pages 143 ff.

1) The prior-year figure was adjusted.

SUSTAINABILITY ASPECTS

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

PRODUCT-BASED ENVIRONMENTAL ASPECTS

/ FUTURE MOBILITY

With the goal of shaping future mobility comprehensively and responsibly, we invest in sustainable products and services along the entire value chain. That includes for instance developing innovative, sustainable drive technologies and carbon-neutral synthetic fuels. And we are working on material cycles that will leave little or absolutely no room for waste in the future. We apply this standard to our entire value chain and expect sustainable action from our chain of suppliers, for example.



Read more about **sustainability in the supply chain** on page 115.

/ SUSTAINABLE DRIVE CONCEPTS

The development of alternative drive concepts has become more prominent in our Strategy 2025 – as a response, we are stepping up the further development of Audi tron technologies.

For example, in a few months we will start series production of the first fully electric volume model of the Audi brand – the Audi e-tron. Its market introduction is also planned for 2018. Series production of our second fully electric Audi brand vehicle – the Audi e-tron Sportback – will then start very shortly afterwards in 2019.

The Audi A3 Sportback e-tron and the Audi Q7 e-tron 3.0 TDI quattro are already available with plug-in hybrid drive. We have also developed the e-tron models Audi A6L e-tron and Audi Q7 e-tron 2.0 TFSI quattro specifically for the Chinese market. Further models with plug-in hybrid drive, including the Audi A8 e-tron, will become available in the 2018 fiscal year.

In a reflection of our holistic approach to electric mobility, we also promote the further development of charging technologies and charging infrastructure. For example, we are working with other automotive manufacturers through IONITY GmbH, Munich, to establish a high-power charging network for electric vehicles. IONITY GmbH started setting up the first quick-charging stations in the year under review. By 2020, there are to be around 400 stations installed along Europe's main transport arteries. The stations reduce charging time significantly compared with existing charging solutions, paving the way for long-distance driving in battery-electric vehicles. This fulfills one key requirement for the market success of our electric cars.

Development work also continues on Audi g-tron technology. With the market introduction of the Audi A4 Avant g-tron and Audi A5 Sportback g-tron in the 2017 fiscal year, alongside the Audi A3 Sportback g-tron that has already been available since 2014, we have three g-tron models to offer. These run primarily on compressed natural gas (CNG). Based on an average calculation, Audi replaces the amount of natural gas used by customers with the renewable fuel Audi e-gas, thus reducing the carbon footprint of the g-tron models by more than 80 percent.

We also worked on refining fuel cell technology – which uses hydrogen as the energy source – in the year under review. For instance, our Audi h-tron quattro concept study car highlights the scope of this technology with its high-efficiency fuel cell and powerful battery, a refueling time of just four minutes and a range of up to 600 kilometers. Audi has been the lead company for fuel cell technology within the Volkswagen Group since the end of 2015. We are currently creating a competence center for this technology at our Neckarsulm site.

To make our conventional drive concepts even more efficient, we continue to strive for new solutions in this area as well. For example, the new Audi A8 is equipped with mild hybrid technology and a 48-volt primary electrical system as standard. The 48-volt primary electrical system opens up entirely new horizons for improving efficiency. One benefit of the technology is that the vehicle can drive at speeds of between 55 and 160 kilometers per hour with almost zero emissions for up to 40 seconds.

quattro drive with ultra technology is also one of our efficiency technologies and has been on the market since 2016. The technology decouples the rear-axle drive whenever it is not needed, and re-engages it proactively where necessary. Depending on the engine version, quattro drive with ultra technology is available as standard equipment both in various Audi A4 models and in the new Audi Q5.

/ AUDI E-GAS AND SYNTHETIC FUELS

Audi has been involved in the development of synthetic fuels since the year 2009. We built on our e-fuels strategy again in the past fiscal year. For example, together with INERATEC GmbH, Karlsruhe, and Energiedienst Holding AG, Laufenburg (Switzerland), we are examining the possibility of setting up a pilot facility for the production of e-diesel. Construction work could begin in early 2018. There are plans to produce the first liters of e-diesel in the same year.

Since the 2013 fiscal year, Audi has been operating a facility in Werlte in northern Germany where Audi e-gas is generated. Its annual output is up to 1,000 metric tons of e-gas. This quantity theoretically enables around 1,500 Audi g-tron models to each drive 15,000 kilometers a year. Audi also sources the renewable fuel from other power-to-gas plants and biogas facilities that process waste.

In addition to Audi e-diesel and Audi e-gas, we are also working on developing renewable gasoline fuels.

/ CO₂ EMISSION STATISTICS FOR AUDI MODELS

As of the end of the 2017 fiscal year, there were 197 (195) Audi models available with CO₂ emissions averaging up to 140 g/km in the combined cycle. Of these, 126 (121) drive versions achieved combined CO₂ emissions of 120 g/km or less. 22 (28) Audi models had combined CO₂ emissions of 100 g/km or less, with 6 (6) drive versions achieving a combined figure of 95 g CO₂/km or less.¹⁾

According to official figures released by the European Commission, the average CO₂ emissions figure for newly registered Audi vehicles in the European Union (EU 28) in 2016 was 126 g/km. Based on our provisional calculations, the average CO₂ emissions of newly registered Audi vehicles in the EU 28, calculated in the NEDC, is expected to be around 127 g/km in 2017.²⁾

/ LIFE-CYCLE ASSESSMENTS

Besides fuel consumption and CO₂ emissions, we look at the entire value chain of our products and processes. For this, we analyze and evaluate all phases of the life cycle – from development, through the utilization phase, all the way to recycling. We have set ourselves the goal of reducing the environmental impact of every new model compared with its predecessor. In order to evaluate this accurately, we will gradually draw up detailed life-cycle assessments for further vehicle lines. This will deliver transparency regarding the environmental impact of every vehicle over its entire life cycle.



Read more about our **life-cycle assessments**

and **sustainability at Audi** at

www.audi.com/corporate/en/sustainability.html.

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

2) Provisional internal calculations for 2017 subject to confirmation by the EU. Based on regulation UN ECE R83/101 on the measurement of CO₂ emissions. According to EU Directive 1999/94/EC relating to the availability of consumer information on fuel economy, the official fuel consumption must be stated as determined by the approval authorities under the type approval procedure pursuant to Directive 80/1268/EEC, taking the UN-specified type approval approach of the NEDC (New European Driving Cycle) as the basis. Differences may occur in everyday practical operation as a result, for example, of different speed profiles, payloads or auxiliary systems, because not all possible factors influencing consumption have been standardized for the type approval approach.

SITE-BASED ENVIRONMENTAL ASPECTS

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

/ EMISSIONS REDUCTION AND RESOURCE EFFICIENCY

Our site-based environmental activities focus on reducing energy consumption and the associated emissions, along with using production resources efficiently. We have set ourselves the goal, for example, to reduce our specific CO₂ emissions Group-wide by 25 percent by 2018 compared with the base year 2010. In addition, by 2020 we aim to reduce carbon dioxide emissions from the energy supply at the Ingolstadt and Neckarsulm sites by 40 percent compared with the specific figure for the base year 2010. Audi pursues the long-term vision of an entirely carbon-neutral automotive production process. In addition to the ongoing optimization of our processes, we therefore also place particular focus on energy-saving measures when planning production and supply facilities, buildings and when defining logistics processes.

In addition to CO₂ emissions, we look at the key environmental metrics for energy, organic solvents (volatile organic compounds), fresh water, waste water and solid waste. The Audi Group has set itself ambitious targets for the sparing use of resources. Over the period from 2010 through 2018, we strive to achieve a 25 percent reduction per unit produced in the key environmental metrics for energy, fresh water, waste requiring disposal and organic solvents.

Environmental structural data ¹⁾

		2017	2016
Direct CO ₂ emissions ²⁾	t	246,013	240,739
Energy consumption ³⁾	GWh	2,925	2,867
VOC emissions ⁴⁾	t	1,453	1,696
Fresh water purchased	m ³	4,209,668	4,203,537
Volume of waste water	m ³	2,256,017	2,475,112
Total volume of waste ⁵⁾	t	107,999	104,822
<i>of which recyclable waste</i>	t	97,163	91,608
<i>of which disposable waste</i>	t	10,836	13,215
Metallic waste ⁶⁾	t	362,372	386,596

1) Ingolstadt, Neckarsulm, Brussels, Győr, San José Chiapa, Sant'Agata Bolognese, Bologna, Amphur Pluakdaeng (since 2017) sites; 2017 figures provisional

2) This figure is made up of CO₂ emissions generated by the use of fuel at the site, and CO₂ emissions produced by the operation of test rigs.

3) Total electrical energy, heat, fuel gases for production processes and externally supplied refrigeration

4) VOC emissions (volatile organic compounds): This figure is made up of emissions from the paint shops, test rigs and other facilities.

5) Including non-production-specific waste

6) 100 percent recycling

In the 2017 fiscal year, we implemented projects and measures at all sites of the Audi Group that contributed to further reductions in emissions and the even more efficient use of resources. They affect our production operations as well as other value creation processes.

We attach particular emphasis to climate protection in logistics processes, for example. Since mid-2017, all rail shipments of AUDI AG in Germany have been CO₂-free – our logistics traffic by rail in Germany is now entirely climate neutral. The switch to the product "DBeco plus" of DB Cargo AG, Mainz, enables us to save over 13,000 metric tons of CO₂ per year and make further progress towards achieving carbon-neutral production.

We fundamentally expect our facilities worldwide to meet high standards of environmental compatibility, both when constructing new sites and when expanding existing plants. For example, we expanded the Lamborghini plant in Sant'Agata Bolognese (Italy) in such a way that, even after the doubling of capacity, the entire plant still complies with the accreditation as a carbon-neutral production facility achieved in 2015. In addition, we will build our new Audi e-tron carbon-neutrally in Brussels (Belgium), entirely in keeping with the principle of "clean vehicles from clean factories."



Read more online about **carbon-neutral production** at www.audi.com/ar17/zero.

/ EMISSIONS TRADING

The third trading period in the EU-wide trading of CO₂ emission rights has been running since 2013. This phase ends in 2020. The Ingolstadt, Neckarsulm, Brussels and Győr (Hungary) sites are subject to EU emissions trading rules. Unused certificates from past trading periods were carried forward to the third trading period to minimize the risk of a future shortfall in cover, through which the Audi Group would potentially incur costs.

/ ENVIRONMENTAL MANAGEMENT

Our environmental management goals include the effective and efficient use of the resources required, and they are intended to promote a culture of innovation aimed at making our products and processes more environmentally acceptable. With that objective in mind, we have installed the rigorous environmental management system of the European Union, EMAS (Eco-Management and Audit Scheme), at all European automotive plants of the Audi Group. Having temporarily suspended EMAS accreditation at the Ingolstadt and Neckarsulm sites in 2016 due to the diesel issue, we reinstated it in the 2017 fiscal year.

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

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

/ AUDI ENVIRONMENTAL FOUNDATION

Audi Stiftung für Umwelt GmbH – the Audi Environmental Foundation – is an active supporter of research in new technologies and scientific methods for a livable future. Its declared aim is to help protect the environment, and to create and promote opportunities for sustainable action. The foundation focuses especially on promoting and developing environmentally compatible technologies, on educating people about the environment and on protecting the natural livelihood of humans, animals and plants. It was established in 2009 as a fully owned subsidiary of AUDI AG and is part of the Company's social and environmental commitment.

EMPLOYEES

/ WORKFORCE

Average for the year	2017	2016
Domestic companies ¹⁾	59,448	59,029
of which AUDI AG	58,493	58,067
Ingolstadt plant	42,498	42,412
Neckarsulm plant	15,995	15,655
Foreign companies	27,904	25,111
of which AUDI BRUSSELS S.A./N.V.	2,656	2,514
of which Audi Hungaria Zrt. ²⁾	11,888	11,550
of which AUDI MÉXICO S.A. de C.V.	6,211	3,895
of which Automobili Lamborghini S.p.A.	1,465	1,312
of which Ducati Motor Holding S.p.A.	1,240	1,232
Employees	87,352	84,140
Apprentices	2,618	2,555
Employees of Audi Group companies	89,970	86,695
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	432	417
Workforce Audi Group	90,402	87,112
Workforce Audi Group at year-end	91,231	88,453

1) Of these, 1,304 (1,003) employees were in the passive stage of partial retirement.

2) Prior-year figure adjusted because the fully consolidated AUDI HUNGARIA MOTOR Kft., Győr (Hungary), was merged with the fully consolidated AUDI HUNGARIA SERVICES Zrt., Győr, with effect from January 1, 2017, and renamed Audi Hungaria Zrt., Győr.

Employee structural data (AUDI AG)

		2017	2016
Average age ^{1) 2)}	Years	40.8	40.3
Average length of service ²⁾	Years	17.0	16.3
Proportion of women ^{1) 2)}	Percent	14.6	14.4
Proportion of academics (indirect employees) ²⁾	Percent	49.9	49.3
Proportion of foreign nationals	Percent	8.4	8.4
Proportion of people with severe disabilities ²⁾	Percent	6.1	5.8
Contracts to workshops for people with mental disabilities	EUR million	7.0	7.8
Frequency of accidents ³⁾		5.0	4.0
Attendance rate ²⁾	Percent	95.5	95.9
Savings through Audi Ideas Program	EUR million	108.6	88.0
of which implementation rate	Percent	54.9	55.1

1) Audi Group

2) Excluding apprentices

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

In the 2017 fiscal year, the average level of the Audi Group workforce was 90,402 (87,112) employees. There were 91,231 (88,453) employees at the end of 2017. The year-on-year increase is mainly attributable to the hiring of personnel in connection with the production start of the second-generation Audi Q5 at our new plant in Mexico, as well as to the product initiative that is already under way. Audi is actively shaping the transformation of the automotive industry. To that end, the Company maintains its focused policy of hiring experts for strategic future areas such as electric mobility and digitalization, including at AUDI AG. In response to internationalization, employees are being taken on worldwide especially to fill strategic positions or to staff new plants and model launches. In 2017, numerous employees were assigned to 30 countries, while employees from foreign locations also came to work at the German Audi sites.

/ THE AUDI GROUP'S HUMAN RESOURCES POLICY

Our human resources policy aims to create a needs-based human resources structure as well as an attractive social and working environment for our workforce. We seek both to accommodate the needs of our employees and to pursue the economic objectives of the Audi Group. In the year under review, for example, the management and General Works Council extended the employment guarantee for the workforce of AUDI AG until the end of 2025. The importance of the German sites and their ability to compete was underlined with the pledge to build two new electric models each at the Ingolstadt and Neckarsulm sites.

We have made a commitment to four corporate values as the basis for cooperation at Audi: responsibility, appreciation, openness and integrity. The very cornerstones of the modern working world at Audi include flexible working hours and the entitlement to mobile work, as well as agile structures, processes and models for collaboration. These introduce flexibility into everyday working life, free people up to be innovative, and help employees strike a better balance between their work and personal lives. We apply strategic resource and competence management to plan our human resources requirements sustainably and in a goal-oriented way, and to get our employees fit for the future.



Read more about **strategic resource and competence management** in the magazine section on pages 66 f.

Enabling employees to participate in the Company's financial success is a further important component of our human resources policy. In this way, we turn the success of Audi into the success of all its employees. There are also specific profit-sharing arrangements for a large number of domestic and international subsidiaries.

/ TRAINING AND DEVELOPMENT

Around 800 young people embarked on training in 20 vocations at the German sites in 2017. As well as the apprentices, dual studies students started out on their career paths once again at the Ingolstadt and Neckarsulm sites. For the first time in 2017, the "Audi dual" program also included Master's students: The Technical University of Ingolstadt is running a Master's course to teach core skills in applied information technology. The Technical University of Munich offers the Master's course "Robotics, Cognition, Intelligence." We guarantee permanent employment for all successful graduates of dual vocational training or dual studies programs.

In addition, the Audi Group promotes life-long learning as a means of enhancing the Company's future viability. All authority for training and development is pooled internally at Audi Akademie. It organizes specialist and interdisciplinary training for employees and managers, and assists the various areas of the Company in an advisory capacity. For example, we significantly increased our training courses on the topics of big data and artificial intelligence in the year under review. Expert knowledge in these fields is a vital basis for the develop-

ment of automated and autonomous cars, intelligent robots or digital mobility services. The advanced training options range from internal courses to ones run jointly with external providers.

/ HEALTH MANAGEMENT

A fundamental goal of our occupational health management is to maintain and promote the health of our employees. We have anchored all the relevant measures and programs in a company agreement. Our holistic approach addresses a variety of topics ranging from workplace design and providing advice on health-appropriate working assignments to gradual reintegration after a lengthy illness. We also offer comprehensive preventive programs. In doing so, the Company goes well beyond what is required by law.

To sensitize and motivate our employees to health matters, we offer various health activities and fitness programs, for example.

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

/ JOB AND PERSONAL LIFE

We offer a large number of working time models to improve the work-life balance. Since 2016, it has also been possible for employees to engage in mobile work. We also want to allow more flexible working hours in shift-based areas and in production. A pilot project was launched for this in the past fiscal year. Our employees can also take time off for personal reasons – for instance, to look after their children or to care for close relatives.

/ FROM EQUAL OPPORTUNITIES TO DIVERSITY MANAGEMENT

In 2017, diversity management was established as a holistic approach to strategically managing diversity within the Company. To us, diversity is an important prerequisite for competitiveness and sustained corporate success. The aim is to create an environment that promotes the individuality of each person in the interest of the Company. There are currently people from 93 different nations working at AUDI AG. As well as cultural background, we focus on age, gender and sexual orientation in our diversity management work and actively strive for inclusion. For example, the Company employs around 3,200 severely disabled people and people with an equivalent status at its German sites in Ingolstadt and Neckarsulm. There are also diversity concepts for the Supervisory Board and Board of Management of AUDI AG. These were approved in the 2017 reporting year.



Read more online about the **diversity concepts for the Board of Management and Supervisory Board** of AUDI AG pursuant to Section 289f, Para. 2, No. 6 of the German Commercial Code (HGB) in the Group Management Declaration at www.audi.com/corporate-management.

Among other things, our human resources strategy focuses on recruiting and promoting well-qualified women. In this respect, Audi depends on certain surrounding conditions because many areas of the Company need predominantly technical graduates. For that reason, we use the proportion of female graduates from each degree program as a guideline. Averaged across all degree programs that are relevant for the Company, the target proportion of women among new recruits has been determined to be around 30 percent.

The Company has set itself targets for the proportion of women holding leadership positions for the time horizon up until 2021: By the end of 2021, women should comprise 8 percent of the first management tier below the Board of Management and 16 percent in the second management tier.

Proportion of women at AUDI AG

in %	2017	2016
Total proportion of women	15.2	14.9
Apprentices	29.1	29.3
of which industrial apprentices	26.3	26.2
of which clerical apprentices	80.6	81.1
Management	10.1	9.5

The proportion of women on the Board of Management of AUDI AG is also to be increased in the long term. The Supervisory Board of AUDI AG decides each year on the target quota of women on the Board of Management. Up until December 31, 2017, the Supervisory Board of AUDI AG had resolved a target quota of zero, for the sake of formality. There were no women on the Board of Management at the end of 2017. In the year under review, the target quota for the proportion of women on the Board of Management up until December 31, 2018, was resolved to be zero percent, for formality's sake.

In addition, the legally prescribed quota of 30 percent applies to the Supervisory Board. As of December 31, 2017, there were 25 percent women on the Supervisory Board of AUDI AG. It should be noted that existing mandates in the reporting year prevented the full implementation of the legally required quota.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Our model initiative will dominate events in the 2018 fiscal year. We are planning the highest-ever number of model changeovers and new products in the history of the Company. These factors in particular could result in considerable fluctuations in the delivery and financial key figures. We still anticipate an operating return on sales of between 8 and 10 percent for the year as a whole.

REPORT ON EXPECTED DEVELOPMENTS

/ ANTICIPATED DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

// GLOBAL ECONOMIC SITUATION

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

The Audi Group anticipates a slight slowdown in global economic growth in 2018. The majority of the emerging markets are likely to continue to grow faster than the industrialized countries; as previously, we expect the greatest increases in gross domestic product (GDP) to be achieved in Asia. However, political uncertainties, a sharper than expected rise in inflation, or early exit from the overall expansionary monetary policy could all dampen global growth prospects. In addition, geopolitical tensions and conflicts, structural weaknesses in individual countries and financial market turbulence continue to represent potential disruptive factors.

Western Europe's economy is progressing along a generally stable growth pathway, offering the prospect of a positive economic development – albeit at a somewhat reduced pace – in 2018. However, economic development continues to depend on overcoming structural problems, especially in southern Europe. In addition, uncertainties surrounding the exit negotiations between the European Union and the United Kingdom are likely to slow economic growth. In Germany, economic expansion will in all probability lose some momentum amid a stable situation on the labor market.

We expect positive economic development in Central and Eastern Europe at slightly lower growth rates than in the past

fiscal year. With energy prices stable, the Russian economy should broadly be able to match the previous year's rate of growth.

In the United States, we expect a continuing improvement in the economic situation in 2018. The Federal Reserve will probably make further interest rate hikes in the course of the year. Meanwhile, fiscal measures should have a supporting effect.

Economic growth in Brazil should gain further stability in 2018 although political risks, especially in the run-up to the presidential elections, continue to apply.

We again expect the Asia-Pacific region to deliver the highest rates of economic growth worldwide. China's economy is likely to achieve comparatively high growth, albeit with reduced momentum. In Japan, GDP is expected to expand at a lower rate than in the previous year.

// INTERNATIONAL CAR MARKET

The Audi Group expects overall demand in car markets worldwide to increase slightly in 2018.

We anticipate that new registrations of passenger cars in Western Europe will decline. On the German passenger car market, demand for cars is likely to be at the same level as the previous year. We forecast a continuing rise in total new registrations in the Central and Eastern Europe region in 2018.

Sales of passenger cars and light commercial vehicles in the United States will probably be slightly below the previous year's level.

By contrast, we expect to see higher demand for passenger cars and light commercial vehicles in South America.

The Asia-Pacific region will again be the biggest contributor to worldwide growth in passenger cars in 2018. Despite declining momentum, the Chinese passenger car market should also continue to grow. In Japan, we are expecting a fall in demand for cars.

// INTERNATIONAL MOTORCYCLE MARKET

For 2018 we expect to see a positive trend in demand worldwide for motorcycles in the displacement segment above 500 cc. At the same time, new registrations in North America and Germany are likely to rise again. We also expect market volume in the motorcycle markets in France and Italy to grow in the 2018 fiscal year.

/ OVERALL ASSESSMENT OF THE ANTICIPATED DEVELOPMENT OF THE AUDI GROUP

The forecasts for the 2018 fiscal year are based on our expectations with regard to how the global economy and the international car market will develop. Amid a regionally mixed picture, we expect to see a slight weakening of worldwide economic momentum. With regard to worldwide demand for cars, we anticipate a slight increase. Economic uncertainties make it more difficult to predict future developments. Furthermore, the automotive industry is experiencing a process of transformation – in response to new customer expectations, among other factors. In the age of digitalization, traditional value added streams are consequently changing. The process also involves greater intensity of competition – new competitors, in some cases from outside the industry, are entering the mobility business. Alongside changing customer expectations, worldwide CO₂ regulations are one of the main factors influencing the further development of alternative drive concepts. The market players expect that urban mobility of the future will offer comprehensive digital connectivity and a high degree of automation in processes and products, while satisfying sustainability aspects.

By embedding the megatrends digitalization, sustainability and urbanization in its corporate strategy, the Audi Group wants to secure the transformation of its own business model. In this context, the first strategic top projects were successfully transferred to the line in 2017. We will progress

methodically along that path in the 2018 fiscal year. To ensure the success of Strategy 2025, the Audi Action and Transformation Plan realigns the organization and creates the necessary financial leeway. It focuses on the financing of future projects and protects our long-term competitiveness and future viability by securing our strategic return target. We expect that initial effects of the Action and Transformation Plan will already be seen in 2018.

In addition, our model initiative will dominate events in the 2018 fiscal year. We are planning the highest-ever number of model changeovers and new products in the history of the Company. As well as rejuvenating our existing product portfolio, we will be expanding particularly our SUV and high-margin segments. This drive will be accompanied by the restructuring of the production network. We will kick off with the volume production of our first fully electric SUV – the Audi e-tron – at the site in Brussels (Belgium). A particular focus of 2018 will be the high number of necessary product homologations against the background of the model changeovers and new statutory frameworks, for example the WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure) emissions measurement cycle. These factors could result in considerable fluctuations in the delivery and financial key figures over the course of 2018.

All in all, the Board of Management considers the Company to be well-placed to continue successfully addressing upcoming challenges and to seize the opportunities that arise.

The following forecasts on the development of our key performance indicators are subject to various risks and opportunities which could result in the actual development in the key performance indicators deviating from the respective forecast. We present the material risks and opportunities of the Audi Group in the report on risks and opportunities.

The effects from the diesel issue are reflected and presented in the 2017 Annual Financial Statements, in our forecasts for the 2018 fiscal year as well as in the report on risks and opportunities, based on current assessments. Bearing in mind the matters that have not yet been fully clarified and their limited predictability, it cannot be ruled out that risks and opportunities, particularly those in the form of reporting-date measurements, may be assessed differently in the future.

// ANTICIPATED DEVELOPMENT OF DELIVERIES

In the 2017 fiscal year, the brand with the Four Rings delivered more than 1.87 million vehicles of the Audi brand to customers worldwide for the first time ever. Because of the temporary effects of the many model changeovers and the high number of production starts and phase-outs, we expect deliveries to customers of the Audi brand in 2018 to approximately reach the record level of 2017. The positive effects on volume of the new and updated products are not likely to be felt fully until 2019.

Demand for our products will probably reveal some regional variation. While we expect to see deliveries of the Audi brand decline in the Western Europe region, demand in Central and Eastern Europe, North America, South America and the Asia-Pacific region should increase.

Especially our popular SUV models should once again provide a positive volume stimulus in 2018. Alongside the Audi Q5, the Q7 and the Q2, volume should be boosted by the Audi Q8, our newest member of the Q family. Demand for our new models of the Audi A6 and A7, for example, should also develop positively.

By contrast, we expect to see declining volume patterns for car lines with model changeovers in 2018 and for models that are already in the advanced phase of their product life cycle.

The Lamborghini brand will delight its customers in the 2018 fiscal year with the new Urus, which will gradually be rolled out in the markets beginning in the summer. With the Urus, Lamborghini is tapping into the segment of the Super SUV, which combines off-road capability with the handling characteristics of a supercar. This third car line also has the mission of driving volume development for the Lamborghini brand as well as strengthening brand awareness and profitability.

In the Motorcycles segment, a large number of new models will contribute to the success of our Ducati brand. Products that are planned include innovative, competitive models of the Panigale and Scrambler series.

// ANTICIPATED FINANCIAL PERFORMANCE

For the 2018 fiscal year, the Audi Group expects a slight rise in revenue, influenced above all by an improved model mix and a positive development in other automotive business. Exchange rates are likely to have a negative impact on revenue. However, these expectations are dependent on economic conditions and actual exchange rate trends. Compared with the average exchange rates for the past fiscal year, in 2018 we expect the euro to gain strength against the US dollar, the pound sterling and the Chinese renminbi as well as other key currencies for the Audi Group. We have taken into account the effects of the first-time adoption of new accounting standards in the revenue forecast.

Our 2018 target for the operating return on sales is a figure within our strategic target corridor of 8 to 10 percent. Alongside the anticipated rise in revenue, we expect to see the first positive effects of the Action and Transformation Plan. The special situation for the 2018 fiscal year in connection with the upcoming model changeovers, the restructuring of our production network, statutory changes to emissions measurement and upfront product spending to ensure the future viability of our Company will initially prove a burden. In return, we expect to see the lasting positive effects of these activities in subsequent years. Unfavorable exchange rates should also negatively impact the operating return on sales in 2018.

In the 2017 fiscal year, the operating return on sales was influenced by special items in connection with the diesel issue. The risk provisioning undertaken in 2017 in the form of provisions was adjusted accordingly to reflect up-to-date information. Our current plans for the 2018 fiscal year work on the assumption that there will be no additional special items. However, it cannot be ruled out that the assessment of the risks may change in the future.

On the basis of the forecast operating return on sales, we expect the return on investment (ROI) for the Audi Group to be within a range of 14 to 17 percent in the coming fiscal year. That means we will exceed our minimum required rate of return of 9 percent. Our focus on the future means we will see a rise in average invested assets.

// ANTICIPATED FINANCIAL POSITION

The Audi Group again intends to finance itself entirely from internally generated cash flow in 2018. We expect a net cash flow of between EUR 2.7 and 3.2 billion. The main factors influencing the net cash flow, alongside the favorable development in our current business activities, are the still-high amounts of cash used for investing activities in connection with upfront spending to ensure the future viability of our Company. Cash requirements for continuing obligations in connection with the diesel issue are again expected to have a negative impact on the financial position in the 2018 fiscal year, though to a lesser extent than in the 2017 fiscal year.

// RESEARCH AND DEVELOPMENT COSTS, CAPITAL INVESTMENTS

We will keep our sights firmly on the implementation of Strategy 2025 once again in the 2018 fiscal year. Our develop-

ment activities will continue to focus on our future projects – including the electrification of our model range – as well as on the renewal and expansion of our product portfolio. Through the Audi Action and Transformation Plan, we are also pressing ahead with our efficiency measures in the Research and Development area. The research and development ratio in the 2018 fiscal year should therefore be just slightly above our target corridor of 6.0 to 6.5 percent.

Primarily our new products in the upper segments, but also the volume production start of our first fully electric model – the Audi e-tron – will influence capex in 2018. On top of that, we expect there to be further investment in the restructuring of our production network in the year ahead. Meanwhile, we will be stepping up our efficiency efforts in the area of capex as well, and therefore expect a ratio of capex moderately above the strategic target corridor of 5.0 to 5.5 percent.

Anticipated development in the key performance indicators of the Audi Group

	Forecast for 2018
Deliveries of cars of the Audi brand to customers	at the previous year's level
Revenue	slight increase
Operating profit/operating return on sales	within the strategic target corridor of 8 to 10 percent
Return on investment (ROI)	between 14 and 17 percent and therefore above the minimum rate of return of 9 percent
Net cash flow	between EUR 2.7 and 3.2 billion
Research and development ratio	slightly above the strategic target corridor of 6.0 to 6.5 percent
Ratio of capex	moderately above the strategic target corridor of 5.0 to 5.5 percent

REPORT ON RISKS AND OPPORTUNITIES**// RISK MANAGEMENT SYSTEM IN THE AUDI GROUP****// OPERATING PRINCIPLE OF THE RISK MANAGEMENT SYSTEM**

As a company with global operations, the Audi Group is exposed to a dynamic environment and as such is continually confronted with a wide variety of opportunities and risks. Integrity as well as behavior that complies with statutory and regulatory requirements are the basis of our entrepreneurial actions and are treated as a top priority in the Audi Group. We seek to maintain a constructive dialogue and address

opportunities and risks openly so that we can ensure lasting success with our entrepreneurial activities. Apart from meeting statutory requirements, the particular purpose of an effective Risk Management System and Internal Control System (RMS/ICS) is to validate entrepreneurial goals as well as long-term viability and competitiveness. The risk propensity of the Audi Group is reflected in the ambitious corporate targets it formulates based on conscientious risk/return analyses. These are synchronized both Company-wide and with the Volkswagen Group.

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

The RMS/ICS is closely interlocked with the compliance functionality (central governance, risk & compliance organization/ central GRC organization) as part of an integrated and comprehensive management approach. The Board of Management and the Audit Committee of the Supervisory Board are kept regularly informed about the RMS/ICS as well as the Compliance Management System (CMS) in a combined report.

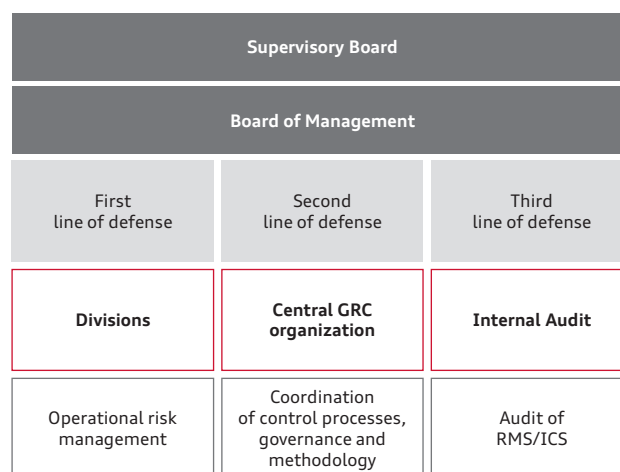


For information about **integrity and compliance**, please refer to the **Corporate Governance Report** on pages 157 ff.

The central tasks of risk management are to identify and analyze risks, ensure transparent reporting of these risks and improve their controllability using suitable risk management tools. This process also creates scope for generating and exploiting opportunities. Using the COSO framework, risk-appropriate internal controls are defined and performed along the entire value chain (ICS). The Audi Group promotes the further development of the RMS/ICS through cross-divisional and cross-company projects. The priority here is to interlink the system closely with corporate financial planning and management, as well as with accounting. In view of its high strategic relevance, the regulatory framework for the RMS/ICS is firmly established both in an internal AUDI AG Corporate Policy and at the material participations, and is continuously refined.

To systematically structure its risk management architecture, the Audi Group follows the “Three Lines of Defense” model – a recommendation of the European Confederation of Institutes of Internal Auditing (ECIIA). The RMS/ICS of the Audi Group consequently features three lines of defense that are intended to protect the Company against the occurrence of material risks.

The “Three Lines of Defense” model



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

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

AUDI AG also has risk compliance coordinators who liaise between the first and second lines of defense. At the participations, this function is handled by clearly designated risk and compliance officers.

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

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

// OPERATING PRINCIPLE OF OPPORTUNITIES MANAGEMENT

When implementing our Strategy 2025 and safeguarding the long-term success of the Audi Group, we aim to identify and seize entrepreneurial opportunities in addition to managing risks effectively.

In all business decisions that have a long-term impact, we consider not only the risks but also the opportunities that they present. Opportunities management is therefore integrated into the operational and organizational structure of the Audi Group and is closely aligned with the strategic objectives. To that end we continuously analyze the international context for potential impacts on the business model in order to identify trends and industry-specific key factors early on. Relevant developments are studied in detail with the help of scenario analyses. The possible consequences for Audi are identified together with Strategic Corporate Planning, the divisions affected and the Controlling area, with the goal of strategic early diagnosis and opportunity creation. Medium and short-term potential opportunities are identified and operationalized by the divisions. We also aim to secure our long-term competitiveness and future viability through effective efficiency and opportunities initiatives, such as the Audi Action and Transformation Plan.

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

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

In light of the decentralized organization of the accounting system in the Audi Group, the consolidated companies for the most part handle accounting tasks independently. In individual instances, tasks are passed on to AUDI AG and companies of the Volkswagen Group on the basis of service agreements. The individual financial statements of AUDI AG and the participations are prepared in keeping with the applicable national legislation and transferred to the Consolidated Financial Statements in accordance with IFRS.

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

At Audi Group level, the IFRS individual financial statements of the participations are analyzed and validated as part of control activities. The reports presented by the independent auditors and the findings of the concluding discussions with representatives of the individual companies are also taken into account. Systematic plausibility checks are run to some extent automatically, but also conducted by experts.

Complex specific matters are regularly coordinated during the year between the Consolidated Financial Statements department and the participation in question. The “dual control principle” and the separation of functions are likewise applied as key instruments of control in the preparation of the financial statements by the Group companies. In addition, Group Auditing examines the regularity of the financial reporting process for domestic and foreign companies. Changes in the statutory framework and prescribed standards with respect to the financial reporting process are continually monitored and are acted on promptly where relevant for the Company. This ensures compliance with standards.

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

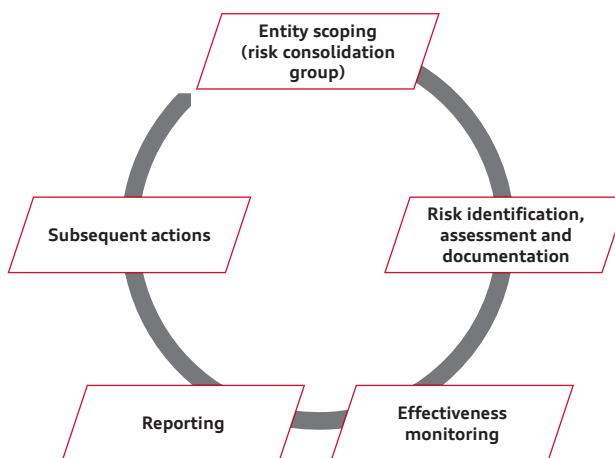
// RISK EARLY WARNING SYSTEM AND MONITORING EFFECTIVENESS

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

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

Meanwhile, the effectiveness of the control processes and overall system is assessed.

GRC process



/// RISK CONSOLIDATION GROUP

The risk consolidation group is formed by a uniform selection process in which all participations are assessed according to quantitative and qualitative features, and classified according to risk criteria. As of December 31, 2017, there were 22 participations fully integrated into the GRC process in addition to AUDI AG.

Germany:

- > AUDI AG
- > Audi Electronics Venture GmbH
- > Audi Interaction GmbH
- > Audi Sport GmbH
- > PSW automotive engineering GmbH

International:

- > AUDI AUSTRALIA PTY LTD
- > AUDI BRUSSELS S.A./N.V.
- > Audi Canada Inc.
- > Audi (China) Enterprise Management Co., Ltd.
- > AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA.
- > Audi Hungaria Zrt.
- > Audi Japan K.K.
- > Audi MÉXICO S.A. de C.V.
- > Audi of America, LLC
- > AUDI SINGAPORE PTE. LTD.
- > AUDI TOOLING BARCELONA S.L.
- > Audi Volkswagen Korea Ltd.
- > AUDI VOLKSWAGEN MIDDLE EAST FZE

- > Audi Volkswagen Taiwan Co., Ltd.
- > Automobili Lamborghini S.p.A.
- > Ducati Motor Holding S.p.A.
- > Italdesign Giugiaro S.p.A.
- > VOLKSWAGEN GROUP ITALIA S.P.A.

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

/// RISK IDENTIFICATION, ASSESSMENT AND DOCUMENTATION

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

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

The GRC process is supplemented by quarterly risk reporting. This targets the current, operational risks of the Audi Group and their countermeasures. The overall risk situation along with the accompanying countermeasures are presented to the Board of Management on a quarterly basis. This serves to increase risk transparency, further raise risk awareness in the Company and ensure effective, prompt risk management.

The evaluation of risks from quarterly risk reporting is synchronized with the GRC process.

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

/// MONITORING OF EFFECTIVENESS, REPORTING AND SUBSEQUENT ACTIONS

By way of a functionality check, the GRC process includes departments or external assessors conducting an effectiveness check of all material risks and of significantly risk-reducing countermeasures and management controls. If effectiveness is deemed inadequate, the department in question must carry out improvements as a subsequent action. The central GRC organization monitors timely implementation. The regularity and effectiveness of selected elements are also monitored by Internal Audit in its capacity as an impartial body. The status and evolutionary developments of the RMS/ICS are reported to the Board of Management and the Audit Committee of the Supervisory Board both on a regular and an ad hoc basis.

/ RISKS AND OPPORTUNITIES OF THE AUDI GROUP

We list below the most significant risks which, based on our current assessment, we consider material to the future development of the Audi Group. We include risks that were recorded under the GRC process and in the course of quarterly risk reporting. The opportunities listed are determined analytically and are operationalized when they become sufficiently specific. For the sake of clarity, the presentation of risks and opportunities uses appropriate categories. In addition, we indicate latent risks and opportunities for the

Audi Group. The risks within each category are presented in descending order of significance and are explained within the context of the overall assessment of the risk and opportunity situation. We indicate below the risks and opportunities that could lead to a negative or positive departure from the forecast for the key performance indicators.

// ECONOMIC RISKS

There are fundamentally economic risks for the Audi Group from external developments that it is unable to influence. For example, the economic environment is of major importance to the business success of our Company. Our focus is especially on the sales markets in Europe, the United States and China. There are risks to economic development from potential turbulence on the financial markets, protectionist trends, political upheaval and structural deficits in individual countries. The situation of a number of financial establishments in the southern eurozone, the possible consequences of the United Kingdom's planned withdrawal from the EU and the NAFTA negotiations as well as the high indebtedness of the private and public sector in parts of Europe exemplify this type of risk. Against this background, the monetary policy of the central banks is also important. In addition, geopolitical tension and conflicts can suddenly influence the economic development of individual countries and regions. A further escalation of the conflicts in the Middle East, Eastern Europe or with North Korea could also trigger swings in worldwide financial and commodity markets. Furthermore, social conflicts, terrorist activities or pandemics could have a negative effect. As there may be marked deviations from our planning in the economic development of individual regions and countries, reflected for example in deliveries, price enforcement and plant utilization, there are risks to the attainment of volume and profit goals. We address these risks through our worldwide sales network – it offers us scope to compensate for market weaknesses in certain countries by shifting volumes to different markets. In addition, for risk management, we employ comprehensive risk early warning systems with which we continuously monitor sales markets, conduct market research and maintain a regular dialogue with our counterparts in the sales regions. We seek to secure the competitiveness and long-term commercial success of the Audi Group through the strong brand, an attractive product portfolio, a focus on premium quality and a clear emphasis on future technologies.

We respond to short-term developments with market-specific measures and management tools. Fundamentally needs-based production planning helps us to respond flexibly to fluctuations in demand. The Audi Group would ultimately have difficulty resisting global economic weakness.

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

// ECONOMIC OPPORTUNITIES

A positive economic development in the principal sales markets beyond general expectations could create additional sales potential for the Audi Group. To realize these opportunities, Audi is further increasing its market presence especially in the growth markets. The international production network is boosting worldwide brand awareness and giving the Audi Group the flexibility to meet specific customer requirements. Economic developments and customer requirements are also continually monitored worldwide in order to exploit opportunities afforded by innovative solutions and new technologies at an early stage.

// INDUSTRY RISKS

Tough regulatory requirements on CO₂ limits in the various markets have a direct impact on the development, manufacturing and sale of vehicles. As a consequence, the Audi Group is exposed to the risk of not meeting statutory CO₂ fleet targets and potentially having to make compensatory payments as a result. The risk assessment has increased from

the previous year. The factors behind this change in the position include shifts in customer demand and tougher legal requirements. To fulfill our responsibility to meet CO₂ limits, we continuously monitor the volume mix and build appropriate technical and product-specific measures into our plans early on. Our focus in automotive development is also on steadily reducing weight, fuel consumption and vehicle emissions. In addition, the Audi Group pursues a product and powertrain strategy that emphasizes alternative drive concepts with hydrogen, synthetic fuels and above all the electrification of our vehicles, in addition to conventional combustion engines. We ensure this strategy is implemented by defining and following an electrification roadmap as well as clearly defined CO₂ targets for fleet and products.

Through the Audi Strategy 2025, we will also play a part in shaping change in the automotive industry in response to the megatrend of sustainability. Furthermore, the legal and regulatory requirements that it entails are of key importance – both for our Company and for the entire industry. A prolonged failure to address market-determining sustainability and responsibility aspects in our products and processes could lead to significant competitive disadvantages and image losses or violations of the law, for example. In addition to the objectives anchored in the overall strategy, specific goals and scopes of responsibility were defined and project plans drawn up to counteract this risk. These are managed both brand-wide and Group-wide through central functions, committees and work groups. We also regularly monitor the attainment of sustainability goals.

Like many other car manufacturers, the Audi Group cannot sidestep the risks in connection with potentially defective airbags made by the supplier Takata. In the third quarter of 2017, for example, a recall of Audi vehicles equipped with front airbags manufactured by Takata was announced on the instruction of the Chinese authority AQSIQ. The related adjustments to risk provisioning were reported by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). It is still not possible to rule out further recalls involving Takata front airbags. The technical investigations within the Volkswagen Group's analysis program and coordinating talks with government agencies continue.

Furthermore, the development of the industry worldwide is characterized by a latent risk from the intense competitive situation that manifests itself through restrictions in price positioning or the increased use of sales incentives. The public debate surrounding diesel technology also appears to have led to a change in the pattern of demand. This could also affect the development of residual values of diesel models in the used car business and therefore represent a financial risk. Our brand strength and attractive range of products and powertrains, along with our active monitoring and management of the market, counter this risk.

// INDUSTRY OPPORTUNITIES

We are seizing the opportunity afforded by the current development in SUV markets by expanding our SUV portfolio. For example, alongside an array of new products in the established vehicle segments, we will also bring the new Audi Q8 onto the markets in 2018. Additionally the Lamborghini Urus opens up the new segment of Super SUVs. The megatrends of digitalization, sustainability and urbanization offer abundant opportunities, which we want to exploit by systematically implementing our Strategy 2025. In response to the growing importance of digital add-on products for vehicles, we are adding new digital services to our existing business model. The scaling of our mobility concepts and services also unlocks extra business potential.

We predominantly see opportunities for our Company in the fields of automated to autonomous driving. We reached one particular milestone in that regard in the past fiscal year with the new Audi A8. This model not only redefines the benchmark for interior design, but also already offers the potential for conditional automation (Level 3) and further driving functions such as the parking and garage pilots. Our Elaine and Aicon vehicle studies shown at the 2017 International Motor Show (IAA) also demonstrate the long-term opportunities to be enjoyed from using artificial intelligence. In the medium and long term, we also expect electrification and the development of additional innovative drive technologies to provide fresh stimulus for the market. Series production of the Audi e-tron, our first volume-built fully electric vehicle, will already commence in 2018. In addition, digitalization offers the opportunity to streamline our processes in order to leverage efficiency potential.

// RISKS FROM OPERATING ACTIVITIES

In the automotive industry, the development of new technologies in particular leads to high upfront expenditures for future products in the form of development costs and capital investments. Yet the payback period generally stretches over a product life cycle spanning several years. Risks may arise in vehicle and powertrain projects during the product development process as a result of deviations from planned project goals, affecting such matters as deadlines, product characteristics or costs. These may be triggered by shifting legislative or market requirements or even changed planning assumptions. As a countermeasure, the Audi Group implements a systematic product development process with clear milestones, quality approvals and responsibilities. This also takes account of new requirements that arise from the future topics of electrification and digitalization as well as from technology partnerships. In addition to the separation of functions and principles of multiple-party control, the process entails a wide range of management and monitoring tools, along with regular reporting to top management to validate both the projects' maturity and their financial objectives. New products are defined on the basis of a comprehensive analysis of the environment and customers. The main profit and cost drivers in the product development process are managed and monitored by the Controlling area and as a product management task. The key performance indicators applied for this are for the management of project-based cost and pricing, and for corporate financial management.

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

Tougher exhaust and emissions regulations worldwide, including the change in measuring method from NEDC (New European Driving Cycle) to WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure), represent new challenges for the development and homologation of engine and transmission versions. Capacity bottlenecks in engine production

and at the test centers could lead to certain engine and transmission versions being temporarily unavailable and therefore put production and volume at risk. The risk was recorded for the first time in the 2017 fiscal year. By way of measures to minimize the risk, capacities at the test centers were increased. We have also stepped up our human resources to secure vehicle production starts and the delivery volume in 2018, and defined model-specific prioritization principles.

Our product range is accompanied by a large number of engine and transmission versions. Audi systematically checks the emissions of engine-transmission combinations, and works closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA). If the investigations by Audi and the discussions with the KBA should reveal that measures are necessary, Audi will swiftly implement the solutions in the interest of its customers as part of an update program. The voluntary tests have already reached an advanced stage, but have not yet been completed. Further field measures with financial consequences can therefore not be ruled out completely. Risks may also arise as a result of new political initiatives that affect the exhaust and emissions behavior of vehicles already delivered in previous years.

We will embark on implementing our electrification strategy with the series production start of our new Audi e-tron in the 2018 fiscal year. Our current efforts to expand the necessary charging infrastructure address a potential consumer restraint among customer groups who have not yet experienced the technology. For example, we are working with other automotive manufacturers through IONITY GmbH, Munich, to establish a high-power charging network for electric vehicles. IONITY GmbH started setting up the first quick-charging stations in the year under review. By 2020, there are to be around 400 stations installed along Europe's main transport arteries. The stations significantly reduce charging time compared with existing charging solutions, paving the way for long-distance driving in battery-electric vehicles. As a supplementary measure we are also promoting the further development of charging technologies. Conversely, risks could arise concerning the availability and cost of the batteries if market demand should exceed current expectations. To counter these new risks, we permanently monitor the entire product process in order to identify suitable measures promptly.

// OPPORTUNITIES FROM OPERATING ACTIVITIES

The greater responsibility assigned to product line management is producing significant improvements in the product development process. As well as simplified decision-making paths and closer interlinking of the corporate functions involved, this is due to more clearly defined responsibilities and consistent budget tracking. Strict compliance with deadlines and financial targets is designed to leverage extra potential. Reduced complexity and component diversity, coupled with greater use of virtual development, will also have a beneficial effect in this respect. In addition, internal processes especially in the production area can be improved through Smart Factory approaches involving virtual plant planning, more flexible production lines and additional digital processes, thus increasing productivity further. By consistently implementing our Audi Action and Transformation Plan, we also want to significantly optimize our revenue and cost items, and unlock numerous further potential opportunities. The fact that we are part of the Volkswagen Group means we can enjoy further synergies in the future, for example in the Research and Development area, where we are working jointly with Dr. Ing. h.c. F. Porsche AG, Stuttgart, on the development of vehicle architectures, modules and components for what is known as the Premium Platform Electric (PPE).

// LEGAL RISKS

Despite considerable progress on the final agreement with various agencies and stakeholders, there continue to be risks in connection with the diesel issue. For example, there is the fundamental risk that the agreements reached with the U.S. agencies cannot be met in time or in full, despite the measures introduced to implement them. This would involve new financial consequences. The implementation of these agreements is managed by a specially created organizational unit in the Audi Group.

In addition, there is a fundamental risk of further governmental investigations and inquiries, judicial decisions as well as current and new lawsuits and proceedings including on similar technical matters, possibly in other jurisdictions. Where manageable and economically practicable, appropriate levels of insurance cover were taken out to hedge risks. Provisions deemed appropriate were created or contingent liabilities were disclosed for identifiable and measurable risks. Contingent liabilities were not disclosed if they are not currently measurable. Because some risks cannot be assessed or

only assessed to a limited degree, losses arising that are not covered by the insured or reserved amounts cannot be ruled out. This applies in particular to the assessment of legal risks arising from the diesel issue.



*Read more about the **diesel issue** on pages 107 ff.*

Because it has to deal with a large number of country-specific legal systems and standards, the Audi Group is confronted with a complex regulatory framework governing the approval of its vehicles. There are risks from the non-attainment of certification requirements, for example. Restrictions on the approval of our products as well as sales bans could consequently be imposed on the Audi Group, or delays to their market introduction could occur. The Audi Group addresses these risks through ongoing monitoring of the legal framework as well as through processes and control systems that include suitable reporting. The countermeasures are steadily refined and are supported by specific IT systems. The risk presented has risen slightly compared with the previous year due to the higher volume of certification work.

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

// INFORMATION AND IT RISKS

The entry into force of the EU General Data Protection Regulation in May 2018 will increase the requirements with regard to data protection and data security. Companies that commit breaches in connection with IT systems for the storage or deletion of personal data, for example, face high financial penalties. The Audi Group counters this new risk with an implementation project and by designating implementation officers in each division, as well as by holding awareness-raising measures for all employees.

The systematic implementation of our corporate Strategy 2025 requires a very high level of availability and consistency of the IT systems for the digitalization process. There are also increased capacity requirements for storage volume. Risks exist here due to the higher demands placed on the IT system landscape and infrastructure. For instance, computer centers may experience temporary disruptions and limitations on the available capacities. To address this issue, we are systematically improving our existing IT infrastructure and the accompanying building services, and we also make use of capacities elsewhere within the Volkswagen Group network if needed. The risk was recorded for the first time in the period under review.

The growing professionalization of white-collar crime poses an increased threat to IT security for the businesses affected, for example in the form of unauthorized access to and manipulation of data as well as deliberate sabotage. There are also threats in the form of data theft and systematic espionage of sensitive information. This risk is controlled as well as possible by means of a comprehensive IT security setup and ongoing refinement of the IT security organization, as well as by specifying Group-wide security standards and regular simulations of hacker attacks. In addition, risk analyses, security audits and optimization projects have the goal of sustainably ensuring the continuity and security of internal processes. New IT systems are subjected to increased stress testing both before their adoption and also while in use. This risk has increased compared with the previous year.

// INFORMATION AND IT OPPORTUNITIES

Further digitalization of internal processes along the value chain as well as the standardization of IT systems are key aspects of our Strategy 2025. This will result in greater

efficiency and therefore save resources. The systematic collection and analysis of data provides opportunities to develop new business models that offer increased customer benefit in a way that adds value and enhances efficiency. Data protection is a top priority for Audi in this respect. We are very aware of the sensitivity of the debate surrounding data protection in connection with vehicle data, and we are continuously developing appropriate solutions consistent with new technical innovations that strictly adhere to the principles of data protection law, in particular transparency, customer self-determination and data security.

// FINANCIAL RISKS

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

As a globally active company, the Audi Group is exposed to exchange rate risks. Exchange rate fluctuations can, for example, influence the payment streams and assets of the Audi Group. These risks are minimized by natural hedging and the use of original and derivative financial instruments. Natural hedging is achieved, for example, through local production in important sales regions and through the local sourcing of components. We reduce the residual exchange rate risk by means of foreign currency hedging transactions with matching currencies and maturities, in the form of forward transactions and options contracts. The goal of this cover is to hedge planned payment streams in particular from investment, production and sales planning. This approach then also increases short, medium and long-term planning certainty. Methodologically, simulations of multiple stress scenarios are used as the basis for currency risk management. Risks are denominated predominantly in the following currencies: U.S. dollar, Chinese renminbi and pound sterling. The Audi Group employs an established control process to manage these risks. The derivatives used, provided the conditions are met, are fundamentally also reflected in the accounts as hedging relationships.

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

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

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

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



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

// FINANCIAL OPPORTUNITIES

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

/ MOTORCYCLES SEGMENT

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

// RISKS FOR MOTORCYCLES SEGMENT

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

A failure of the IT systems at Ducati, for example due to external factors such as sabotage or an interruption to the supply networks, could cause temporary disruption to business operations. Redundant system environments and comprehensive security systems constitute preventive strategies for this risk.

Customers' shifting expectations of product characteristics coupled with increasingly stringent statutory requirements may lead to delays in the product development process. These could have a negative impact on the delivery volume, image and financial targets, and potentially result in field campaigns. Ducati ensures that the required characteristics are achieved by following a comprehensive product development process including the appropriate quality checks.

The Ducati Group is exposed to natural fluctuations in the market and is in competition with a large number of motorcycle manufacturers. Especially in Japan and Brazil, macro-economic developments and changing consumer behavior can have a major effect on deliveries and after-sales activities. To safeguard its planned market shares, Ducati updates its attractive product portfolio annually. In addition, Ducati regularly analyzes opportunities for growth in new markets.

// OPPORTUNITIES FOR MOTORCYCLES SEGMENT

Growth in worldwide economies and consequently higher demand for motorcycles in the premium segment fundamentally creates additional sales opportunities for Ducati. Market opportunities could additionally arise for the company from the expansion of its product range and from continuing to develop new customer segments as well as new markets.

The expertise and experience of the Audi Group can also help with the quick and efficient implementation of the Ducati brand's internationalization measures. In addition, the brand

can benefit from far-reaching synergy potential in the Audi Group's operating and purchasing processes.

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

The overall risks and opportunities situation for the Audi Group arises from the individual risks and opportunities presented above. The most significant risks are currently in connection with the CO₂ fleet targets, our volume target in the light of tougher exhaust and emissions regulations worldwide, as well as deviations from planned project goals during product development.

Principal opportunities are offered by the implementation of our Action and Transformation Plan, the renewal and expansion of the product portfolio, as well as the future technologies associated with automated and autonomous driving. Furthermore, the fact that we are part of the Volkswagen Group generates diverse synergies and thus strengthens our competitiveness. In addition to the production network, this also applies to other elements of the value chain, such as in the areas of Research and Development as well as Procurement.

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

DISCLAIMER

The report on expected developments, risks and opportunities contains forward-looking statements relating to anticipated developments. These statements are based upon current

assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.

REPORT ON POST-BALANCE SHEET DATE EVENTS

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

/ GERMAN CORPORATE GOVERNANCE CODE IN 2017

On April 24, 2017, the Federal Ministry of Justice announced a new version of the German Corporate Governance Code dated February 7, 2017, in the official section of the Federal Gazette (Bundesanzeiger). The Board of Management and Supervisory Board of AUDI AG also considered at length the recommendations and suggestions in the Code during the past fiscal year and made inferences.



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

/ IMPLEMENTATION OF THE RECOMMENDATIONS AND SUGGESTIONS

The recommendations of the “Government Commission on the German Corporate Governance Code” announced by the Federal Ministry of Justice on June 12, 2015, in the official section of the Federal Gazette (Bundesanzeiger), in the version dated May 5, 2015, were implemented in the period since the submission of the most recent Declaration of Conformity of November 24, 2016, to the coming into effect on April 24, 2017, of the amended Code of February 7, 2017, with the exception of the following numbers:

- > 5.3.2, Sentence 3 (independence of the Chairman of the Audit Committee),
- > 5.3.3 (Nominating Committee),
- > 5.4.1, Para. 5 (disclosures in making election recommendations),
- > 5.4.6, Para. 2, Sentence 2 (performance-related remuneration of the Supervisory Board).

According to the recommendation No. 5.3.2, Sentence 3, the Chairman of the Audit Committee should, among other things, be “independent.” The Chairman of the Audit Committee’s membership of the Supervisory Board of Volkswagen AG and

of the Board of Management of Porsche Automobil Holding SE may be indicative of a lack of independence as defined in the recommendations. In the view of the Board of Management and of the Supervisory Board, these activities neither give rise to a conflict of interest, nor do they have an adverse effect on the work of the Chairman of the Audit Committee. The exceptions are declared merely as a precaution.

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

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

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

The recommendations of the “Government Commission on the German Corporate Governance Code” announced by the Federal Ministry of Justice on April 24, 2017, in the official section of the Federal Gazette (Bundesanzeiger), in the version dated February 7, 2017, have been and are being implemented in the period since the coming into effect of this version on April 24, 2017, with the exception of the following numbers:

- > 4.2.3, Para. 2, Sentence 3 (variable components of Board of Management remuneration, multi-year measurement basis mainly relating to future periods),
- > 5.3.2, Para. 3, Sentence 2 (independence of the Chairman of the Audit Committee),
- > 5.3.3 (Nominating Committee),
- > 5.4.1, Para. 6 (disclosures in making election recommendations),
- > 5.4.6, Para. 2, Sentence 2 (performance-related remuneration of the Supervisory Board).

The reasons for the exceptions declared in Nos. 5.3.2, Para. 3, Sentence 2, 5.3.3, 5.4.1, Para. 6 and 5.4.6, Para. 2, Sentence 2 have already been explained above.

The exception to the recommendation in No. 4.2.3, Para. 2, Sentence 3 regarding the variable components of Board of Management remuneration relating to future periods is explained for the first time. As the Supervisory Board regards a multi-year measurement basis which mainly relates to future periods to be advisable, a modification of the remuneration system in accordance with the recommendations of the current Code is in preparation at present, but has not yet been completed and implemented.

With regard to No. 5.4.1 Para. 2, Sentence 1 (objectives for the composition of the Supervisory Board; here: Competence profile): This recommendation for the objectives for the composition of the Supervisory Board has been amended to state that the Supervisory Board shall formulate a competence profile for the entire Board in addition to the objectives for its composition. After due deliberations and determinations by the Supervisory Board, this recommendation has been fully complied with since November 30, 2017.

With regard to No. 5.4.1, Para. 5, Sentence 2 (curriculum vitae of members of the Supervisory Board): The recommendation to publish annually updated curricula vitae of all members of the Supervisory Board together with an overview of their significant ancillary activities on the website of the Company is a new addition to the Code. The Supervisory Board discussed this complex of issues on November 30, 2017, and decided to publish the curricula vitae accordingly.

The response to the suggestions made in the Code is as follows:

The Supervisory Board concurs that all suggestions with the exception of the suggestion from No. 4.2.3, Para. 2, Sentence 9 (multi-year, variable remuneration components should not

be paid out early) are met. The Supervisory Board will only approve such a remuneration rule in the future.

/ STOCK OPTION PLANS AND SIMILAR SECURITIES-BASED INCENTIVE ARRANGEMENTS

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

/ GOALS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

Taking into account the specific situation of the Company, the business purpose, the size of the Company and the proportion of international business activities as well as the ownership structure, the Supervisory Board heeds the following elements when working towards its target composition:

- > At least two seats on the Supervisory Board for persons who fulfill the criterion of internationality to a particular extent,
- > At least one shareholder seat on the Supervisory Board for persons with no potential conflicts of interest, in particular as a result of performing an advisory or executive function at customers, suppliers, lenders or other third parties,
- > At least one shareholder seat on the Supervisory Board for independent Supervisory Board members within the meaning of No. 5.4.2 of the Code (in this case, currently Senator Helmut Aurenz),
- > At least one seat on the Supervisory Board for persons who contribute to the Board's diversity in particular.

The Supervisory Board as an overall body must possess the requisite expertise and competences to be in a position to perform its supervisory function and assess and monitor the transactions that the Company conducts. To that end, the members of the Supervisory Board must as a whole be familiar with the sector in which the Company operates. Core competences and requirements for the Supervisory Board as an overall body include in particular:

- > Knowledge of or experience in the manufacturing and sale of vehicles and powertrains of all kinds or of other technical products,
- > Knowledge of the automotive industry, business model and market, knowledge of the products,
- > Knowledge of the Research and Development area, in particular in the technological fields that are relevant for the Company,
- > Experience in positions of entrepreneurial leadership or on Supervisory Boards of major corporations,

- > Knowledge of the governance, legal, and compliance areas,
- > In-depth knowledge of the fields of finance, accounting or financial reporting,
- > Knowledge of the capital market,
- > Knowledge of the areas of Controlling/Risk Management, Internal Control System,
- > Human resources competence (in particular searching for and recruiting Board of Management members, successor process) as well as knowledge of incentive and remuneration systems for the Board of Management,
- > In-depth knowledge of or experience in the areas of code-termination, employee affairs and the working world in the Company.

The current composition of the Supervisory Board satisfies the competence profile.

/ GROUP MANAGEMENT DECLARATION ON THE INTERNET

The Group Management Declaration pursuant to Section 315d of the German Commercial Code (HGB) in conjunction with Section 289f of the German Commercial Code (HGB) contains both the Declaration of Conformity by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG) and disclosures on corporate governance practices. The methods and practices of the Board of Management and Supervisory Board as well as the committees established and gender quotas are also described. Since this reporting year, disclosures on the diversity concept for the Board of Management and Supervisory Board have in addition been made.



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

INTEGRITY AND COMPLIANCE

Integrity as well as behavior that complies with statutory and regulatory requirements (compliance) are the basis of our entrepreneurial actions, and are treated as a top priority in the Audi Group. They form the basis for a good reputation, for the trust of customers and business partners, for the wellbeing of employees as well as for sustainable economic success, which should not be diminished by the risk of high financial damage resulting from fines, a loss of profit, mandatory compensation payments or criminal investigations. In order not to put this at risk, effective compliance is needed within the Company in addition to a culture based on integrity. The Audi Group pursues first and foremost a preventive approach in this regard. Its aim is to eliminate in advance any possible breaches of the rules.

The Audi Group fundamentally redesigned its organizational structure on integrity and compliance in the 2017 fiscal year. In this connection we brought together the topics of integrity, compliance and risk management in a new organizational unit at AUDI AG. This is headed by the Chief Compliance Officer and is directly answerable to the Board Member for Finance, IT and Integrity. The new organizational unit reinforces the integrity, compliance and risk management activities and, equipped with significantly greater resources, started to

create and redesign a large number of modules for effective integrity and compliance management in the year under review. It also seeks to ensure Group-wide fulfillment of the conditions attached to the agreements on the diesel issue. This organizational unit's tasks also include guaranteeing cooperation with the Independent Compliance Monitor/Auditor Mr. Larry D. Thompson, appointed by the U.S. authorities in June 2017. Mr. Thompson will assess and oversee the fulfillment of the conditions by Volkswagen and Audi for a period of three years. They also include measures to further strengthen compliance and the reporting and control systems as well as implementing an extended program for compliance and ethical conduct. The first conditions and requirements from the settlement agreements with the U.S. agencies were already implemented and met according to schedule in the period under review.

/ INTEGRITY IN THE AUDI GROUP

In the Audi Group, integrity refers to adherence to ethical standards and the alignment of the Company with its own values and principles. This distinguishes integrity from compliance, which focuses on meeting statutory and regulatory requirements as well as internal regulations and standards of conduct.

Distinction between integrity and compliance in the Audi Group

	Integrity	Compliance
Motivation	Mainly intrinsic motivation (out of conviction/reason)	Mainly external pressure (e.g. through legislation)
Objective	Promotion of moral behavior	Prevention of unlawful actions
Approach	Values, corporate culture	Clear rules, policies, controls

Our integrity program launched in 2017 is designed to further cement the corporate culture at Audi. It places the spotlight on a joint dialogue on the topic of integrity. We want to promote the open sharing of ideas within the Company, propagate a corporate culture based on trust and firmly embed moral, values-based action at Audi. To that end we defined six subject areas that have also been agreed within the Volkswagen Group. Alongside integrity, the values openness, appreciation and responsibility are especially important to us.

Subject areas of the integrity program



Audi has also taken steps to promote a “speak-up” culture, to help promote change in the corporate culture. For example, a forum for sharing thoughts on the subject of integrity has been set up on an internal Audi social media platform. We seek to promote open communication on these topics within the Company by holding a variety of communication measures and events on integrity and compliance.

/ COMPLIANCE MANAGEMENT SYSTEM IN THE AUDI GROUP

The Compliance Management System (CMS) is intended to ensure that the Company’s corporate bodies and employees suitably comply with statutory and internal regulations. It incorporates all measures and systems to coordinate and ensure compliance within the Company – and in particular implementation of the compliance program. The focus of the CMS is not limited to the AUDI AG divisions, which are represented by risk compliance coordinators, but also extends to 30 participations worldwide, where local compliance officers act as multipliers.

Within the Audi Group, we have defined intrinsic compliance topics which need to be observed in order to protect our brands. These are permanently tracked and supplemented by the annually updated compliance program. They also essentially reflect the statutory framework that a company must comply with.

Audi already offers various information and training measures as well as ad hoc consultancy services for the intrinsic compliance topics. The requirements on specific topics are additionally set forth in corporate policies that have been enacted on behalf of the Board of Management and are binding for all employees.

Intrinsic compliance topics at Audi:

- > Anti-corruption
- > Business partner approval
- > Antitrust law
- > Prevention of money laundering
- > Data protection
- > Information security
- > Insider information
- > Issue of external contracts

The compliance program is an important tool for creating a uniform basis for compliance activities within the Audi Group and is approved annually by the Board Member for Finance, IT and Integrity. As well as continuously addressing the intrinsic compliance topics, it encompasses selected focal areas that reflect current developments in the Company and the industry. The activities in the period under review were determined to a large extent by requirements resulting from the settlement agreements reached with the U.S. agencies as a result of the diesel issue, for example.

// NEW AUDI CODE OF CONDUCT

The Audi Code of Conduct was thoroughly revised in 2017. It lays down the key principles that apply to day-to-day work in our Company. We therefore express how Audi perceives itself and the fundamental rules that govern its actions. Above all we provide guidance, advice and support on moral behavior at the workplace, as a business partner and as a member of society. The Code of Conduct is aligned with that of the Volkswagen Group and applies Group-wide to Audi, as well as being mandatory for all employees, regardless of their position in the hierarchy. Since October 2017, all newly appointed employees have also received compulsory training on the Code of Conduct.

// NEW AUDI WHISTLEBLOWER SYSTEM

It is important for enterprises to identify serious wrongdoings at an early stage, to address these and if possible put a timely stop to them. To address this concern, the new whistleblower system of the Volkswagen Group was also adopted at Audi in the period under review and was accompanied by communication measures. Our whistleblower system places the spotlight on protection for the whistleblower and the affected party, a fair process and confidential treatment of the reports. The identity of the whistleblower and his or her statement are treated in strict confidence and there is a presumption of innocence towards accused parties until a breach of the rules is proven. The whistleblower can use a variety of channels to report irregularities or breaches relating to the Audi Group. These include direct channels such as by phone, by e-mail,

by regular mail or in person to the new Audi Investigation Office, and also indirectly through the continuing arrangement with the ombudspersons (external confidential attorneys) of the Volkswagen Group. Unless the relevant applicable law expressly forbids it, anonymous reports are equally permissible. The Audi Investigation Office documents and examines every report it receives. Members of management are obliged to submit reports of serious breaches of rules to the newly established Audi Investigation Office. An investigating unit is appointed if suspicions are sufficiently founded. Following evaluation of the investigation report, any penalties are recommended to Human Resources.

// OTHER PRIORITY AREAS

As well as regular recording of detailed risk assessments on the subject of compliance for the GRC process, continuing compliance interviews in Germany and internationally were another priority activity in the year under review. At AUDI AG, these structured interviews are intended to identify compliance risks in the operative areas so that compliance and organizational structures can be optimized in equal measure. At Audi participations, the interviews help to reveal to what extent a CMS has been established, what topics are included, to what extent training is provided and how effective the system is in the areas affected.

Another focal area of the compliance program in 2017 was the start of revising the Audi Corporate Regulations. The objectives are to restructure and slim down internal corporate regulations, and optimize process reliability and efficiency.

The Audi Group works with a large number of partners in the course of its business operations. To ensure responsible action within these business relationships, Audi conducts systematic, risk-based checks on the integrity of its business partners and made further progress with this focal area in 2017.



Read more about **integrity and compliance** in the magazine section on pages 32 ff.

REMUNERATION REPORT

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

The remuneration report includes details of the remuneration paid to the members of the Board of Management and Supervisory Board of AUDI AG, broken down by individual member and by component, as well as information on the pension arrangements for members of the Board of Management, broken down by individual member, pursuant to Section 314, Para. 1, No. 6a), Sentence 5 ff. of the German Commercial Code (HGB) and the German Corporate Governance Code (DCGK). We also explain the main elements of the remuneration system for the Board of Management and Supervisory Board.

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

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

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

The level of remuneration paid to the Board of Management should be appropriate and attractive by national and international comparison. The relevant criteria include the tasks of the individual Board member, the member's personal performance, the Company's economic situation, performance and future prospects, and also the standard nature of the

remuneration, taking account of competitors on the market and the pay structure otherwise in place within the Audi Group and the Volkswagen Group. Regular comparisons of remuneration levels are carried out in this regard.

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

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

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

/// FIXED REMUNERATION

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

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

/// VARIABLE REMUNERATION

The variable (performance-related) remuneration consists of a business performance bonus, based on the year under review and the previous year (two-year period), and, since 2010, has also included a Long Term Incentive (LTI) based on

performance in the year under review and over the previous three fiscal years (four-year period). These two components of variable remuneration are therefore calculated using a measurement basis spanning several years and take account of both positive and negative developments. In addition, a bonus may be awarded for the individual performance of members of the Board of Management (one-year variable remuneration).

The figures shown in the table “Board of Management remuneration for 2017 pursuant to German Commercial Code (HGB)” reflect the figures reported in the 2017 financial statements as expense.

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

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

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

//// BONUS SYSTEM

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

//// LONG TERM INCENTIVE (LTI)

For Audi, as a Volkswagen Group brand, the amount of the LTI essentially depends on achieving the targets of the Volkswagen Group’s Strategy 2018, which provides the basis

for the remuneration system valid for the 2017 fiscal year. The targets are as follows:

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

The customer satisfaction index is calculated based on indicators of our customers’ overall satisfaction with the dealers supplying the products, with new vehicles and with the service establishments, based on the most recent workshop visit in each case. The employee index is calculated on the basis of such indicators as “employment” and “productivity,” as well as the participation rate and results of employee surveys. The growth index is calculated from the indicators “deliveries to customers” and “market share.” The return index is determined from the development in the return on sales and the dividend per ordinary share.

The calculated indices for customer satisfaction, employees and the sales situation are added together and the total is then multiplied by the return index. This method ensures that the LTI is only paid out if the Group has been financially successful. If the return on sales does not exceed a threshold of 1.5 percent, the return index will equal zero. Consequently, the overall index for the fiscal year in question will then also be zero.

/// OTHER AGREEMENTS

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

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

/ BOARD OF MANAGEMENT REMUNERATION FOR 2017 PURSUANT TO GERMAN COMMERCIAL CODE (HGB)

EUR	2017			2016
	Non-performance-related remuneration	Performance-related remuneration ^{1) 2)}	Total remuneration	Total remuneration ³⁾
Prof. Rupert Stadler ⁴⁾	810,000	1,955,000	2,765,000	2,987,500
Wendelin Göbel (since Sep. 1, 2017)	198,226	694,000	892,226	-
Peter Kössler (since Sep. 1, 2017)	196,726	694,000	890,726	-
Dr. Bernd Martens	613,820	1,920,000	2,533,820	2,820,398
Dr.-Ing. Peter Mertens (since May 1, 2017) ⁵⁾	6,418,686	1,389,000	7,807,686	-
Abraham Schot (since Sep. 1, 2017)	192,835	694,000	886,835	-
Alexander Seitz (since Sep. 1, 2017)	511,759	694,000	1,205,759	-
Prof. h. c. Thomas Sigi (until Aug. 31, 2017)	432,295	1,414,000	1,846,295	2,753,632
Axel Strotbek (until Aug. 31, 2017)	442,161	1,380,667	1,822,828	2,770,806
Dr. Dietmar Voggenreiter (until Aug. 31, 2017)	475,739	1,380,667	1,856,406	2,242,392
Prof. Dr.-Ing. Hubert Walzl (until Aug. 31, 2017)	469,804	1,414,000	1,883,804	2,779,088
Members of the Board of Management who left in the previous year	-	-	-	2,059,488
Total	10,762,051	13,629,334	24,391,385	18,413,304

1) Corresponds to the amounts set aside in the fiscal year. The Supervisory Board determines the amount of the payment.

2) In addition, provision surpluses result in income in 2017 amounting to EUR -1,225,648 (Prof. h. c. Thomas Sigi: EUR -2,020; Prof. Dr.-Ing. Hubert Walzl: EUR -2,020; Dr. Bernd Martens: EUR 27,980; Axel Strotbek: EUR -52,020; Dr. Dietmar Voggenreiter: EUR 351,411; members of the Board of Management who left in the previous year: EUR -1,548,979).

3) In addition, provision shortfalls resulted in an expense (remuneration) in 2016 amounting to EUR 2,676,136 (Prof. Rupert Stadler: EUR 490,088, Dr. Dietmar Voggenreiter: EUR 71,428, Axel Strotbek, Prof. h. c. Thomas Sigi, Prof. Dr.-Ing. Hubert Walzl, Dr. Bernd Martens EUR 528,655 each).

4) The remuneration of Prof. Rupert Stadler is determined according to the Group system, based on his activities as Group CEO of Volkswagen AG, and rebilled pro rata to AUDI AG. This approach may produce temporal and material discrepancies.

5) To compensate for lost entitlements resulting from the change in employer, Dr.-Ing. Peter Mertens received EUR 6.0 million.

**/ BOARD OF MANAGEMENT REMUNERATION
(BENEFITS RECEIVED) PURSUANT TO GERMAN
CORPORATE GOVERNANCE CODE (DCGK)**

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

EUR	Prof. Rupert Stadler ¹⁾ Chairman of the Board of Management	
	2017	2016
Fixed remuneration	810,000	810,000
Fringe benefits	-	-
Total	810,000	810,000
One-year variable remuneration	974,431	883,315
Multi-year variable remuneration	1,203,069	1,374,045
Business performance bonus (two-year period)	560,706	637,950
LTI (four-year period)	642,363	736,095
Total	2,987,500	3,067,360
Pension expense ²⁾	-	-
Total remuneration	2,987,500	3,067,360

1) The remuneration of Prof. Rupert Stadler is determined according to the Group system, based on his activities as Group CEO of Volkswagen AG, and rebilled pro rata to AUDI AG. This approach may produce temporal and material discrepancies.

2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

EUR	Wendelin Göbel	
	Human Resources and Organization	
	Joined: September 1, 2017	
	2017	2016
Fixed remuneration	180,000	-
Fringe benefits	18,226	-
Total	198,226	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Business performance bonus (two-year period)	-	-
LTI (four-year period)	-	-
Total	198,226	-
Pension expense	162,954	-
Total remuneration	361,180	-

EUR	Peter Kössler	
	Production and Logistics	
	Joined: September 1, 2017	
	2017	2016
Fixed remuneration	180,000	-
Fringe benefits	16,726	-
Total	196,726	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Business performance bonus (two-year period)	-	-
LTI (four-year period)	-	-
Total	196,726	-
Pension expense	96,721	-
Total remuneration	293,447	-

EUR	Dr. Bernd Martens	
	Procurement	
	2017	2016
Fixed remuneration	560,000	560,000
Fringe benefits	53,820	137,078
Total	613,820	697,078
One-year variable remuneration	980,000	951,000
Multi-year variable remuneration	1,171,300	1,484,000
Business performance bonus (two-year period)	545,900	689,000
LTI (four-year period)	625,400	795,000
Total	2,765,120	3,132,078
Pension expense	353,368	517,536
Total remuneration	3,118,488	3,649,614

EUR	Dr.-Ing. Peter Mertens	
	Technical Development	
	Joined: May 1, 2017	
	2017	2016
Fixed remuneration ¹⁾	6,360,000	-
Fringe benefits	58,686	-
Total	6,418,686	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Business performance bonus (two-year period)	-	-
LTI (four-year period)	-	-
Total	6,418,686	-
Pension expense	928,370	-
Total remuneration	7,347,056	-

1) To compensate for lost entitlements resulting from the change in employer, Dr.-Ing. Peter Mertens received EUR 6.0 million.

EUR	Abraham Schot	
	Marketing and Sales	
	Joined: September 1, 2017	
	2017	2016
Fixed remuneration	180,000	-
Fringe benefits	12,835	-
Total	192,835	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Business performance bonus (two-year period)	-	-
LTI (four-year period)	-	-
Total	192,835	-
Pension expense	85,314	-
Total remuneration	278,149	-

EUR	Alexander Seitz	
	Finance, IT and Integrity	
	Joined: September 1, 2017	
	2017	2016
Fixed remuneration	180,000	-
Fringe benefits	331,759	-
Total	511,759	-
One-year variable remuneration	-	-
Multi-year variable remuneration	-	-
Business performance bonus (two-year period)	-	-
LTI (four-year period)	-	-
Total	511,759	-
Pension expense	156,668	-
Total remuneration	668,427	-

<i>EUR</i>	Prof. h. c. Thomas Sigi	
	Human Resources and Organization	
	Left: August 31, 2017	
	2017	2016
Fixed remuneration	380,000	560,000
Fringe benefits	52,295	70,312
Total	432,295	630,312
One-year variable remuneration	950,000	951,000
Multi-year variable remuneration	1,171,300	1,484,000
Business performance bonus (two-year period)	545,900	689,000
LTI (four-year period)	625,400	795,000
Total	2,553,595	3,065,312
Pension expense	286,712	580,745
Total remuneration	2,840,307	3,646,057

<i>EUR</i>	Axel Strotbek	
	Finance, IT and Integrity	
	Left: August 31, 2017	
	2017	2016
Fixed remuneration	380,000	560,000
Fringe benefits	62,161	87,486
Total	442,161	647,486
One-year variable remuneration	900,000	951,000
Multi-year variable remuneration	1,171,300	1,484,000
Business performance bonus (two-year period)	545,900	689,000
LTI (four-year period)	625,400	795,000
Total	2,513,461	3,082,486
Pension expense	198,839	475,025
Total remuneration	2,712,300	3,557,511

<i>EUR</i>	Dr. Dietmar Voggenteiter	
	Marketing and Sales	
	Left: August 31, 2017	
	2017	2016
Fixed remuneration	359,000	459,334
Fringe benefits	116,739	63,169
Total	475,739	522,503
One-year variable remuneration	900,000	128,000
Multi-year variable remuneration	1,171,300	201,000
Business performance bonus (two-year period)	545,900	93,000
LTI (four-year period)	625,400	108,000
Total	2,547,039	851,503
Pension expense	199,307	488,861
Total remuneration	2,746,346	1,340,364

EUR	Prof. Dr.-Ing. Hubert Walzl	
	Production and Logistics	
	Left: August 31, 2017	
	2017	2016
Fixed remuneration	380,000	560,000
Fringe benefits	89,804	95,768
Total	469,804	655,768
One-year variable remuneration	950,000	951,000
Multi-year variable remuneration	1,171,300	1,484,000
Business performance bonus (two-year period)	545,900	689,000
LTI (four-year period)	625,400	795,000
Total	2,591,104	3,090,768
Pension expense	132,910	395,709
Total remuneration	2,724,014	3,486,477

**/ BOARD OF MANAGEMENT REMUNERATION
(BENEFITS GRANTED) PURSUANT TO GERMAN
CORPORATE GOVERNANCE CODE (DCGK)**

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

EUR	Prof. Rupert Stadler ¹⁾			
	Chairman of the Board of Management			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	810,000	810,000	810,000	810,000
Fringe benefits	–	–	–	–
Total	810,000	810,000	810,000	810,000
One-year variable remuneration	883,315	–	1,590,000	883,315
Multi-year variable remuneration	1,374,045	–	3,180,000	1,374,045
Business performance bonus (two-year period)	637,950	–	1,590,000	637,950
LTI (four-year period)	736,095	–	1,590,000	736,095
Total	3,067,360	810,000	5,580,000	3,067,360
Pension expense ²⁾	–	–	–	–
Total remuneration	3,067,360	810,000	5,580,000	3,067,360

1) The remuneration of Prof. Rupert Stadler is determined according to the Group system, based on his activities as Group CEO of Volkswagen AG, and rebilled pro rata to AUDI AG. This approach may produce temporal and material discrepancies.

2) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

<i>EUR</i>	Wendelin Göbel			
	Human Resources and Organization			
	Joined: September 1, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	186,667	186,667	186,667	-
Fringe benefits	18,226	18,226	18,226	-
Total	204,893	204,893	204,893	-
One-year variable remuneration	-	-	353,334	-
Multi-year variable remuneration	-	-	706,668	-
Business performance bonus (two-year period)	-	-	353,334	-
LTI (four-year period)	-	-	353,334	-
Total	204,893	204,893	1,264,895	-
Pension expense	162,954	162,954	162,954	-
Total remuneration	367,847	367,847	1,427,849	-

<i>EUR</i>	Peter Kössler			
	Production and Logistics			
	Joined: September 1, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	186,667	186,667	186,667	-
Fringe benefits	16,726	16,726	16,726	-
Total	203,393	203,393	203,393	-
One-year variable remuneration	-	-	353,334	-
Multi-year variable remuneration	-	-	706,668	-
Business performance bonus (two-year period)	-	-	353,334	-
LTI (four-year period)	-	-	353,334	-
Total	203,393	203,393	1,263,395	-
Pension expense	96,721	96,721	96,721	-
Total remuneration	300,114	300,114	1,360,116	-

<i>EUR</i>	Dr. Bernd Martens			
	Procurement			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	560,000	560,000	560,000	560,000
Fringe benefits	53,820	53,820	53,820	137,078
Total	613,820	613,820	613,820	697,078
One-year variable remuneration	980,000	-	1,060,000	951,000
Multi-year variable remuneration	1,171,300	-	2,120,000	1,484,000
Business performance bonus (two-year period)	545,900	-	1,060,000	689,000
LTI (four-year period)	625,400	-	1,060,000	795,000
Total	2,765,120	613,820	3,793,820	3,132,078
Pension expense	353,368	353,368	353,368	517,536
Total remuneration	3,118,488	967,188	4,147,188	3,649,614

<i>EUR</i>	Dr.-Ing. Peter Mertens			
	Technical Development			
	Joined: May 1, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration ¹⁾	6,373,334	6,373,334	6,373,334	-
Fringe benefits	58,686	58,686	58,686	-
Total	6,432,020	6,432,020	6,432,020	-
One-year variable remuneration	-	-	706,667	-
Multi-year variable remuneration	-	-	1,413,334	-
Business performance bonus (two-year period)	-	-	706,667	-
LTI (four-year period)	-	-	706,667	-
Total ²⁾	6,432,020	6,432,020	8,552,021	-
Pension expense	928,370	928,370	928,370	-
Total remuneration	7,360,390	7,360,390	9,480,391	-

1) To compensate for lost entitlements resulting from the change in employer, Dr.-Ing. Peter Mertens received EUR 6.0 million.

2) Includes a top-up amount on minimum remuneration of EUR 1.87 million.

<i>EUR</i>	Abraham Schot			
	Marketing and Sales			
	Joined: September 1, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	186,667	186,667	186,667	-
Fringe benefits	12,835	12,835	12,835	-
Total	199,502	199,502	199,502	-
One-year variable remuneration	-	-	353,334	-
Multi-year variable remuneration	-	-	706,668	-
Business performance bonus (two-year period)	-	-	353,334	-
LTI (four-year period)	-	-	353,334	-
Total	199,502	199,502	1,259,504	-
Pension expense	85,314	85,314	85,314	-
Total remuneration	284,816	284,816	1,344,818	-

<i>EUR</i>	Alexander Seitz			
	Finance, IT and Integrity			
	Joined: September 1, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	186,667	186,667	186,667	-
Fringe benefits	331,759	331,759	331,759	-
Total	518,426	518,426	518,426	-
One-year variable remuneration	-	-	353,334	-
Multi-year variable remuneration	-	-	706,668	-
Business performance bonus (two-year period)	-	-	353,334	-
LTI (four-year period)	-	-	353,334	-
Total	518,426	518,426	1,578,428	-
Pension expense	156,668	156,668	156,668	-
Total remuneration	675,094	675,094	1,735,096	-

<i>EUR</i>	Prof. h. c. Thomas Sigi			
	Human Resources and Organization			
	Left: August 31, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	373,334	373,334	373,334	560,000
Fringe benefits	52,295	52,295	52,295	70,312
Total	425,629	425,629	425,629	630,312
One-year variable remuneration	950,000	–	706,667	951,000
Multi-year variable remuneration	1,171,300	–	1,413,334	1,484,000
Business performance bonus (two-year period)	545,900	–	706,667	689,000
LTI (four-year period)	625,400	–	706,667	795,000
Total	2,546,929	425,629	2,545,630	3,065,312
Pension expense	286,712	286,712	286,712	580,745
Total remuneration	2,833,641	712,341	2,832,342	3,646,057

<i>EUR</i>	Axel Strotbek			
	Finance, IT and Integrity			
	Left: August 31, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	373,334	373,334	373,334	560,000
Fringe benefits	62,161	62,161	62,161	87,486
Total	435,495	435,495	435,495	647,486
One-year variable remuneration	900,000	–	706,667	951,000
Multi-year variable remuneration	1,171,300	–	1,413,334	1,484,000
Business performance bonus (two-year period)	545,900	–	706,667	689,000
LTI (four-year period)	625,400	–	706,667	795,000
Total	2,506,795	435,495	2,555,496	3,082,486
Pension expense	198,839	198,839	198,839	475,025
Total remuneration	2,705,634	634,334	2,754,335	3,557,511

<i>EUR</i>	Dr. Dietmar Voggenreiter			
	Marketing and Sales			
	Left: August 31, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	373,334	373,334	373,334	459,334
Fringe benefits	116,739	116,739	116,739	63,169
Total	490,073	490,073	490,073	522,503
One-year variable remuneration	900,000	–	706,667	768,000
Multi-year variable remuneration	1,171,300	–	1,413,334	1,206,000
Business performance bonus (two-year period)	545,900	–	706,667	558,000
LTI (four-year period)	625,400	–	706,667	648,000
Total	2,561,373	490,073	2,610,074	2,496,503
Pension expense	199,307	199,307	199,307	488,861
Total remuneration	2,760,680	689,380	2,809,381	2,985,364

EUR	Prof. Dr.-Ing. Hubert Walzl			
	Production and Logistics			
	Left: August 31, 2017			
	2017	2017 (minimum)	2017 (maximum)	2016
Fixed remuneration	373,334	373,334	373,334	560,000
Fringe benefits	89,804	89,804	89,804	95,768
Total	463,138	463,138	463,138	655,768
One-year variable remuneration	950,000	–	706,667	951,000
Multi-year variable remuneration	1,171,300	–	1,413,334	1,484,000
Business performance bonus (two-year period)	545,900	–	706,667	689,000
LTI (four-year period)	625,400	–	706,667	795,000
Total	2,584,438	463,138	2,583,139	3,090,768
Pension expense	132,910	132,910	132,910	395,709
Total remuneration	2,717,348	596,048	2,716,049	3,486,477

/ BENEFITS PAID UPON REGULAR TERMINATION OF EMPLOYMENT

In the event of regular termination of their employment, the members of the Board of Management are granted retirement pay including a survivor's pension as well as the use of company cars for the period in which they receive retirement pay. The benefits granted are paid out or provided from the age of 63. Contracts from October 2015 fundamentally specify that these benefits will begin at the age of 65.

Retirement pay is calculated as a percentage of the basic remuneration. The individual percentage increases by a specified percentage with every year of service and may be up to 50 percent of the agreed monthly basic remuneration at the time of termination of employment.

The pension obligations in accordance with IAS 19 for members of the active Board of Management amounted to EUR 32,951 (34,330) thousand on December 31, 2017; the amount of EUR 23,040 (7,646) thousand including actuarial effects in accordance with IAS 19 and transfers was allocated to the provision in the year under review.

The measurement of pension obligations also includes other benefits such as surviving dependents' pensions and the provision of company cars. The pension obligations measured in accordance with the requirements of German commercial law came to EUR 22,080 (20,074) thousand; the amount of EUR 16,259 (417) thousand, including transfers, was allocated to the provision in the year under review in accordance with the requirements of German commercial law. Current pension payments are increased in line with the index-linking of the highest collectively agreed salary, provided that the application of Section 16 of the German Act on the Improvement of Company Pension Provision (BetrAVG) does not lead to a higher increase.

Former members of the Board of Management and their surviving dependents received EUR 10,914 (6,744) thousand in the past year. For this group of individuals, which also includes members of the Board of Management who left the Company in the fiscal year, there were pension obligations amounting to EUR 99,642 (77,964) thousand measured in accordance with IAS 19 or EUR 75,551 (57,952) thousand in accordance with the requirements of German commercial law.

// BOARD OF MANAGEMENT PENSIONS IN 2017 (IFRS)

EUR	2017		2016	
	Pension expense	Present values as of December 31	Pension expense	Present values as of December 31
Prof. Rupert Stadler ¹⁾	-	-	-	-
Wendelin Göbel (since Sep. 1, 2017) ²⁾	162,954	7,933,714	-	-
Peter Kössler (since Sep. 1, 2017) ²⁾	96,721	7,448,299	-	-
Dr. Bernd Martens	353,368	7,154,405	517,536	7,197,418
Dr.-Ing. Peter Mertens (since May 1, 2017) ²⁾	928,370	1,146,784	-	-
Abraham Schot (since Sep. 1, 2017) ²⁾	85,314	3,859,969	-	-
Alexander Seitz (since Sep. 1, 2017) ²⁾	156,668	5,407,965	-	-
Prof. h. c. Thomas Sigi (until Aug. 31, 2017) ²⁾	286,712	-	580,745	6,169,039
Axel Strotbek (until Aug. 31, 2017) ²⁾	198,839	-	475,025	7,829,187
Dr. Dietmar Voggenreiter (until Aug. 31, 2017) ²⁾	199,307	-	488,861	4,671,454
Prof. Dr.-Ing. Hubert Walzl (until Aug. 31, 2017) ²⁾	132,910	-	395,709	8,462,921
Members of the Board of Management who left in the previous year	-	-	257,389	-
Total	2,601,163	32,951,136	2,715,265	34,330,019

1) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

2) Pension expense in 2017 is reported on a pro rata basis.

// BOARD OF MANAGEMENT PENSIONS IN 2017 (GERMAN COMMERCIAL CODE [HGB])

EUR	2017		2016	
	Service costs	Present values as of December 31	Service costs	Present values as of December 31
Prof. Rupert Stadler ¹⁾	-	-	-	-
Wendelin Göbel (since Sep. 1, 2017) ²⁾	-816,915	5,233,316	-	-
Peter Kössler (since Sep. 1, 2017) ²⁾	1,034,706	5,260,022	-	-
Dr. Bernd Martens	13,611	4,561,203	79,019	4,039,408
Dr.-Ing. Peter Mertens (since May 1, 2017) ²⁾	530,946	796,419	-	-
Abraham Schot (since Sep. 1, 2017) ²⁾	792,714	2,599,681	-	-
Alexander Seitz (since Sep. 1, 2017) ²⁾	150,821	3,629,830	-	-
Prof. h. c. Thomas Sigi (until Aug. 31, 2017) ²⁾	147,555	-	177,278	3,538,356
Axel Strotbek (until Aug. 31, 2017) ²⁾	-351,483	-	33,988	4,579,216
Dr. Dietmar Voggenreiter (until Aug. 31, 2017) ²⁾	-94,232	-	-72,735	2,415,198
Prof. Dr.-Ing. Hubert Walzl (until Aug. 31, 2017) ²⁾	-265,213	-	-24,570	5,502,091
Members of the Board of Management who left in the previous year	-	-	2,718,397	-
Total	1,142,510	22,080,471	2,911,377	20,074,269

1) Volkswagen AG granted the pension commitment to Prof. Rupert Stadler.

2) Service costs in 2017 are reported on a pro rata basis.

/ BENEFITS PAID UPON EARLY TERMINATION OF EMPLOYMENT

If the activity is ended with good cause for which the member of the Board of Management is not responsible, entitlement shall be limited to a maximum of two years' annual remuneration (settlement cap).

In the event that the employment is ended with good cause for which the member of the Board of Management is responsible, no termination payment is made to the Board of Management member.

In the event of premature termination of their employment, the members of the Board of Management are also granted retirement pay with a survivor's pension as well as the use of company cars for the period in which they receive retirement pay.

Former members of the Board of Management and their surviving dependents received EUR 24,262 (3,800) thousand. This includes the amounts agreed with Prof. h. c. Thomas Sigi, Axel Strotbek, Dr. Dietmar Voggenreiter and Prof. Dr.-Ing. Hubert Walzl in connection with their departure

from the Board of Management. Prof. h. c. Thomas Sigi received non-performance-related remuneration in the amount of EUR 5,839 thousand and performance-related remuneration in the amount of EUR 2,828 thousand for the period September 1, 2017, to November 30, 2017. For Axel Strotbek, non-performance-related remuneration was accounted for in the amount of EUR 3,219 thousand and performance-related remuneration in the amount of EUR 2,071 thousand for the period September 1, 2017, to August 31, 2019. Dr. Dietmar Voggenreiter received non-performance-related remuneration in the amount of EUR 3,213 thousand and performance-related remuneration in the amount of EUR 2,071 thousand for the period September 1, 2017, to August 31, 2018. Prof. Dr.-Ing. Hubert Walzl received non-performance-related remuneration in the amount of EUR 1,663 thousand and performance-related remuneration in the amount of EUR 3,358 thousand for the period September 1, 2017, to September 30, 2021.

/ REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the Supervisory Board is composed of fixed and variable components in accordance with Section 16 of the Articles of Incorporation and Bylaws of AUDI AG. Pursuant to Section 314, Para. 1, No. 6a) of the German Commercial Code (HGB), the remuneration amounts to EUR 1,207 (749) thousand. The remuneration comprises EUR 237 (231) thousand in fixed and EUR 970 (518) thousand in variable components. The level of the variable remuneration components is based on the compensatory payment made for the 2017 fiscal year in accordance with the applicable provision in the Articles of Incorporation and Bylaws.

The actual payment of individual parts of the total remuneration, which will only be determined upon finalization of the compensatory payment, will be made in the 2018 fiscal year pursuant to Section 16 of the Articles of Incorporation and Bylaws.

EUR	Fixed	Variable	Total 2017	
Matthias Müller	–	–	–	Chairman ¹⁾ Shareholder representative
Berthold Huber ²⁾	22,000	100,000	122,000	Vice Chairman ¹⁾ Employee representative
Mag. Josef Ahorner	12,500	50,000	62,500	Shareholder representative
Senator h. c. Helmut Aurenz	13,000	50,000	63,000	Shareholder representative
Rita Beck ²⁾	13,000	50,000	63,000	Employee representative
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	–	–	–	Shareholder representative
Dr. Christine Hohmann-Dennhardt (resigned with effect from Jan. 31, 2017)	–	–	–	Shareholder representative
Johann Horn ²⁾	13,000	50,000	63,000	Employee representative
Rolf Klotz ²⁾	16,438	71,875	88,313	Employee representative ³⁾
Peter Kössler (resigned with effect from Aug. 31, 2017)	9,000	33,333	42,333	Employee representative
Dr. Julia Kuhn-Piëch	12,500	50,000	62,500	Shareholder representative
Peter Mosch ²⁾	17,500	75,000	92,500	Employee representative ¹⁾
Dr. jur. Hans Michel Piëch	17,000	75,000	92,000	Shareholder representative ¹⁾
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	–	–	–	Shareholder representative ⁴⁾
Dr. jur. Ferdinand Oliver Porsche	17,500	75,000	92,500	Shareholder representative ⁵⁾
Dr. rer. comm. Wolfgang Porsche	13,000	50,000	63,000	Shareholder representative
Jörg Schlagbauer ²⁾	17,500	75,000	92,500	Employee representative ⁵⁾
Irene Schulz ²⁾	13,000	50,000	63,000	Employee representative
Helmut Späth ²⁾	13,000	50,000	63,000	Employee representative
Stefanie Ulrich (since Sep. 14, 2017)	3,675	14,861	18,536	Employee representative
Max Wäcker ²⁾	13,000	50,000	63,000	Employee representative
Hiltrud Dorothea Werner (since Feb. 16, 2017)	–	–	–	Shareholder representative
Prof. Dr. rer. pol. Carl H. Hahn	–	–	–	Honorary Chairman
Total	236,613	970,069	1,206,682	

1) Member of the Presiding Committee and the Negotiating Committee

2) The employee representatives have stated that their remuneration as Supervisory Board members shall be paid to the Hans Böckler Foundation, in accordance with the guidelines of the German Confederation of Trade Unions.

3) Member of the Audit Committee (since Feb. 16, 2017)

4) Chairman of the Audit Committee; Mr. Pötsch has waived his remuneration in full as Member of the Supervisory Board of AUDI AG for the 2017 fiscal year.

5) Member of the Audit Committee

MANDATES OF THE BOARD OF MANAGEMENT

Status of all data: December 31, 2017

Prof. Rupert Stadler (54)

Chairman of the Board of Management

Mandates:

- FC Bayern München AG, Munich
(Vice Chairman)
- ♦ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria

Wendelin Göbel (54)

Human Resources and Organization

Mandates:

- ♦ Volkswagen Pension Trust e.V., Wolfsburg
- ♦ Lebenshilfe Werkstätten der Region 10 GmbH, Ingolstadt

Peter Kössler (58)

Production and Logistics

Mandate:

- ♦ ERC Ingolstadt Eishockeyclub GmbH, Ingolstadt

Dr. Bernd Martens (51)

Procurement

Dr.-Ing. Peter Mertens (56)

Technical Development

Abraham Schot (56)

Marketing and Sales

Alexander Seitz (55)

Finance, IT and Integrity

Resigned from the Board of Management at the close of August 31, 2017:

- **Prof. h. c. Thomas Sigi (53)**
- **Axel Strotbek (53)**
- **Dr. Dietmar Voggenreiter (48)**
- **Prof. Dr.-Ing. Hubert Walzl (59)**

In connection with their duties of Group steering and governance within the Audi Group, the members of the Board of Management hold further supervisory board seats at Group companies and material participations.

- Membership of statutorily constituted domestic supervisory boards
- ♦ Membership of comparable domestic and foreign regulatory bodies

MANDATES OF THE SUPERVISORY BOARD

Status of all data: December 31, 2017

Matthias Müller (64)¹⁾

Chairman

Chairman of the Board of Management of Volkswagen AG, Wolfsburg

Member of the Board of Management of Porsche Automobil Holding SE, Stuttgart

Berthold Huber (67)

Vice Chairman

Mandates:

- Porsche Automobil Holding SE, Stuttgart,
until May 30, 2017

Mag. Josef Ahorner (57)

Businessman, Vienna, Austria

Mandates:

- ♦ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ♦ Emarsys AG, Vienna, Austria (Chairman)

Senator h. c. Helmut Aurenz (80)

Owner of the ASB Group, Stuttgart

Mandates:

- ♦ Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy
- ♦ Scania AB, Södertälje, Sweden

Rita Beck (47)

Vice Chairman of the Works Council of AUDI AG, Ingolstadt plant

Dr. rer. pol. h. c. Francisco Javier Garcia Sanz (60)¹⁾

Member of the Board of Management of Volkswagen AG, Wolfsburg

Mandates:

- Hochtief AG, Essen
- ♦ Criteria CaixaHolding S.A., Barcelona, Spain

Johann Horn (59)

Chief Executive of the Ingolstadt office of the IG Metall trade union

Mandates:

- EDAG Engineering GmbH, Wiesbaden (Vice Chairman)
- EDAG Engineering Holding GmbH, Munich (Vice Chairman)
- Treuhandverwaltung IGEMET GmbH, Frankfurt am Main (Vice Chairman)

Rolf Klotz (59)

Chairman of the Works Council of AUDI AG, Neckarsulm plant

Dr. Julia Kuhn-Piëch (36)

Property Manager, Salzburg, Austria

Mandates:

- MAN SE, Munich
- MAN Truck & Bus AG, Munich

Peter Mosch (45)

Chairman of the General Works Council of AUDI AG

Mandates:

- Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt
- Porsche Automobil Holding SE, Stuttgart,
until May 30, 2017
- Volkswagen AG, Wolfsburg

1) In connection with his/her duties of Group steering and governance within the Volkswagen Group, this member of the Supervisory Board holds further supervisory board seats at Group companies and material participations.

▪ Membership of statutorily constituted domestic supervisory boards

♦ Membership of comparable domestic and foreign regulatory bodies

Dr. jur. Hans Michel Piëch (75)

Attorney, Vienna, Austria

Mandates:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Porsche Automobil Holding SE, Stuttgart (Vice Chairman)
- Volkswagen AG, Wolfsburg
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria
- ◆ Volksoper Wien GmbH, Vienna, Austria

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch (66)

Chairman of the Supervisory Board of Volkswagen AG, Wolfsburg

Chairman of the Board of Management and Chief Financial Officer of Porsche Automobil Holding SE, Stuttgart

Mandates:

- Autostadt GmbH, Wolfsburg (Chairman)
- Bertelsmann Management SE, Gütersloh
- Bertelsmann SE & Co. KGaA, Gütersloh
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Volkswagen AG, Wolfsburg (Chairman)
- ◆ Porsche Austria Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria (Chairman)
- ◆ Porsche Retail GmbH, Salzburg, Austria (Chairman)
- ◆ VfL Wolfsburg-Fußball GmbH, Wolfsburg (Vice Chairman)
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. jur. Ferdinand Oliver Porsche (56)

Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria

Mandates:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Porsche Automobil Holding SE, Stuttgart
- Volkswagen AG, Wolfsburg
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- ◆ Volkswagen Truck & Bus GmbH, Braunschweig

Dr. rer. comm. Wolfgang Porsche (74)

Chairman of the Supervisory Board of Porsche Automobil Holding SE, Stuttgart

Chairman of the Supervisory Board of Dr. Ing. h. c. F. Porsche AG, Stuttgart

Mandates:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)
- Porsche Automobil Holding SE, Stuttgart (Chairman)
- Volkswagen AG, Wolfsburg
- ◆ Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria (Chairman)
- ◆ Porsche Cars Great Britain Ltd., Reading, United Kingdom
- ◆ Porsche Cars North America Inc., Atlanta, USA
- ◆ Porsche Holding Gesellschaft m.b.H., Salzburg, Austria
- ◆ Porsche Ibérica S.A., Madrid, Spain
- ◆ Porsche Italia S.p.A., Padua, Italy
- ◆ Schmittenhöhebahn Aktiengesellschaft, Zell am See, Austria

Jörg Schlagbauer (40)

Vice Chairman of the Works Council of AUDI AG, Ingolstadt plant

Mandates:

- Audi BKK, Ingolstadt (Alternating Chairman)
- BKK Landesverband Bayern, Munich (Vice Chairman)
- Sparkasse Ingolstadt Eichstätt, Ingolstadt

Irene Schulz (53)

Executive Member of the Managing Board of the IG Metall trade union, Frankfurt am Main

Mandate:

- Osram Licht AG, Munich
- Osram GmbH, Munich

Helmut Späth (61)

Member of the Works Council of AUDI AG, Ingolstadt plant

Mandates:

- Audi BKK, Ingolstadt
- ◆ Volkswagen Pension Trust e.V., Wolfsburg

Stefanie Ulrich (52), since September 14, 2017

Personnel Management Neckarsulm, Neckarsulm plant

Mandates:

- Audi BKK, Ingolstadt
- Agentur für Arbeit, Heilbronn

Max Wäcker (63)

Vice Chairman of the Works Council of AUDI AG, Ingolstadt plant, until September 30, 2017

Mandate:

- Audi BKK, Ingolstadt

Hiltrud Dorothea Werner (51) ¹⁾, since February 16, 2017

Member of the Board of Management of Volkswagen AG, Wolfsburg

Resigned from the Supervisory Board with effect from January 31, 2017:

- **Dr. Christine Hohmann-Dennhardt (67)**

Resigned from the Supervisory Board with effect from August 31, 2017:

- **Peter Kössler (58)**

CONSOLIDATED FINANCIAL STATEMENTS

OF THE AUDI GROUP FOR THE FISCAL YEAR
FROM JANUARY 1 TO DECEMBER 31, 2017

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INCOME STATEMENT OF THE AUDI GROUP

<i>EUR million</i>	Notes	2017	2016
Revenue	1	60,128	59,317
Cost of goods sold	2	-50,545	-49,390
Gross profit		9,584	9,927
Distribution costs	3	-5,297	-5,807
Administrative expenses	4	-685	-663
Other operating income	5	3,326	2,643
Other operating expenses	6	-2,257	-3,048
Operating profit		4,671	3,052
Result from investments accounted for using the equity method	7	526	365
Interest income ¹⁾	8	86	63
Interest expenses ¹⁾	8	-125	-339
Other financial result ¹⁾	9	-375	-94
Financial result		112	-5
Profit before tax		4,783	3,047
Income tax expense	10	-1,304	-980
Profit after tax		3,479	2,066
<i>of which profit share of non-controlling interests</i>		-77	82
<i>of which profit share of AUDI AG shareholders</i>		3,555	1,985
Appropriation of profit share due to AUDI AG shareholders			
Profit transfer to Volkswagen AG	11	-2,406	-918
Transfer to retained earnings		1,149	1,067

1) The structure within the financial result has been changed. Interest income and interest expenses are now presented instead of finance expenses. The previous year has been adjusted accordingly. Further details can be found in Note 8 "Net interest result."

<i>EUR</i>	Notes	2017	2016
Earnings per share	12	82.69	46.16
Diluted earnings per share	12	82.69	46.16

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

<i>EUR million</i>	2017	2016
Profit after tax	3,479	2,066
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income before tax	164	-937
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	-29	293
Pension plan remeasurements recognized in other comprehensive income after tax	135	-644
Share of other comprehensive income of equity-accounted investments that will not be reclassified subsequently to profit or loss after tax	0	-1
Items that will not be reclassified to profit/loss after tax	135	-645
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	-298	111
Currency translation differences transferred to profit or loss	-	-
Currency translation differences before tax	-298	111
Currency translation differences after tax	-298	111
Cash flow hedges		
Fair value changes recognized in other comprehensive income	2,280	1,174
Fair value changes transferred to profit or loss	-111	863
Cash flow hedges before tax	2,169	2,038
Deferred taxes on cash flow hedges	-649	-607
Cash flow hedges after tax	1,521	1,431
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	19	2
Fair value changes transferred to profit or loss	-8	-1
Available-for-sale financial assets before tax	10	1
Deferred taxes on available-for-sale financial assets	-3	0
Available-for-sale financial assets after tax	7	1
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	-47	-30
Items that will be reclassified subsequently to profit/loss after tax	1,183	1,512
Other comprehensive income before tax	1,999	1,182
Deferred taxes relating to other comprehensive income	-680	-314
Other comprehensive income after tax¹⁾	1,319	868
Total comprehensive income	4,797	2,934
<i>of which profit share of non-controlling interests</i>	<i>-149</i>	<i>105</i>
<i>of which profit share of AUDI AG shareholders</i>	<i>4,947</i>	<i>2,829</i>

1) A share of EUR -73 (23) million of other profit after tax from currency translation differences with no effect on profit or loss is attributable to non-controlling interests.

BALANCE SHEET OF THE AUDI GROUP

ASSETS in EUR million	Notes	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	14	6,785	6,550
Property, plant and equipment	15	13,660	12,591
Leasing and rental assets	16	6	3
Investment property	16	346	364
Investments accounted for using the equity method	17	1,224	4,763
Other participations		359	280
Deferred tax assets	18	2,003	2,601
Other financial assets	19	4,940	1,275
Other receivables	20	145	172
Non-current assets		29,469	28,599
Inventories	21	7,893	7,233
Trade receivables	22	5,533	4,880
Effective income tax assets	23	22	21
Other financial assets	19	1,947	1,580
Other receivables	20	1,176	1,211
Securities	24	6,002	6,028
Cash funds	24	11,273	11,449
Current assets		33,846	32,403
Available-for-sale assets	25	365	87
Total assets		63,680	61,090
EQUITY AND LIABILITIES in EUR million	Notes	Dec. 31, 2017	Dec. 31, 2016
Subscribed capital	26	110	110
Capital reserve	26	12,175	11,716
Retained earnings	26	14,015	12,731
Other reserves	26	1,385	129
AUDI AG shareholders' interest		27,685	24,685
Non-controlling interests	26	487	636
Equity		28,171	25,321
Financial liabilities	27	328	314
Other financial liabilities	29	448	993
Other liabilities	30	1,205	1,225
Provisions for pensions	31	5,135	5,202
Other provisions	33	6,193	6,220
Effective income tax obligations	32	775	809
Deferred tax liabilities	28	217	217
Non-current liabilities		14,301	14,980
Financial liabilities	27	319	502
Trade payables	34	7,313	7,406
Other financial liabilities	29	4,928	3,893
Other liabilities	30	2,508	2,503
Other provisions	33	5,550	6,135
Effective income tax obligations	32	590	267
Current liabilities		21,208	20,705
Liabilities		35,509	35,685
Liabilities classified as held for sale	25	-	84
Total equity and liabilities		63,680	61,090

CASH FLOW STATEMENT OF THE AUDI GROUP

<i>EUR million</i>	2017	2016
Profit before profit transfer and income taxes	4,783	3,047
Income tax payments	-1,146	-947
Amortization of and impairment losses (reversals) on capitalized development costs	1,025	871
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, leasing and rental assets, investment property and other intangible assets	2,555	2,273
Depreciation of and impairment losses (reversals) on financial investments	13	15
Result from the disposal of assets	-25	40
Result from investments accounted for using the equity method	-155	43
Change in inventories	-967	-798
Change in receivables	-448	-907
Change in liabilities	643	1,010
Change in provisions	-343	2,778
Change in leasing and rental assets	-5	-3
Other non-cash income and expenses	244	95
Cash flow from operating activities	6,173	7,517
Additions to capitalized development costs	-1,243	-1,676
Investments in property, plant and equipment, investment property and other intangible assets	-3,872	-3,409
Acquisition of subsidiaries and changes in capital	-77	-11
Acquisition of investments in associates and other participations and changes in capital	-15	-355
Sale of subsidiaries, associates, other participations and changes in capital ¹⁾	5	0
Other cash changes	64	28
Change in investments in securities	-39	-1,257
Change in fixed deposits and loans extended ¹⁾	-320	5,738
Cash flow from investing activities	-5,498	-943
Capital contributions	459	1,526
Transfer of profit	-918	-2,752
Change in financial liabilities	-56	-1,221
Leasing payments made	-9	-7
Cash flow from financing activities	-524	-2,454
Change in cash and cash equivalents due to changes in exchange rates	-292	56
Change in cash and cash equivalents	-140	4,177
Cash and cash equivalents at beginning of period	11,395	7,218
Cash and cash equivalents at end of period	11,255	11,395

1) The selling price for the shares in Volkswagen Group Services S.A./N.V., Brussels (Belgium) was EUR 3,278 million, and a loan was granted in the same amount. Consequently, the transaction was not included in the Cash Flow Statement.

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Cash funds	11,255	11,395
Fixed deposits, securities and loans extended	10,180	6,653
Gross liquidity	21,435	18,048
Credit outstanding	-647	-816
Net liquidity	20,788	17,232

The Cash Flow Statement is explained in Note 38 in the Notes to the Consolidated Financial Statements.

STATEMENT OF CHANGES IN EQUITY OF THE AUDI GROUP

EUR million

	Subscribed capital	Capital reserve	Retained earnings	
			Statutory reserve and other retained earnings	
Position as of Jan. 1, 2016	110	10,190	12,308	
Profit after tax	-	-	1,985	
Other comprehensive income after tax	-	-	-644	
Total comprehensive income	-	-	1,341	
Capital increase	-	1,526	-	
Profit transfer to Volkswagen AG	-	-	-918	
Miscellaneous changes	-	-	-	
Position as of Dec. 31, 2016	110	11,716	12,731	
Position as of Jan. 1, 2017	110	11,716	12,731	
Profit after tax	-	-	3,555	
Other comprehensive income after tax	-	-	135	
Total comprehensive income	-	-	3,691	
Capital increase	-	459	-	
Profit transfer to Volkswagen AG	-	-	-2,406	
Miscellaneous changes	-	-	-	
Position as of Dec. 31, 2017	110	12,175	14,015	

Equity is explained in Note 26 in the Notes to the Consolidated Financial Statements.

Other reserves					Equity		
	Reserve for currency translation differences	Reserve for cash flow hedges	Reserve for fair value measurement of securities	Investments accounted for using the equity method	AUDI AG shareholders' interest	Non-controlling interests	Total
	135	-1,622	-31	159	21,248	531	21,779
	-	-	-	-	1,985	82	2,066
	88	1,431	1	-31	845	23	868
	88	1,431	1	-31	2,829	105	2,934
	-	-	-	-	1,526	-	1,526
	-	-	-	-	-918	-	-918
	-	-	-	-	-	-	-
	222	-192	-30	128	24,685	636	25,321
	222	-192	-30	128	24,685	636	25,321
	-	-	-	-	3,555	-77	3,479
	-225	1,521	7	-47	1,391	-73	1,319
	-225	1,521	7	-47	4,947	-149	4,797
	-	-	-	-	459	-	459
	-	-	-	-	-2,406	-	-2,406
	-	-	-	-	-	-	-
	-3	1,329	-23	81	27,685	487	28,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DEVELOPMENT OF FIXED ASSETS IN THE 2017 FISCAL YEAR

EUR million	Gross carrying amounts								
	Costs	Changes in scope of consolidated companies	Currency changes	Additions	Changes from investments accounted for using the equity method	Transfers	Disposals	Available-for-sale assets	Costs
	Jan. 1, 2017								Dec. 31, 2017
Concessions, industrial property rights and similar rights and assets as well as licenses and customer bases	1,255	-	-3	142	-	6	94	-	1,305
Brand names	459	-	-	-	-	-	-	-	459
Goodwill	378	-	-	-	-	-	-	-	378
Capitalized development costs, products currently under development	1,615	-	-	1,055	-	-613	-	-	2,057
Capitalized development costs, products currently in use	6,565	-	-	188	-	613	739	-	6,627
Payments on account for intangible assets	4	-	0	7	-	-2	-	-	9
Intangible assets	10,276	-	-3	1,392	-	4	833	-	10,836
Land, land rights and buildings, including buildings on third-party land	7,974	-	-84	197	-	232	12	-	8,307
Plant and machinery	7,969	-	-76	300	-	179	165	-	8,206
Other plant and office equipment	17,651	-	-118	1,268	-	201	352	-	18,650
Payments on account and assets under construction	927	-	-1	1,967	-	-615	8	-	2,269
Property, plant and equipment	34,520	-	-279	3,732	-	-4	537	-	37,432
Leasing and rental assets	3	-	-	5	-	-	-	-	7
Investment property	444	-	-13	14	-	-	19	-	425
Investments accounted for using the equity method	4,763	-	-46	-	153	-	3,282	365	1,224
Other participations	299	-	-	92	-	-	-	-	392
Fixed assets	50,304	-	-340	5,235	153	-	4,671	365	50,316

Adjustments											Carrying amounts	
Cumulative depreciation and amortization	Changes in scope of consolidated companies	Currency changes	Additions to cumulative amortization	Impairment losses	Transfers	Disposals	Reversal of impairment losses	Available-for-sale assets	Cumulative depreciation and amortization			
Jan. 1, 2017									Dec. 31, 2017		Dec. 31, 2017	Dec. 31, 2016
946	-	-2	133	-	0	94	-	-	983		322	309
47	-	-	2	-	-	-	-	-	49		410	412
-	-	-	-	-	-	-	-	-	-		378	378
-	-	-	-	14	-	-	-	-	14		2,043	1,615
2,733	-	-	949	61	-	739	-	-	3,005		3,623	3,832
-	-	-	-	-	-	-	-	-	-		9	4
3,726	-	-2	1,085	76	0	833	-	-	4,051		6,785	6,550
3,118	-	-7	253	-	0	4	-	-	3,361		4,946	4,855
5,242	-	-20	597	27	0	158	1	-	5,687		2,519	2,727
13,569	-	-31	1,406	121	0	342	-	-	14,723		3,927	4,082
-	-	0	-	1	-	-	-	-	1		2,268	927
21,929	-	-58	2,256	149	0	504	1	-	23,771		13,660	12,591
0	-	-	1	-	-	-	-	-	1		6	3
80	-	-3	14	-	-	12	-	-	79		346	364
-	-	-	-	-	-	-	-	-	-		1,224	4,763
19	-	-	-	13	-	-	-	-	32		359	280
25,754	-	-63	3,357	238	-	1,349	1	-	27,935		22,381	24,551

DEVELOPMENT OF FIXED ASSETS IN THE 2016 FISCAL YEAR

EUR million	Gross carrying amounts								Costs
	Costs	Changes in scope of consolidated companies	Currency changes	Additions	Changes from investments accounted for using the equity method	Transfers	Disposals	Available-for-sale assets	
	Jan. 1, 2016								Dec. 31, 2016
Concessions, industrial property rights and similar rights and assets as well as licenses and customer bases	1,222	-	3	103	-	6	79	0	1,255
Brand names	459	-	-	-	-	-	-	-	459
Goodwill	378	-	-	-	-	-	-	-	378
Capitalized development costs, products currently under development	1,700	-	-	1,411	-	-1,481	14	-	1,615
Capitalized development costs, products currently in use	5,453	-	-	265	-	1,481	634	-	6,565
Payments on account for intangible assets	2	-	0	4	-	-1	0	-	4
Intangible assets	9,213	-	3	1,783	-	5	727	0	10,276
Land, land rights and buildings, including buildings on third-party land	7,494	-	28	232	-	316	87	9	7,974
Plant and machinery	6,944	-	48	344	-	830	198	-	7,969
Other plant and office equipment	15,341	-	28	1,790	-	711	214	5	17,651
Payments on account and assets under construction	1,865	-	-12	947	-	-1,862	12	-	927
Property, plant and equipment	31,645	-	91	3,314	-	-5	511	14	34,520
Leasing and rental assets	-	-	-	3	-	-	-	-	3
Investment property	383	66	5	0	-	1	11	-	444
Investments accounted for using the equity method	4,483	-	-35	355	-40	-	-	-	4,763
Other participations	300	-11	-	11	-	-	2	0	299
Fixed assets	46,024	55	64	5,466	-40	0	1,251	14	50,304

Adjustments											Carrying amounts	
Cumulative depreciation and amortization	Changes in scope of consolidated companies	Currency changes	Additions to cumulative amortization	Impairment losses	Transfers	Disposals	Reversal of impairment losses	Available-for-sale assets	Cumulative depreciation and amortization			
Jan. 1, 2016									Dec. 31, 2016		Dec. 31, 2016	Dec. 31, 2015
871	-	1	153	-	-1	78	-	0	946		309	351
45	-	-	2	-	-	-	-	-	47		412	414
-	-	-	-	-	-	-	-	-	-		378	378
-	-	-	-	14	-	14	-	-	-		1,615	1,700
2,510	-	-	857	-	-	634	-	-	2,733		3,832	2,942
-	-	-	-	-	-	-	-	-	-		4	2
3,427	-	1	1,012	14	-1	727	-	0	3,726		6,550	5,787
2,930	-	3	239	-	0	47	-	-6	3,118		4,855	4,564
4,819	-	6	556	46	5	191	-	-	5,242		2,727	2,126
12,517	-	4	1,237	24	-3	206	-	-4	13,569		4,082	2,824
-	-	-	-	-	-	-	-	-	-		927	1,865
20,266	-	13	2,032	71	1	444	-	-10	21,929		12,591	11,380
-	-	-	0	-	-	-	-	-	0		3	-
64	1	1	14	-	0	-	-	-	80		364	319
-	-	-	-	-	-	-	-	-	-		4,763	4,483
6	-	-	-	15	-	2	-	-	19		280	295
23,761	1	15	3,059	100	-	1,172	-	-10	25,754		24,551	22,263

GENERAL INFORMATION

AUDI AG has the legal form of a German stock corporation (Aktiengesellschaft). Its registered office is at Auto-Union-Straße 1, Ingolstadt, and the Company is recorded in the Commercial Register of Ingolstadt under HR B 1.

Around 99.55 percent of the subscribed capital of AUDI AG is held by Volkswagen AG, Wolfsburg, with which a control and profit transfer agreement exists. The Consolidated Financial Statements of AUDI AG are included in the Consolidated Financial Statements of Volkswagen AG, which are held on file at the Local Court of Wolfsburg. The purpose of the Company is the development, production and sale of motor vehicles, other vehicles and engines of all kinds, together with their accessories, as well as machinery, tools and other technical articles.

/ ACCOUNTING PRINCIPLES

AUDI AG prepares its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). All pronouncements of the International Accounting Standards Board (IASB) whose application is mandatory in the European Union (EU) have been observed. The prior-year figures have been calculated according to the same principles.

The Income Statement is prepared in accordance with the cost of sales method.

AUDI AG prepares its Consolidated Financial Statements in euros (EUR). All figures have been rounded in accordance with standard commercial practice, with the result that minor discrepancies may occur when adding these amounts.

The Consolidated Financial Statements provide a true and fair view of the net worth, financial position and financial performance of the Audi Group.

The requirements of Section 315e of the German Commercial Code (HGB) regarding the preparation of Consolidated Financial Statements in accordance with IFRS, as endorsed by the EU, are met.

All requirements that must be applied under German commercial law are additionally observed in preparing the Consolidated Financial Statements. Moreover, the requirements of the German Corporate Governance Code have been adhered to.

The Board of Management prepared the Consolidated Financial Statements on February 12, 2018. This date marks the end of the adjusting events period.

// EFFECTS OF NEW OR REVISED STANDARDS

The Audi Group has implemented all of the accounting standards whose application became mandatory with effect from the 2017 fiscal year. Amendments were made to IAS 7 (Statement of Cash Flows) (see Note 38). Accordingly, additional explanatory notes are to be made on cash and non-cash changes in financial liabilities that result from financing activities. In addition, as a result of amendments to IAS 12 (Income Taxes), the recognition of deferred tax assets arising from unrealized losses in the case of assets recognized at fair value was clarified.

Furthermore, for 2017, the IASB has made amendments to IFRS 12 (Disclosure of Interests in Other Entities) in the context of the improvements to International Financial Reporting Standards 2016 (Annual Improvement Project 2016). This clarifies that the IFRS 12 provisions essentially also apply for interests that fall within the scope of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). None of the described changes, or any of the other changes to the IFRS, have an impact on the net worth, financial position, financial performance or on the cash flow of the Audi Group.

// NEW OR REVISED STANDARDS NOT APPLIED

The following new or revised accounting standards already approved by the IASB were not applied in the Consolidated Financial Statements for the 2017 fiscal year because their application was not yet mandatory:

Standard/Interpretation		Published by the IASB	Mandatory application ¹⁾	Endorsed by the EU	Expected impact
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions	June 20, 2016	Jan. 1, 2018	No	None
IFRS 4	Insurance Contracts: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"	Sep. 12, 2016	Jan. 1, 2018	Yes	None
IFRS 9	Financial Instruments	July 24, 2014	Jan. 1, 2018	Yes	Detailed descriptions according to the table
	Prepayment Features with Negative Compensation	Oct. 12, 2017	Jan. 1, 2019	No	None
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sep. 11, 2014	Postponed ²⁾	–	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018 ³⁾	Yes	Detailed descriptions according to the table
	Clarification of IFRS 15 "Revenue from Contracts with Customers"	April 12, 2016	Jan. 1, 2018	Yes	Additional transition relief, otherwise no material effects
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	Yes	Detailed descriptions according to the table
IFRS 17	Insurance Contracts	May 18, 2017	Jan. 1, 2021	No	None
IAS 28	Investments in Associates: Long-term Interests in Associates and Joint Ventures	Oct. 12, 2017	Jan. 1, 2019	No	None
IAS 40	Investment Property: Transfer of Investment Property	Dec. 8, 2016	Jan. 1, 2018	No	No material impact
	Improvements to International Financial Reporting Standards 2016 ⁴⁾	Dec. 8, 2016	Jan. 1, 2018 ⁵⁾	No	No material impact
	Improvements to International Financial Reporting Standards 2017 ⁶⁾	Dec. 12, 2017	Jan. 1, 2019	No	No material impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Dec. 8, 2016	Jan. 1, 2018	No	Translation of foreign currency advance payments in the functional currency at the spot exchange rate on the day of payment
IFRIC 23	Uncertainty over Income Tax Treatments	June 7, 2017	Jan. 1, 2019	No	No material impact

1) Mandatory first-time application from the perspective of AUDI AG.

2) Decision made by the IASB on December 15, 2015, to postpone the date of initial application for an indefinite period.

3) Postponed until January 1, 2018 (IASB decision of September 11, 2015).

4) Minor changes to two IFRS (IFRS 1, IAS 28).

5) This relates to the effective date of the amendments to IFRS 1 and IAS 28.

6) Minor changes to a number of IFRS (IFRS 3, IFRS 11, IAS 12, IAS 23).

/// IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 revises the accounting requirements on the classification and measurement of financial assets, on the impairment of financial assets and on hedge accounting.

The classification and measurement of financial assets are based on the business model in which an asset is held and on cash flow characteristics. Financial assets, at initial recognition, are either measured “at amortized cost,” “at fair value through other comprehensive income” (FVOCI) or “at fair value through profit or loss” (FVPL). The impact of the classification of financial assets in accordance with IFRS 9 in the Audi Group as of the time of transition is in the low double-digit millions of euros. The classification and measurement of financial liabilities under IFRS 9 is largely unchanged compared with the current accounting rules under IAS 39.

The model for calculating impairments and recognizing loss allowances is changed from an incurred loss model to an expected credit loss model. Initial application of this new measurement method in the 2018 fiscal year will lead to the recognition of loss allowances of around EUR 64 million. This amount is to be reported in retained earnings, taking account of deferred taxes and with no effect on profit or loss. Loss allowances are attributable to the requirement to recognize provisions for performing loans for the first 12 months. As to financial assets whose credit risk has significantly increased, loss allowances take into account the total contractual residual maturity. Loss allowances must also be recognized for financial guarantees.

With regard to hedge accounting, IFRS 9 requires the implementation of more complex reporting and measurement methods. The options for designating hedges have been expanded and the quantitative limits for the effectiveness test no longer apply.

Reclassification practice will change under IFRS 9. Fluctuations in value of the forward element of hedging instruments and fluctuations in value in connection with the residual value hedging model are thus no longer reported in the financial result but, in accordance with IFRS 9, in operating profit.

Depending on market developments, the aforementioned effects can be expected to have a greater impact on operating profit. Within operating profit, amounts from currency hedging instruments reclassified from equity are accounted for in sales allowances. The new rules also provide for considerably more comprehensive disclosures in the Notes. Due to the retrospective application of the requirements relating to the designation of options, a transition effect of EUR 45 million is expected. This will result in the reallocation of part of retained earnings to other reserves. Since the new rules for hedging relationships involving forward exchange contracts are applied prospectively, there are no initial application effects in relation to these hedging relationships.

/// IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 contains revised accounting rules in relation to revenue recognition. The changes relate to the recognition of sales-related payments, which are still reported in distribution costs in the 2017 fiscal year, but will in future be recognized as sales allowances under IFRS 15. In 2018, this will concern an estimated EUR 589 million. In addition, revenue from certain types of extended warranty provided as part of the sale of a vehicle is no longer deferred under IFRS 15 but is immediately recognized. On initial application, this will have a positive effect of EUR 36 million on retained earnings due to a reduction in liabilities, with no impact on profit or loss.

Major changes with regard to multiple-element arrangements are not expected. It is planned to apply the modified retrospective transition method in accordance with IFRS 15.C3(b).

/// IFRS 16 – LEASES

IFRS 16 changes the requirements for accounting for leases. The main aim of IFRS 16 is for all leases to be recognized on the Balance Sheet. As a result, contracts of lessees are no longer classified as finance and operating leases. In the future, a right of use and a leasing liability must be recognized in the Balance Sheet for all leases. The only exceptions are for short-term and low-value leases. During the lease term, the right of use must be depreciated and the leasing liability must be adjusted using the effective interest method and taking the lease payments into account.

The new lessee accounting model leads to an increase in long-term assets and in long-term liabilities. A benefit in the operating profit and a decrease in the financial result are expected in the Income Statement. To date, an assessment of the system requirements needed to record and account for the large number of lessee contracts has been carried out as part of a Group-wide IFRS 16 project. Based on the current portfolio of operating leases, total assets would increase by EUR 1.3 billion.

The lessor accounting model generally corresponds to the current requirements of IAS 17. Lessors in future must also create a finance and operating leases classification based on the distribution of the opportunities and risks associated with the asset. IFRS 16 also provides for additional disclosures in the Notes.

/ NOTES ON THE DIESEL ISSUE

In September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a “Notice of Violation” that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles of the Volkswagen Group with EA189 2.0 l diesel engines. In this context, Volkswagen announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around 11 million vehicles worldwide with type EA189 diesel engines, including around 2.4 million Audi vehicles. In November 2015, the EPA issued a “Notice of Violation” alleging that irregularities had also been discovered in the software installed in U.S. vehicles with type V6 3.0 TDI engines. The matter affected around 113,000 vehicles in the United States and Canada, where the regulations on NO_x limits are stricter than in other parts of the world. The California Air Resources Board (CARB) – part of the Californian Environmental Protection Agency – announced its own investigations into this matter.

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

Volkswagen and Audi are still working intensively to clarify these issues. To this end, Volkswagen has ordered both internal inquiries and external investigations. The external investigations have been conducted with the involvement of external lawyers in Germany and the United States. The international law firm Jones Day has also conducted an extensive investigation

into this matter at AUDI AG and received operational support from the auditing firm Deloitte. To clarify this issue in particular, the Board of Management set up an internal task force and furnished committees as well as divisions with the necessary resources. Regular reporting to the Board of Management has been part of the initiatives as well. We are cooperating with all the responsible authorities to clarify these matters completely and transparently.

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

Also, the publications released by the reporting date as well as the continued investigations and interviews in connection with the diesel issue did not provide the Board of Management with any reliable findings or assessments regarding the facts which would lead to a different assessment of the associated risks.

Besides, there are no reliable findings or facts to the incumbent Board of Management of AUDI AG suggesting that the Annual and Consolidated Financial Statements as well as the Combined Management Report for the 2017 fiscal year and previous years were materially incorrect. However, if new findings should come to light that indicate that individual members of the Board of Management at that time were aware of the diesel issue earlier, this could potentially have an effect on the Annual and Consolidated Financial Statements as well as on the Combined Management Report for the 2017 fiscal year and previous years.

Numerous court and governmental proceedings were subsequently initiated in the United States and the rest of the world in connection with the diesel issue. Having previously reached comprehensive settlements in North America in 2016, we succeeded in ending a majority of major court and governmental proceedings in the United States by concluding settlement agreements in the 2017 fiscal year. This includes, in particular, settlements with the U.S. Department of Justice (DoJ). Outside the United States, we also reached agreements with further authorities with regard to the implementation of technical measures.

In April 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that 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 multidistrict litigation. On October 12, 2017, plaintiffs filed a consolidated class action complaint. Volkswagen AG and certain affiliates, including AUDI AG, filed for the dismissal of this action in December 2017. In January 2018, the plaintiffs filed an opposition to the dismissal motion. The court has granted the defendants a period of time until February 16, 2018, to submit a reply, and oral argument on defendants’ motion to dismiss is scheduled for May 11, 2018. On December 22, 2017, a mass action on behalf of around 75 individual plaintiffs was filed in a state court in California, based on similar claims.

In Canada, two similar putative class actions including a national class action against AUDI AG, Volkswagen AG and affiliated companies in the United States and Canada were filed in courts in Ontario and Quebec relating to alleged CO₂ defeat devices in certain Audi gasoline vehicles with automatic transmission. Both these Canadian lawsuits are in the pre-admission phase.

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 the same month, 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 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 California Second Partial Consent Decree, the second 3.0 l Partial Stipulated Order with the U.S. Federal Trade Commis-

sion (FTC) and the class action settlement reached with private plaintiffs related to vehicles with V6 3.0 TDI diesel engines.

A large number of putative class actions by customers and dealers have been filed with U.S. federal courts and referred to a federal court in California for pre-litigation coordination. In addition, some putative class actions, some individual actions by customers and some state or municipal claims have been filed with courts in individual states.

In addition, certain claims brought by the attorneys general of certain states or by counties within certain states are proceeding either in the U.S. federal court in the multidistrict litigation or in state courts. These lawsuits seek monetary penalties, and, in certain cases, injunctive relief. Audi (along with Volkswagen AG and other affiliated companies) has moved to dismiss certain of the states’ and counties’ environmental claims as preempted by the U.S. Federal Clean Air Act. The environmental lawsuits of Alabama and Wyoming were so dismissed, though Alabama has appealed that ruling.

In addition, Volkswagen and certain affiliated companies, including AUDI AG, reached separate settlement agreements with the attorneys general of eleven U.S. states to resolve actual or potential future claims from civil penalties and injunctions for claimed violation of environmental laws.

In June 2017, Larry D. Thompson was named as Independent Compliance Monitor and Independent Compliance Auditor. Together with his team he will fulfill this role for a period of at least three years pursuant to the criminal plea agreement and the Third Partial Consent Decree.

In July 2017, the U.S. federal court in the multidistrict litigation in California 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 in July 2017, the California federal court granted the motion of the Plaintiffs’ Steering Committee seeking attorneys’ fees and costs in connection with the settlement on vehicles with V6 3.0 TDI engines.

In the United States and Canada, three generations of certain vehicles with four-cylinder diesel engines under the responsibility of Volkswagen and two generations of certain vehicles with V6 3.0 TDI engines are affected. The EPA and CARB have approved emissions modifications for the majority of affected vehicles with four-cylinder diesel engines and granted resale approvals. For Generation 2 vehicles with V6 3.0 TDI engines, the EPA and CARB have approved repair solutions. For Generation 1 vehicles with V6 3.0 TDI engines, we have submitted proposed emissions modifications, and those proposals are under review by the EPA and CARB. Volkswagen is cooperating closely with EPA and CARB to receive approval for the remaining vehicles.

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.

In September 2017, a Canadian court approved the agreement reached by Volkswagen AG and other Canadian and U.S. Volkswagen Group and Audi Group companies to resolve the 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 Canadian provincial regulatory agency – the Ministry of the Environment and Climate Change of Ontario – charged Volkswagen AG with a violation of an environmental law of the province, alleging that Volkswagen AG had caused or permitted the operation of four-cylinder diesel vehicles of Volkswagen and Audi of the model years 2010 to 2014 that did not conform to the prescribed emission standards. Following the initial court hearings in November 2017 and February 2018, the matter was postponed to April 2018, after the continuous disclosure of evidence. No trial date has been set.

In December 2017, Volkswagen announced an agreement in principle on a proposed settlement with consumers in Canada in connection with V6 3.0 TDI diesel vehicles. The court preliminarily approved the settlement agreement in January 2018. The notice and opt-out period began on January 17, 2018.

Dates for final approval hearings have been set for April 2018 in Quebec and Ontario.

In January 2018, Volkswagen also reached a civil resolution with the Canadian Commissioner of Competition to settle consumer protection matters in respect of V6 3.0 TDI diesel vehicles. In addition, criminal enforcement related investigations by the federal environmental regulator and quasi-criminal enforcement related investigations by a provincial environmental regulatory in Canada relating to four-cylinder and V6 3.0 TDI diesel vehicles are ongoing.

In addition, putative class action and joinder lawsuits by customers, and a certified environmental class action on behalf of Canadian residents, remain pending in certain provincial courts in Canada.

During the first quarter of 2017, the German Federal Motor Transport Authority (Kraftfahrt-Bundesamt, KBA) issued the final outstanding official approvals needed for technical measures to convert Volkswagen Group vehicles fitted with four-cylinder diesel engines falling within its remit, including Audi models. The KBA ascertained for all clusters (groups of vehicles) that implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO₂ emissions figures, engine power, maximum torque and noise emissions. Once the modifications have been made, the vehicles will thus also continue to comply with all legal requirements and applicable emission standards. The technical measures for all affected vehicles with type EA189 engines in the European Union were approved without exception and predominantly carried out.

In connection with the diesel issue, AUDI AG is cooperating with the Munich prosecutor's office II (Staatsanwaltschaft München II), who initially investigated the issue in relation to V6 3.0 TDI engines marketed in the United States. In the meantime, the Munich prosecutor's office II has extended its investigation to vehicles on the European market (V8 4.2 TDI and V6 3.0 TDI EU5/EU6). Regulatory offense proceedings ("Ordnungswidrigkeitenverfahren") relating to the diesel issue were also initiated at Audi in July 2017. These cases have not yet been completed.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potentials. A systematic review process for all engine and gear variants has been underway since 2016. In this regard it has been working closely with the authorities – in particular the German Federal Ministry of Transport and the KBA – and reporting to them in detail.

On June 14, 2017, based on a technical error in the parametrization of the transmission software for a limited number of specific Audi A7/A8 models that AUDI AG itself discovered and reported to the KBA, the KBA issued an order with which a correction proposed by AUDI AG will be submitted. The technical error lies in the fact that, in the cases concerned, by way of exception a specific function that is standard in all other vehicle concepts is not implemented in actual road use. In Europe, this affects around 24,800 units of certain Audi A7/A8 models. The KBA has not categorized this error as an illegal defeat device.

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 in inner city areas beyond the legal requirements. Customers will not be charged for the new software.

The entire package is also offered for certain Volkswagen and Porsche models and comprises voluntary and, to a smaller extent, measures directed by authorities. These are measures taken within the scope of a recall, which were proposed by AUDI AG itself, reported to the KBA and taken up and ordered by the latter. The measures adopted and mandated by the KBA involved the recall of different diesel vehicles with a V6 or V8 engine meeting the EU6 emission standard, for which the KBA categorized certain emission strategies as an illegal defeat device. From July 2017 to January 2018, the measures proposed by AUDI AG have been adopted and mandated in various decisions by the KBA on vehicle models with V6 and V8 TDI engines. All models of the Audi brand currently offered already have a new-generation engine or were not the subject of KBA complaints.

The voluntary checks of the vehicles of the Audi brand with Euro 6 engines have almost been concluded. The investigations of vehicles with Euro 5 engines are already at an advanced stage and their conclusion is expected during the first quarter of 2018. In addition, Audi is responding to requests from the

U.S. authorities for information regarding automatic transmissions in certain vehicles.

We currently assume that the overall cost of the software-based retrofit program including the part related to recalls will be manageable and have recognized corresponding balance-sheet risk provisions. Should additional measures become necessary as a result of the investigations by AUDI AG and the consultations with the KBA, AUDI AG will quickly implement these as part of the retrofit program in the interest of customers. Further field measures with financial consequences can therefore not be ruled out completely at this time.

Between July and November 2017, plaintiffs in various U.S. jurisdictions filed a large number of lawsuits against several car manufacturers, including Volkswagen AG and its associated companies, on behalf of putative buyer classes of German luxury vehicles. These lawsuits assert claims under the U.S. Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection acts as well as under common law for unjust enrichment. The lawsuits allege that from the 1990s the defendants collaborated in the unlawful fixing of the prices of German luxury vehicles by agreeing to share sensitive business information and entering into unlawful agreements on technology, costs and suppliers. In addition, the plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to ensure that the U.S. emissions regulatory agencies would not conduct any detailed examination of the emissions control system in vehicles of the defendants, and that this agreement acted as the catalyst for Volkswagen to create the defeat device.

On September 28, 2017, a hearing took place before the Judicial Panel on Multidistrict Litigation (JPML). On October 4, 2017, the JPML resolved to consolidate these cases and to refer them to Judge Breyer of the Northern District of California. On December 14, 2017, the Co-Lead Counsel was appointed, who represents the interests of a putative indirect buyer class and a putative direct buyer class, as well as the Plaintiffs' Steering Committee (PSC). On December 20, 2017, the deadlines for the initial submissions were set and the first discussion of the status of the proceedings scheduled for April 5, 2018, and the Co-Lead Counsel was instructed to submit consolidated class action complaints on behalf of two putative classes by March 15, 2018.

Between July and October 2017, plaintiffs in Ontario, Quebec and British Columbia filed lawsuits against several car manufacturers including Volkswagen Canada Inc., Audi Canada Inc. and other companies of the Volkswagen brand on behalf of putative buyer classes of German luxury vehicles. The plaintiffs are bringing claims under the Competition Act, and common law, as well as under Quebec civil law. The proceedings are based on similar allegations as the U.S. proceedings in the previous paragraph.

Based on the facts of the diesel issue available to and assessed by the incumbent Board of Management of AUDI AG at the time of preparation of the financial statements, relating both to the four-cylinder diesel engines for which Volkswagen AG is accountable and to the V6 3.0 TDI diesel engines which are the responsibility of AUDI AG, it is the opinion of the Board of Management of AUDI AG that adequate risk provisioning has been made in the form of provisions for technical measures and legal risks in connection with the settlement agreements for the diesel issue in the United States. The provisioning also covers diesel issues in Canada and sales measures in the markets affected by a freeze on sales. In addition, AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI diesel engine issue in the event that the U.S. authorities, U.S. courts and potential out-of-court settlements do not differentiate between the four-cylinder diesel engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI diesel engine issue which is the responsibility of AUDI AG, and that joint and several liability thus arises. In that eventuality, costs for legal risks will be passed on to AUDI AG according to a causation-based cost allocation. Additional information regarding the provisions created at the Audi Group in connection with the diesel issue is available in the Notes to the Consolidated Financial Statements under Note 33 "Other provisions."

/ NOTES ON THE PRECAUTIONARY AIRBAG RECALL

The Audi Group, together with the Volkswagen Group and in consultation with a variety of traffic safety agencies, is carrying out in-depth analyses on possible effects of the use of potentially defective airbags made by Takata. Like many other car manufacturers, the Audi Group cannot sidestep the risks resulting from this. In the third quarter of 2017, a recall of Audi vehicles equipped with front airbags manufactured by Takata was announced on the instruction of the Chinese authority AQSIQ. The related adjustments to recognized risk provisioning were reported by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). It is still not possible to rule out further recalls involving Takata front airbags.

/ CONSOLIDATED COMPANIES

In addition to AUDI AG, all of the material domestic and foreign subsidiaries are included in the Consolidated Financial Statements in cases where AUDI AG has direct or indirect decision-making power over the relevant activities, thereby influencing its own variable returns. The inclusion in the group of consolidated companies begins or ends on the date on which the control is acquired or lost.

A special securities fund is also included in the Consolidated Financial Statements of the Audi Group. This structured entity pursuant to IFRS 12 does not present any special risks or result in any particular obligations for Audi.

Companies in which AUDI AG does not hold any interests, either directly or indirectly, but over which Audi may exert control as a result of contractual agreements, are also included in the Consolidated Financial Statements. Non-controlling interests in equity and in profit are allocated to the following companies on a 100 percent basis in each case.

Company	Non-controlling interests
Audi Canada Inc., Ajax (Canada)	Volkswagen Group Canada, Inc., Ajax (Canada)
Audi of America, LLC, Herndon (USA)	Volkswagen Group of America, INC., Herndon (USA)
Automobili Lamborghini America, LLC, Herndon (USA)	Volkswagen Group of America, INC., Herndon (USA)

Further information on non-controlling interests is provided in Note 26.

Subsidiaries with limited business operations that are of subordinate importance, both individually and in total, with regard to providing a true and fair view of the net worth, financial position, financial performance and cash flow are not consolidated. Before consolidation, these subsidiaries account for 0.6 (0.7) percent of consolidated equity, 0.1 (0.7) percent of profit after tax, and 0.8 (0.6) percent of the total assets of the Audi Group. Associates and joint ventures, which among other criteria, are of subordinate importance in terms of Audi's share in their equity and earnings, are not accounted for using the equity method for reasons of materiality.

Subsidiaries, associated companies and joint ventures that are not fully consolidated or consolidated using the equity method, as well as financial participations, are as a general rule reported at amortized cost. Where there is evidence that the fair value is lower, this fair value is recognized.

As of January 1, 2017, the Volkswagen Group Firenze S.p.A., Florence (Italy), was sold at a profit of EUR 2 million. The purpose of the sale was to separate importer and retail operations. Furthermore, Audi Hungaria Motor Kft., Győr (Hungary) merged with Audi Hungaria Services Zrt., Győr (Hungary) as of January 1, 2017. Audi Hungaria Services Zrt. was consequently renamed Audi Hungaria Zrt., Győr (Hungary). Both companies were at that point consolidated subsidiaries. There were no other changes to the group of consolidated companies.

The material companies within the Audi Group are listed following the Notes.

The full list of companies in which shares are held, according to commercial law, is recorded in the Commercial Register of Ingolstadt under HR B 1 and is also available on the Audi website at www.audi.com/subsidiaries. This list can additionally be requested directly from AUDI AG, Financial Communication / Financial Analysis, I/FF-3, Auto-Union-Straße 1, 85045 Ingolstadt, Germany.

By virtue of their inclusion in the Consolidated Financial Statements of the Audi Group, the following companies have fulfilled the requirements of Section 264, Para. 3 or Section 264b of the German Commercial Code (HGB) and make use of the exemption rule:

- > Audi Electronics Venture GmbH
- > AUDI Immobilien GmbH & Co. KG
- > Audi Sport GmbH

// COMPOSITION OF THE AUDI GROUP

Total	2017	2016
AUDI AG and fully consolidated subsidiaries/structured entities	40	42
<i>of which in Germany</i>	7	7
<i>of which international</i>	33	35
Non-consolidated subsidiaries	36	31
<i>of which in Germany</i>	24	21
<i>of which international</i>	12	10
Investments accounted for using the equity method (international)	3	4
Investments and joint ventures not accounted for using the equity method	24	25
<i>of which in Germany</i>	19	19
<i>of which international</i>	5	6
	103	102

// PARTICIPATIONS IN ASSOCIATED COMPANIES

As of the balance sheet date, AUDI AG holds a 10 percent share in FAW-Volkswagen Automotive Company, Ltd., Changchun, a Chinese automotive manufacturer which, among other activities, produces and distributes Audi brand vehicles for the Chinese market. The sale of 5 percent of the shares in FAW-Volkswagen Automotive Company, Ltd. is currently being negotiated with Volkswagen AG (see Note 25). Through its representation in this company's management and supervisory board, AUDI AG is still in a position to exercise significant influence.

Audi also holds a stake in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin, a Chinese manufacturer of transmission systems, including for Audi models. The interest in Volkswagen Automatic Transmission (Tianjin) Company Limited declined from 49 percent to around 43 percent during the fiscal year as a result of capital increases in which Audi did not participate.

As part of restructuring measures within the Volkswagen Group, all shares in Volkswagen Group Services S.A./N.V., Brussels (Belgium), were sold on December 8, 2017, at a loss of EUR 5 million. AUDI AG indirectly held 30 percent of Volkswagen Group Services S.A./N.V. This is a finance company which Audi continues to use for factoring transactions.

The Audi Group, BMW Group and Daimler AG each hold a 33.3 percent interest in There Holding B.V., Rijswijk (Netherlands), which was established in 2015. In December 2016, There Holding B.V. signed an agreement on the sale of 15 percent of the shares in HERE International B.V., Rijswijk (Netherlands) with Intel Holdings B.V., Schiphol-Rijk (Netherlands). The transaction with Intel Holdings B.V. was completed on January 31, 2017. This resulted in a loss of control within the meaning of IFRS 10 at the There Holding B.V. level. The deconsolidation gave rise to a proportionate effect on earnings for the Audi Group of EUR 183 million, which is shown in the result from investments accounted for using the equity method. Since a significant influence continues to exist, HERE International B.V. is included in the financial statement of There Holding B.V. as an associated company according to the equity method. There is no change in the Audi Group's participating interest in There Holding B.V. as a result of this sale.

In addition, an agreement on the sale of a 10 percent stake in HERE International B.V. was signed with a consortium comprising NavInfo Co. Ltd., Beijing (China), Tencent Holdings Ltd., Shenzhen (China), and GIC Private Ltd., Singapore (Singapore) in December 2016. Completion of the transaction with the consortium was subject to the approval of the relevant authorities. A decision was taken in the third quarter of 2017 not to continue with the transaction because, within the scope of the official review process, it was no longer foreseeable that the necessary approvals would be granted.

In December 2017, agreements on the sale of shares in There Holding B.V. were signed with Robert Bosch Investment Nederland B.V., Boxtel (Netherlands) and Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands). Under these agreements, Robert Bosch Investment Nederland B.V. and Continental Automotive Holding Netherlands B.V. will each acquire a 5.9 percent stake in There Holding B.V., while Audi, BMW and Daimler will sell the equivalent number of shares. Completion of the transactions is expected in the first quarter of 2018, subject to the approval of the relevant authorities. The portion attributable to Audi is reported in available-for-sale assets. The transactions are not expected to have a material effect on financial position or financial performance. Further details can be found in Note 25.

Further information on the previously described associated companies, which are accounted for using the equity method, can also be found under Note 17.

/ CONSOLIDATION PRINCIPLES

The assets and liabilities of the domestic and international companies included in the Consolidated Financial Statements are recognized in accordance with the standard recognition and measurement principles of the Audi Group.

In the case of subsidiaries that are being consolidated for the first time, the assets and liabilities are to be measured at their fair value at the time of acquisition. Any identified hidden reserves and expenses are amortized, depreciated or reversed in accordance with the development of the corresponding assets and liabilities as part of the subsequent consolidation process. Where the cost of purchase of a participation exceeds the Group share in the equity of the relevant company as calculated in this manner, goodwill is created. This is then allocated to identifiable groups of assets (cash-generating units) which should benefit from the synergies of the acquisition. Goodwill at this level is regularly subject to impairment testing as of the balance sheet date, with an impairment loss being recognized if necessary.

Within the Audi Group, the predecessor method is applied in relation to common control transactions. Under this method, the assets and liabilities of the acquired company or business operations are measured at the gross carrying amounts of the previous parent company. The predecessor method thus means that no adjustment to the fair value of the acquired assets and liabilities is performed at the time of acquisition; any difference arising during initial consolidation is adjusted against equity, without affecting profit or loss.

Receivables and liabilities between consolidated companies are netted, and expenses and income eliminated. Interim profits and losses are eliminated from Group inventories and fixed assets. Consolidation processes affecting profit or loss are subject to deferrals of income taxes; deferred tax assets and liabilities are offset where the term and tax creditor are the same.

The same recognition and measurement principles for determining the pro rata equity as applied to subsidiaries are, as a general rule, applied to Audi Group companies accounted for using the equity method. This is done on the basis of the last set of audited financial statements of the company in question. Any investments in companies accounted for using the equity method and acquired in conjunction with a common control transaction are also included using the predecessor method. There is therefore no adjustment to the fair values at the time of acquisition. Any difference between the purchase price and share of equity is adjusted against equity, without affecting profit or loss.

/ FOREIGN CURRENCY TRANSLATION

The currency of the Audi Group is the euro (EUR). Foreign currency transactions in the separate financial statements of AUDI AG and the subsidiaries are translated at the prevailing exchange rate at the time of the transaction in each case. Monetary items in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Exchange differences are recognized in the income statements of the respective Group companies.

The international companies belonging to the Audi Group are independent entities and prepare their financial statements in their local currency. Only Audi Hungaria Zrt., Győr (Hungary), Audi México S.A. de C.V., San José Chiapa (Mexico), and Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates), issue their annual financial statements in EUR or USD rather than in their national currencies. The concept of the “functional currency” is applied when translating financial statements prepared in a foreign currency. Assets and liabilities, with the exception of equity, are translated at the closing rate. The effects of foreign currency translation of equity are reported in the reserve for currency translation differences with no effect on profit or loss. The items in the Income Statement are translated using weighted average monthly rates. Currency translation differences arising from the varying exchange rates used in the Balance Sheet and Income Statement are recognized in equity, without affecting profit or loss, until the disposal of the subsidiary.

// DEVELOPMENTS OF THE EXCHANGE RATES SERVING AS THE BASIS FOR THE CURRENCY TRANSLATION

1 EUR in foreign currency		Year-end exchange rate		Average exchange rate	
		Dec. 31, 2017	Dec. 31, 2016	2017	2016
Australia	AUD	1.5329	1.4615	1.4732	1.4885
Brazil	BRL	3.9707	3.4372	3.6061	3.8567
United Kingdom	GBP	0.8873	0.8585	0.8768	0.8196
Japan	JPY	134.8700	123.5000	126.7252	120.1997
Canada	CAD	1.5026	1.4228	1.4648	1.4661
Mexico	MXN	23.6142	21.8480	21.3328	20.6778
Republic of Korea	KRW	1,278.2200	1,269.1100	1,276.8539	1,284.4141
Switzerland	CHF	1.1694	1.0749	1.1117	1.0902
Singapore	SGD	1.6014	1.5260	1.5589	1.5278
Taiwan	TWD	35.5391	34.1659	34.3659	35.6875
Thailand	THB	39.0553	37.8013	38.2960	39.0554
USA	USD	1.1988	1.0560	1.1297	1.1071
People's Republic of China	CNY	7.8009	7.3332	7.6295	7.3533

RECOGNITION AND MEASUREMENT PRINCIPLES

/ REVENUE AND EXPENSE RECOGNITION

Revenue, interest income and other operating income are always recorded when the services are rendered or the goods or products are delivered, i.e. when the risk and reward are transferred to the customer. Revenue is reported after the deduction of any discounts.

No revenue is initially realized from the sale of vehicles subject to buyback agreements. The difference between the selling price and the expected buyback price is recognized on a straight-line basis over the period between sale and buyback. Vehicles that are still included in the accounts are reported under inventories.

Where additional services have been contractually agreed with the customer in addition to the sale of a vehicle, such as warranty extensions, mobile services or the completion of maintenance work over a fixed period, the related revenue and expenses are recorded in the Income Statement in accordance with the provisions of IAS 18 governing multiple-element arrangements based on the economic content of the individual contractual components (partial services).

Operating expenses are recognized in profit or loss when the service is used or at the time they are economically incurred.

Construction contracts, such as toolmaking orders, are accounted for using the percentage of completion method. Accordingly, revenue and cost of sales are recognized in proportion to the stage of completion as of the balance sheet date. This is based on the contract revenue agreed with the customer and the expected contract costs. The stage of completion is generally determined on the basis of the contract costs incurred as of the balance sheet date as a proportion of the expected total costs. If the outcome of a construction contract cannot yet be reliably estimated, revenue is recognized only in the amount of the contract costs already incurred. In the Balance Sheet, contract components whose

revenue is recognized using the percentage of completion method are reported as trade receivables, net of any advance payments. Expected losses from construction contracts are reported immediately in full as expenses by the recognition of impairment losses on recognized contract assets and, where applicable, by the recognition of provisions.

/ INTANGIBLE ASSETS

Intangible assets acquired for consideration are recognized at their cost of purchase, taking into account ancillary costs and cost reductions, and are amortized on a scheduled straight-line basis over their useful life.

Concessions, rights and licenses relate to purchased software, rights of use and subsidies paid.

Goodwill from a business combination has an indefinite useful life and is subject to regular impairment testing.

Brand names from business combinations generally have an indefinite useful life and are therefore not amortized. An indefinite useful life frequently arises from the continued use and maintenance of a brand. Brand names are tested regularly for impairment.

Research costs are treated as current expenses in accordance with IAS 38. The development expenditure for products going into series production is recognized as an intangible asset, provided that the sale of these products is likely to bring economic benefit to the Audi Group. If the conditions stated in IAS 38 for capitalization are not met, the costs are expensed in the Income Statement in the year in which they occur.

Capitalized development costs encompass all direct and indirect costs that can be directly allocated to the development process. They are amortized on a straight-line basis from the start of production over the anticipated model life of the developed products.

Depreciation, allocated to the corresponding functional areas, is primarily based on the following useful lives, which are reassessed yearly:

	Useful life
Concessions, industrial property rights and similar rights and assets	2–15 years
<i>of which software</i>	<i>3–5 years</i>
<i>of which customer base</i>	<i>2–8 years</i>
Capitalized development costs	4–9 years

/ PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost of purchase or construction, with straight-line depreciation applied pro rata temporis over the expected useful life.

The costs of purchase include the purchase price, ancillary costs and cost reductions.

In the case of self-constructed fixed assets, the cost of construction includes both the directly attributable material and labor costs as well as the indirect material and labor costs to be capitalized, including pro rata depreciation.

Depreciation is generally based on the following useful lives, which are reassessed on a yearly basis:

	Useful life
Buildings	20–50 years
Land improvements	10–20 years
Plant and machinery	6–12 years
Plant and office equipment including special tools	3–15 years

Property, plant and equipment used on the basis of lease agreements is capitalized in the Balance Sheet if the conditions of a finance lease are met in accordance with IAS 17, i.e. if the significant opportunities and risks which result from the use of an asset have passed to the lessee. Capitalization is performed at fair value or the lower present value of the minimum lease payments. The straight-line depreciation method is based on the shorter of economically useful life or term of lease contract.

In the case of leasing arrangements where not all opportunities and risks associated with the leased property (operating lease) have passed to them, leasing installments and rents are expensed directly in the Income Statement.

/ LEASING AND RENTAL ASSETS

Leased vehicles are recognized at cost of purchase or manufacturing cost in the case of operating lease agreements and depreciated using the straight line method over the term of the lease down to their estimated residual value. Reductions for impairment and adjustments to future depreciation rates are made to take account of impairment losses calculated on the basis of impairment testing pursuant to IAS 36.

/ INVESTMENT PROPERTY

Land or buildings held with the intention of generating rental income are reported in the Balance Sheet at amortized cost. The amortization periods applied are, as a general rule, those applied to property, plant and equipment used by the Group itself. In the case of measurement at amortized cost, the fair values calculated as a general rule using internal calculations based on the discounted cash flow method are also to be stated. These calculations are made based on the rental income generated from real estate and the real estate-specific discount rates.

/ INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Companies in which AUDI AG is directly or indirectly able to exercise significant influence on financial and operating policy decisions (associated companies) are accounted for using the equity method. This means that changes in equity are reflected on a pro rata basis in the carrying amount of the participation. The share of the profit of the associated company is reported under the financial result.

/ BORROWING COSTS

Borrowing costs that can be allocated directly to a qualifying asset are capitalized as part of that asset's cost of purchase or construction. A qualifying asset is deemed to exist if a relatively long period of time will be required before the asset will be ready for use or sale.

/ IMPAIRMENT TESTS

Fixed assets are tested regularly for impairment as of the balance sheet date.

With regard to impairment testing of goodwill and of other intangible assets, the Audi Group as a general rule reports the higher of value in use and fair value less costs to sell of the respective cash generating units (brands and/or products). The calculation of value in use is based on current planning prepared by the management. This planning is based on expectations regarding the future development of the respective markets, market shares and profitability of the products. The planning period covers a period of five years. Plausible assumptions about future development are made for the subsequent years. In each case, the planning assumptions are adjusted in line with current findings. Appropriate assumptions about macroeconomic trends and historical developments are taken into account.

Cash flows are, in principle, calculated on the basis of the expected growth rates in the sales markets concerned. Growth in the operating profit of the two cash generating units Automotive and Motorcycles is expected up to the end of the detailed planning period. Estimated cash flow following onto the detailed planning period is based on an annual growth rate of 1.0 (1.0) percent in the Automotive unit and 1.0 (1.0) percent in the Motorcycles unit.

When testing goodwill and other intangible assets with indefinite and limited useful lives, mainly capitalized development costs, in the two cash-generating units Automotive and Motorcycles business for impairment, the value in use is determined using the following weighted average cost of capital (WACC) before taxes:

in %	2017	2016
Automotive segment	5.8	5.4
Motorcycles segment	6.1	5.7

The cost of capital is calculated based on a risk-free interest rate. As well as the market risk premium and borrowing interest rate, specific peer group information for beta factors and the debt ratio is taken into account.

Impairment tests are carried out for development activities, acquired property rights, and property, plant and equipment on the basis of expected product life cycles, the respective revenue and cost situation, current market expectations and currency-specific factors.

Impairment losses pursuant to IAS 36 are recognized where the recoverable amount, i.e. the higher amount from either the continued use or the disposal of the asset in question, has declined below its carrying amount. If necessary, an impairment loss resulting from this test is recognized.

Sensitivity analyses have shown that, even in the case of differing key assumptions within a realistic framework, there is no need to recognize an impairment for goodwill and other intangible assets with an indefinite useful life.

If the reason for a previously recorded impairment loss ceases to exist, the asset is written up to the recoverable amount but to no higher than the amount of the amortized cost. Any impairment of goodwill is never reversed.

/ FINANCIAL INSTRUMENTS

Financial instruments are contracts that create financial assets for one party and, at the same time, a financial debt or equity instrument for the other party.

Financial instruments are recognized and measured in accordance with the provisions of IAS 39.

According to this, financial instruments are divided into the following categories:

- > available-for-sale financial assets,
- > loans and receivables,
- > held-to-maturity investments,
- > financial assets measured at fair value through profit or loss.

The Audi Group does not have any financial assets that fall into the category of “held-to-maturity investments.”

Financial liabilities are categorized as follows:

- > financial liabilities measured at fair value through profit or loss,
- > financial liabilities measured at amortized cost.

Assignment to one of these categories depends on the purpose of the financial instrument in question and is reviewed at the end of each reporting period.

The Audi Group does not make use of the fair value option, i.e. choosing to measure certain assets and liabilities at fair value through profit or loss.

Financial assets are recognized on the settlement date. Initial measurement of financial assets and liabilities is carried out at fair value. Subsequent measurement is dependent on the category assigned in accordance with IAS 39 and is carried out either at amortized cost or at fair value.

The amortized cost of a financial asset or financial liability, using the effective interest method, is the amount at which a financial instrument was measured at initial recognition minus any principal repayments, impairment losses or uncollectable debts.

In the case of current financial assets and liabilities, the amortized costs basically correspond to the nominal value or the repayment value.

Fair value generally corresponds to the market value or trading price. If no active market exists, fair value is determined as far as possible using other observable input factors. If no such input factors are available, fair value is determined using market pricing techniques, for example by discounting future cash flows at a market rate or applying established option pricing models.

Financial instruments are derecognized if the rights to payments have expired or been transferred and the Audi Group has transferred substantially all opportunities and risks associated with their title. With regard to factoring, all opportunities and risks are transferred.

Financial assets and liabilities are only offset if offsetting the amounts is legally enforceable at the current time and if there is an actual intention to offset. As a general rule, no financial assets and liabilities are offset within the Audi Group due to the required conditions not being met. Given the general lack of any global offsetting agreements or similar arrangements, it is also not possible to carry out offsetting under certain conditions.

Financial assets and liabilities include both non-derivative and derivative claims or commitments, as detailed below.

// NON-DERIVATIVE FINANCIAL INSTRUMENTS

The “Loans and receivables” and “Financial liabilities measured at amortized cost” categories include non-derivative financial instruments measured at amortized cost. These include, in particular:

- > loans,
- > trade receivables and payables,
- > other current assets and liabilities,
- > financial liabilities,
- > cash and cash equivalents.

Receivables and liabilities in foreign currencies are measured at the relevant year-end exchange rates.

In the case of current items, the fair values to be additionally indicated in the Notes correspond to the amortized costs. For assets and liabilities with a remaining term of more than one year, fair values are determined by discounting future cash flows at market rate. Recognizable credit risks associated with “Loans and receivables” are accounted for by creating specific valuation allowances. These are entered in the amount of the incurred loss for significant individual receivables using benchmarks applied uniformly across the Group. Potential impairment is assumed in the event of various circumstances such as a payment delay of a specific duration, introduction of coercive measures, threat of insolvency or over-indebtedness, application for or opening of insolvency proceedings or failure of restructuring measures. Impairment losses on receivables are regularly posted to separate impairment accounts and written off at the same time as the corresponding impaired receivable.

The item “Available-for-sale financial assets” includes non-derivative financial instruments that are either allocated to this category or cannot be allocated to any of the other categories. This includes equity instruments, such as shares in equity, and debt instruments, such as bonds. As a general rule, financial instruments that fall into this category are reported at fair value. In the case of listed financial instruments – exclusively securities in the case of the Audi Group – the fair value corresponds to the market value on the balance sheet date. Fluctuations in value are accounted for within equity in the reserve for the fair value measurement of securities, taking deferred tax into account. Foreign currency gains and losses are reported under equity instruments with no effect on profit or loss.

“Available-for-sale financial assets” are impaired if there is objective evidence of a long-term loss of value. In the case of equity instruments, a permanent value reduction is deemed to have occurred if the market value falls below the cost of purchase on a significant basis (more than 20 percent) or on a long-term basis (more than 10 percent of the average market prices throughout a year). Debt instruments are impaired if future payment flows from the financial asset are expected to fall. Any rise in risk-free interest rates or credit spreads, however, does not constitute objective evidence of a loss in value. As soon as impairment occurs, the difference between the cost of purchase and fair value is posted under the financial result with an effect on profit or loss. Any loss previously recorded in the reserve for fair value measurement of securities, without affecting profit or loss, is derecognized.

Reversals of impairments – provided that the securities affected are equity instruments – are recognized without affecting profit or loss. If, on the other hand, the securities concerned are debt instruments, impairment losses are reversed with an effect on profit or loss (no higher than the previous impairment amount) if the increase in the fair value, when viewed objectively, is based on an event that occurred after the impairment loss was recorded with an effect on profit or loss.

The category “Available-for-sale financial assets” comprises securities. Interests in non-consolidated subsidiaries and participations in associated companies and joint ventures

that are not valued according to the equity method are not classed as financial instruments. Other participations that do not fall within the scope of IAS 28, IFRS 10 or IFRS 11 and are measured at their respective amortized cost pursuant to IAS 39.46(c) are reported in the category “Measured at fair value.”

Where there is evidence that the fair value of the securities and participations is lower, the corresponding value adjustments are carried out. As of the balance sheet date, there is no intention to sell any material participations.

// DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are used as a hedge against foreign exchange and commodity price risks for items on the Balance Sheet and for future cash flows (underlying transactions). Futures, as well as options in the case of foreign exchange risks, are taken out for this purpose.

Additionally, under the rules of IAS 39, some contracts are classed as derivative financial instruments:

- > rights to acquire shares in companies,
- > agreements entered into by the Audi Group with authorized dealers with a view to hedging against potential losses from buyback obligations for leased vehicles.

The rules for hedge accounting are applied if a clear hedging relationship between the underlying transaction and the hedge is documented and its effectiveness demonstrated.

Changes in the fair value of hedging instruments are posted in the Balance Sheet according to the type of hedge. When hedging against exchange rate risks from future cash flows (cash flow hedges), the fluctuations in the market value of the effective portion of a derivative financial instrument are initially reported within equity in the reserve for cash flow hedges, with no effect on profit or loss, and are only recognized as income or expense under operating profit once the hedged item is due. The ineffective portion of a hedge is recognized immediately in profit or loss.

Regarding the hedging of balance sheet items (fair-value hedges), both the changes in fair value of the hedging instrument and those of the underlying transaction are recognized in profit or loss.

Derivative financial instruments that are used to hedge market risks according to commercial criteria but do not fully meet the requirements of IAS 39 with regard to effectiveness of hedging relationships are categorized as “Measured at fair value through profit or loss.”

Rights to acquire shares in companies, and the model for hedging against potential losses from buyback obligations for leased vehicles, are also reported in the Balance Sheet in accordance with the rules for “Financial instruments measured at fair value through profit or loss.” The results from “Financial instruments measured at fair value through profit or loss” are reported under the financial result.

/ OTHER FINANCIAL ASSETS AND OTHER RECEIVABLES

Other financial assets and other receivables are recognized at amortized cost. Provision is made for discernible non-recurring risks and general credit risks in the form of appropriate value adjustments.

/ DEFERRED TAX

Pursuant to IAS 12, deferred tax is determined according to the liability method in combination with the temporary concept. With this concept, deferred taxes are recognized for all temporary differences arising from the different valuations of assets and liabilities in the tax balance sheet and in the Consolidated Balance Sheet. Deferred tax assets relating to tax loss carryforwards must also be recognized.

Deferred tax assets include future tax relief resulting from temporary differences between the carrying amounts in the Consolidated Balance Sheet and the valuations in the tax balance sheet. In addition, deferred tax assets relating to tax loss carryforwards and deferred tax assets from tax relief are

also recognized, if it is likely that they will be used. Deferred tax liabilities depict future tax charges and are generally recorded for all taxable time differences between the figures posted in the tax balance sheet and those in the Consolidated Balance Sheet.

Deferrals amounting to the anticipated tax burden or tax relief in subsequent fiscal years are created on the basis of the anticipated tax rate at the time of realization. In accordance with IAS 12, the tax consequences of distributions of profit are never recognized until the resolution on the appropriation of profits is adopted. The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income in the context of a planning period of five fiscal years. The carrying amount is reduced for deferred tax assets that are unlikely to be realized.

Deferred tax assets and deferred tax liabilities are netted if the taxable entities and maturities are identical. Deferred taxes are reported pursuant to IAS 1 in relation to non-current assets/liabilities.

/ INVENTORIES

Raw materials and supplies are measured at the lower of average cost of purchase or net realizable value. Other purchase-related costs and cost reductions are taken into account as appropriate.

Work and services in progress and finished goods are measured at the lower of cost of production or net realizable value. Cost of goods sold includes direct materials and direct production wages, as well as a directly attributable portion of the necessary indirect materials and indirect labor costs, scheduled production-related depreciation, and expenses attributable to the products from the scheduled amortization of capitalized development costs. Distribution costs, administrative expenses and interest on borrowed capital are not capitalized.

Finished goods and products are measured at the lower of cost of purchase or net realizable value.

Provision is made for all discernible storage and inventory risks in the form of appropriate reductions in the carrying amounts. Individual adjustments are made on all inventories as soon as the probable proceeds realizable from their sale or use are lower than the carrying amounts of the inventories. The net realizable value is deemed to be the estimated proceeds of sale less the estimated costs incurred up until the sale.

Current leased assets comprise vehicles leased out under operating leases with a term of up to one year and vehicles that are subject to a buyback obligation within one year on the basis of buyback agreements. These vehicles are capitalized at cost of goods sold and measured in accordance with the expected loss of value and likely useful life. Based on local factors and historical values from the marketing of used cars, updated internal and external information is incorporated into the measurement on an on-going basis.

/ SECURITIES, CASH AND CASH EQUIVALENTS

Securities held as current assets are measured at market value, i.e. at the trading price on the balance sheet date. Cash and cash equivalents are stated at their nominal value. The cash figures encompass cash and cash equivalents. Included under cash equivalents are financial resources that are highly liquid with an insignificant risk of fluctuations in value.

The Audi Group is integrated into the financial management of the Volkswagen Group. As part of cash pooling arrangements, balances are settled on a daily basis and transformed into amounts owed to or by companies of the Volkswagen Group. This increases the efficiency of both intra-Group and external transactions and also reduces transaction costs. The cash pool receivables are allocated to cash and cash equivalents on the basis of their character as cash equivalents.

/ AVAILABLE-FOR-SALE ASSETS

Assets or groups of assets are accounted for as "Available for sale" in accordance with IFRS 5 if their sale is highly probable. If this is the case, they are presented separately in the Balance Sheet. The assets concerned are measured at the lower of their carrying amount and fair value less expected costs to sell. In certain cases, as with equity-method adjustments, no more adjustments are made to assets as a rule.

/ PROVISIONS FOR PENSIONS

Actuarial measurement of provisions for pensions is based on the projected unit credit method for defined retirement benefit plans as specified in IAS 19. This method takes account of pensions and entitlements to future pensions known at the balance sheet date as well as anticipated future pay and pension increases. The actuarial interest rate continues to be determined on the basis of profits realized on the capital market for prime-rated corporate bonds. Individual parameters used to measure provisions for pensions are described in Note 31. Any effects resulting from the new measurement are reported in equity as retained earnings taking account of deferred taxes and with no effect on profit or loss.

/ INCOME TAX OBLIGATIONS

Income tax liabilities comprise current income tax obligations. Deferred taxes are reported under separate balance sheet and income statement items. Provisions are created for potential tax risks based on the best estimate.

/ OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized if a current obligation existing toward third parties on the basis of a past event is likely to lead to cash outflows and where the amount of the obligation can reliably be estimated. Provisions are not offset against recourse entitlements. Provisions with a remaining term of over one year are measured at their discounted settlement value as of the balance sheet date. Market rates are used as the discount rates. A nominal interest rate of 0.08 (0.04) percent was applied within the eurozone. The settlement value also includes the expected cost increases. The non-current portions of provisions for long-service awards were discounted at 1.6 (1.6) percent.

Recourse entitlements in relation to provisions are reported separately in the Balance Sheet as receivables if it is almost certain that compensation will be paid upon settlement of the obligation. They are reported under miscellaneous receivables in the other receivables item in the Balance Sheet.

Other provisions include bonus contributions relating to partial retirement agreements that are accrued on a pro rata basis in accordance with the block model.

/ CONTINGENT LIABILITIES

Contingent liabilities are stated in the Notes to the Consolidated Financial Statements (see Note 39, "Contingent liabilities") if the criteria for the creation of provisions are not fulfilled but it is not unlikely that there will be an outflow of financial resources. These obligations are only recorded as liabilities once they have become specific, i.e. once the outflow of financial resources has become probable and once the amount of the outflow can be reliably estimated.

/ LIABILITIES

Non-current liabilities are reported in the Balance Sheet at amortized cost. Any differences between the historical costs of purchase and the repayment value are taken into account using the effective interest method. Liabilities from finance leases are reported in the Balance Sheet at the present value of the leasing installments. Current liabilities are recognized at the repayment value or settlement amounts.

/ GOVERNMENT GRANTS

Government grants related to assets are deducted from the cost of purchase or cost of goods sold and thus recognized in profit or loss as a reduced depreciation charge over the life of the depreciable asset. Government grants paid to compensate the Group for expenses are as a general rule recognized in profit or loss during the period in which the corresponding expenses were incurred. If a claim to an allocation arises retrospectively, the amount of the allocation that relates to earlier periods is recognized in income. Grants in the form of non-monetary assets (e.g. free use of land and premises or use of resources for free) are recognized at nominal amount.

/ MANAGEMENT'S ESTIMATES AND ASSESSMENTS

To some degree, the preparation of the Consolidated Financial Statements entails assumptions and estimates with regard to the level and disclosure of the recognized assets and liabilities, income and expenses, and disclosures with regard to contingent receivables and liabilities for the reporting period. The assumptions and estimates relate principally to the following contents:

Impairment testing of non-financial assets (particularly goodwill, brand names and capitalized development costs) and of participations accounted for using the equity method or at the cost of purchase requires that assumptions be made with regard to future cash flows during the planning period and, where applicable, with regard to the discount rate to be applied. Any impairment of the Audi Group's leased assets is also dependent in particular on the residual value of the leased vehicles after the expiry of the lease period, as this represents a significant portion of the expected incoming payment flows. Further information on impairment testing and on the measurement parameters applied can be found in the disclosures on the recognition and measurement principles.

Carrying out impairment testing on financial assets requires estimates of the scale and likelihood of occurrence of future events. Where possible, these estimates are based on historical values. An overview of the value adjustments is included in the additional Notes to the Balance Sheet pursuant to IFRS 7.

Provisions are also recognized and measured on the basis of an estimate of the scale and likelihood of occurrence of future events and on an estimate of the discount rate of interest. Where possible, use is also made of past experience or of external expert reports. Measurement of provisions for pensions is additionally dependent on the estimated development of

the plan assets. The assumptions on which the calculation of provisions for pensions is based are described in Note 31. Actuarial gains or losses are reported in equity with no effect on profit or loss and have no impact on the profit reported in the Income Statement. Changes to estimates relating to the amount of other provisions are always recorded with an effect on profit or loss. The expected value approach means that subsequent allocations are regularly made to provisions or unused provisions are released. The dissolution of provisions is recorded as other operating income, while the expense associated with the creation of new provisions is directly allocated to the relevant functional area. Warranty claims resulting from sales operations are determined on the basis of previous or estimated future losses. An overview of other provisions is provided in Note 33. Details with regard to litigation are provided in Note 40. The aforementioned points also contain information on the diesel issue.

Government grants are recorded based on the assessment of whether there is sufficient certainty that the required conditions are met and the grants will actually be awarded. This assessment is based on the type of legal entitlement and on past experience.

When calculating deferred tax assets, assumptions are required with regard to future taxable income and the dates on which the deferred tax assets are likely to be realized.

The assumptions and estimates are based on premises that reflect the facts as known at any given time. In particular, the circumstances at the time of the preparation of the Consolidated Financial Statements as well as the realistically assumed future development of the global and industry-specific environment are used as a basis for estimating expected future business development. Given that future business development is subject to various uncertain factors,

some of which are outside the Group's control, the assumptions and estimates applied continue to be subject to a high level of uncertainty. This is particularly true of short and medium-term cash flow forecasts and of the discount rates used in forecasts.

Developments in this environment that deviate from assumptions and are beyond the management's sphere of influence may cause the actual amounts to differ from the estimates originally anticipated. If the actual development varies from the anticipated development, the premises and, if necessary, the carrying amounts for the assets and liabilities in question are adjusted accordingly.

The Audi Group anticipates a slight slowdown in global economic growth in 2018. The majority of the emerging markets will probably continue to grow faster than the industrialized countries, with the greatest increases in gross domestic product (GDP) again expected in Asia. However, political uncertainties, a sharper than expected rise in inflation, or early exit from the overall expansionary monetary policy could all dampen global growth prospects. In addition, geopolitical tensions and conflicts, structural weaknesses in individual countries and financial market turbulence continue to represent potential disruptive factors. Overall, as things currently stand, no major adjustment is expected in the carrying amounts of assets and liabilities in the Consolidated Balance Sheet in the 2018 fiscal year.

The management's estimates and assessments were based in particular on assumptions regarding the development of the economy as a whole, the development of automotive and motorcycle markets, and the development of the basic legal parameters. These aspects, as well as further assumptions, are described in detail in the report on expected developments.

NOTES TO THE INCOME STATEMENT

1 / REVENUE

<i>EUR million</i>	2017	2016
Audi brand	41,067	41,556
Lamborghini brand	933	853
Other Volkswagen Group brands	3,900	3,599
Other automotive business	13,494	12,579
Automotive	59,394	58,587
Ducati brand	600	593
Other motorcycles business	134	138
Motorcycles	734	730
Revenue	60,128	59,317

As well as revenue generated by the Audi and Lamborghini brands, revenue from the Automotive segment also includes revenue from the other brands in the Volkswagen Group. Revenue from other automotive business primarily comprises the supply of parts sets to China, as well as proceeds from the sale of engines and genuine parts. The figure also includes revenue from construction contracts amounting to EUR 173 (86) million.

2 / COST OF GOODS SOLD

Amounting to EUR 50,545 (49,390) million, cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. This item also includes expenses resulting from the creation of provisions for warranty costs, for development costs that cannot be capitalized, for depreciation and impairment losses of capitalized development costs, and for property, plant and equipment for manufacturing purposes. Impairment losses on property, plant and equipment totaling EUR 149 (71) million and on intangible assets totaling EUR 76 (14) million in the 2017 fiscal year can be attributed to the lower value in use of various products in the Automotive segment, mainly as a result of market risks. Government grants amounting to EUR 17 (28) million were recognized in profit or loss in the 2017 fiscal year. In principle, these allocations are allocated to the corresponding functional areas. The cost of goods sold also includes expenses of EUR 277 (423) million in relation to the diesel issue in North America.

3 / DISTRIBUTION COSTS

Distribution costs of EUR 5,297 (5,807) million mainly include labor and material costs for marketing and sales promotion, advertising, public relations activities and outward freight, as well as depreciation attributable to the sales organization. The figure for the previous year included expenses related to sales measures and sales risks in connection with the diesel issue in North America totaling EUR 182 million.

4 / ADMINISTRATIVE EXPENSES

Administrative expenses of EUR 685 (663) million include labor and material costs, as well as depreciation attributable to administrative operations.

5 / OTHER OPERATING INCOME

<i>EUR million</i>	2017	2016
Income from the dissolution of provisions	882	456
Income from rebilling	623	585
Income from derivative hedging transactions	607	432
Income from the processing of payments in foreign currency	389	322
Income from ancillary business	335	314
Income from the disposal of assets	32	12
Income from the reversal of impairment losses of receivables and other assets	6	4
Income from the write-up of property, plant and equipment and intangible assets	1	-
Miscellaneous operating income	451	519
Other operating income	3,326	2,643

Income from derivative hedging transactions mainly results from the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 37.5, "Methods of monitoring the effectiveness of hedging relationships."

Income from ancillary business includes rental income from investment property in the amount of EUR 25 (23) million.

Income from the processing of payments in foreign currency largely comprises gains resulting from exchange-rate movements between the dates of output and payment, as well as exchange-rate gains resulting from measurement on the closing date.

6 / OTHER OPERATING EXPENSES

EUR million	2017	2016
Expenses from derivative hedging transactions	603	1,140
Expenses from the processing of payments in foreign currency	596	367
Expenses relating to litigation risks and costs	258	1,029
Impairment losses on receivables	112	9
Expenses from the allocation and rebilling of costs	103	101
Losses on disposal of assets	8	52
Miscellaneous operating expenses	576	351
Other operating expenses	2,257	3,048

Expenses from derivative hedging transactions mainly result from the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 37.5, "Methods of monitoring the effectiveness of hedging relationships." Expenses relating to litigation risks and costs include expenses of EUR 53 (1,027) million in connection with the diesel issue. In addition, various effects related to the diesel issue in North America amounting to EUR 57 million are included in miscellaneous operating expenses.

7 / RESULT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The result from investments accounted for using the equity method amounted to EUR 526 (365) million. Further information on investments accounted for using the equity method is provided in Note 17.

8 / NET INTEREST RESULT

EUR million	2017	2016 ¹⁾
Other interest and similar income	86	63
Interest income	86	63
Other interest and similar expenses	-56	-77
Interest expense included in lease payments	-19	-18
Net interest on the net defined benefit liability	-91	-110
Result from unwinding of discounts on/discounting other non-current liabilities	42	-134
Interest expenses	-125	-339
Net interest result	-39	-277

1) The previous year was adjusted to take account of the new structure.

The structure within the financial result has been changed to improve its presentation and comparability. Net interest result is now presented instead of finance expenses. This restructuring led to changes in various items within the financial result. The previous year was adjusted accordingly.

9 / OTHER FINANCIAL RESULT

EUR million	2017	2016 ¹⁾
Result from participations	55	66
<i>of which income from profit transfer agreements</i>	9	3
<i>of which expenses from the transfer of losses</i>	-14	-1
Income from compensatory payments	271	237
Income and expenses from securities	8	6
Realized income and expenses from loan receivables and payables in foreign currency	-13	0
Income and expenses from remeasurement and impairment of financial instruments	-56	-6
Income and expenses from fair value changes of hedging instruments not included in hedge accounting	-648	-402
Income and expenses from fair value changes of hedging instruments included in hedge accounting	9	6
Other financial result	-375	-94

1) The previous year was adjusted to take account of the new structure.

The result from participations mainly comprises a share in the profits of Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg. Furthermore, impairment losses of EUR 13 (15) million are included on an investment in the Automotive segment. Among other factors, this is attributable to the continued negative business performance of the participation.

In addition to disposal gains and losses, income and expenses from securities now include the other income and expenses from securities. These were reported in "Interest and similar income" in the previous year.

Income from compensatory payments concerns a financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, in relation to the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

10 / INCOME TAX EXPENSE

Income tax expense includes taxes passed on by Volkswagen AG, Wolfsburg, on the basis of the single-entity relationship between the two companies for tax purposes, along with taxes owed by AUDI AG and its consolidated subsidiaries, as well as deferred taxes.

EUR 1,113 (576) million of the actual income tax expense was charged to Volkswagen AG.

<i>EUR million</i>	2017	2016
Actual income tax expense	1,468	975
<i>of which in Germany</i>	1,152	620
<i>of which international</i>	317	354
<i>of which income from the reversal of tax provisions</i>	- 7	- 4
Deferred tax income/expense	- 164	6
<i>of which in Germany</i>	- 229	30
<i>of which international</i>	64	- 24
Income tax expense	1,304	980
<i>of which non-periodic tax expense</i>	62	19

The actual taxes in Germany are calculated at a tax rate of 29.9 (29.9) percent. This represents the sum of the corporation income tax rate of 15.0 percent, the solidarity surcharge of 5.5 percent and the average trade income tax rate for the Group. The deferred taxes for companies in Germany are calculated at a rate of 29.9 (29.9) percent. The local income tax rates applied to international companies range from 0 percent to 37 percent.

The tax expense in the 2017 fiscal year increased by EUR 217 million due to the tax reform in the USA, which, among other things, provides for a reduction in the corporate tax rate from 35 to 21 percent. The increase is attributable to the remeasurement of deferred tax assets of subsidiaries in the USA.

The effects arising as a result of tax-exempt foreign revenue and tax benefits on research and development expenditure in Hungary are reported under tax-exempt revenue in the tax reconciliation accounts.

The impairment testing of deferred tax assets is generally based on future taxable income in the context of a planning period of five fiscal years. The result of the impairment test is a deferred tax expense from impairment of deferred tax assets of EUR 21 (27) million and deferred tax income from reversal of impairment of deferred tax assets of EUR 6 (80) million.

Loss carryforwards total EUR 3,075 (3,328) million, of which EUR 151 (154) million may be used for an unlimited period, with EUR 2,924 (3,174) million to be used within the next ten years. Overall, loss carryforwards in the amount of EUR 2,057 (2,438) million were classed as unusable. In the 2017 fiscal year, the realization of tax losses led to a reduction in current income tax expense of EUR 50 (25) million. Deferred tax assets of EUR 225 (275) million relating to tax loss carryforwards were not reported due to impairment.

No deferred tax claims were recorded in the Balance Sheet for deductible temporary differences in the amount of EUR 1 (1) million. In the current fiscal year, the measurement of deferred tax assets relating to tax concessions led to their recognition in full in the Balance Sheet. In the previous year, no deferred tax claims were recognized in the Balance Sheet for tax concessions of EUR 12 million.

Deferred tax liabilities of EUR 94 (26) million for temporary differences and non-distributed profits of AUDI AG subsidiaries were not recorded due to the existence of control pursuant to IAS 12.39.

Deferred taxes of EUR 11 (9) million were capitalized, with no deferred tax liabilities in the corresponding amount being offset against them. Following a loss in the current fiscal year, the companies concerned are expecting to record a positive tax income in future.

Of the deferred taxes reported in the Balance Sheet, a total of EUR 680 (314) million was recorded in the current fiscal year with a resulting decrease in equity, without influencing the Income Statement.

The recording of actuarial gains without affecting profit or loss, pursuant to IAS 19, led to a decrease in equity of EUR 29 million in the current fiscal year from the creation of deferred taxes. During the previous year, deferred taxes of EUR 293 million on actuarial losses were taken into account, resulting in an increase in equity. The change in deferred taxes on the effects recognized in equity for derivative financial instruments and securities led to a decrease of EUR 652 (607) million in equity during the course of the year.

Deferred taxes posted directly in equity in the current fiscal year are broken down in detail in the Statement of Comprehensive Income.

10.1 / DEFERRED TAX ASSETS AND LIABILITIES ON RECOGNITION AND MEASUREMENT DIFFERENCES RELATING TO INDIVIDUAL BALANCE SHEET ITEMS AND ON TAX LOSS CARRYFORWARDS

EUR million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	39	60	1,577	1,506
Property, plant and equipment	266	257	92	153
Long-term financial investments	-	-	33	36
Inventories	107	62	25	90
Receivables and other assets	251	456	903	744
Other current assets	245	156	-	0
Provisions for pensions	1,171	1,180	-	-
Liabilities and other provisions	2,036	2,389	34	41
Impairment losses on deferred tax assets from temporary differences	-44	-33	-	-
Temporary differences after impairment	4,070	4,526	2,664	2,570
Loss carryforwards after impairment	101	112	-	-
Tax credits after impairment	93	107	-	-
Value before consolidation and balancing	4,264	4,745	2,664	2,570
<i>of which non-current</i>	<i>2,664</i>	<i>3,233</i>	<i>2,035</i>	<i>2,011</i>
Offsetting	-2,452	-2,356	-2,452	-2,356
Consolidation measures	191	213	4	3
Carrying amount	2,003	2,601	217	217

10.2 / RECONCILIATION OF EXPECTED TO REPORTED INCOME TAX EXPENSE

EUR million	2017	2016
Profit before income tax	4,783	3,047
Expected income tax expense 29.9% (29.9%)	1,430	911
Reconciliation:		
Divergent foreign tax burden	-92	-24
Tax portion for tax-exempt income	-261	-279
Tax portion for expenses not deductible for tax purposes	58	111
Tax portion for effects from loss carryforwards and tax credits	-38	-63
Tax portion for permanent accounting differences	-53	125
Non-periodic tax expense	62	19
Effects of tax rate changes	206	92
Other tax effects	-8	88
Income tax expense reported	1,304	980
Effective tax rate in %	27.3	32.2

11 / PROFIT TRANSFER TO VOLKSWAGEN AG

The amount of EUR 2,406 (918) million will be transferred to Volkswagen AG, Wolfsburg, under the profit transfer agreement with AUDI AG.

12 / EARNINGS PER SHARE

	2017	2016
Profit share of AUDI AG shareholders (EUR million)	3,555	1,985
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	82.69	46.16

Basic earnings per share are calculated by dividing the share of profit due to AUDI AG shareholders by the weighted average number of shares in circulation during the fiscal year. Diluted earnings per share are the same as basic earnings per share, since there were no options on AUDI AG shares in existence at either December 31, 2017, or December 31, 2016.

Free-float shareholders of AUDI AG will receive a compensatory payment for each no-par share in lieu of a dividend for the 2017 fiscal year. The level of this payment corresponds to the dividend that is paid on one ordinary share of Volkswagen AG, Wolfsburg. A decision regarding the dividend payment will be made at the Annual General Meeting of Volkswagen AG on May 3, 2018.

13 / ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE INCOME STATEMENT

13.1 / CATEGORIES

Financial instruments are categorized as follows in accordance with IFRS 7:

- > measured at fair value,
- > measured at amortized cost,
- > not within the scope of IFRS 7.

Shares in non-consolidated subsidiaries, as well as investments in associated companies and joint ventures are not within the scope of IFRS 7. These are not deemed to be financial instruments for the purposes of IAS 39.

13.2 / NET RESULTS OF FINANCIAL INSTRUMENTS BASED ON MEASUREMENT CATEGORIES PURSUANT TO IAS 39

EUR million	2017	2016
Financial instruments measured at fair value through profit or loss	-648	-402
Loans and receivables	-317	172
Available-for-sale financial assets	76	61
Financial liabilities measured at amortized cost	331	-160
Net results of financial instruments	-558	-329

The net results from financial instruments include the net income or expenses from interest, fair value measurements, foreign currency translation, adjustments and disposal gains.

The “Financial instruments measured at fair value through profit or loss” category presents the results from the settlement and measurement of derivative financial instruments not allocated to hedge accounting. The “Loans and receivables” and “Financial liabilities measured at amortized cost” categories essentially consist of interest income and expenses, income and expenses from the measurement and processing of foreign currency transactions. Financial liabilities also include factoring expenses. The “Loans and receivables” category also includes impairment losses on receivables. The net result for “Available-for-sale financial assets” predominantly comprises income from investments in securities.

13.3 / INTEREST INCOME AND EXPENSES FOR FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

EUR million	2017	2016
Interest income	85	63
Interest expenses	-67	-69
Interest income and expenses	18	-6

Interest income that does not relate to financial instruments measured at fair value primarily covers interest from the Audi Group’s cash and cash equivalents, fixed deposits and loans extended. Interest expenses not relating to the financial instruments measured at fair value largely comprises factoring expenses arising in connection with the sale of receivables to Volkswagen Group Services S.A./N.V., Brussels (Belgium), and to subsidiaries of Volkswagen AG, Wolfsburg, which are not part of the Audi Group.

13.4 / IMPAIRMENT LOSSES FOR FINANCIAL ASSETS BY CATEGORY

EUR million	2017	2016
Measured at fair value	1	7
Measured at amortized cost	57	10
Impairment losses	58	18

The impairment losses relate to financial assets, such as impairment losses on receivables or securities.

13.5 / GAINS AND LOSSES FROM HEDGING ACTIVITIES

In 2017, EUR 112 million was transferred with a positive effect on the result from the cash flow hedge reserve to other operating profit, and EUR 1 million was transferred to cost of goods sold, with a negative effect on the result. In the 2016 fiscal year, EUR 836 million was transferred with a negative effect on the result to other operating profit, and EUR 27 million was transferred to cost of goods sold, with a negative effect on the result.

The following table provides an overview of income and expenses from hedging relationships recorded in the financial result.

EUR million	2017	2016
Hedging instruments fair-value-hedge	47	-13
Underlying transactions fair value hedge	-37	17
Ineffectiveness	-1	2

The ineffective portion of cash flow hedges relates to the income or expenses from changes in fair value of hedging instruments exceeding that of changes in fair value of the underlying transactions that are shown to be within the permitted range of 80 to 125 percent when measuring effectiveness.

NOTES TO THE BALANCE SHEET

14 / INTANGIBLE ASSETS

EUR million	Dec. 31, 2017	Dec. 31, 2016
Concessions, industrial property rights and similar rights and assets as well as licenses and customer bases	322	309
Brand names	410	412
<i>of which Automotive</i>	6	8
<i>of which Motorcycles</i>	404	404
Goodwill	378	378
<i>of which Automotive</i>	88	88
<i>of which Motorcycles</i>	290	290
Capitalized development costs	5,666	5,447
<i>of which products currently under construction</i>	2,043	1,615
<i>of which products currently in use</i>	3,623	3,832
Payments on account for intangible assets	9	4
Intangible assets	6,785	6,550

The reported goodwill retained its value during the fiscal year. The value is also deemed retained in the event of a variation in the growth forecast and/or discount rate of +/- 0.5 percentage points.

// RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

EUR million	2017	2016
Research expense and non-capitalized development costs	2,565	2,770
Amortization of and impairment losses (reversals) on capitalized development costs	1,025	871
Research and development expenditure	3,590	3,640

During the 2017 fiscal year, a total of EUR 3,809 (4,446) million was spent on research and development. Of this total, EUR 1,243 (1,676) million was capitalized. This includes capitalized borrowing costs in the amount of EUR 29 (24) million. An average rate of borrowing costs of 1.5 (1.5) percent was used as a basis for capitalization in the Audi Group. The capitalization ratio is 32.6 (37.7) percent.

15 / PROPERTY, PLANT AND EQUIPMENT

EUR million	Dec. 31, 2017	Dec. 31, 2016
Land, land rights and buildings, including buildings on third-party land	4,946	4,855
Plant and machinery	2,519	2,727
Other plant and office equipment	3,927	4,082
Advance payments and assets under construction	2,268	927
Property, plant and equipment	13,660	12,591
<i>of which finance lease</i>	<i>74</i>	<i>77</i>

Land and buildings are secured with mortgages totaling EUR 16 (16) million. Finance leases exist mainly for land and buildings.

The leases are based on an interest rate of up to 11.6 (12.0) percent depending on the region. Options to purchase or extend the lease have partially been arranged.

// FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE FINANCE LEASES

EUR million	2018	2019 to 2022	from 2023	Total
Leasing payments made	8	29	85	121
Interest elements	7	27	17	51
Present value	1	2	68	71

EUR million	2017	2018 to 2021	from 2022	Total
Leasing payments made	8	33	99	141
Interest elements	7	29	29	65
Present value	1	4	70	76

Payments totaling EUR 200 (191) million for assets rented on the basis of operating leases were recognized as an expense.

16 / LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY

Leasing and rental assets, amounting to EUR 6 (3) million refers to vehicles which were leased out as part of an operating lease agreement.

Investment property totaling EUR 346 (364) million is leased out. No impairment losses were recorded for the 2017 fiscal year, as was also the case in the previous year. Operating costs totaling EUR 6 (3) million were incurred in relation to maintenance of the investment property.

The fair value of investment property exceeds the amortized costs by EUR 95 (60) million. Fair values are calculated as a

general rule using a discounted cash flow method and correspond to level 3 of the fair value hierarchy.

Of the investment property, land and buildings totaling EUR 209 (213) million have been leased by the Audi Group within the scope of finance leases. These leases are based on a maximum interest rate of 9.0 (9.0) percent. In some cases, options to purchase or extend the lease have been arranged. The finance lease payments due in future are listed together with their present values under Note 16.1.

The investment property is leased to third parties by means of either operating or finance leases. The resulting payments are shown in the following Notes. Payment flows from the Audi Group from properties rented out by means of finance lease agreements are shown under Note 16.1, and payment flows from the rental of properties that are under the legal ownership of the Audi Group are shown under Note 16.2.

16.1 / FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE FINANCE LEASES

<i>EUR million</i>	2018	2019 to 2022	from 2023	Total
Leasing payments made	18	89	272	378
Interest elements	10	52	72	134
Present value	8	37	200	244
Leasing payments received from sub-leasing (operating lease)	18	73	248	338
Leasing payments received from sub-leasing (finance lease)	1	6	24	31
Interest elements	1	4	6	11
Present value	0	3	18	21

<i>EUR million</i>	2017	2018 to 2021	from 2022	Total
Leasing payments made	19	81	294	394
Interest elements	11	54	87	152
Present value	7	27	208	242
Leasing payments received from sub-leasing (operating lease)	17	60	268	344
Leasing payments received from sub-leasing (finance lease)	1	5	28	34
Interest elements	1	6	6	13
Present value	0	-1	22	22

16.2 / FUTURE PAYMENTS IN RELATION TO NON-CANCELABLE OPERATING LEASES

<i>EUR million</i>	2018	2019 to 2022	from 2023	Total
Leasing payments received from non-cancelable operating leases	18	56	18	93

<i>EUR million</i>	2017	2018 to 2021	from 2022	Total
Leasing payments received from non-cancelable operating leases	11	29	30	70

17 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Financial information on the material associated companies can be found in the following tables. The figures reflect the

full values of the (converted) financial statements. Any adjustments to separate financial statements made during the application of the equity method have been taken into account accordingly.

17.1 / NOTES TO THE BALANCE SHEET

<i>EUR million</i>	Dec. 31, 2017		
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V.
Non-current assets	10,071	1,033	1,906
Current assets	13,018	827	289
Non-current liabilities	1,470	730	-
Current liabilities	14,768	543	0
Net carrying amount	6,851	586	2,195

<i>EUR million</i>	Dec. 31, 2016			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V.
Non-current assets	9,341	5,104	1,015	2,802
Current assets	12,962	18,040	684	592
Non-current liabilities	1,774	8	504	1,044
Current liabilities	13,063	12,275	830	518
Net carrying amount	7,466	10,860	365	1,832

17.2 / RECONCILIATION AT CARRYING AMOUNT OF PARTICIPATIONS

EUR million	2017			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V.
Net carrying amount as of Jan. 1	7,466	10,860	365	1,832
Profit after tax	3,538	77	159	362
Other comprehensive income after tax	-398	3	-25	2
Change in capital	-	-	88	-
Dividends paid	-3,755	-	-	-
Net carrying amount as of Dec. 31 ¹⁾	6,851	10,939	586	2,195
Pro rata equity	343	3,282	254	646
Consolidation/Other	-18	-	-	-
Carrying amount of equity share ²⁾	324	3,282	254	646

1) For Volkswagen Group Services S.A./N.V., the net carrying amount and the reconciliation of the carrying amount of the equity share as of November 30, 2017, are shown.

2) Shares of FAW-Volkswagen Automotive Company, Ltd. and There Holding B.V. were classified as available for sale under IFRS 5 (see Note 25).

EUR million	2016			
	FAW-Volkswagen Automotive Company, Ltd.	Volkswagen Group Services S.A./N.V.	Volkswagen Automatic Transmission (Tianjin) Company Limited	There Holding B.V. ¹⁾
Net carrying amount as of Jan. 1	7,825	9,686	323	2,003
Profit after tax	3,970	174	-59	-167
Other comprehensive income after tax	-243	0	-11	-4
Change in capital	-	1,000	112	-
Dividends paid	-4,085	-	-	-
Net carrying amount as of Dec. 31	7,466	10,860	365	1,832
Pro rata equity	747	3,258	179	611
Consolidation/Other	-31	-	-	-
Carrying amount of equity share	716	3,258	179	611

1) The reconciliation of the net carrying amount refers to the period between December 5, 2015, and December 31, 2016.

17.3 / DISCLOSURES ON THE RESULT

EUR million	FAW-Volkswagen Automotive Company, Ltd.		Volkswagen Group Services S.A./N.V. ¹⁾		Volkswagen Automatic Transmission (Tianjin) Company Limited		There Holding B.V. ²⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue ³⁾	40,828	40,875	23	42	1,790	662	71	1,240
Result from continued operation	3,538	3,970	77	174	159	-59	-151	-1
Result from discontinued operation	-	-	-	-	-	-	513	-166
Profit after tax	3,538	3,970	77	174	159	-59	362	-167
Other comprehensive income after tax	-398	-243	3	0	-25	-11	2	-4
Total comprehensive income	3,140	3,727	79	174	134	-70	364	-171
Dividends received	376	409	-	-	-	-	-	-

1) For Volkswagen Group Services S.A./N.V., the information for the current year relates to the period from January 1, 2017 to November 30, 2017.

2) The figures for There Holding B.V. for the previous year refer to the period between December 5, 2015, and December 31, 2016.

3) The revenue of There Holding B.V. relates to the discontinued operation.

18 / DEFERRED TAX ASSETS

The temporary differences between the tax balance sheet and the carrying amounts in the Consolidated Financial Statements are explained under “Deferred tax” in the “Recognition and measurement principles,” and under Note 10, “Income tax expense.”

19 / OTHER FINANCIAL ASSETS**19.1 / NON-CURRENT FINANCIAL ASSETS**

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Positive fair values from derivative financial instruments	1,172	837
Fixed deposits and loans extended	3,726	393
Receivables from finance leases	21	22
Miscellaneous financial assets	21	23
Non-current other financial assets	4,940	1,275

The non-current fixed deposits and loans extended accrue interest at rates of up to 4.5 (4.5) percent. Derivative financial instruments are measured at market value. The total position in relation to hedging instruments is presented under Note 37.5, “Methods of monitoring the effectiveness of hedging relationships.”

19.2 / CURRENT OTHER FINANCIAL ASSETS

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Positive fair values from derivative financial instruments	723	567
Fixed deposits and loans extended	435	178
Receivables from finance leases	4	4
Miscellaneous financial assets	786	831
Current other financial assets	1,947	1,580

19.3 / POSITIVE FAIR VALUE OF NON-CURRENT AND CURRENT DERIVATIVE FINANCIAL INSTRUMENTS

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Cash flow hedges	1,618	1,334
<i>of which to hedge against currency risks from future cash flows</i>	1,618	1,325
<i>of which to hedge against commodity price risks from future cash flows</i>	-	9
Other derivative financial instruments	277	70
Positive fair values of derivative financial instruments	1,895	1,404

20 / OTHER RECEIVABLES**20.1 / NON-CURRENT OTHER RECEIVABLES**

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Tax claims	2	2
Miscellaneous receivables	143	171
Non-current other receivables	145	172

20.2 / CURRENT OTHER RECEIVABLES

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Tax claims	496	549
Miscellaneous receivables	680	662
Current other receivables	1,176	1,211

21 / INVENTORIES

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Raw materials and supplies	801	787
Work and services in progress	888	885
Finished goods and products	5,104	4,629
Current leased assets	1,101	932
Inventories	7,893	7,233

Inventories amounting to EUR 45,857 (44,536) million were recorded as cost of goods sold at the same time that the revenue from them was realized. The impairment resulting from the measurement of inventories on the basis of sales markets amounted to EUR 394 (295) million. Impairment loss reversals amounted to EUR 2 million.

Of the finished goods inventory, a portion of the company car fleet valued at EUR 263 (258) million has been pledged as collateral for commitments toward employees under the partial retirement block model.

Leased vehicles with an operating lease term of up to one year were reported under inventories in the amount of EUR 1,101 (932) million. In the following fiscal year, payments in the amount of EUR 55 (57) million are expected from non-cancelable leasing arrangements.

22 / TRADE RECEIVABLES

Trade receivables of EUR 5,533 (4,880) million will be realized within the next twelve months. Impairment losses on trade receivables are detailed under Note 37.2, "Credit and default risks."

Trade receivables also include receivables from construction contracts. These are calculated as follows:

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Contract costs and proportionate contract profit/loss of construction contracts	280	239
Progress billings	–	–
Percentage of completion receivables, gross	280	239
Advance payments	–158	–159
Percentage of completion receivables, net	123	80

Other advance payments for construction contracts amounting to EUR 14 (52) million, for which no construction costs have yet been incurred, are recognized under liabilities as payments received on account of orders and services.

23 / EFFECTIVE INCOME TAX ASSETS

Entitlements to income tax rebates, predominantly for international Group companies, are reported under this item.

24 / SECURITIES, CASH AND CASH EQUIVALENTS

Securities include fixed or variable-interest securities and shares in equity in the amount of EUR 6,002 (6,028) million.

Cash funds amounting to EUR 11,273 (11,449) million essentially comprise credit balances with banks and affiliated companies. The credit balances with banks amounting to EUR 1,177 (753) million are held at various banks in different currencies. Balances with affiliated companies include daily and short-term investments with only marginal risk of fluctuations in value and amount to EUR 10,096 (10,669) million.

25 / AVAILABLE-FOR-SALE ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In December 2017, contracts for the sale of a respective 5.9 percent of the shares in There Holding B.V., Rijswijk (Netherlands), were signed between Audi, BMW and Daimler, of the one part, and Robert Bosch Investment Nederland B.V., Boxtel (Netherlands), and Continental Automotive Holding Netherlands B.V., Maastricht (Netherlands), of the other part. The Audi Group's shareholding in There Holding B.V. will consequently be reduced by 3.9 percentage points. An amount of EUR 86 million was reclassified to available-for-sale assets based on the carrying amount of this investment determined using the equity method.

In addition, the sale of 5 percent of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), is being negotiated with Volkswagen AG, Wolfsburg. EUR 279 million has also been reclassified to available-for-sale assets based on the carrying amount of this investment determined using the equity method.

The above transactions in the Automotive segment are subject to regulatory approval.

26 / EQUITY

Information on the composition and development of equity is provided on pages 182 and 183 in the Statement of Changes in Equity.

The share capital of AUDI AG is unchanged, at EUR 110,080,000. Each share represents a notional share of EUR 2.56 of the subscribed capital. This capital is divided into 43,000,000 no-par bearer shares.

The capital reserve contains additional payments from the issuance of shares in the company, as well as cash injections by Volkswagen AG, Wolfsburg. During the year under review, the capital reserve of AUDI AG rose to EUR 12,175 million as a result of a contribution in the amount of EUR 459 million by Volkswagen AG.

Retained earnings comprise accumulated gains and the remeasurements from pension plans.

Other reserves include changes in value recognized with no effect on profit or loss relating to cash flow hedges, to the market values of securities and to interests measured at equity, as well as currency translation differences.

The opportunities and risks under forward exchange contracts and foreign exchange options, and those under com-

modity price transactions serving as hedges for future cash flows are deferred in the reserve for cash flow hedges with no effect on profit or loss. When the cash flow hedges become due, the results from the settlement of the hedging contracts are shown in the operating profit.

Unrealized gains and losses from the measurement at fair value of available-for-sale financial assets are recognized in the reserve for the market-price measurement of securities. Upon disposal of the securities, share price gains and losses realized are reported under the financial result.

Currency translation differences that do not affect profit or loss and, on a pro rata basis, cash flow hedges with no effect on profit or loss as well as the effects from the remeasurement of pension schemes of companies valued at equity are included in the reserve for investments accounted for using the equity method.

The balance of EUR 1,149 (1,067) million remaining after the transfer of profit to Volkswagen AG is transferred to the retained earnings.

Summarized information on the individual financial statements from the material companies in which non-controlling interests hold a stake is provided in the following table.

26.1 / NOTES TO THE BALANCE SHEET

EUR million	Audi of America, LLC		Audi Canada Inc.	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	300	476	59	61
Current assets	3,936	3,697	501	494
Non-current liabilities	592	678	93	105
Current liabilities	3,264	2,957	363	357
Non-controlling interests	380	539	103	93

26.2 / DISCLOSURES ON THE RESULT AND THE CASH FLOW STATEMENT

EUR million	Audi of America, LLC		Audi Canada Inc.	
	2017	2016	2017	2016
Revenue	9,899	9,152	1,455	1,209
Profit after tax¹⁾	-93	62	16	17
Other comprehensive income after tax	-66	18	-5	5
Total comprehensive income	-159	81	10	22
Share of total comprehensive income of non-controlling interests	-159	81	10	22
Dividends paid to other non-controlling interests	-	-	-	-
Cash flow from operating activities	-278	1,224	-23	77
Cash flow from investing activities	-221	764	91	-40
<i>of which change in fixed deposits and loans extended</i>	-229	767	91	-40
Cash flow from financing activities	460	-1,172	-96	-62
Change in cash and cash equivalents due to changes in exchange rates	-230	37	-9	8
Change in cash and cash equivalents	-269	854	-37	-17

1) No operations were discontinued in the period under review.

27 / FINANCIAL LIABILITIES**27.1 / NON-CURRENT FINANCIAL LIABILITIES**

EUR million	Dec. 31, 2017	Dec. 31, 2016
Loans	35	17
Liabilities from finance leases	293	297
Non-current financial liabilities	328	314

27.2 / CURRENT FINANCIAL LIABILITIES

EUR million	Dec. 31, 2017	Dec. 31, 2016
Liabilities to factoring companies	50	56
Loans	248	426
Liabilities from finance leases	22	21
Current financial liabilities	319	502

Measurement of the non-current and current finance leases is based on market interest rates in each case.

28 / DEFERRED TAX LIABILITIES

The temporary differences between the valuations in the tax balance sheet and the carrying amounts in the Consolidated Financial Statements are explained under "Deferred tax" in the "Recognition and measurement principles," and under Note 10, "Income tax expense."

Pursuant to IAS 1, deferred tax liabilities are reported as non-current liabilities, irrespective of their maturities.

29 / OTHER FINANCIAL LIABILITIES**29.1 / NON-CURRENT OTHER FINANCIAL LIABILITIES**

EUR million	Dec. 31, 2017	Dec. 31, 2016
Negative fair values from derivative financial instruments	432	893
Miscellaneous financial liabilities	16	99
Non-current other financial liabilities	448	993

The derivative financial instruments reported under other financial liabilities, which largely refer to currency hedges, are measured at market value. The total item of currency hedging instruments is presented under Note 37, "Management of financial risks."

29.2 / CURRENT OTHER FINANCIAL LIABILITIES

EUR million	Dec. 31, 2017	Dec. 31, 2016
Negative fair values from derivative financial instruments	300	1,128
Liability from the transfer of profit	2,406	918
Miscellaneous financial liabilities	2,222	1,847
Current other financial liabilities	4,928	3,893

29.3 / NEGATIVE FAIR VALUE OF NON-CURRENT AND CURRENT DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	Dec. 31, 2017	Dec. 31, 2016
Cash flow hedges	129	1,302
<i>of which to hedge against currency risks from future cash flows</i>	129	1,295
<i>of which to hedge against commodity price risks from future cash flows</i>	-	7
Other derivative financial instruments	603	720
Negative fair values of derivative financial instruments	732	2,022

30 / OTHER LIABILITIES**30.1 / NON-CURRENT OTHER LIABILITIES**

EUR million	Dec. 31, 2017	Dec. 31, 2016
Advance payments for orders from customers and for service agreements	805	809
Liabilities from other taxes	3	1
Social security liabilities	38	35
Liabilities from payroll accounting	85	81
Miscellaneous liabilities	274	299
Non-current other liabilities	1,205	1,225

Liabilities with a time to maturity of more than five years amount to EUR 11 (138) million.

30.2 / CURRENT OTHER LIABILITIES

EUR million	Dec. 31, 2017	Dec. 31, 2016
Advance payments for orders from customers and for service agreements	778	817
Liabilities from other taxes	260	241
Social security liabilities	164	142
Liabilities from payroll accounting	1,227	1,047
Miscellaneous liabilities	79	255
Current other liabilities	2,508	2,503

31 / PROVISIONS FOR PENSIONS

Provisions for pensions are created on the basis of plans to provide retirement, disability and surviving dependent benefits. The benefit amounts are generally contingent on the length of service and the remuneration of the employees.

Both defined contribution and defined benefit plans exist within the Audi Group for retirement benefit arrangements. In the case of defined contribution plans, the Company pays contributions to public or private-sector pension plans on the basis of statutory or contractual requirements, or on a voluntary basis. Payment of these contributions releases the Company from any other benefit obligations. Current contribution payments are reported as an expense for the year in question. In the case of the Audi Group, they totaled EUR 397 (389) million. Of this, contributions of EUR 370 (362) million were paid in Germany toward statutory pension insurance.

The retirement benefit systems are based predominantly on defined benefit plans, where a distinction is made between provision-based systems and externally financed systems. The provisions for pensions for defined benefit plans are calculated by independent actuaries in accordance with IAS 19 using the projected unit credit method. This measures future obligations on the basis of the pro-rata benefit entitlements acquired as of the balance sheet date. The measurement takes account of actuarial assumptions regarding discount rates, remuneration and retirement benefit trends and staff turnover rates. Actuarial gains and losses result from deviations in what has actually occurred compared with the assumptions made during the previous year and from changes in assumptions. They are reported in equity with no effect on profit or loss during the period in which they occur as part of remeasurement, taking deferred taxes into account. These remeasurements also include the interest income from plan assets.

The retirement benefit scheme within the Audi Group was developed into a Contractual Trust Arrangement (CTA) in Germany on January 1, 2001. The trust is a contribution-based retirement benefit scheme with guarantees backed by Volkswagen Pension Trust e.V., Wolfsburg. An annual cost of providing benefits, based on remuneration and status, is converted into a retirement benefits entitlement payable for life (guarantee components) using annuity conversion factors. The annuity conversion factors include a guaranteed rate of interest. When the benefits are due, the retirement benefits components acquired annually are added together. The cost of providing benefits is invested on an ongoing basis in a dedicated fund that is managed on a fiduciary basis by Volkswagen Pension Trust e.V. and invested in the capital market. If the plan assets are higher than the present value of the obligations calculated using the guaranteed interest rate, a surplus is allocated (surplus components).

The pension fund model is classed as a defined benefit plan pursuant to IAS 19. The dedicated fund administered on a fiduciary basis satisfies the requirements of IAS 19 as plan assets and has therefore been offset against the obligations.

31.1 / AMOUNTS RECORDED IN THE BALANCE SHEET FOR DEFINED BENEFIT OBLIGATIONS

<i>EUR million</i>	Dec. 31, 2017	Dec. 31, 2016
Present value of externally funded defined benefit obligations	2,615	2,426
Fair value of plan assets	1,617	1,480
Funded status (balance)	998	946
Present value of defined benefit obligations not externally funded	4,137	4,256
Amount not capitalized under IAS 19 due to the limit on a defined benefit asset	-	-
Provisions for pensions recognized in the Balance Sheet	5,134	5,202

31.2 / PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

<i>EUR million</i>	2017	2016
Present value as of Jan. 1	6,682	5,512
Service costs	253	198
Interest expense	118	145
Actuarial gains (-)/losses (+) following changes in demographic assumptions	-1	0
Actuarial gains (-)/losses (+) following changes in financial assumptions	-127	+987
Actuarial gains (-)/losses (+) following experience-based adjustments	-63	-38
Pension payments from company assets	-110	-108
Pension payments from fund assets	-10	-10
Past service costs (incl. plan curtailment)	-	-
Effects from transfers	14	-1
Currency differences	-4	-1
Classified as held for sale	-	-1
Present value as of Dec. 31	6,752	6,682

31.3 / SENSITIVITY ANALYSES

Present value of defined benefit pension obligation if		Dec. 31, 2017		Dec. 31, 2016	
		EUR million	in %	EUR million	in %
Discount rate	+ 0.5 percentage points	6,090	- 9.80%	6,018	- 9.95%
	- 0.5 percentage points	7,524	11.44%	7,459	11.63%
Remuneration trend	+ 0.5 percentage points	6,838	1.27%	6,779	1.44%
	- 0.5 percentage points	6,672	- 1.18%	6,593	- 1.34%
Retirement benefit trend	+ 0.5 percentage points	7,122	5.49%	7,071	5.82%
	- 0.5 percentage points	6,416	- 4.97%	6,330	- 5.27%
Life expectancy	+ 1 year	6,940	2.80%	6,872	2.84%

A change of half a percentage point in each case in the key actuarial assumptions used to calculate the present value of the defined benefit pension obligation would result in the effects shown in the table.

The sensitivity analyses take into account a changed assumption in each case, although the other assumptions remain unchanged compared with the original calculation, meaning that potential correlation effects between the individual assumptions are not taken into account.

To investigate the sensitivity of the present value of the defined benefit obligation to any change in the assumed life expectancy, the expected mortality rate is reduced on a scale that is roughly equivalent to an increase in life expectancy of one year.

31.4 / ALLOCATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AMONG THE PLAN MEMBERS

EUR million	2017	2016
Active beneficiary members	4,644	4,548
Members with vested entitlements who have left the company	195	176
Pensioners	1,912	1,958
Present value as of Dec. 31	6,752	6,682

31.5 / MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION

EUR million	2017	2016
Due within the next fiscal year	158	149
Due within two to five years	1,034	964
Due after more than five years	5,560	5,569
Present value as of Dec. 31	6,752	6,682

The average weighted term during which the Audi Group's defined benefit obligation will apply, based on the current perspective, is 22 (22) years (Macaulay Duration).

31.6 / FAIR VALUE OF PLAN ASSETS

EUR million	2017	2016
Plan assets as of Jan. 1	1,480	1,291
Interest income from plan assets	27	35
Income/expenses from plan assets not recognized in interest income	- 27	12
Employer contributions to the fund	146	150
Employee contributions to the fund	0	0
Pension payments from the fund	- 10	- 10
Effects from transfers	3	3
Currency differences	- 2	- 1
Plan assets as of Dec. 31	1,617	1,480

Employer contributions to the fund totaling EUR 122 (123) million are expected for the following fiscal year.

31.7 / COMPOSITION OF PLAN ASSETS

EUR million	Dec. 31, 2017			Dec. 31, 2016		
	Market price in an active market	No market price in an active market	Total	Market price in an active market	No market price in an active market	Total
Cash and cash equivalents	123	–	123	25	–	25
Debt instruments	2	–	2	2	–	2
Equity funds	225	–	225	199	–	199
Pension funds	1,153	106	1,259	1,144	100	1,245
Real estate funds	7	–	7	10	–	10
Other funds	–	–	–	–	–	–
Plan assets	1,511	106	1,617	1,380	100	1,480

As well as the general market risk, the plan assets of Volkswagen Pension Trust e.V., Wolfsburg, are mainly exposed to interest rate and share price risks. The plan assets are largely invested in investment funds composed of fixed interest securities or shares. To cushion the market risk, the benefit system provides for funds to be allocated to a fluctuation reserve prior to each surplus allocation. Additionally, the investment strategy and its implementation are monitored on an ongoing basis by the bodies of Volkswagen Pension Trust e.V., which include representatives from AUDI AG. Asset liability management studies are also carried out at regular intervals, ensuring that the investment is compatible with the obligations in question.

The present value of the obligation is subject to interest rate risk. Should the value of the plan assets fall below the present value of the guaranteed obligation, provisions should be created in the amount of the shortfall.

The benefit system provides for lifelong pension payments. In order to take longevity risk into account, the most up-to-date generation mortality reference tables “HEUBECK-RICHTTAFELN 2005 G” are used, as these have already considered the

probability of greater life expectancy in the future. As an additional measure, annual risk monitoring is carried out by an independent actuary as part of the review of the assets held by Volkswagen Pension Trust e.V. To reduce the inflation risk presented by the adjustment of current pension payments in line with the rate of inflation, a non-inflation linked indexing of pensions has been applied to pension obligations where legally permissible.

31.8 / AMOUNTS RECOGNIZED THROUGH PROFIT OR LOSS FROM BENEFIT OBLIGATIONS

EUR million	2017	2016
Service costs	253	198
Net interest expense (+) and income (–)	+ 91	+ 110
Past service costs (incl. plan curtailment)	–	–
Balance of amounts from defined benefit obligations recognized through profit or loss	343	308

Net interest expense/income includes the interest expense from the defined benefit obligation and the expected return on plan assets (net interest approach).

31.9 / DEVELOPMENT OF PROVISIONS FOR PENSIONS

EUR million	2017	2016
Provisions for pensions as of Jan. 1	5,202	4,221
Service costs	253	198
Interest expense	118	145
Interest income from plan assets	-27	-35
Income/expenses from plan assets not recognized in interest income	27	-12
Actuarial gains (-)/losses (+) following changes in demographic assumptions	-1	0
Actuarial gains (-)/losses (+) following changes in financial assumptions	-127	+ 987
Actuarial gains (-)/losses (+) following experience-based adjustments	-63	-38
Pension payments from company assets	-110	-108
Employer contributions to the fund	-146	-150
Effects from transfers	11	-3
Currency differences	-2	0
Classified as held for sale	-	-1
Provisions for pensions as of Dec. 31	5,134	5,202

31.10 / ACTUARIAL PREMISES FOR THE CALCULATION OF PENSION OBLIGATIONS

in %	2017	2016
Discount rate	1.87	1.78
Remuneration trend	3.67	3.57
Retirement benefit trend	1.46	1.46
Employee turnover rate	1.17	1.07

The figures shown are average figures, weighted in accordance with the present values of the defined benefit obligation.

The “2005 G Reference Tables,” published by HEUBECK-RICHTTAFELN-GmbH, Cologne, served as the biometric basis for calculation of retirement benefits.

The discount rates are, as a general rule, determined on the basis of the yields on prime-rated corporate bonds. The remuneration trends encompass anticipated increases in wages and salaries, which also take account of pay increases linked to promotion. The retirement benefit trends either correspond to the contractually agreed guaranteed adjustments or are based on the relevant rules on pension indexing. The employee turnover rates are based on past experience and expectations for the future.

32 / EFFECTIVE INCOME TAX OBLIGATIONS

Effective income tax obligations consist primarily of tax liabilities to Volkswagen AG, Wolfsburg, under allocation plans.

33 / OTHER PROVISIONS

EUR million	Dec. 31, 2017		Dec. 31, 2016	
	Total	Of which due within one year	Total	Of which due within one year
Obligations from sales operations	8,806	4,008	8,823	4,062
Workforce-related provisions	1,078	266	1,027	221
Provisions for legal and litigation risks	956	436	1,668	1,125
Miscellaneous provisions	903	840	837	727
Other provisions	11,743	5,550	12,355	6,135

Provisions of EUR 387 (1,632) million were recognized in connection with the V6 3.0 TDI engine issue in North America in the fiscal year. On the balance sheet date, provisions amounted to EUR 931 (1,796) million. The provisions for the airbag recall totaled EUR 211 (232) million. In both cases, the year-on-year decline is largely attributable to utilization.

Obligations from sales operations primarily comprise warranty claims from the sale of vehicles, components and genuine parts. Warranty claims are determined on the basis of previous or estimated future losses. Obligations from sales operations also include sales measures such as rebates, bonuses and similar discounts. These comprise obligations that relate to revenue generated prior to the balance sheet date but arise subsequent to that date. Furthermore, provisions were recognized for technical measures for the affected four-cylinder TDI engines and the V6 3.0 TDI engines, as well as for sales measures. Provisions for the airbag recall are also included in the obligations from sales operations.

The workforce-related provisions are recognized for such purposes as partial retirement arrangements and long-service awards.

Provisions for legal and litigation risks include a range of court proceedings and claims primarily relating to product

liability and patent infringements. Furthermore, in relation to the V6 3.0 TDI engine issue, provisions are included for penalty payments, compensation and litigation.

Audi Group companies in several countries are involved in litigation regarding the affected four-cylinder TDI engines. Based on the agreements in place, Volkswagen AG, Wolfsburg, is responsible for defending these cases and the ensuing consequences. As a result, no resource outflows that would justify the creation of provisions are anticipated. It is considered highly improbable that the Audi Group will be the subject of a joint liability claim with regard to the four-cylinder TDI issue described. For this reason, no contingent liabilities were recognized.

Volkswagen AG is the subject of a claim for reimbursement amounting to EUR 328 (524) million as a consequence of the four-cylinder TDI issue.

The other provisions include reserves for price risks of EUR 144 (166) million.

Anticipated outflows from other provisions are 47 percent in the following year, 44 percent in the years 2019 through 2022 and 9 percent thereafter.

// CHANGE IN OTHER PROVISIONS

EUR million	Jan. 1, 2017	Currency differences	Changes in scope of consolidated companies	Utilization	Dissolution	Addition	Interest effect from measurement	Dec. 31, 2017
Obligations from sales operations	8,823	-163	6	3,032	531	3,736	-33	8,806
Workforce-related provisions	1,027	-2	-	164	21	231	7	1,078
Provisions for legal and litigation risks	1,668	-2	-	856	280	442	-15	956
Miscellaneous provisions	837	-11	-	393	49	518	0	903
Change in other provisions	12,355	-177	6	4,445	882	4,926	-40	11,743

34 / TRADE PAYABLES

Trade payables totaled EUR 7,313 (7,406) million. The customary retention of title applies to liabilities from deliveries of goods.

ADDITIONAL DISCLOSURES

35 / CAPITAL MANAGEMENT

The primary goal of capital management within the Audi Group is to ensure financial flexibility in order to achieve business and growth targets and to enable a continuous, steady growth in the value of the company. In particular, management is focused on achieving the minimum return demanded by the capital market on the invested assets.

To ensure that resources are deployed within the Audi Group as efficiently as possible, and to measure success, the return on investment (ROI) indicator is used.

The return on investment is the return on the average invested capital for a particular period based on the operating profit after tax. The Audi Group has set itself a minimum rate of return of 9 percent, applicable to both the segments and to the individual products and product lines.

Invested capital is calculated from the asset items on the balance sheet that serve the core business purpose (intangible assets, property, plant and equipment, leasing and rental assets, investment property, inventories and receivables) less non-interest-bearing liabilities (trade payables and advance payments). The average invested capital is calculated on the basis of the assets at the beginning and end of the fiscal year.

The return on investment is shown in the table below.

<i>EUR million</i>	2017	2016
Operating profit after tax	3,270	2,136
Invested assets (average)	22,659	19,978
Return on investment (ROI) in %	14.4	10.7

36 / ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE BALANCE SHEET

36.1 / FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Measurement of financial instruments at fair value is based on a three-level hierarchy and on the proximity of the measurement factors used to an active market. An active market is one in which homogeneous products are traded, where willing buyers and sellers can be found for them at all times, and where their prices are publicly available.

Level 1 of the fair value hierarchy involves the measurement of financial instruments, such as securities, listed on active markets.

Level 2 involves the measurement of financial instruments such as derivatives, where the fair value is calculated using measurement processes based on observable market data. Particular use is made of exchange rates, interest rates and

commodity prices, which can be observed on the corresponding markets and are acquired via ratings agencies.

Within the Audi Group, level 3 mainly covers residual value hedging arrangements with the retail trade. The input factors for measuring the future development of used car prices cannot be observed on active markets; they are forecast by various independent institutions. The residual value hedging model is explained in Note 37.4, "Market risks."

Furthermore, non-current commodity futures are also measured according to level 3, as the long-term nature of the contracts means that the key parameters for their measurement need to be extrapolated. The extrapolation for the different commodities is carried out on the basis of observable input factors, acquired via rating agencies. When measuring equity instruments, the respective company plans and the company-specific discount rates are always used.

The forward elements are now reported under derivative financial instruments with hedging relationships.

36.2 / CARRYING AMOUNT OF FINANCIAL INSTRUMENTS AS OF DEC. 31, 2017

EUR million		Reconciliation of balance sheet items to classes of financial instruments			
	Carrying amount as per Balance Sheet as of Dec. 31, 2017	Measured at fair value through profit or loss	Available for sale	Loans and receivables	
Other participations	1	-	1	-	
Other financial assets	4,940	88	-	3,747	
<i>of which from the positive fair values of derivative financial instruments</i>	1,172	88	-	-	
<i>of which fixed deposits and loans extended</i>	3,726	-	-	3,726	
<i>of which receivables from finance leases</i>	21	-	-	-	
<i>of which miscellaneous other financial assets</i>	21	-	-	21	
Non-current financial assets	4,941	88	1	3,747	
Trade receivables	5,533	-	-	5,533	
Other financial assets	1,947	190	-	1,221	
<i>of which from the positive fair values of derivative financial instruments</i>	723	190	-	-	
<i>of which fixed deposits and loans extended</i>	435	-	-	435	
<i>of which receivables from finance leases</i>	4	-	-	-	
<i>of which miscellaneous other financial assets</i>	786	-	-	786	
Securities	6,002	-	6,002	-	
Cash funds	11,273	-	-	11,273	
Current financial assets	24,755	190	6,002	18,026	
Financial assets	29,696	277	6,003	21,773	
Financial liabilities	328	-	-	-	
<i>of which liabilities from finance leases</i>	293	-	-	-	
<i>of which other financial liabilities</i>	35	-	-	-	
Other financial liabilities	448	397	-	-	
<i>of which from the negative fair values of derivative financial instruments</i>	432	397	-	-	
<i>of which miscellaneous other financial liabilities</i>	16	-	-	-	
Non-current financial liabilities	776	397	-	-	
Financial liabilities	319	-	-	-	
<i>of which liabilities from finance leases</i>	22	-	-	-	
<i>of which other financial liabilities</i>	297	-	-	-	
Trade payables	7,313	-	-	-	
Other financial liabilities	4,928	206	-	-	
<i>of which from the negative fair values of derivative financial instruments</i>	300	206	-	-	
<i>of which miscellaneous other financial liabilities</i>	4,628	-	-	-	
Current financial liabilities	12,560	206	-	-	
Financial liabilities	13,336	603	-	-	

Classification in measurement levels pursuant to IFRS 7							
	Financial liabilities measured at amortized cost	No category assigned under IAS 39		Measured at fair value			Measured at amortized cost
		Derivative financial instruments with hedging relationships	Not within the scope of IAS 39	Level 1	Level 2	Level 3	
	-	-	-	-	-	1	-
	-	1,085	21	-	1,160	13	3,768
	-	1,085	-	-	1,160	13	-
	-	-	-	-	-	-	3,726
	-	-	21	-	-	-	21
	-	-	-	-	-	-	21
	-	1,085	21	-	1,160	13	3,768
	-	-	-	-	-	-	5,533
	-	533	4	-	719	3	1,225
	-	533	-	-	719	3	-
	-	-	-	-	-	-	435
	-	-	4	-	-	-	4
	-	-	-	-	-	-	786
	-	-	-	6,002	-	-	-
	-	-	-	-	-	-	11,273
	-	533	4	6,002	719	3	18,030
	-	1,618	25	6,002	1,879	17	21,798
	35	-	293	-	-	-	328
	-	-	293	-	-	-	293
	35	-	-	-	-	-	35
	16	35	-	-	41	391	16
	-	35	-	-	41	391	-
	16	-	-	-	-	-	16
	51	35	293	-	41	391	344
	297	-	22	-	-	-	319
	-	-	22	-	-	-	22
	297	-	-	-	-	-	297
	7,313	-	-	-	-	-	7,313
	4,628	94	-	-	118	182	4,628
	-	94	-	-	118	182	-
	4,628	-	-	-	-	-	4,628
	12,238	94	22	-	118	182	12,260
	12,289	129	315	-	159	573	12,604

36.3 / CARRYING AMOUNT OF FINANCIAL INSTRUMENTS AS OF DEC. 31, 2016

EUR million

Reconciliation of balance sheet items to classes of financial instruments

	Carrying amount as per Balance Sheet as of Dec. 31, 2016	Measured at fair value through profit or loss	Available for sale	Loans and receivables
Other participations	1	-	1	-
Other financial assets	1,275	-57	-	416
<i>of which from the positive fair values of derivative financial instruments</i>	837	-57 ¹⁾	-	-
<i>of which fixed deposits and loans extended</i>	393	-	-	393
<i>of which receivables from finance leases</i>	22	-	-	-
<i>of which miscellaneous other financial assets</i>	23	-	-	23
Non-current financial assets	1,276	-57	1	416
Trade receivables	4,880	-	-	4,880
Other financial assets	1,580	127	-	1,009
<i>of which from the positive fair values of derivative financial instruments</i>	567	127	-	-
<i>of which fixed deposits and loans extended</i>	178	-	-	178
<i>of which receivables from finance leases</i>	4	-	-	-
<i>of which miscellaneous other financial assets</i>	831	-	-	831
Securities	6,028	-	6,028	-
Cash funds	11,449	-	-	11,449
Current financial assets	23,937	127	6,028	17,339
Financial assets	25,213	70	6,029	17,755
Financial liabilities	314	-	-	-
<i>of which liabilities from finance leases</i>	297	-	-	-
<i>of which other financial liabilities</i>	17	-	-	-
Other financial liabilities	993	269	-	-
<i>of which from the negative fair values of derivative financial instruments</i>	893	269	-	-
<i>of which miscellaneous other financial liabilities</i>	99	-	-	-
Non-current financial liabilities	1,306	269	-	-
Financial liabilities	502	-	-	-
<i>of which liabilities from finance leases</i>	21	-	-	-
<i>of which other financial liabilities</i>	481	-	-	-
Trade payables	7,406	-	-	-
Other financial liabilities	3,893	451	-	-
<i>of which from the negative fair values of derivative financial instruments</i>	1,128	451	-	-
<i>of which miscellaneous other financial liabilities</i>	2,765	-	-	-
Current financial liabilities	11,801	451	-	-
Financial liabilities	13,107	720	-	-

1) The forward element of derivative financial instruments with hedging relationships, which is not part of the hedging relationship and is allocated to the "Measured at fair value through profit or loss" category, currently has a negative value.

Classification in measurement levels pursuant to IFRS 7							
	Financial liabilities measured at amortized cost	No category assigned under IAS 39		Measured at fair value			Measured at amortized cost
		Derivative financial instruments with hedging relationships	Not within the scope of IAS 39	Level 1	Level 2	Level 3	
	-	-	-	-	-	1	-
	-	895	22	-	828	10	438
	-	895	-	-	828	10	-
	-	-	-	-	-	-	393
	-	-	22	-	-	-	22
	-	-	-	-	-	-	23
	-	895	22	-	828	10	438
	-	-	-	-	-	-	4,880
	-	440	4	-	561	6	1,013
	-	440	-	-	561	6	-
	-	-	-	-	-	-	178
	-	-	4	-	-	-	4
	-	-	-	-	-	-	831
	-	-	-	6,028	-	-	-
	-	-	-	-	-	-	11,449
	-	440	4	6,028	561	6	17,343
	-	1,334	26	6,028	1,388	16	17,780
	17	-	297	-	-	-	314
	-	-	297	-	-	-	297
	17	-	-	-	-	-	17
	99	625	-	-	733	161	99
	-	625	-	-	733	161	-
	99	-	-	-	-	-	99
	116	625	297	-	733	161	413
	481	-	21	-	-	-	502
	-	-	21	-	-	-	21
	481	-	-	-	-	-	481
	7,406	-	-	-	-	-	7,406
	2,765	677	-	-	1,061	67	2,765
	-	677	-	-	1,061	67	-
	2,765	-	-	-	-	-	2,765
	10,652	677	21	-	1,061	67	10,673
	10,768	1,302	318	-	1,794	228	11,085

36.4 / RECONCILIATION STATEMENT FOR FINANCIAL INSTRUMENTS MEASURED ACCORDING TO LEVEL 3

EUR million	2017	2016
Positive fair values of level 3 derivative financial instruments as of Jan. 1	16	11
Income (+) and expense (-) recognized in the financial result	+17	+10
Income (+) and expense (-) recognized in other comprehensive income	0	+2
Settlements	-3	-3
Transfer from level 3 to level 2	-14	-3
Positive fair values of level 3 derivative financial instruments as of Dec. 31	17	16
Income (+) and expense (-) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	+17	+10

EUR million	2017	2016
Negative fair values of level 3 derivative financial instruments as of Jan. 1	228	222
Income (-) and expense (+) recognized in the financial result	+449	+102
Income (-) and expense (+) recognized in other comprehensive income	-	-
Settlements	-104	-89
Transfer from level 3 to level 2	-1	-7
Negative fair values of level 3 derivative financial instruments as of Dec. 31	573	228
Income (-) and expense (+) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	+449	+102

The residual value hedging model is generally allocated to level 3. The transfer from level 3 to level 2 contains commodity futures for whose measurement it is no longer necessary to extrapolate the exchange rates because they can now be observed again on the active market.

The effects of changes in the market price of used cars resulting from hedging arrangements are shown in detail under Note 37.4, "Market risks."

Opportunities and risks resulting from the fair value fluctuations in derivative financial instruments measured according to level 3 are calculated within the Audi Group by means of sensitivity analyses. In this way, the effects of changes in commodity price listings on profit after tax and equity are simulated. A 10 percent increase or decrease in commodity prices at December 31, 2017 would positively or negatively impact profit after tax by EUR 4 (2) million. Price changes have no impact on equity (in previous year: minor impact).

36.5 / FINANCIAL INSTRUMENTS MEASURED AT COST

EUR million	Dec. 31, 2017	Level 1	Level 2	Level 3
Trade receivables	5,533	-	5,533	-
Other financial assets	5,050	-	5,050	-
Cash funds	11,273	11,255	18	-
Fair values of financial assets measured at amortized cost	21,856	11,255	10,601	-
Trade payables	7,313	-	7,313	-
Financial liabilities	693	-	693	-
Other financial liabilities	4,645	-	4,645	-
Fair values of financial liabilities measured at amortized cost	12,651	-	12,651	-

<i>EUR million</i>	Dec. 31, 2016	Level 1	Level 2	Level 3
Trade receivables	4,880	-	4,880	-
Other financial assets	1,448	-	1,448	-
Cash funds	11,449	11,395	54	-
Fair values of financial assets measured at amortized cost	17,778	11,395	6,383	-
Trade payables	7,406	-	7,406	-
Financial liabilities	842	-	842	-
Other financial liabilities	2,864	-	2,864	-
Fair values of financial liabilities measured at amortized cost	11,112	-	11,112	-

In the case of the financial instruments measured at amortized cost, the fair value levels to be quoted basically correspond to the criteria listed under Note 36.1. The fair value of these financial instruments, such as receivables and liabilities, is calculated by discounting using a market interest rate that adequately reflects the risks and is based on matched maturities. Within non-current assets and liabilities, there were generally no significant changes in the ratios between balance sheet value and fair value. For reasons of materiality, the fair value for current balance sheet items is equated with the balance sheet value. In order to reconcile the tables above, equity instruments reported at their carrying amount are assigned to level 3 in the fair value hierarchy.

The previous year's financial assets available for sale of EUR 40 million as well as the financial liabilities held in this context of EUR 73 million are classified as "Loans and receivables" and are valued at cost of purchase. The fair value of these assets and liabilities corresponds to the carrying amount and must be allocated to level 2 of the fair value hierarchy – up to the increase in cash and cash equivalents reported under this item (level 1).

37 / MANAGEMENT OF FINANCIAL RISKS

37.1 / HEDGING GUIDELINES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The principles and responsibilities involved in managing and controlling risks associated with financial instruments are stipulated by the Board of Management in accordance with the Volkswagen Group guidelines and statutory parameters, and are monitored by the Supervisory Board.

Operational risk management is carried out by Group Treasury, both at AUDI AG and at Volkswagen AG, Wolfsburg. The Board of Management and Supervisory Board of AUDI AG are regularly briefed on the current risk situation. Additionally, the Volkswagen Executive Committee for Risk Management is regularly updated on the current financial risks.



Read more about financial risks in the
Management Report on page 152 f.

37.2 / CREDIT AND DEFAULT RISKS

Credit and default risks from financial assets relate to a possible default by a contractual party and do not exceed the carrying amounts in respect of the contractual party in question. The risk from non-derivative financial instruments is covered by value adjustments for loss of receivables. The contractual parties for cash and capital investments, as well as currency and commodity hedging instruments, have impeccable credit standings. In addition to this, the risks are restricted by a limit system that is based on the credit ratings of international rating agencies and the equity base of the contractual parties.

The Group's global business operations and the resulting diversification meant that there were no major risk concentrations during the past fiscal year.

// CREDIT QUALITY OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

<i>EUR million</i>	Gross carrying amount Dec. 31, 2017	Neither past due nor impaired	Past due and not impaired	Impaired
Trade receivables	5,581	4,910	615	56
Other receivables	5,052	4,966	26	60
<i>of which receivables from loans</i>	4,160	4,160	-	-
<i>of which miscellaneous receivables</i>	892	806	26	60
	10,633	9,876	641	116

<i>EUR million</i>	Gross carrying amount Dec. 31, 2016	Neither past due nor impaired	Past due and not impaired	Impaired
Trade receivables	4,929	4,372	500	57
Other receivables	1,485	1,439	12	34
<i>of which receivables from loans</i>	572	572	-	-
<i>of which miscellaneous receivables</i>	913	867	12	34
	6,414	5,811	512	91

The trading partners, borrowers and debtors of the Audi Group are regularly monitored under the risk management system. All receivables that are “Neither past due nor impaired,” amounting to EUR 9,876 (5,811) million, are allocable to risk category 1. Risk category 1 is the highest rating category within the Volkswagen Group; it exclusively com-

prises “Receivables owing from customers of high creditworthiness.”

There are no past due financial instruments measured at fair value within the Audi Group. The fair values of these financial instruments are determined based on their market prices. In the 2017 fiscal year, marketable securities measured at fair value with a cost of EUR 37 (33) million were impaired.

// MATURITY ANALYSIS OF GROSS CARRYING AMOUNTS

<i>EUR million</i>	Past due and not impaired	Past due		
	Dec. 31, 2017	up to 30 days	between 30 and 90 days	more than 90 days
Trade receivables	615	61	265	288
Other receivables	26	9	12	5
Gross carrying amounts	641	71	277	293

EUR million	Past due and not impaired	Past due		
		Dec. 31, 2016	up to 30 days	between 30 and 90 days
Trade receivables	500	51	255	194
Other receivables	12	10	1	1
Gross carrying amounts	512	61	256	195

The credit risk is low overall, as the vast majority of the past due and not impaired financial assets – predominantly owing to customers’ purchase invoices and payment processes – are with customers with very high creditworthiness.

// IMPAIRMENTS

EUR million	2017	2016
Position as of Jan. 1	83	87
Changes in scope of consolidated companies	0	–
Addition	37	8
Utilization	–6	–8
Dissolution	–5	–4
Position as of Dec. 31	108	83

The development of impairments on receivables that existed as of the balance sheet date and that were measured at amortized cost can be broken down as shown in the above table for the 2017 and 2016 fiscal years. Portfolio-based impairments are not used within the Audi Group.

// COLLATERAL

The credit and default risk is reduced by collateral held of EUR 1,937 (1,891) million. In the Audi Group, collateral is primarily held in relation to trade receivables. Vehicles, bank guarantees and banker’s bonds are the main forms of collateral provided.

37.3 / LIQUIDITY RISKS

Liquidity risks arise from financial liabilities if current payment obligations can no longer be met. A liquidity forecast based on a fixed planning horizon coupled with available yet unused lines of credit ensures adequate liquidity within the Audi Group at all times.

In some countries, such as China, the Audi Group can only access local currency on a crossborder basis subject to the applicable restrictions on foreign-exchange transactions. Otherwise, there are no significant restrictions affecting liquidity.

// MATURITY ANALYSIS OF UNDISCOUNTED CASH FROM FINANCIAL INSTRUMENTS

EUR million	Total	Residual contractual maturities		
		Dec. 31, 2017	up to 1 year	between 1 and 5 years
Financial liabilities	647	319	108	220
Trade payables	7,313	7,313	0	–
Other financial liabilities and obligations	4,644	4,628	16	–
Derivative financial instruments	28,804	14,621	14,183	–
Undiscounted cash outflows	41,408	26,880	14,308	220

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2016	up to 1 year	between 1 and 5 years	over 5 years
Financial liabilities	816	502	75	238
Trade payables	7,406	7,406	0	-
Other financial liabilities and obligations	2,864	2,765	99	-
Derivative financial instruments	38,646	16,413	22,233	-
Undiscounted cash outflows	49,731	27,086	22,407	238

The derivatives include both cash outflows from derivative financial instruments with a negative fair value and cash outflows from derivatives with a positive fair value for which gross settlement has been agreed. Cash outflows from derivatives concluded as part of counter transactions are also taken into account.

The cash outflows from derivatives where a gross settlement has been agreed are offset by cash inflows. These cash receipts are not presented in the maturity analysis. Had the cash receipts also been taken into account, the cash used would have been significantly lower in the analysis by maturity date. This applies equally for hedging relationships which were concluded by offsetting transactions.

The Audi Group has provided various financial guarantees, mainly in the form of sureties. As of December 31, 2017, the maximum permitted use of financial guarantees amounts to EUR 231 (177) million.

// COLLATERAL

The Audi Group recorded financial assets as collateral for liabilities in the amount of EUR 129 (67) million. This collateral is primarily used by contractual parties as soon as credit periods for secured liabilities are exceeded.

37.4 / MARKET RISKS

Given the global nature of its operations, the Audi Group is exposed to various market risks, which are described below. The individual risk types and the respective risk management measures are also described. Additionally, these risks are quantified by means of sensitivity analyses.

// HEDGING POLICY AND FINANCIAL DERIVATIVES

The market risks to which the Audi Group is exposed include, in particular, currency, fund price, commodity price and interest rate risks. As part of the risk management process, these risks are limited by entering into hedging transactions. All necessary hedging measures are implemented centrally by Group Treasury of Volkswagen AG, Wolfsburg, or coordinated via Group Treasury of AUDI AG. There were no risk concentrations during the past fiscal year.

The market risks associated with derivative and non-derivative financial instruments pursuant to IFRS 7 are calculated in the Audi Group using sensitivity analyses. Changes to the risk variables within the respective market risks are used to calculate the impact on equity and on profit after tax.

/// CURRENCY RISKS

The Audi Group is exposed to exchange rate fluctuations as a result of its global business activities. The measures implemented to hedge against these currency risks are defined at brand level in accordance with the Volkswagen organizational guidelines, coordinated in the Volkswagen Group and implemented by Group Treasury of Volkswagen AG.

These risks are limited by concluding appropriate hedges for matching amounts and maturities. The hedging transactions are performed centrally for the Audi Group by Volkswagen AG on the basis of an agency agreement. The Audi Group additionally concludes hedging transactions of its own to a limited extent, where this helps to simplify current operations.

The hedging transactions are effected by means of marketable derivative financial instruments (forward exchange contracts, foreign exchange options and currency swaps). Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies and by Central Risk Management at Volkswagen AG.

For the purpose of managing currency risks, exchange rate hedging in the 2017 fiscal year primarily focused on the U.S. dollar, the British pound, and the Chinese renminbi.

Currency risks pursuant to IFRS 7 arise as a result of financial instruments that are of a monetary nature and that are denominated in a currency other than the functional currency. Exchange rate differences from the translation of financial statements into the Group currency (translation risk) are disregarded. Within the Audi Group, the principal non-derivative financial instruments (cash, receivables, securities held and debt instruments held, interest-bearing liabilities, interest-free liabilities) are either denominated directly in the functional currency or substantially transferred to the functional currency through the use of derivatives. Above all, the generally short maturity of the instruments also means that potential exchange rate movements have only a very minor impact on profit or equity.

Currency risks are measured using sensitivity analyses, during which the impact on profit after tax and equity of hypothetical changes to relevant risk variables is assessed. All non-functional currencies in which the Audi Group enters into financial instruments are fundamentally treated as relevant risk variables.

The periodic effects are determined by applying the hypothetical changes in the risk variables to the inventory of financial instruments on the reporting date. It is assumed for this purpose that the inventory on the reporting date is representative of the entire year. Movements in the exchange rates of the underlying currencies for the hedged transactions affect the fair value of these hedging transactions and the cash flow hedge reserve in equity.

/// FUND PRICE RISKS

The securities funds created using surplus liquidity are exposed, in particular, to an equity and bond price risk that may arise from fluctuations in stock market prices and indices and market interest rates. Changes in bond prices resulting from a change in market interest rates, and the measurement of currency risks and other interest rate risks from the securities funds, are quantified separately in the corresponding Notes on “Currency risks” and “Interest rate risks.”

Risks from securities funds are generally countered by maintaining a broad mix of products, issuers and regional markets when making investments, as stipulated in the investment guidelines. Where necessitated by the market situation, currency hedges are also used. Such measures are coordinated by AUDI AG in agreement with Group Treasury of Volkswagen AG and implemented at operational level by the securities funds’ risk management teams.

Fund price risks are measured within the Audi Group in accordance with IFRS 7 using sensitivity analyses. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the prices of the financial instruments in the funds. Stock prices, exchange rates and interest rates are particularly relevant risk variables in the case of fund price risks.

/// COMMODITY PRICE RISKS

Commodities are subject to the risk of fluctuating prices given the volatile nature of the commodity markets. Commodity futures are used to limit these risks. The hedging measures are coordinated regularly between AUDI AG and Volkswagen AG in accordance with the existing Volkswagen organizational guidelines. The hedging transactions are performed centrally for AUDI AG by Volkswagen AG on the basis of an agency agreement. The results from hedging contracts are credited or debited to the Audi Group on maturity.

Hedging relates to significant quantities of the commodities aluminum and copper. Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies and by Central Risk Management at Volkswagen AG.

Commodity price risks are also calculated using sensitivity analyses. Hypothetical changes in listed prices are used to quantify the impact of changes in value of the hedging transactions on equity and on profit after income tax.

/// INTEREST RATE RISKS

Interest rate risks stem from changes in market rates, above all for medium and long-term variable interest rate assets and liabilities.

The Audi Group limits interest rate risks, particularly with regard to the granting of loans and credit, by agreeing fixed interest rates and also through interest rate hedging instruments.

The risks associated with changing interest rates are presented pursuant to IFRS 7 using sensitivity analyses. These involve presenting the effects of hypothetical changes in market interest rates as of the balance sheet date on interest payments, interest income and expenses, and, where applicable, equity and profit after tax.

/// RESIDUAL VALUE RISKS

Residual value risks arise from hedging arrangements with dealers or partner companies according to which, in the context of buyback obligations resulting from concluded lease agreements, effects on profit caused by market-related

fluctuations in residual values are partly borne by the Audi Group.

The hedging arrangements are based on residual value recommendations, as published by the residual value committee at the time of the contract being concluded, and on current dealer purchase values on the market at the time of the residual value hedging being settled. The residual value recommendations are based on the forecasts provided by various independent institutions using transaction prices.

Residual value risks are also calculated using sensitivity analyses. Hypothetical changes in the market prices of used cars as of the balance sheet date are used to quantify the impact on profit after tax.

// QUANTIFYING MARKET RISKS BY MEANS OF SENSITIVITY ANALYSES

/// CURRENCY RISKS

If the functional currencies had in each case increased or decreased in value by 10 percent compared with the other currencies as of the balance sheet date, the following major effects on the hedging provision in equity and on profit after tax would have resulted with regard to the exchange rates referred to below.

EUR million	Dec. 31, 2017		Dec. 31, 2016	
	+ 10%	- 10%	+ 10%	- 10%
EUR/CNY				
Hedging reserve	62	- 62	179	- 179
Profit after tax	- 13	13	- 58	58
EUR/GBP				
Hedging reserve	420	- 420	505	- 505
Profit after tax	- 30	30	- 22	22
EUR/JPY				
Hedging reserve	115	- 115	176	- 176
Profit after tax	- 16	16	- 13	13
EUR/CAD				
Hedging reserve	82	- 82	103	- 103
Profit after tax	- 17	17	- 8	8
EUR/USD				
Hedging reserve	668	- 539	813	- 927
Profit after tax	- 151	70	- 25	130

/// OTHER MARKET RISKS

The measurement of other market risks pursuant to IFRS 7 is also carried out using sensitivity analyses within the Audi Group. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the corresponding balance sheet items and on the profit after tax.

Depending on the type of risk, there are various possible risk variables (primarily share prices, commodity prices, market interest rates and market prices of used cars).

The sensitivity analyses carried out enable the following other market risks to be quantified for the Audi Group:

EUR million	2017		2016	
	+ 10%	- 10%	+ 10%	- 10%
Fund price risks				
Effects on equity with change in share prices	19	- 48	1	- 6
Commodity price risks				
Effects on equity with change in commodity prices	-	-	16	- 16
Effects on profit after tax with change in commodity prices	42	- 42	34	- 34
Residual value risks of used cars				
Effects on profit after tax with change in market prices	258	- 258	249	- 249
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Interest rate change risks				
Effects on equity with change in market interest rate	- 54	54	- 43	43
Effects on profit after tax with change in market interest rate	- 18	18	- 1	1

37.5 / METHODS OF MONITORING THE EFFECTIVENESS OF HEDGING RELATIONSHIPS

Within the Audi Group, the effectiveness of hedging relationships is evaluated prospectively using the critical terms match method, as well as by means of statistical methods in the form of a regression analysis. The retrospective evaluation of the effectiveness of hedges involves a test in the form of the dollar offset method or in the form of a regression analysis.

In the case of the dollar offset method, the changes in value of the underlying transaction, expressed in monetary units, are compared with the changes in value of the hedge, expressed

in monetary units. All hedge relationships were effective within the range specified in IAS 39 (80 to 125 percent).

In the case of regression analysis, the performance of the underlying transaction is viewed as an independent variable, while that of the hedging transaction is regarded as a dependent variable. The transaction is classed as effective hedging if the coefficients of determination and escalation factors are appropriate. All of the hedging relationships verified using this statistical method proved to be effective as of the reporting date.

// NOMINAL VOLUME OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	Nominal volumes			Dec. 31, 2016
	Dec. 31, 2017	Remaining term of up to 1 year	Remaining term of between 1 and 5 years	
Forward exchange contracts	21,352	10,538	10,813	31,715
Foreign exchange options	4,483	1,844	2,640	4,347
Commodity futures	–	–	–	235
Cash flow hedges	25,835	12,382	13,453	36,296
Forward exchange contracts	3,712	2,782	929	3,992
Commodity futures	490	303	187	484
Other derivatives	4,201	3,085	1,116	4,476

The nominal volumes of the presented cash flow hedges for hedging currency risks and commodity price risks represent the total of all buying and selling prices on which the transactions are based. The derivatives concluded as part of off-setting transactions which are compensated for by the original hedging relationships are taken into account in the respective nominal volumes. The respective nominal volumes would be lower if they were not taken into account.

The derivative financial instruments used have a maximum hedging term of five years.

Existing cash flow hedges in the nominal volume of EUR 16 (596) million were discontinued because of a reduction in the projections. Only minor amounts were taken from the reserve for cash flow hedges (in previous year EUR 1 million) with a positive impact on the financial result.

38 / CASH FLOW STATEMENT

The Cash Flow Statement details the payment streams for both the 2017 fiscal year and the previous year, categorized according to cash outflow and inflow from operating activities, investing and financing activities. The effects of changes in foreign exchange rates on cash flows are presented separately.

Cash flow from operating activities includes all cash flows in connection with ordinary business activities and is presented

using the indirect calculation method. Starting from the profit before profit transfer and income tax, all income and expenses with no impact on cash flow (mainly write-downs) are excluded.

Cash flow from operating activities in the 2017 fiscal year included payments for interest received amounting to EUR 54 (40) million and for interest paid amounting to EUR 63 (78) million. In 2017, the Audi Group received dividends and profit transfers totaling EUR 431 (785) million. The “Income tax payments” item substantially comprises payments made to Volkswagen AG on the basis of the single-entity relationship for tax purposes in Germany, as well as payments to foreign tax authorities.

The item “Other non-cash income and expenses” primarily includes non-cash income and expenses from the measurement of derivative financial instruments and securities.

Cash flow from investing activities includes capitalized development costs as well as additions to property, plant and equipment, investment property, other intangible assets, long-term financial investments and non-current loans. The proceeds from the disposal of assets, the proceeds from the disposal of participations, and the change in securities and fixed deposits are similarly reported in cash flow from investing activities.

The acquisition of investments in subsidiaries, and changes in capital at non-consolidated subsidiaries resulted in a total outflow of EUR 77 (11) million. The acquisition of investments in associated companies and other participations and changes in capital resulted in an outflow of EUR 15 (355) million. In the previous year, this included EUR 300 million for a capital increase at Volkswagen Group Services S.A./N.V., Brussels (Belgium).

The sale of a subsidiary resulted in a cash inflow of EUR 5 million.

Cash flow from financing activities includes cash used for the transfer of profit, as well as changes in financial liabilities.

The changes in the balance sheet items that are presented in the Cash Flow Statement cannot be derived directly from the Balance Sheet because the effects of currency translation and of changes in the group of consolidated companies do not affect cash and are therefore not included in the Cash Flow Statement.

// RECONCILIATION OF CASH AND CASH EQUIVALENTS

EUR million	Dec. 31, 2017	Dec. 31, 2016
Cash funds as per Balance Sheet	11,273	11,449
Currently due fixed deposits with an investment period > 3 months	-18	-54
Cash and cash equivalents as per Cash Flow Statement (bank assets and cash deposits with maturities of no more than three months)	11,255	11,395

Only the short-term fixed deposits whose original investment term is no more than three months are included in the cash and cash equivalents in accordance with the Cash Flow Statement. Cash and cash equivalents include EUR 10,055 (9,058) million relating to the cash pooling arrangements with the Volkswagen Group.

Some of the fixed deposits and loans extended included in gross liquidity have been entered into with related parties.

The allocation of the change in financial liabilities to cash and non-cash items is shown in the table below:

EUR million	Non-cash transactions				
	Position as of Jan. 1, 2017	Cash changes	Exchange rate movements	Remeasurements	Position as of Dec. 31, 2017
Lease liabilities	318	-9	-15	22	315
Other credit outstanding	498	-50	-109	-7	332
Credit outstanding	816	-59	-125	15	647
Other financial assets and liabilities	-1	-6	0	-	-7
Financial assets and liabilities in financing activities	814	-65	-124	15	641

39 / CONTINGENT LIABILITIES

EUR million	Dec. 31, 2017	Dec. 31, 2016
Contingent liabilities from sureties	6	6
Other contingent liabilities	43	33
Contingent liabilities	49	39

Contingent liabilities are unrecognized contingencies whose amount corresponds to the likely utilization as of the balance sheet date. Financial guarantees as defined under IFRS 7 are reported under Note 37.3, "Liquidity risks" and are not included under liabilities from sureties.

Regarding the recall of vehicles in which a certain type of airbag from the company Takata had been installed, it cannot be ruled out at present that the recall may be expanded to include models belonging to the Audi Group. Further information on the situation in accordance with IAS 37.86 is currently not available due to the technical investigations and negotiations with authorities which are still ongoing.

As expanded on under Note 33, "Other provisions," there are no contingent liabilities in connection with the four-cylinder diesel engines. With regard to the V6 3.0 TDI engines, a number of investigations or legal proceedings, including investigations by the public prosecutor's office, are underway which are still in the early stages, the implications of which cannot be estimated at present.

40 / LITIGATION

Companies included in the Audi Group become involved in legal disputes and official proceedings in the course of their operating activities. Such legal disputes and procedures are particularly likely to occur in relation to suppliers, dealers, customers or employees. They may result in payment or other obligations for the companies involved. Particularly in cases where U.S. customers assert claims relating to vehicle faults, whether individually or in the form of class actions, very expensive measures may be required and may necessitate the payment of significant amounts in compensation or penalty payments. U.S. patent infringement proceedings are also associated with similar risks. Other provisions take account of such risks to the extent that an outflow of resources is likely to occur in the future and can be reliably estimated. Legal disputes frequently involve complex legal issues. Consequently, assumptions must be made regarding the likelihood of an outflow of resources, the amount of any such outflow and the duration of the case. This means that the recognition and measurement of provisions to cover legal risks involve a degree of uncertainty.

For information regarding the legal risks arising from the diesel issue, please refer to the disclosures under "Notes on

the diesel issue" in the general information in the Notes to the Consolidated Financial Statements.

There are no further ongoing or prospective legal or arbitration proceedings that could have a significant influence on the economic position.

41 / CHANGE OF CONTROL AGREEMENTS

Change of control clauses are contractual agreements between a company and third parties to provide for legal succession should there be a direct or indirect change in the ownership structure of any party to the contract.

With regard to their respective participations in There Holding B.V., the Audi Group, the BMW Group and Daimler AG have contractually agreed that in the event of a change of control at one of the contractual parties, that party shall be obliged to offer its shares in There Holding B.V. to the other shareholders for purchase. In the case of AUDI AG, a change of control occurs if a person acquires or loses control over AUDI AG, wherein control is defined as (i) holding or having control over more than 50 percent of the voting rights, (ii) the scope for controlling more than 50 percent of the voting rights that can be exercised at Annual General Meetings on all or virtually all matters, or (iii) the right to determine the majority of the members of the Board of Management or Supervisory Board. Furthermore, a change of control occurs if competitors of the HERE Group or certain potential competitors of the HERE Group from the technology industry acquire at least 25 percent of AUDI AG. If none of the other shareholders takes on these shares, the other shareholders have the right to resolve the dissolution of There Holding B.V.

The other significant contractual agreements between the Audi Group and third parties do not contain any change of control clauses in the event of a change in the ownership structure of AUDI AG or its subsidiaries.

42 / OTHER FINANCIAL OBLIGATIONS

EUR million	Due date Dec. 31, 2017				Due date Dec. 31, 2016	
	Within 1 year	1 to 5 years	Over 5 years	Total	Over 1 year	Total
Purchase orders for property, plant and equipment	2,322	693	-	3,015	772	3,229
Purchase orders for intangible assets	151	14	-	165	0	214
Commitments from long-term rental and lease agreements	151	230	122	503	327	472
Miscellaneous financial obligations	881	235	85	1,201	300	1,240
Other financial obligations	3,504	1,172	207	4,883	1,399	5,155

Supply contracts are in place for series production material. Binding orders are placed and contracts are activated for the material as such material is needed on the basis of the specified production and sales schedule.

Other financial obligations from long-term rental and leasing contracts are offset by expected income from sub-leases of EUR 7 million.

43 / DISCONTINUED OPERATIONS

There are no plans to discontinue or cease business operations as defined by IFRS 5.

44 / COST OF MATERIALS

EUR million	2017	2016
Expenses for raw materials and supplies, as well as purchased goods	36,387	35,930
Expenses for purchased services	3,983	4,666
Cost of materials	40,370	40,596

45 / PERSONNEL COSTS

EUR million	2017	2016
Wages and salaries	5,958	5,617
Social insurance and expenses for retirement benefits and support payments	1,261	1,145
<i>of which relating to retirement benefit plans</i>	292	220
<i>of which defined contribution pension plans</i>	397	389
Personnel costs	7,219	6,761

46 / TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE YEAR

	2017	2016
Domestic companies ¹⁾	59,448	59,029
International companies	27,904	25,111
Employees	87,352	84,140
Apprentices	2,618	2,555
Employees of Audi Group companies	89,970	86,695
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	432	417
Workforce Audi Group	90,402	87,112

1) Of these, 1,304 (1,003) employees were in the passive stage of their partial retirement.

47 / RELATED PARTY DISCLOSURES

Related parties as defined in IAS 24 are:

- > the parent company, Volkswagen AG, Wolfsburg, and its subsidiaries and material participations outside the Audi Group,
- > other parties (individuals and companies) that could be influenced by the reporting entity or that could influence the reporting entity, such as the members of the Board of Management and Supervisory Board of AUDI AG,
- > the members of the Board of Management and Supervisory Board of Volkswagen AG,
- > associated companies and their subsidiaries,
- > non-consolidated subsidiaries.

At 52.2 percent, Porsche Automobil Holding SE, Stuttgart, held the majority of the voting rights in Volkswagen AG as of the balance sheet date. The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche Automobil Holding SE can no longer appoint the majority of the members of the Supervisory Board of Volkswagen AG for as long as the State of Lower Saxony holds at least 15 percent of Volkswagen AG's ordinary shares. However, Porsche Automobil Holding SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore also classified as a related party.

All business transactions with related parties have been conducted on the basis of international comparable uncontrolled price methods pursuant to IAS 24, according to the terms that customarily apply to outside third parties. The goods and services procured from related parties primarily include supplies for production and supplies of genuine parts, as well as development, transportation, financial and distribution services, and, to a lesser extent, design and other services. The volume of business transacted for related parties mainly comprises sales of new and used cars, power-trains and components, and allocation of cash and cash equivalents in the form of loans, fixed deposits and overnight deposits.

The cash funds of the Audi Group are in large part held by or invested in the Volkswagen Group. All transactions are processed under market conditions.

47.1 / BUSINESS RELATIONS WITH VOLKSWAGEN AG AND WITH OTHER SUBSIDIARIES AND PARTICIPATIONS NOT BELONGING TO THE AUDI GROUP

<i>EUR million</i>	2017	2016
Goods and services supplied to		
Volkswagen AG	7,586	7,638
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	16,167	15,878
Goods and services received from		
Volkswagen AG	6,900	7,702
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	8,194	8,352
Receivables from		
Volkswagen AG	6,781	3,099
Volkswagen AG subsidiaries and other participations not belonging to the Audi Group	2,855	2,108
Obligations to		
Volkswagen AG	5,400	5,090
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	5,842	6,655
Contingent liabilities to		
Volkswagen AG	-	-
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	95	72
Collateral posted with		
Volkswagen AG	-	-
Volkswagen AG subsidiaries and participations not belonging to the Audi Group	123	62

Receivables include loans of EUR 3,489 million to Volkswagen AG, Wolfsburg, (in the previous year none) and EUR 400 (368) million to subsidiaries and participations that do not belong to the Audi Group.

As of December 31, 2017, sales of receivables to subsidiaries of Volkswagen AG that do not belong to the Audi Group amounted to EUR 1,417 (1,692) million.

This also includes sales of receivables to Volkswagen Group Services S.A./N.V., Brussels (Belgium), totaling EUR 552 (619) million.

Receivables from other subsidiaries and participations of Volkswagen AG not belonging to the Audi Group were impaired by the amount of EUR 2 (1) million. Trade receivables do not contain cash and cash equivalents invested within the framework of cash pooling.

The possibility of a claim arising from contingencies is not anticipated.

There were no business relations with Porsche Automobil Holding SE during the past fiscal year.

47.2 / BUSINESS RELATIONS WITH SUBSIDIARIES AND ASSOCIATED COMPANIES OF THE AUDI GROUP

EUR million	Goods and services supplied		Goods and services received	
	2017	2016	2017	2016
Associates and joint ventures	8,175	8,230	452	407
Non-consolidated subsidiaries	70	49	170	163

EUR million	Receivables from		Obligations to	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Associates and joint ventures	1,022	823	766	782
Non-consolidated subsidiaries	309	222	132	116

As of December 31, 2017, there were sureties totaling EUR 136 (104) million in favor of associated companies, joint ventures and non-consolidated subsidiaries. The possibility of a claim arising from contingencies is not anticipated. Irrevocable credit commitments to non-consolidated subsidiaries total EUR 65 (44) million.

Receivables from associated companies in the amount of EUR 37 (5) million were impaired.

Obligations towards associates and joint ventures as well as non-consolidated subsidiaries include future obligations from existing contractual relationships. Trade receivables do not contain cash and cash equivalents invested within the framework of cash pooling.

47.3 / BUSINESS RELATIONS WITH AND PAYMENTS TO MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Members of the Boards of Management or Supervisory Boards of Volkswagen AG, Wolfsburg, and AUDI AG also belong to the supervisory or management boards of other companies with which the Audi Group maintains business relations. All transactions with such companies and persons are similarly conducted according to the terms that customarily apply to outside third parties. In this connection, goods and services

amounting to a total value of EUR 302 (373) thousand were provided to the German State of Lower Saxony and to companies in which the State of Lower Saxony holds a majority stake, and goods and services amounting to a total value of EUR 18 (10) thousand were received from them. As of December 31, 2017, liabilities to the State of Lower Saxony resulting from the buyback of vehicles amounted to EUR 73 thousand (in the previous year none). No receivables were recorded for both the 2017 fiscal year and the previous year.

A list of the supervisory board mandates of members of the Board of Management and Supervisory Board of AUDI AG is presented in the 2017 Annual Financial Report of AUDI AG.

The service relationships with the members of the Boards of Management and Supervisory Boards of Volkswagen AG and AUDI AG were conducted at arm's length. As in the previous year, the volume of transactions was low. Overall, services in the amount of EUR 12 (33) thousand were rendered to this group of individuals during the fiscal year. As in the previous year, the Audi Group did not receive any services from this group of individuals in the 2017 fiscal year. In addition, there existed no claims or obligations with respect to the Board of Management and the Supervisory Board of Volkswagen AG or AUDI AG either in the 2017 fiscal year or in the previous year.

The following payments were also granted for members of the Board of Management and Supervisory Board of AUDI AG in the course of their positions on executive bodies.

<i>EUR thousand</i>	2017	2016
Short-term benefits	24,372	21,839
Post-employment benefits	2,601	2,715
Termination benefits	24,262	3,800
Benefits, total	51,235	28,354

Obligations towards members of the Board of Management and Supervisory Board of AUDI AG in connection with short-term benefits amount to EUR 14,774 (14,649) thousand. Pension obligations also exist in the amount of EUR 32,951 (34,330) thousand. Termination benefits of EUR 23,542 (2,850) thousand were recognized as the result of the expiry of contracts of members of the Board of Management.

The employee representatives employed at AUDI AG on the Supervisory Board continue to receive their salary in accordance with their employment contract. This is based on the provisions of the German Works Constitution Act and corresponds to an appropriate remuneration for the function or activity exercised in the Company. This similarly applies to representatives of executive staff.

No share-based payments were granted. The remuneration system, as well as the details of the remuneration paid to the members of the Board of Management and Supervisory Board of AUDI AG, broken down by individual member and by component, and the information on the pension arrangements for members of the Board of Management, broken down by individual member, pursuant to Section 314, Para. 1, No. 6a), Sentence 5 ff. of the German Commercial Code (HGB) and the German Corporate Governance Code (DCGK) is presented in the remuneration report which forms part of the Combined Management Report of the Audi Group and AUDI AG.



Read more about the remuneration report in the **Management Report** on pages 160 ff.

48 / AUDITOR'S FEES

<i>EUR thousand</i>	2017	2016
Auditing of the financial statements ¹⁾	1,105	1,178
Other assurance services ¹⁾	142	253
Tax consultancy services	39	–
Other services	100	181
Auditor's fees	1,386	1,611

1) From the 2017 fiscal year onward, the reviews of the quarterly financial statements will be included in the auditing services.

Based on the requirements of commercial law, the auditor's fees include auditing of the Consolidated Financial Statements and auditing of the annual financial statements of consolidated companies.

The majority of the auditor's fees in 2017 was attributable to the audit of the Consolidated Financial Statements and the review of the Interim Consolidated Financial Statements of AUDI AG, as well as to the audit of the annual financial statements of German Group companies, and the reviews of the quarterly financial statements of AUDI AG. The extent of other assurance and tax advisory services performed by the auditor was insignificant. Other services performed by the auditor during the reporting year notably relate to consulting services in the areas of IT and process optimization as well as to the provision of training.

49 / SEGMENT REPORTING

The segmentation of business activities is based on the internal management and reporting of the Company in accordance with IFRS 8. The decision-making body for both segments with regard to the allocation of resources and the valuation of profitability is the full Board of Management.

Segment reporting is based on the economic activities of the Audi Group and is divided into the two segments of Automotive and Motorcycles. Whilst the Motorcycles segment does not meet the quantitative thresholds set out in IFRS 8, it is reported here as a segment in its own right for information purposes.

The activities of the Automotive segment encompass the development, production, assembly and distribution of vehicles of the Audi and Lamborghini brands, and the distribution of vehicles of other Volkswagen Group brands as well as the accompanying accessories and spare parts business.

The activities of the Motorcycles segment include the development, production, assembly and distribution of Ducati brand motorcycles, including accessories and spare parts.

As a general rule, segment reporting is based on the same reporting, recognition and measurement principles as applied to the Consolidated Financial Statements. Business relations between the companies of the segments in the Audi Group are generally based on the same prices as those agreed with third parties. Consolidation between the segments is carried out in the “Reconciliation” column. Investments in

property, plant and equipment, investment property and intangible assets (including capitalized development costs) are reported excluding investments in the context of the finance lease. The central key performance indicators used to manage the Automotive and Motorcycles segments include the operating profit and the operating return on sales.

Internal reporting corresponds to external IFRS reporting. The full Board of Management regularly monitors, among others, the following financial and economic key figures:

49.1 / REPORTING SEGMENTS

EUR million	2017			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	59,394	734	-	60,128
Revenue with other segments	-	2	-2	-
Revenue	59,394	736	-2	60,128
Depreciation and amortization	-3,284	-72	-	-3,357
Impairment losses	-238	-	-	-238
Reversal of impairment losses	1	-	-	1
Segment profit (operating profit)	4,643	28	-	4,671
Result from investments accounted for using the equity method	526	-	-	526
Net interest result and other financial result	-414	0	-	-414
Investments accounted for using the equity method	1,224	-	-	1,224
Investments in property, plant and equipment, investment property and intangible assets	5,047	69	-	5,116

EUR million	2016			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	58,587	730	-	59,317
Revenue with other segments	-	0	0	-
Revenue	58,587	731	0	59,317
Depreciation and amortization	-2,981	-77	-	-3,059
Impairment losses	-100	-	-	-100
Reversal of impairment losses	-	-	-	-
Segment profit (operating profit)	3,027	25	-	3,052
Result from investments accounted for using the equity method	365	-	-	365
Net interest result and other financial result	-370	0	-	-370
Investments accounted for using the equity method	4,763	-	-	4,763
Investments in property, plant and equipment, investment property and intangible assets	5,021	64	-	5,085

The Motorcycles segment reported an operating return on sales of 3.8 (3.4) percent, taking into account additional depreciation and amortization due to the remeasurement of assets and liabilities as part of the purchase price allocation in the amount of EUR 23 million. Adjusted to take account of these effects, the operating profit totaled EUR 51 (51) million and the operating return on sales 7.0 (7.0) percent. The Automotive segment recorded an operating return on sales of 7.8 (5.2) percent.

The operating return on sales of the Audi Group totaled 7.8 (5.1) percent.

49.2 / RECONCILIATION STATEMENT

EUR million	2017	2016
Segment revenue	60,130	59,318
Consolidation	-2	0
Group revenue	60,128	59,317
Segment profit (operating profit)	4,671	3,052
Consolidation	-	-
Operating profit	4,671	3,052
Financial result	112	-5
Group profit before tax	4,783	3,047

49.3 / BY REGION

EUR million	2017						
	Germany	Rest of Europe	Asia-Pacific	North America	South America	Africa	Total
Revenue	12,744	20,776	13,424	12,209	620	355	60,128
Property, plant and equipment, intangible assets, leasing and rental assets and investment property	13,017	5,607	168	2,002	4	-	20,798

EUR million	2016						
	Germany	Rest of Europe	Asia-Pacific	North America	South America	Africa	Total
Revenue	12,895	20,386	14,055	11,081	576	324	59,317
Property, plant and equipment, intangible assets, leasing and rental assets and investment property	13,062	4,554	193	1,633	65	-	19,507

Revenue is allocated to the regions on the basis of the country of destination principle.

The Audi Group primarily generates revenue from the sale of cars. In addition to the Audi brand, the Automotive segment also comprises sales of vehicles of the Lamborghini brand and of other brands of the Volkswagen Group. Ducati motorcycles and accessories are sold in the Motorcycles segment.

49.4 / REVENUE BY SEGMENT

EUR million	2017	2016
Audi brand	41,067	41,556
Lamborghini brand	933	853
Other Volkswagen Group brands	3,900	3,599
Other automotive business	13,494	12,579
Automotive segment	59,394	58,587
Ducati brand	600	593
Other motorcycles business	136	137
Motorcycles segment	736	731
Reconciliation	-2	0
Revenue	60,128	59,317

An explanation of the different types of revenue is provided under Note 1, "Revenue." The Automotive segment, together with Volkswagen AG, Wolfsburg, its subsidiaries that are not part of the Audi Group and two associated companies, has key accounts with which there exists a relationship of dependence.

49.5 / REVENUE WITH KEY ACCOUNTS

	2017		2016	
	<i>EUR million</i>	<i>in %</i>	<i>EUR million</i>	<i>in %</i>
Volkswagen AG	5,667	9	5,852	10
Volkswagen AG subsidiaries not belonging to the Audi Group	15,678	26	15,332	26
Two associated companies	7,989	13	8,087	14

50 / GERMAN CORPORATE GOVERNANCE CODE

The Board of Management and Supervisory Board of AUDI AG submitted the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code on November 30, 2017, and subsequently made it permanently accessible on the Audi website at www.audi.com/cgk-declaration.

Read more online about the submitted declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code at www.audi.com/cgk-declaration.



EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events after December 31, 2017, subject to a reporting obligation in accordance with IAS 10.

MATERIAL GROUP COMPANIES

Name and registered office	Capital share in %
Fully consolidated companies	
Germany	
AUDI AG, Ingolstadt	
Audi Electronics Venture GmbH, Gaimersheim	100.0
AUDI Immobilien GmbH & Co. KG, Ingolstadt	100.0
Audi Sport GmbH, Neckarsulm	100.0
Ducati Motor Deutschland GmbH, Cologne	100.0
UI-S 5-Fonds, Frankfurt am Main ¹⁾	100.0
PSW automotive engineering GmbH, Gaimersheim	100.0
International	
Audi Australia Pty. Ltd., Zetland	100.0
Audi Australia Retail Operations Pty. Ltd., Zetland	100.0
Audi Brussels S.A./N.V., Brussels	100.0
Audi Brussels Property S.A./N.V., Brussels	100.0
Audi (China) Enterprise Management Co., Ltd., Beijing	100.0
Audi do Brasil Indústria e Comércio de Veículos Ltda., São Paulo	100.0
Audi Hungaria Zrt., Győr	100.0
Audi Japan K.K., Tokyo	100.0
Audi Japan Sales K.K., Tokyo	100.0
Audi Luxemburg S.A., Strassen	100.0
Audi México S.A. de C.V., San José Chiapa	100.0
Audi Singapore Pte. Ltd., Singapore	100.0
Audi Tooling Barcelona S.L., Martorell	100.0
Audi Volkswagen Korea Ltd., Seoul	100.0
Audi Volkswagen Middle East FZE, Dubai	100.0
Audi Volkswagen Taiwan Co., Ltd., Taipei	100.0
Automobili Lamborghini S.p.A., Sant'Agata Bolognese	100.0
Ducati Motor Holding S.p.A., Bologna	100.0
Ducati do Brasil Indústria e Comércio de Motocicletas Ltda., São Paulo	100.0
Ducati Japan K.K., Tokyo	100.0
Ducati Motor (Thailand) Co. Ltd., Amphur Pluakdaeng	100.0
Ducati North America, Inc., Mountain View / CA	100.0
Ducati Motors de Mexico S. de R.L. de C.V., Mexico City	100.0
Ducati North Europe B.V., Zoeterwoude	100.0
Ducati (Schweiz) AG, Feusisberg	100.0
Ducati U.K. Ltd., Towcester	100.0
Ducati West Europe S.A.S., Colombes	100.0
Italdesign Giugiaro S.p.A., Moncalieri	100.0
Officine del Futuro S.p.A., Sant'Agata Bolognese	100.0
Volkswagen Group Italia S.p.A., Verona	100.0
Audi Canada Inc., Ajax / ON ²⁾	-
Audi of America, LLC, Herndon / VA ²⁾	-
Automobili Lamborghini America, LLC, Herndon / VA ²⁾	-
Companies accounted for using the equity method	
International	
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., Tianjin	43.3
There Holding B.V., Rijswijk	33.3
FAW-Volkswagen Automotive Co., Ltd., Changchun	10.0

1) This is a structured entity pursuant to IFRS 10 and IFRS 12.

2) AUDI AG exercises control pursuant to IFRS 10.B38.

RESPONSIBILITY STATEMENT

“RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Audi Group, and the Combined Management Report of the Audi Group

and AUDI AG includes a fair review of the development and performance of the business and the position of the Audi Group and AUDI AG, together with a description of the principal opportunities and risks associated with the expected development of the Audi Group and AUDI AG.”

Ingolstadt, February 12, 2018

The Board of Management



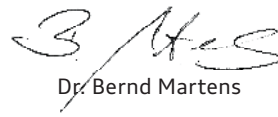
Prof. Rupert Stadler



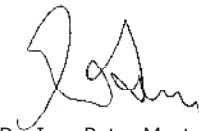
Wendelin Göbel



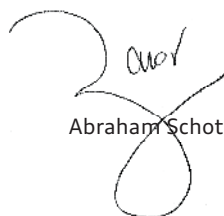
Peter Kössler



Dr. Bernd Martens



Dr.-Ing. Peter Mertens



Abraham Schot



Alexander Seitz

“INDEPENDENT AUDITOR’S REPORT

To AUDI Aktiengesellschaft, Ingolstadt

/ REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

// AUDIT OPINIONS

We have audited the consolidated financial statements of AUDI Aktiengesellschaft, Ingolstadt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of AUDI Aktiengesellschaft, which is combined with the Company’s management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- > the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not

cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

// BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

// EMPHASIS OF MATTER – DIESEL ISSUE

We draw attention to the information provided and statements made in section “Notes on the diesel issue” of the notes to the consolidated financial statements and in sections “Diesel issue” and “Litigation” of the group management report with regard to the diesel issue including information about the underlying causes, the non-involvement of members of the board of management as well as the impact on these financial statements.

Based on the results of the various measures taken to investigate the issue presented so far, which underlie the consolidated financial statements and the group management report, there is still no evidence that members of the Company's Board of Management were aware of the deliberate manipulation of engine management software until notified by the US Environmental Protection Agency (EPA) in fall 2015. Nevertheless, should as a result of the ongoing investigation new solid knowledge be obtained showing that members of the Board of Management were informed earlier about the diesel issue, this could eventually have an impact on the consolidated financial statements and on the group management report for financial year 2017 and prior years.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the variety of the necessary technical solutions as well as the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Our opinions on the consolidated financial statements and on the group management report are not modified in respect of this matter.

// KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Accounting treatment of risk provisions for the diesel issue
- ② Impairment of capitalized development costs
- ③ Completeness and measurement of provisions for warranty obligations arising from sales
- ④ Financial instruments – hedge accounting

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① Accounting treatment of risk provisions for the diesel issue

- ① Companies of the Audi Group are involved in investigations by government authorities in numerous countries (in particular in Europe, the United States, Canada and South Korea) with respect to irregularities in the exhaust gas emissions from diesel engines in certain vehicles of the Audi Group. For the affected vehicles, partly different measures are being implemented in various countries. These include hardware and/or software solutions, vehicle repurchases or the early termination of leases and, in some cases, cash payments to vehicle owners. Furthermore, payments are being made as a result of criminal proceedings and civil law settlements with various parties. In addition, there are civil lawsuits pending from customers, dealers and holders of securities. Further direct and indirect effects concern in particular impairment of assets and customer-specific sales programs.

The Audi Group recognizes the expenses directly related to the diesel issue in its operating income. The expenses incurred in financial year 2017 in regards to the diesel issue in North America amount to EUR 387 million and relate to further reserves for field activities and repurchases as well as legal risks.

The reported provisions are exposed to considerable estimation risk due to the wide-ranging investigations and proceedings that are ongoing, the complexity of the various negotiations and pending approval procedures by authorities, and developments in market conditions. This matter was of particular significance for our audit due to the material amounts of the provisions as well as the scope of assumptions and discretion on the part of the executive directors.

- ② In order to audit the recognition and measurement of provisions for field activities and vehicle repurchases arising as a result of the diesel issue, we critically examined the processes put in place by the companies of the Audi Group to make substantive preparations to address the diesel issue, and assessed the progress made in implementing the technical solutions developed to remedy it. We compared this knowledge with the technical and legal opinions of independent experts, as presented to us. We used an IT data analysis solution to examine the quantity structure underlying the field activities and repurchases. We assessed the inputs used to measure the repair solutions that have been defined to date or are still in development and the planned repurchases. We used this as a basis to evaluate the calculation of the provisions.

In order to audit the recognition and measurement of the provisions for legal risks and the disclosure of contingent liabilities for legal risks resulting from the diesel issue, we assessed both the available official documents such as those from the US Department of Justice, as well as in particular the work delivered and opinions prepared by experts commissioned by the Volkswagen Group. As part of a targeted selection of key procedures and supplemented by additional samples, we inspected the correspondence relating to the litigation and, in talks with officials from the affected companies and the lawyers involved, and including our own technical and legal experts, we discussed the assessments made.

Taking into consideration the information provided and statements made in the notes to the consolidated financial statements and in the group management report with regard to the diesel issue including information about the underlying causes, the non-involvement of members of the Board of Management as well as the impact on these financial statements, we believe that, overall, the assumptions and inputs underlying the calculation of the risk provisions for the diesel issue are appropriate to properly recognize and measure the provisions.

- ③ The Company's disclosures on the diesel issue are contained in the sections entitled "Notes on the diesel issue" in the notes to the consolidated financial statements and in the section "Diesel issue" and "Legal risks" in the group management report.

② Impairment of capitalized development costs

- ① In the consolidated financial statements of AUDI AG capitalized development costs amounting to EUR 5,666 million are reported under the "Intangible assets" balance sheet item. In accordance with IAS 38, research costs are treated as expenses incurred, while development costs for future series products are capitalized provided that sale of these products is likely to bring an economic benefit. Until amortization begins, developments must be tested for impairment in accordance with IAS 36 at least once a year based on the cash-generating units (models) to which they are allocated. To meet this requirement, over the period from capitalization until completion of development the Company assesses whether the costs incurred are covered by future cash flows. Once amortization begins, an assessment must be carried out at each reporting date as to whether there are indications of impairment. If this is the case, an impairment test must be performed and any impairment loss recognized. For impairment losses recognized in prior periods, an annual assessment must be carried out as to whether there are indications that the reason for the impairment has ceased to apply.

The Audi Group generally applies the present value of the future cash flows (value in use) from the relevant cash-generating units (models) to test these intangible assets for impairment. The value in use is determined using the discounted cash flow method based on the Group's calculation of product results prepared by the executive directors. The discount rate used is the weighted average cost of capital (WACC). The weighted average cost of capital applied in the Audi Group includes the weighted average cost of equity and debt before taxes.

The impairment identified during the impairment testing was recognized under the "Cost of sales" line item in the income statement as impairment losses amounting to EUR 76 million.

The result of this measurement depends to a large extent on the executive directors' assessment of future cash inflows and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- ② As part of our audit we assessed whether, overall, the assumptions underlying the measurements (particularly in the form of future cash inflows) and the discount rates used provide an appropriate basis by which to test the individual cash-generating units for impairment. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as management's detailed explanations regarding key planning value drivers. We also evaluated that the costs for Group functions were properly included in the impairment tests of the respective cash-generating units. With the knowledge that even relatively small changes in the discount rate applied can in some cases have material effects on values, we also focused our testing on the parameters used to determine the discount rate applied, and evaluated the measurement model. We also assessed the consistency of the measurement model applied and evaluated the mathematical accuracy of the calculations. Furthermore, we performed our own additional sensitivity analysis for those cash-generating units with little headroom (present value exceeds carrying amount) in order to gauge the impairment risk and enable us to adapt our audit procedures accordingly. With respect to completed development projects, we inquired the executive directors about whether or not there were indications of impairment or that reasons for impairment had ceased to apply, and

critically examined these assumptions based on our knowledge of the Group's legal and economic environment. In the case of impairment losses or a reversal of impairment losses, we assessed that these were properly assigned to the assets allocated to the cash-generating unit.

In our view, the measurement inputs and assumptions used by the executive directors, and the measurement model, were properly derived for the purposes of conducting impairment tests.

- ③ The Company's disclosures on capitalized development costs and the associated impairment testing are contained in notes "Intangible assets" and "Impairment tests" to the consolidated financial statements.

③ **Completeness and measurement of provisions for warranty obligations arising from sales**

- ① In the consolidated financial statements of the Audi Group EUR 8,806 million in provisions for obligations arising from sales are reported under the "Other provisions" balance sheet item. These obligations primarily relate to warranty claims arising from the sale of vehicles, motorcycles, components and genuine parts. Warranty claims are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. An estimate is also made of the discount rate. In addition, assumptions must be made about the nature and extent of future warranty and ex gratia claims. These assumptions are based on qualified estimates.

From our point of view, this matter was of particular significance for our audit because the recognition and measurement of this material item is to a large extent based on estimates and assumptions made by the Company's executive directors.

- ② With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct and significant effect on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts, including by comparing these figures with historical data and using the measurement bases presented to us. Furthermore, we assessed that the interest rates with matching terms were properly derived from market data. We evaluated the entire calculations (including discounting) for the provisions using the applicable measurement inputs and assessed the planned timetable for utilizing the provisions.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors were sufficiently documented and supported to justify the recognition and measurement of the provisions for warranty obligations arising from sales.

- ③ The Company's disclosures on other provisions are contained in notes "Other provisions" to the consolidated financial statements.

④ Financial instruments – hedge accounting

- ① The companies of the Audi Group use a variety of derivative financial instruments to hedge in particular against currency and commodity price risks arising from their ordinary business activities. The executive directors' hedging policy is documented in corresponding internal guidelines and serves as the basis for these transactions. Currency risk arises primarily from sales and procurement transactions and financing denominated in foreign currencies. The means of limiting this risk include entering into currency forwards and currency options.

Derivatives are measured at fair value as of the balance sheet date. The positive fair values of all of the derivatives used for hedging purposes amount to EUR 1,895 million as of the balance sheet date, while the negative fair values amount to EUR 732 million. Insofar the financial instruments used by the Audi Group are effective hedges of future cash flows in the context of hedging pursuant to the requirements of IAS 39, the effective portion of the changes in fair value is recognized in other comprehensive

income over the duration of the hedging relationships until the maturity of the hedged cash flows (cash flows hedges). As of the balance sheet date, a cumulative EUR 2,280 million was recognized in other comprehensive income (increase of equity) before income taxes as the effective portion of fair value changes. Insofar derivative financial instruments are used to hedge against changes in the carrying amount of balance sheet items pursuant to the requirements of IAS 39, changes in the fair value of both the hedged items and the hedging instruments are recognized on a net basis in the corresponding income statement item (fair value hedges).

From our point of view these matters were of particular significance for our audit due to the high complexity and number of transactions as well as the extensive accounting and disclosure requirements of IAS 39.

- ② As a part of our audit and with the support of our internal specialists from Corporate Treasury Solutions, among other things we assessed the contractual and financial parameters and evaluated the accounting treatment, including the effects on equity and profit or loss, of the various hedging relationships. Together with our specialists, we also evaluated the Company's internal control system with regard to derivative financial instruments, including the internal activities to monitor compliance with the hedging policy. In addition, for the purpose of auditing the fair value measurement of financial instruments, we also assessed the methods of calculation employed on the basis of market data. In addition to evaluating the internal control system, we obtained bank confirmations for the hedging instruments in order to assess completeness. With regard to the expected cash flows and the assessment of the effectiveness of hedges, we essentially conducted a retrospective assessment of past hedging levels.

In doing so, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were substantiated and sufficiently documented.

- ③ The Company's disclosures on hedge accounting are contained in notes "Financial instruments" and "Additional disclosures" to the consolidated financial statements.

// OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior of the date of our auditor's report:

- > the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Report" of the group management report
- > the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (section "Corporate Governance")

The annual report and the financial report are expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- > is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- > otherwise appears to be materially misstated.

// RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

// AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
 - Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
 - Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists,
- we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
 - Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
 - Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

// OTHER LEGAL AND REGULATORY REQUIREMENTS

// FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 18 May 2017. We were engaged by the supervisory board on 18 May 2017. We have been the group auditor of the AUDI Aktiengesellschaft, Ingolstadt, without interruption since the financial year 1970.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

// GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Jürgen Schumann."

Munich, February 12, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner
Wirtschaftsprüfer
(German Public Auditor)

Jürgen Schumann
Wirtschaftsprüfer
(German Public Auditor)

FUEL CONSUMPTION AND EMISSION FIGURES

As at: January 2018

(All data apply to features of the German market.)

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A1									
A1 1.0 TFSI ultra	15, 16	60	5-speed	Premium	5.0	3.7	4.2	97	A
A1 1.0 TFSI ultra	17, 18	60	5-speed	Premium	5.2	3.9	4.4	102	B
A1 1.0 TFSI ultra	15, 16	70	5-speed	Premium	5.0	3.7	4.2	97	A
A1 1.0 TFSI ultra	17, 18	70	5-speed	Premium	5.2	3.9	4.4	102	B
A1 1.0 TFSI ultra	15, 16	70	S tronic, 7-speed	Premium	5.4	3.8	4.4	102	B
A1 1.0 TFSI ultra	17, 18	70	S tronic, 7-speed	Premium	5.6	4.0	4.6	107	B
A1 1.4 TFSI	15, 16	92	6-speed	Premium	6.4	4.1	4.9	115	C
A1 1.4 TFSI	17, 18	92	6-speed	Premium	6.6	4.3	5.1	120	C
A1 1.4 TFSI	15, 16	92	S tronic, 7-speed	Premium	6.2	4.2	4.9	112	B
A1 1.4 TFSI	17, 18	92	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	C
A1 1.4 TFSI COD	16	110	S tronic, 7-speed	Premium	5.8	4.1	4.7	109	B
A1 1.4 TFSI COD	17, 18	110	S tronic, 7-speed	Premium	6.1	4.4	5.0	116	B
A1 1.8 TFSI	16	141	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	C
A1 1.8 TFSI	17, 18	141	S tronic, 7-speed	Premium	7.4	4.9	5.8	134	C
S1 2.0 TFSI quattro	17	170	6-speed	Premium	9.1	5.8	7.0	162	E
S1 2.0 TFSI quattro	18	170	6-speed	Premium	9.2	5.9	7.1	166	E
A1 1.4 TDI	15, 16	66	5-speed	Diesel	4.4	3.5	3.8	99	A
A1 1.4 TDI	18	66	5-speed	Diesel	4.5	3.7	4.0	104	B
A1 1.4 TDI	15, 16	66	S tronic, 7-speed	Diesel	4.5	3.7	4.0	104	B
A1 1.4 TDI	18	66	S tronic, 7-speed	Diesel	4.6	3.8	4.1	109	B
A1 1.6 TDI	15, 16	85	5-speed	Diesel	4.6	3.3	3.8	99	A
A1 1.6 TDI	18	85	5-speed	Diesel	4.8	3.5	4.0	104	A
A1 1.6 TDI	15, 16	85	S tronic, 7-speed	Diesel	4.4	3.4	3.8	99	A
A1 1.6 TDI	17, 18	85	S tronic, 7-speed	Diesel	4.6	3.6	4.0	106	A
Audi A1 Sportback									
A1 Sportback 1.0 TFSI ultra	15, 16	60	5-speed	Premium	5.0	3.7	4.2	97	A
A1 Sportback 1.0 TFSI ultra	17, 18	60	5-speed	Premium	5.2	3.9	4.4	102	B
A1 Sportback 1.0 TFSI ultra	15, 16	70	5-speed	Premium	5.0	3.7	4.2	97	A
A1 Sportback 1.0 TFSI ultra	17, 18	70	5-speed	Premium	5.2	3.9	4.4	102	B
A1 Sportback 1.0 TFSI ultra	15, 16	70	S tronic, 7-speed	Premium	5.4	3.8	4.4	102	B
A1 Sportback 1.0 TFSI ultra	17, 18	70	S tronic, 7-speed	Premium	5.6	4.0	4.6	107	B
A1 Sportback 1.4 TFSI	15, 16	92	6-speed	Premium	6.6	4.2	5.1	118	C
A1 Sportback 1.4 TFSI	17, 18	92	6-speed	Premium	6.7	4.4	5.2	123	C
A1 Sportback 1.4 TFSI	15, 16	92	S tronic, 7-speed	Premium	6.2	4.2	4.9	112	B
A1 Sportback 1.4 TFSI	17, 18	92	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	B
A1 Sportback 1.4 TFSI COD	16	110	S tronic, 7-speed	Premium	5.8	4.1	4.7	109	B
A1 Sportback 1.4 TFSI COD	17, 18	110	S tronic, 7-speed	Premium	6.1	4.4	5.0	116	B
A1 Sportback 1.8 TFSI	16	141	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	C
A1 Sportback 1.8 TFSI	17, 18	141	S tronic, 7-speed	Premium	7.4	4.9	5.8	134	C
S1 Sportback 2.0 TFSI quattro	17	170	6-speed	Premium	9.2	5.9	7.1	166	E
S1 Sportback 2.0 TFSI quattro	18	170	6-speed	Premium	9.3	6.0	7.2	168	E
A1 Sportback 1.4 TDI	15, 16	66	5-speed	Diesel	4.5	3.6	3.9	102	A
A1 Sportback 1.4 TDI	18	66	5-speed	Diesel	4.6	3.8	4.1	107	B
A1 Sportback 1.4 TDI	15, 16	66	S tronic, 7-speed	Diesel	4.5	3.7	4.0	104	A
A1 Sportback 1.4 TDI	18	66	S tronic, 7-speed	Diesel	4.6	3.8	4.1	109	B
A1 Sportback 1.6 TDI	15, 16	85	5-speed	Diesel	4.6	3.3	3.8	99	A
A1 Sportback 1.6 TDI	18	85	5-speed	Diesel	4.8	3.5	4.0	104	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A1 Sportback 1.6 TDI	15, 16	85	S tronic, 7-speed	Diesel	4.4	3.4	3.8	99	A
A1 Sportback 1.6 TDI	17, 18	85	S tronic, 7-speed	Diesel	4.6	3.6	4.0	106	A
Audi TT Coupé									
TT Coupé 1.8 TFSI	17	132	6-speed	Premium	7.4	4.9	5.8	134	C
TT Coupé 1.8 TFSI	17-20 ¹⁾	132	6-speed	Premium	7.6	5.1	6.0	138	D
TT Coupé 1.8 TFSI	17	132	S tronic, 7-speed	Premium	7.0	4.9	5.7	129	C
TT Coupé 1.8 TFSI	17-20 ¹⁾	132	S tronic, 7-speed	Premium	7.2	5.1	5.9	133	C
TT Coupé 2.0 TFSI	17	169	6-speed	Premium	7.3	5.0	5.9	137	C
TT Coupé 2.0 TFSI	17-20 ¹⁾	169	6-speed	Premium	7.5	5.2	6.1	141	D
TT Coupé 2.0 TFSI	17	169	S tronic, 6-speed	Premium	8.2	5.2	6.3	146	D
TT Coupé 2.0 TFSI	17-20 ¹⁾	169	S tronic, 6-speed	Premium	8.4	5.4	6.5	150	D
TT Coupé 2.0 TFSI quattro	17	169	S tronic, 6-speed	Premium	8.3	5.4	6.4	149	D
TT Coupé 2.0 TFSI quattro	17-20 ¹⁾	169	S tronic, 6-speed	Premium	8.5	5.6	6.6	153	D
TTS Coupé 2.0 TFSI quattro	18	228	6-speed	Premium	9.2	5.9	7.1	164	D
TTS Coupé 2.0 TFSI quattro	19, 20	228	6-speed	Premium	9.4	6.1	7.3	168	E
TTS Coupé 2.0 TFSI quattro	18	228	S tronic, 6-speed	Premium	8.2	5.8	6.7	155	D
TTS Coupé 2.0 TFSI quattro	19, 20	228	S tronic, 6-speed	Premium	8.4	6.0	6.9	159	D
TT RS Coupé 2.5 TFSI quattro	19	294	S tronic, 7-speed	Super Plus	11.3	6.4	8.2	187	F
TT RS Coupé 2.5 TFSI quattro	20	294	S tronic, 7-speed	Super Plus	11.4	6.6	8.4	192	F
TT Coupé 2.0 TDI ultra	17	135	6-speed	Diesel	5.4	4.1	4.6	122	B
TT Coupé 2.0 TDI ultra	17-20 ¹⁾	135	6-speed	Diesel	5.5	4.2	4.7	124	B
TT Coupé 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	6.1	4.7	5.2	137	C
TT Coupé 2.0 TDI quattro	17-20 ¹⁾	135	S tronic, 6-speed	Diesel	6.2	4.9	5.4	142	C
Audi TT Roadster									
TT Roadster 1.8 TFSI	17	132	6-speed	Premium	7.5	5.0	5.9	138	C
TT Roadster 1.8 TFSI	17-20 ¹⁾	132	6-speed	Premium	7.7	5.2	6.1	142	C
TT Roadster 1.8 TFSI	17	132	S tronic, 7-speed	Premium	7.1	5.0	5.8	132	C
TT Roadster 1.8 TFSI	17-20 ¹⁾	132	S tronic, 7-speed	Premium	7.3	5.2	6.0	136	C
TT Roadster 2.0 TFSI	17	169	6-speed	Premium	7.5	5.2	6.0	140	C
TT Roadster 2.0 TFSI	17-20 ¹⁾	169	6-speed	Premium	7.7	5.4	6.2	144	C
TT Roadster 2.0 TFSI	17	169	S tronic, 6-speed	Premium	8.4	5.4	6.5	151	D
TT Roadster 2.0 TFSI	17-20 ¹⁾	169	S tronic, 6-speed	Premium	8.6	5.6	6.7	155	D
TT Roadster 2.0 TFSI quattro	17	169	S tronic, 6-speed	Premium	8.5	5.6	6.7	154	D
TT Roadster 2.0 TFSI quattro	17-20 ¹⁾	169	S tronic, 6-speed	Premium	8.7	5.8	6.9	158	D
TTS Roadster 2.0 TFSI quattro	18	228	6-speed	Premium	9.3	6.1	7.3	169	D
TTS Roadster 2.0 TFSI quattro	19, 20	228	6-speed	Premium	9.5	6.3	7.5	173	E
TTS Roadster 2.0 TFSI quattro	18	228	S tronic, 6-speed	Premium	8.4	6.0	6.9	159	D
TTS Roadster 2.0 TFSI quattro	19, 20	228	S tronic, 6-speed	Premium	8.6	6.2	7.1	163	D
TT RS Roadster 2.5 TFSI quattro	19	294	S tronic, 7-speed	Super Plus	11.3	6.5	8.3	189	E
TT RS Roadster 2.5 TFSI quattro	20	294	S tronic, 7-speed	Super Plus	11.4	6.8	8.5	194	E
TT Roadster 2.0 TDI ultra	17	135	6-speed	Diesel	5.5	4.2	4.7	126	B
TT Roadster 2.0 TDI ultra	17-20 ¹⁾	135	6-speed	Diesel	5.6	4.3	4.8	129	B
TT Roadster 2.0 TDI quattro	17	135	S tronic, 6-speed	Diesel	6.3	4.9	5.4	142	C
TT Roadster 2.0 TDI quattro	17-20 ¹⁾	135	S tronic, 6-speed	Diesel	6.4	5.1	5.6	147	C
Audi A3 Sportback									
A3 Sportback 1.0 TFSI	16 ⁴⁾	85	6-speed	Premium	5.5	3.9	4.5	104	A
A3 Sportback 1.0 TFSI	16-18	85	6-speed	Premium	5.8	4.2	4.8	110	B
A3 Sportback 1.0 TFSI	16 ⁴⁾	85	S tronic, 7-speed	Premium	5.4	4.0	4.5	104	A
A3 Sportback 1.0 TFSI	16-18	85	S tronic, 7-speed	Premium	5.7	4.3	4.8	110	B
A3 Sportback 1.5 TFSI COD	16 ⁴⁾	110	6-speed	Premium	6.3	4.3	5.0	114	B
A3 Sportback 1.5 TFSI COD	16-19	110	6-speed	Premium	6.5	4.6	5.3	120	B
A3 Sportback 1.5 TFSI COD	16 ⁴⁾	110	S tronic, 7-speed	Premium	6.0	4.1	4.8	110	A
A3 Sportback 1.5 TFSI COD	16-19	110	S tronic, 7-speed	Premium	6.2	4.4	5.1	116	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A3 Sportback 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.2	4.9	5.8	133	B
A3 Sportback 2.0 TFSI quattro	17–19 ³⁾	140	S tronic, 7-speed	Premium	7.4	5.1	6.0	137	C
A3 Sportback 1.4 TFSI g-tron	16 ⁴⁾	81	6-speed	Premium	6.9	4.3	5.2	121	B
				Natural gas	4.4 kg	2.8 kg	3.4 kg	92	A+
A3 Sportback 1.4 TFSI g-tron	16–18	81	6-speed	Premium	7.2	4.6	5.5	128	C
				Natural gas	4.6 kg	3.0 kg	3.6 kg	98	A+
A3 Sportback 1.4 TFSI g-tron	16 ⁴⁾	81	S tronic, 7-speed	Premium	6.3	4.4	5.1	117	B
				Natural gas	4.2 kg	2.7 kg	3.3 kg	89	A+
A3 Sportback 1.4 TFSI g-tron	16–18	81	S tronic, 7-speed	Premium	6.6	4.7	5.4	124	B
				Natural gas	4.3 kg	2.9 kg	3.5 kg	95	A+
A3 Sportback 1.4 TFSI e-tron	16	150 ²⁾	S tronic, 6-speed	Premium	–	–	1.6	36	A+
				Electricity			11.4 kWh		
A3 Sportback 1.4 TFSI e-tron	17, 18	150 ²⁾	S tronic, 6-speed	Premium	–	–	1.8	40	A+
				Electricity			12.0 kWh		
S3 Sportback 2.0 TFSI quattro	18	228	6-speed	Super Plus	9.1	5.8	7.0	162	D
S3 Sportback 2.0 TFSI quattro	19	228	6-speed	Super Plus	9.2	5.9	7.1	163	D
S3 Sportback 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.2	5.5	6.5	149	C
S3 Sportback 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.3	5.6	6.6	152	C
RS 3 Sportback 2.5 TFSI quattro	19	294	S tronic, 7-speed	Super Plus	11.3	6.6	8.3	189	E
RS 3 Sportback 2.5 TFSI quattro	19 ⁵⁾	294	S tronic, 7-speed	Super Plus	11.4	6.7	8.4	192	E
A3 Sportback 1.6 TDI	16 ⁴⁾	85	6-speed	Diesel	4.5	3.7	4.0	106	A
A3 Sportback 1.6 TDI	17, 18 ³⁾	85	6-speed	Diesel	4.7	3.9	4.2	111	A
A3 Sportback 1.6 TDI	16 ⁴⁾	85	S tronic, 7-speed	Diesel	4.1	3.7	3.9	103	A
A3 Sportback 1.6 TDI	17, 18 ³⁾	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	109	A
A3 Sportback 2.0 TDI	16 ⁴⁾	110	6-speed	Diesel	5.1	3.7	4.2	109	A
A3 Sportback 2.0 TDI	16–19	110	6-speed	Diesel	5.3	3.9	4.4	114	A
A3 Sportback 2.0 TDI	16 ⁴⁾	110	S tronic, 7-speed	Diesel	5.1	3.8	4.3	112	A
A3 Sportback 2.0 TDI	16–19	110	S tronic, 7-speed	Diesel	5.3	4.1	4.6	119	B
A3 Sportback 2.0 TDI quattro	16 ⁴⁾	110	6-speed	Diesel	5.6	4.2	4.7	124	B
A3 Sportback 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.8	4.4	4.9	129	B
A3 Sportback 2.0 TDI quattro	17	135	S tronic, 7-speed	Diesel	5.6	4.6	4.9	129	B
A3 Sportback 2.0 TDI quattro	17–19 ³⁾	135	S tronic, 7-speed	Diesel	5.7	4.7	5.1	133	B
Audi A3 Sedan									
A3 Sedan 1.0 TFSI	16 ⁴⁾	85	6-speed	Premium	5.5	3.8	4.4	103	A
A3 Sedan 1.0 TFSI	16–18	85	6-speed	Premium	5.8	4.1	4.7	109	B
A3 Sedan 1.0 TFSI	16 ⁴⁾	85	S tronic, 7-speed	Premium	5.4	3.9	4.4	103	A
A3 Sedan 1.0 TFSI	16–18	85	S tronic, 7-speed	Premium	5.6	4.2	4.7	109	A
A3 Sedan 1.5 TFSI COD	16 ⁴⁾	110	6-speed	Premium	6.3	4.2	5.0	113	B
A3 Sedan 1.5 TFSI COD	16–19	110	6-speed	Premium	6.4	4.5	5.2	119	B
A3 Sedan 1.5 TFSI COD	16 ⁴⁾	110	S tronic, 7-speed	Premium	6.0	4.0	4.8	109	A
A3 Sedan 1.5 TFSI COD	16–19	110	S tronic, 7-speed	Premium	6.2	4.3	5.1	115	B
A3 Sedan 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.2	4.8	5.7	132	B
A3 Sedan 2.0 TFSI quattro	17–19 ³⁾	140	S tronic, 7-speed	Premium	7.4	5.0	5.9	136	B
S3 Sedan 2.0 TFSI quattro	18	228	6-speed	Super Plus	9.1	5.8	7.0	162	D
S3 Sedan 2.0 TFSI quattro	19	228	6-speed	Super Plus	9.2	5.9	7.1	163	D
S3 Sedan 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.2	5.4	6.4	148	C
S3 Sedan 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.3	5.5	6.5	151	C
RS 3 Sedan 2.5 TFSI quattro	19	294	S tronic, 7-speed	Super Plus	11.3	6.5	8.3	188	E
RS 3 Sedan 2.5 TFSI quattro	19 ⁵⁾	294	S tronic, 7-speed	Super Plus	11.4	6.6	8.4	191	E
A3 Sedan 1.6 TDI	16 ⁴⁾	85	6-speed	Diesel	4.5	3.6	4.0	104	A
A3 Sedan 1.6 TDI	17, 18 ³⁾	85	6-speed	Diesel	4.7	3.8	4.2	110	A
A3 Sedan 1.6 TDI	16 ⁴⁾	85	S tronic, 7-speed	Diesel	4.1	3.7	3.9	102	A
A3 Sedan 1.6 TDI	17, 18 ³⁾	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	108	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A3 Sedan 2.0 TDI	16 ⁴⁾	110	6-speed	Diesel	5.0	3.6	4.1	108	A
A3 Sedan 2.0 TDI	16–19	110	6-speed	Diesel	5.2	3.8	4.3	113	A
A3 Sedan 2.0 TDI	16 ⁴⁾	110	S tronic, 7-speed	Diesel	5.1	3.8	4.3	111	A
A3 Sedan 2.0 TDI	16–19	110	S tronic, 7-speed	Diesel	5.3	4.1	4.6	118	A
A3 Sedan 2.0 TDI quattro	16 ⁴⁾	110	6-speed	Diesel	5.6	4.2	4.7	124	B
A3 Sedan 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.8	4.4	4.9	129	B
A3 Sedan 2.0 TDI quattro	17	135	S tronic, 7-speed	Diesel	5.6	4.5	4.9	129	B
A3 Sedan 2.0 TDI quattro	17–19 ³⁾	135	S tronic, 7-speed	Diesel	5.7	4.7	5.1	133	B
Audi A3 Cabriolet									
A3 Cabriolet 1.4 TFSI	16 ⁴⁾	85	6-speed	Premium	6.9	4.4	5.3	120	B
A3 Cabriolet 1.4 TFSI	16–19	85	6-speed	Premium	7.1	4.7	5.6	126	B
A3 Cabriolet 1.4 TFSI	16 ⁴⁾	85	S tronic, 7-speed	Premium	6.3	4.4	5.1	116	A
A3 Cabriolet 1.4 TFSI	16–19	85	S tronic, 7-speed	Premium	6.6	4.7	5.4	123	B
A3 Cabriolet 1.5 TFSI COD	16 ⁴⁾	110	6-speed	Premium	6.4	4.4	5.2	118	A
A3 Cabriolet 1.5 TFSI COD	16–19	110	6-speed	Premium	6.6	4.7	5.4	124	B
A3 Cabriolet 1.5 TFSI COD	16 ⁴⁾	110	S tronic, 7-speed	Premium	6.2	4.3	5.0	114	A
A3 Cabriolet 1.5 TFSI COD	16–19	110	S tronic, 7-speed	Premium	6.4	4.6	5.3	120	A
A3 Cabriolet 2.0 TFSI quattro	17	140	S tronic, 7-speed	Premium	7.6	5.2	6.1	139	B
A3 Cabriolet 2.0 TFSI quattro	17–19 ³⁾	140	S tronic, 7-speed	Premium	7.8	5.4	6.3	144	B
S3 Cabriolet 2.0 TFSI quattro	18	228	S tronic, 7-speed	Super Plus	8.4	5.7	6.7	153	B
S3 Cabriolet 2.0 TFSI quattro	19	228	S tronic, 7-speed	Super Plus	8.5	5.8	6.8	156	C
A3 Cabriolet 2.0 TDI	16 ⁴⁾	110	6-speed	Diesel	5.2	3.8	4.3	113	A
A3 Cabriolet 2.0 TDI	16–19	110	6-speed	Diesel	5.4	4.0	4.5	118	A
A3 Cabriolet 2.0 TDI	16 ⁴⁾	110	S tronic, 7-speed	Diesel	5.2	4.0	4.4	115	A
A3 Cabriolet 2.0 TDI	16–19	110	S tronic, 7-speed	Diesel	5.4	4.3	4.7	122	A
A3 Cabriolet 2.0 TDI quattro	16 ⁴⁾	110	6-speed	Diesel	5.7	4.3	4.8	127	A
A3 Cabriolet 2.0 TDI quattro	16–19	110	6-speed	Diesel	5.9	4.5	5.0	132	B
A3 Cabriolet 2.0 TDI quattro	17	135	S tronic, 7-speed	Diesel	5.8	4.7	5.1	134	A
A3 Cabriolet 2.0 TDI quattro	17–19 ³⁾	135	S tronic, 7-speed	Diesel	6.0	4.9	5.3	138	B
Audi A4 Sedan									
A4 Sedan 1.4 TFSI	16 ⁴⁾	110	6-speed	Premium	6.6	4.3	5.1	119	B
A4 Sedan 1.4 TFSI	16–19	110	6-speed	Premium	7.0	4.8	5.5	131	B
A4 Sedan 1.4 TFSI	16 ⁴⁾	110	S tronic, 7-speed	Premium	6.4	4.1	4.9	114	A
A4 Sedan 1.4 TFSI	16–19	110	S tronic, 7-speed	Premium	7.1	4.7	5.6	129	B
A4 Sedan 2.0 TFSI ultra	16	140	6-speed	Premium	7.3	4.4	5.5	124	B
A4 Sedan 2.0 TFSI ultra	19	140	6-speed	Premium	7.5	4.8	5.8	131	B
A4 Sedan 2.0 TFSI ultra	16	140	S tronic, 7-speed	Premium	6.7	4.2	5.1	115	A
A4 Sedan 2.0 TFSI ultra	19	140	S tronic, 7-speed	Premium	7.0	4.7	5.6	126	B
A4 Sedan 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.4	4.9	5.8	132	B
A4 Sedan 2.0 TFSI	19	185	S tronic, 7-speed	Premium	7.5	5.2	6.0	137	B
A4 Sedan 2.0 TFSI quattro	17	185	6-speed	Premium	8.1	5.3	6.3	143	B
A4 Sedan 2.0 TFSI quattro	19	185	6-speed	Premium	8.3	5.5	6.5	149	C
A4 Sedan 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.8	5.4	6.3	142	B
A4 Sedan 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	7.9	5.6	6.5	146	B
S4 Sedan 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.1	6.0	7.5	170	C
S4 Sedan 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	10.2	6.3	7.7	174	D
A4 Sedan 2.0 TDI	16 ⁴⁾	90	6-speed	Diesel	4.4	3.3	3.7	97	A+
A4 Sedan 2.0 TDI	16–19	90	6-speed	Diesel	4.9	3.8	4.2	110	A
A4 Sedan 2.0 TDI	16 ⁴⁾	90	S tronic, 7-speed	Diesel	4.7	3.5	3.9	101	A+
A4 Sedan 2.0 TDI	16–19	90	S tronic, 7-speed	Diesel	5.1	3.9	4.3	112	A
A4 Sedan 2.0 TDI	16	110	6-speed	Diesel	4.6	3.4	3.8	99	A+
A4 Sedan 2.0 TDI	17–19	110	6-speed	Diesel	5.0	3.9	4.2	111	A
A4 Sedan 2.0 TDI ultra	16 ⁴⁾	110	6-speed	Diesel	4.4	3.3	3.7	95	A+

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A4 Sedan 2.0 TDI ultra	17 ⁶⁾	110	6-speed	Diesel	4.5	3.4	3.8	99	A+
A4 Sedan 2.0 TDI	16	110	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Sedan 2.0 TDI	17–19	110	S tronic, 7-speed	Diesel	5.1	3.9	4.3	112	A
A4 Sedan 2.0 TDI ultra	16 ⁴⁾	110	S tronic, 7-speed	Diesel	4.6	3.4	3.8	99	A+
A4 Sedan 2.0 TDI ultra	17 ⁶⁾	110	S tronic, 7-speed	Diesel	4.7	3.5	3.9	101	A+
A4 Sedan 2.0 TDI quattro	16	110	6-speed	Diesel	5.0	3.7	4.2	109	A+
A4 Sedan 2.0 TDI quattro	17–19	110	6-speed	Diesel	5.1	3.9	4.3	113	A+
A4 Sedan 2.0 TDI ultra	16	140	6-speed	Diesel	4.7	3.4	3.8	99	A+
A4 Sedan 2.0 TDI ultra	17	140	6-speed	Diesel	4.8	3.5	3.9	102	A+
A4 Sedan 2.0 TDI	17	140	6-speed	Diesel	5.1	3.8	4.3	111	A
A4 Sedan 2.0 TDI	18, 19	140	6-speed	Diesel	5.4	4.1	4.5	118	A
A4 Sedan 2.0 TDI quattro	17	140	6-speed	Diesel	5.3	4.0	4.5	116	A
A4 Sedan 2.0 TDI quattro	18, 19	140	6-speed	Diesel	5.4	4.2	4.6	119	A
A4 Sedan 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	107	A+
A4 Sedan 2.0 TDI	18, 19	140	S tronic, 7-speed	Diesel	5.0	3.9	4.3	113	A
A4 Sedan 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.1	4.0	4.4	114	A+
A4 Sedan 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.3	4.3	4.6	121	A
A4 Sedan 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.8	4.0	4.2	109	A+
A4 Sedan 3.0 TDI	18, 19	160	S tronic, 7-speed	Diesel	4.9	4.3	4.5	117	A
A4 Sedan 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	4.9	4.4	4.6	119	A+
A4 Sedan 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.1	4.7	4.8	127	A
A4 Sedan 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.6	4.8	5.1	133	A
A4 Sedan 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	5.8	5.1	5.4	141	B
Audi A4 Avant									
A4 Avant 1.4 TFSI	16 ⁴⁾	110	6-speed	Premium	6.8	4.5	5.3	124	B
A4 Avant 1.4 TFSI	16–19	110	6-speed	Premium	7.3	5.0	5.8	139	C
A4 Avant 1.4 TFSI	16 ⁴⁾	110	S tronic, 7-speed	Premium	6.7	4.3	5.2	119	A
A4 Avant 1.4 TFSI	16–19	110	S tronic, 7-speed	Premium	7.2	4.8	5.7	131	B
A4 Avant 2.0 TFSI ultra	16	140	6-speed	Premium	7.5	4.6	5.6	128	B
A4 Avant 2.0 TFSI ultra	19	140	6-speed	Premium	7.6	5.0	5.9	135	B
A4 Avant 2.0 TFSI ultra	16	140	S tronic, 7-speed	Premium	6.8	4.4	5.3	119	A
A4 Avant 2.0 TFSI ultra	19	140	S tronic, 7-speed	Premium	7.2	5.0	5.8	131	B
A4 Avant 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.5	5.1	6.0	135	B
A4 Avant 2.0 TFSI	18	185	S tronic, 7-speed	Premium	7.6	5.3	6.1	138	B
A4 Avant 2.0 TFSI	19	185	S tronic, 7-speed	Premium	7.5	5.3	6.1	139	B
A4 Avant 2.0 TFSI quattro	17	185	6-speed	Premium	8.3	5.4	6.5	147	B
A4 Avant 2.0 TFSI quattro	19	185	6-speed	Premium	8.5	5.7	6.7	153	C
A4 Avant 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.9	5.6	6.5	146	B
A4 Avant 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	8.0	5.8	6.6	150	C
S4 Avant 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.2	6.3	7.7	175	D
S4 Avant 3.0 TFSI quattro	19	260	tiptronic, 8-speed	Premium	10.3	6.5	7.9	179	D
RS 4 Avant 2.9 TFSI quattro	19	331	tiptronic, 8-speed	Super Plus	11.5	7.2	8.8	199	E
RS 4 Avant 2.9 TFSI quattro	20	331	tiptronic, 8-speed	Super Plus	11.6	7.2	8.8	200	E
A4 Avant 2.0 TFSI g-tron	16	125	6-speed	Premium	8.0	4.9	6.0	136	B
				Natural gas	5.4 kg	3.2 kg	4.0 kg	109	A+
A4 Avant 2.0 TFSI g-tron	19	125	6-speed	Premium	8.3	5.4	6.5	147	B
				Natural gas	5.6 kg	3.5 kg	4.3 kg	117	A
A4 Avant 2.0 TFSI g-tron	16	125	S tronic, 7-speed	Super	7.1	4.6	5.5	126	A
				Natural gas	5.0 kg	3.1 kg	3.8 kg	102	A+
A4 Avant 2.0 TFSI g-tron	19	125	S tronic, 7-speed	Super	7.5	5.2	6.0	137	B
				Natural gas	5.2 kg	3.5 kg	4.1 kg	111	A+
A4 Avant 2.0 TDI	16 ⁴⁾	90	6-speed	Diesel	4.6	3.5	3.9	102	A+
A4 Avant 2.0 TDI	16–19	90	6-speed	Diesel	5.0	4.0	4.3	115	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A4 Avant 2.0 TDI	16 ⁴⁾	90	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	16–19	90	S tronic, 7-speed	Diesel	5.2	4.0	4.4	115	A
A4 Avant 2.0 TDI	16	110	6-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	17–19	110	6-speed	Diesel	5.1	4.0	4.3	116	A
A4 Avant 2.0 TDI ultra	16 ⁴⁾	110	6-speed	Diesel	4.5	3.4	3.8	99	A+
A4 Avant 2.0 TDI ultra	17 ⁶⁾	110	6-speed	Diesel	4.7	3.6	4.0	104	A+
A4 Avant 2.0 TDI ultra	16 ⁴⁾	110	S tronic, 7-speed	Diesel	4.7	3.5	3.9	102	A+
A4 Avant 2.0 TDI ultra	17 ⁶⁾	110	S tronic, 7-speed	Diesel	4.8	3.6	4.0	104	A+
A4 Avant 2.0 TDI	16	110	S tronic, 7-speed	Diesel	4.9	3.7	4.1	106	A+
A4 Avant 2.0 TDI	17–19	110	S tronic, 7-speed	Diesel	5.2	4.0	4.4	115	A
A4 Avant 2.0 TDI quattro	16	110	6-speed	Diesel	5.1	3.8	4.3	112	A+
A4 Avant 2.0 TDI quattro	17–19	110	6-speed	Diesel	5.3	4.1	4.5	118	A
A4 Avant 2.0 TDI ultra	16 ⁴⁾	140	6-speed	Diesel	4.9	3.6	4.0	104	A+
A4 Avant 2.0 TDI ultra	17 ⁶⁾	140	6-speed	Diesel	5.0	3.7	4.1	106	A+
A4 Avant 2.0 TDI	17	140	6-speed	Diesel	5.1	3.9	4.4	114	A
A4 Avant 2.0 TDI	18, 19	140	6-speed	Diesel	5.4	4.1	4.6	121	A
A4 Avant 2.0 TDI quattro	17	140	6-speed	Diesel	5.4	4.1	4.6	119	A
A4 Avant 2.0 TDI quattro	18, 19	140	6-speed	Diesel	5.6	4.3	4.8	124	A
A4 Avant 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	109	A+
A4 Avant 2.0 TDI	18, 19	140	S tronic, 7-speed	Diesel	5.0	4.1	4.4	116	A
A4 Avant 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	116	A+
A4 Avant 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.4	4.4	4.7	123	A
A4 Avant 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A4 Avant 3.0 TDI	18, 19	160	S tronic, 7-speed	Diesel	5.0	4.5	4.6	121	A
A4 Avant 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.4	4.7	123	A
A4 Avant 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.2	4.8	4.9	129	A
A4 Avant 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.8	5.0	5.3	138	A
A4 Avant 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	6.0	5.4	5.6	146	B
Audi A4 allroad quattro									
A4 allroad quattro 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.9	5.7	6.5	148	B
A4 allroad quattro 2.0 TFSI quattro	19	185	S tronic, 7-speed	Premium	8.1	6.0	6.8	154	C
A4 allroad quattro 2.0 TDI quattro	17	110	6-speed	Diesel	5.8	4.4	4.9	127	A
A4 allroad quattro 2.0 TDI quattro	18, 19	110	6-speed	Diesel	5.9	4.6	5.1	133	A
A4 allroad quattro 2.0 TDI quattro	17	120	S tronic, 7-speed	Diesel	5.5	4.6	4.9	128	A
A4 allroad quattro 2.0 TDI quattro	18, 19	120	S tronic, 7-speed	Diesel	5.7	4.8	5.1	134	A
A4 allroad quattro 2.0 TDI quattro	17	140	6-speed	Diesel	5.8	4.5	5.0	130	A
A4 allroad quattro 2.0 TDI quattro	18, 19	140	6-speed	Diesel	6.0	4.8	5.2	136	B
A4 allroad quattro 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.5	4.6	4.9	128	A
A4 allroad quattro 2.0 TDI quattro	18, 19	140	S tronic, 7-speed	Diesel	5.7	4.8	5.1	134	A
A4 allroad quattro 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.4	5.0	5.1	137	A
A4 allroad quattro 3.0 TDI quattro	18, 19	160	S tronic, 7-speed	Diesel	5.6	5.2	5.3	143	B
A4 allroad quattro 3.0 TDI quattro	17	200	tiptronic, 8-speed	Diesel	5.9	5.2	5.5	143	A
A4 allroad quattro 3.0 TDI quattro	18, 19	200	tiptronic, 8-speed	Diesel	6.1	5.5	5.7	150	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A5 Sportback									
A5 Sportback 2.0 TFSI	17	140	6-speed	Premium	7.6	4.8	5.8	131	B
A5 Sportback 2.0 TFSI	20	140	6-speed	Premium	7.6	4.9	5.9	133	B
A5 Sportback 2.0 TFSI	17	140	S tronic, 7-speed	Premium	7.1	4.6	5.5	124	A
A5 Sportback 2.0 TFSI	20	140	S tronic, 7-speed	Premium	7.1	4.8	5.7	129	B
A5 Sportback 2.0 TFSI quattro	17	185	6-speed	Premium	8.1	5.2	6.3	143	B
A5 Sportback 2.0 TFSI quattro	20	185	6-speed	Premium	8.3	5.5	6.5	149	C
A5 Sportback 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.5	4.9	5.8	132	B
A5 Sportback 2.0 TFSI	20	185	S tronic, 7-speed	Premium	7.6	5.2	6.1	137	B
A5 Sportback 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.9	5.5	6.4	144	B
A5 Sportback 2.0 TFSI quattro	20	185	S tronic, 7-speed	Premium	8.0	5.7	6.5	148	B
S5 Sportback 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.1	6.0	7.5	170	C
S5 Sportback 3.0 TFSI quattro	20	260	tiptronic, 8-speed	Premium	10.2	6.2	7.7	174	D
A5 Sportback 2.0 TFSI g-tron	17 ⁴⁾	125	6-speed	Premium	7.8	4.8	5.9	135	B
				Natural gas	5.4 kg	3.1 kg	4.0 kg	108	A+
A5 Sportback 2.0 TFSI g-tron	19	125	6-speed	Premium	8.1	5.2	6.3	143	B
				Natural gas	5.5 kg	3.4 kg	4.2 kg	114	A+
A5 Sportback 2.0 TFSI g-tron	17 ⁴⁾	125	S tronic, 7-speed	Super	7.2	4.6	5.6	126	A
				Natural gas	5.0 kg	3.1 kg	3.8 kg	102	A+
A5 Sportback 2.0 TFSI g-tron	19	125	S tronic, 7-speed	Super	7.4	5.1	6.0	135	B
				Natural gas	5.2 kg	3.4 kg	4.1 kg	110	A+
A5 Sportback 2.0 TDI	17	110	6-speed	Diesel	5.0	3.8	4.2	109	A+
A5 Sportback 2.0 TDI	20	110	6-speed	Diesel	5.0	3.9	4.3	112	A
A5 Sportback 2.0 TDI quattro	17	110	6-speed	Diesel	5.2	3.9	4.4	114	A+
A5 Sportback 2.0 TDI quattro	20	110	6-speed	Diesel	5.3	4.2	4.6	120	A
A5 Sportback 2.0 TDI	17	110	S tronic, 7-speed	Diesel	4.9	3.8	4.2	110	A+
A5 Sportback 2.0 TDI	20	110	S tronic, 7-speed	Diesel	5.0	4.0	4.4	115	A
A5 Sportback 2.0 TDI ultra	17 ⁴⁾	140	6-speed	Diesel	5.0	3.7	4.1	108	A+
A5 Sportback 2.0 TDI ultra	18	140	6-speed	Diesel	5.1	3.9	4.3	113	A
A5 Sportback 2.0 TDI	17	140	6-speed	Diesel	5.2	3.8	4.4	114	A
A5 Sportback 2.0 TDI	20	140	6-speed	Diesel	5.4	4.1	4.6	120	A
A5 Sportback 2.0 TDI quattro	17	140	6-speed	Diesel	5.4	4.1	4.6	119	A
A5 Sportback 2.0 TDI quattro	20	140	6-speed	Diesel	5.5	4.4	4.8	125	A
A5 Sportback 2.0 TDI ultra	17 ⁴⁾	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	106	A+
A5 Sportback 2.0 TDI ultra	18	140	S tronic, 7-speed	Diesel	4.9	4.0	4.3	112	A+
A5 Sportback 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	109	A+
A5 Sportback 2.0 TDI	20	140	S tronic, 7-speed	Diesel	5.0	4.1	4.4	115	A
A5 Sportback 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	117	A+
A5 Sportback 2.0 TDI quattro	20	140	S tronic, 7-speed	Diesel	5.3	4.4	4.7	124	A
A5 Sportback 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.9	4.1	4.4	115	A+
A5 Sportback 3.0 TDI	20	160	S tronic, 7-speed	Diesel	5.0	4.3	4.5	118	A
A5 Sportback 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.3	4.6	119	A+
A5 Sportback 3.0 TDI quattro	20	160	S tronic, 7-speed	Diesel	5.1	4.7	4.8	126	A
A5 Sportback 3.0 TDI quattro	17	210	tiptronic, 8-speed	Diesel	6.3	4.9	5.4	141	A
A5 Sportback 3.0 TDI quattro	20	210	tiptronic, 8-speed	Diesel	6.5	5.2	5.7	148	B
Audi A5 Coupé									
A5 Coupé 2.0 TFSI	17	140	6-speed	Premium	7.4	4.6	5.6	128	B
A5 Coupé 2.0 TFSI	20	140	6-speed	Premium	7.5	4.7	5.7	130	B
A5 Coupé 2.0 TFSI	17	140	S tronic, 7-speed	Premium	7.1	4.6	5.5	124	A
A5 Coupé 2.0 TFSI	20	140	S tronic, 7-speed	Premium	7.2	4.8	5.7	129	B
A5 Coupé 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.4	4.9	5.8	131	B
A5 Coupé 2.0 TFSI	20	185	S tronic, 7-speed	Premium	7.5	5.0	5.9	134	B
A5 Coupé 2.0 TFSI quattro	17	185	6-speed	Premium	8.1	5.2	6.3	142	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A5 Coupé 2.0 TFSI quattro	20	185	6-speed	Premium	8.3	5.5	6.5	148	C
A5 Coupé 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	7.8	5.3	6.2	141	B
A5 Coupé 2.0 TFSI quattro	20	185	S tronic, 7-speed	Premium	7.9	5.5	6.4	145	B
S5 Coupé 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.1	6.0	7.5	170	D
S5 Coupé 3.0 TFSI quattro	20	260	tiptronic, 8-speed	Premium	10.2	6.2	7.7	174	D
RS 5 Coupé 2.9 TFSI quattro	19,20	331	tiptronic, 8-speed	Super Plus	11.5	7.1	8.7	197	E
A5 Coupé 2.0 TDI	17	110	6-speed	Diesel	4.8	3.7	4.1	106	A+
A5 Coupé 2.0 TDI	20	110	6-speed	Diesel	4.9	3.8	4.2	109	A
A5 Coupé 2.0 TDI	17	110	S tronic, 7-speed	Diesel	4.9	3.8	4.2	109	A+
A5 Coupé 2.0 TDI	20	110	S tronic, 7-speed	Diesel	5.0	4.0	4.3	114	A
A5 Coupé 2.0 TDI ultra	17 ⁴⁾	140	6-speed	Diesel	5.0	3.7	4.1	106	A+
A5 Coupé 2.0 TDI ultra	18	140	6-speed	Diesel	5.1	3.8	4.2	111	A
A5 Coupé 2.0 TDI	17	140	6-speed	Diesel	5.1	3.8	4.3	111	A
A5 Coupé 2.0 TDI	20	140	6-speed	Diesel	5.4	4.1	4.6	119	A
A5 Coupé 2.0 TDI ultra	17 ⁴⁾	140	S tronic, 7-speed	Diesel	4.7	3.6	4.0	105	A+
A5 Coupé 2.0 TDI ultra	18	140	S tronic, 7-speed	Diesel	4.9	3.8	4.2	111	A+
A5 Coupé 2.0 TDI	17	140	S tronic, 7-speed	Diesel	4.8	3.7	4.1	107	A+
A5 Coupé 2.0 TDI	20	140	S tronic, 7-speed	Diesel	5.0	4.1	4.4	115	A
A5 Coupé 2.0 TDI quattro	17	140	6-speed	Diesel	5.3	4.0	4.4	116	A
A5 Coupé 2.0 TDI quattro	20	140	6-speed	Diesel	5.4	4.3	4.7	122	A
A5 Coupé 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.1	4.0	4.4	114	A+
A5 Coupé 2.0 TDI quattro	20	140	S tronic, 7-speed	Diesel	5.3	4.4	4.7	124	A
A5 Coupé 3.0 TDI	17	160	S tronic, 7-speed	Diesel	4.8	3.9	4.3	111	A+
A5 Coupé 3.0 TDI	20	160	S tronic, 7-speed	Diesel	4.9	4.2	4.5	115	A
A5 Coupé 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.0	4.3	4.6	119	A
A5 Coupé 3.0 TDI quattro	20	160	S tronic, 7-speed	Diesel	5.2	4.7	4.8	127	A
A5 Coupé 3.0 TDI quattro	17	210	tiptronic, 8-speed	Diesel	6.2	4.7	5.3	137	A
A5 Coupé 3.0 TDI quattro	20	210	tiptronic, 8-speed	Diesel	6.3	5.0	5.5	143	B
Audi A5 Cabriolet									
A5 Cabriolet 2.0 TFSI	17	140	6-speed	Premium	7.7	4.9	5.9	135	A
A5 Cabriolet 2.0 TFSI	20	140	6-speed	Premium	7.8	5.1	6.1	138	B
A5 Cabriolet 2.0 TFSI	17	140	S tronic, 7-speed	Premium	7.3	4.8	5.7	129	A
A5 Cabriolet 2.0 TFSI	20	140	S tronic, 7-speed	Premium	7.3	5.1	5.9	134	A
A5 Cabriolet 2.0 TFSI	17	185	S tronic, 7-speed	Premium	7.7	5.2	6.1	138	A
A5 Cabriolet 2.0 TFSI	20	185	S tronic, 7-speed	Premium	7.8	5.5	6.3	143	B
A5 Cabriolet 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	8.1	5.7	6.6	149	B
A5 Cabriolet 2.0 TFSI quattro	20	185	S tronic, 7-speed	Premium	8.2	5.9	6.7	152	B
S5 Cabriolet 3.0 TFSI quattro	18	260	tiptronic, 8-speed	Premium	10.5	6.4	7.9	179	C
S5 Cabriolet 3.0 TFSI quattro	20	260	tiptronic, 8-speed	Premium	10.5	6.5	8.0	181	C
A5 Cabriolet 2.0 TDI	17	110	6-speed	Diesel	5.1	4.0	4.4	114	A+
A5 Cabriolet 2.0 TDI	20	110	6-speed	Diesel	5.1	4.1	4.5	117	A+
A5 Cabriolet 2.0 TDI	17	110	S tronic, 7-speed	Diesel	5.2	4.0	4.5	116	A+
A5 Cabriolet 2.0 TDI	20	110	S tronic, 7-speed	Diesel	5.3	4.3	4.6	122	A+
A5 Cabriolet 2.0 TDI	17	140	S tronic, 7-speed	Diesel	5.2	4.1	4.5	118	A+
A5 Cabriolet 2.0 TDI	20	140	S tronic, 7-speed	Diesel	5.3	4.4	4.7	124	A
A5 Cabriolet 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.4	4.3	4.7	122	A+
A5 Cabriolet 2.0 TDI quattro	20	140	S tronic, 7-speed	Diesel	5.5	4.6	4.9	128	A
A5 Cabriolet 3.0 TDI	17	160	S tronic, 7-speed	Diesel	5.1	4.3	4.6	120	A+
A5 Cabriolet 3.0 TDI	20	160	S tronic, 7-speed	Diesel	5.2	4.5	4.8	124	A+
A5 Cabriolet 3.0 TDI quattro	17	160	S tronic, 7-speed	Diesel	5.3	4.7	4.9	128	A+
A5 Cabriolet 3.0 TDI quattro	20	160	S tronic, 7-speed	Diesel	5.6	5.0	5.2	137	A
A5 Cabriolet 3.0 TDI quattro	17	210	tiptronic, 8-speed	Diesel	6.6	5.1	5.7	148	A
A5 Cabriolet 3.0 TDI quattro	20	210	tiptronic, 8-speed	Diesel	6.8	5.4	5.9	154	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi A6 Sedan									
A6 Sedan 1.8 TFSI ultra	17, 18	140	S tronic, 7-speed	Premium	7.1	5.0	5.7	133	B
A6 Sedan 1.8 TFSI ultra	19, 20	140	S tronic, 7-speed	Premium	7.2	5.2	5.9	138	B
A6 Sedan 2.0 TFSI	17, 18	185	S tronic, 7-speed	Premium	7.4	5.1	5.9	137	B
A6 Sedan 2.0 TFSI	19, 20	185	S tronic, 7-speed	Premium	7.5	5.3	6.1	142	B
A6 Sedan 2.0 TFSI quattro	17, 18	185	S tronic, 7-speed	Premium	8.3	5.8	6.7	153	B
A6 Sedan 2.0 TFSI quattro	19, 20	185	S tronic, 7-speed	Premium	8.4	6.0	6.9	158	C
S6 Sedan 4.0 TFSI quattro COD	19	331	S tronic, 7-speed	Premium	13.1	6.9	9.2	214	E
S6 Sedan 4.0 TFSI quattro COD	20, 21	331	S tronic, 7-speed	Premium	13.3	7.1	9.4	218	E
A6 Sedan 2.0 TDI ultra	17 ⁷⁾	110	6-speed	Diesel	5.1	3.8	4.3	112	A+
A6 Sedan 2.0 TDI ultra	17–20	110	6-speed	Diesel	5.3	4.0	4.5	119	A+
A6 Sedan 2.0 TDI ultra	17 ⁷⁾	110	S tronic, 7-speed	Diesel	4.7	3.9	4.2	109	A+
A6 Sedan 2.0 TDI ultra	17–20	110	S tronic, 7-speed	Diesel	4.9	4.1	4.4	116	A+
A6 Sedan 2.0 TDI ultra	17, 18	140	6-speed	Diesel	5.2	3.9	4.4	114	A+
A6 Sedan 2.0 TDI ultra	19, 20	140	6-speed	Diesel	5.4	4.0	4.5	119	A+
A6 Sedan 2.0 TDI ultra	17 ⁷⁾	140	S tronic, 7-speed	Diesel	4.7	3.9	4.2	109	A+
A6 Sedan 2.0 TDI ultra	17–20	140	S tronic, 7-speed	Diesel	4.9	4.1	4.4	116	A+
A6 Sedan 2.0 TDI quattro	17, 18	140	S tronic, 7-speed	Diesel	5.7	4.4	4.9	128	A
A6 Sedan 2.0 TDI quattro	19–21	140	S tronic, 7-speed	Diesel	5.8	4.6	5.0	133	A
A6 Sedan 3.0 TDI	17, 18	160	S tronic, 7-speed	Diesel	4.8	4.2	4.4	115	A+
A6 Sedan 3.0 TDI	19, 20	160	S tronic, 7-speed	Diesel	5.0	4.4	4.6	120	A+
A6 Sedan 3.0 TDI quattro	17, 18	160	S tronic, 7-speed	Diesel	6.0	4.9	5.3	138	A
A6 Sedan 3.0 TDI quattro	19–21	160	S tronic, 7-speed	Diesel	6.2	5.1	5.5	144	A
A6 Sedan 3.0 TDI quattro	17, 18	200	S tronic, 7-speed	Diesel	5.9	4.6	5.1	133	A
A6 Sedan 3.0 TDI quattro	19–21	200	S tronic, 7-speed	Diesel	6.0	4.8	5.2	138	A
A6 Sedan 3.0 TDI quattro	17, 18	235	tiptronic, 8-speed	Diesel	7.3	5.3	6.0	159	B
A6 Sedan 3.0 TDI quattro	19–21	235	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A6 Sedan 3.0 TDI competition quattro	17	240	tiptronic, 8-speed	Diesel	7.3	5.3	6.0	159	B
A6 Sedan 3.0 TDI competition quattro	20, 21	240	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
Audi A6 Avant									
A6 Avant 1.8 TFSI ultra	17, 18	140	S tronic, 7-speed	Premium	7.1	5.1	5.9	137	B
A6 Avant 1.8 TFSI ultra	19–21	140	S tronic, 7-speed	Premium	7.2	5.3	6.0	142	B
A6 Avant 2.0 TFSI	17, 18	185	S tronic, 7-speed	Premium	7.4	5.2	6.0	140	B
A6 Avant 2.0 TFSI	19, 20	185	S tronic, 7-speed	Premium	7.5	5.4	6.2	146	B
A6 Avant 2.0 TFSI quattro	17, 18	185	S tronic, 7-speed	Premium	8.5	6.0	6.9	158	B
A6 Avant 2.0 TFSI quattro	19, 20	185	S tronic, 7-speed	Premium	8.6	6.2	7.1	163	C
S6 Avant 4.0 TFSI quattro COD	19	331	S tronic, 7-speed	Premium	13.4	7.1	9.4	219	E
S6 Avant 4.0 TFSI quattro COD	20, 21	331	S tronic, 7-speed	Premium	13.5	7.3	9.6	224	E
RS 6 Avant 4.0 TFSI quattro COD	20,21	412	tiptronic, 8-speed	Super Plus	13.4	7.4	9.6	223	E
RS 6 Avant 4.0 TFSI performance quattro COD	20,21	445	tiptronic, 8-speed	Super Plus	13.4	7.4	9.6	223	E
A6 Avant 2.0 TDI ultra	17 ⁷⁾	110	6-speed	Diesel	5.3	4.0	4.5	117	A+
A6 Avant 2.0 TDI ultra	17–20	110	6-speed	Diesel	5.5	4.2	4.7	124	A
A6 Avant 2.0 TDI ultra	17 ⁷⁾	110	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A6 Avant 2.0 TDI ultra	17–20	110	S tronic, 7-speed	Diesel	5.1	4.3	4.6	121	A+
A6 Avant 2.0 TDI ultra	17, 18	140	6-speed	Diesel	5.4	4.0	4.6	119	A+
A6 Avant 2.0 TDI ultra	19, 20	140	6-speed	Diesel	5.5	4.2	4.7	124	A
A6 Avant 2.0 TDI ultra	17 ⁷⁾	140	S tronic, 7-speed	Diesel	4.9	4.1	4.4	114	A+
A6 Avant 2.0 TDI ultra	17–20	140	S tronic, 7-speed	Diesel	5.1	4.3	4.6	121	A+
A6 Avant 2.0 TDI quattro	17, 18	140	S tronic, 7-speed	Diesel	5.9	4.6	5.1	133	A
A6 Avant 2.0 TDI quattro	19–21	140	S tronic, 7-speed	Diesel	6.0	4.8	5.2	138	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
A6 Avant 3.0 TDI	17, 18	160	S tronic, 7-speed	Diesel	4.9	4.4	4.6	119	A+
A6 Avant 3.0 TDI	19, 20	160	S tronic, 7-speed	Diesel	5.1	4.6	4.8	124	A+
A6 Avant 3.0 TDI quattro	17, 18	160	S tronic, 7-speed	Diesel	6.1	5.2	5.5	144	A
A6 Avant 3.0 TDI quattro	19–21	160	S tronic, 7-speed	Diesel	6.3	5.4	5.7	149	A
A6 Avant 3.0 TDI quattro	17, 18	200	S tronic, 7-speed	Diesel	6.0	4.8	5.3	138	A
A6 Avant 3.0 TDI quattro	19–21	200	S tronic, 7-speed	Diesel	6.2	5.0	5.4	144	A
A6 Avant 3.0 TDI quattro	17, 18	235	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A6 Avant 3.0 TDI quattro	19–21	235	tiptronic, 8-speed	Diesel	7.7	5.7	6.4	169	B
A6 Avant 3.0 TDI competition quattro	17	240	tiptronic, 8-speed	Diesel	7.5	5.5	6.2	164	B
A6 Avant 3.0 TDI competition quattro	20, 21	240	tiptronic, 8-speed	Diesel	7.7	5.7	6.4	169	B
Audi A6 allroad quattro									
A6 allroad quattro 3.0 TDI quattro	18-20	140	S tronic, 7-speed	Diesel	6.5	5.6	6.0	155	B
A6 allroad quattro 3.0 TDI quattro	18-20	160	S tronic, 7-speed	Diesel	6.5	5.6	6.0	155	B
A6 allroad quattro 3.0 TDI quattro	18-20	200	S tronic, 7-speed	Diesel	6.4	5.2	5.6	149	A
A6 allroad quattro 3.0 TDI quattro	18-20	235	tiptronic, 8-speed	Diesel	7.7	5.8	6.5	172	B
Audi A7 Sportback									
A7 Sportback 55 TFSI quattro	18	250	S tronic, 7-speed	Premium	9.1	5.4	6.8	154	B
A7 Sportback 55 TFSI quattro	21	250	S tronic, 7-speed	Premium	9.3	5.9	7.2	163	B
A7 Sportback 50 TDI quattro	18 ⁴⁾	210	tiptronic, 8-speed	Diesel	6.1	5.1	5.5	142	A
A7 Sportback 50 TDI quattro	20, 21	210	tiptronic, 8-speed	Diesel	6.4	5.4	5.8	150	A
Audi A8									
A8 55 TFSI quattro	18	250	tiptronic, 8-speed	Premium	10.3	6.2	7.7	175	C
A8 55 TFSI quattro	20	250	tiptronic, 8-speed	Premium	10.5	6.5	8.0	182	C
A8 L 55 TFSI quattro	18	250	tiptronic, 8-speed	Premium	10.3	6.2	7.7	175	B
A8 L 55 TFSI quattro	20	250	tiptronic, 8-speed	Premium	10.5	6.5	8.0	182	C
A8 50 TDI quattro	18	210	tiptronic, 8-speed	Diesel	6.3	5.1	5.6	145	A
A8 50 TDI quattro	20	210	tiptronic, 8-speed	Diesel	6.5	5.5	5.8	152	A
A8 L 50 TDI quattro	18	210	tiptronic, 8-speed	Diesel	6.3	5.2	5.6	146	A
A8 L 50 TDI quattro	20	210	tiptronic, 8-speed	Diesel	6.4	5.5	5.8	152	A
Audi Q2									
Q2 1.0 TFSI ultra	16, 17	85	6-speed	Premium	6.2	4.5	5.1	117	B
Q2 1.0 TFSI ultra	19	85	6-speed	Premium	6.3	4.8	5.4	122	B
Q2 1.0 TFSI ultra	16, 17	85	S tronic, 7-speed	Premium	5.9	4.7	5.1	117	B
Q2 1.0 TFSI ultra	19	85	S tronic, 7-speed	Premium	6.1	5.0	5.4	123	B
Q2 1.4 TFSI COD	16, 17	110	6-speed	Premium	6.7	4.8	5.5	124	B
Q2 1.4 TFSI COD	19	110	6-speed	Premium	6.8	5.1	5.8	130	C
Q2 1.4 TFSI COD	16, 17	110	S tronic, 7-speed	Premium	6.3	4.6	5.2	119	B
Q2 1.4 TFSI COD	19	110	S tronic, 7-speed	Premium	6.5	4.9	5.5	125	B
Q2 2.0 TFSI quattro	16, 17	140	S tronic, 7-speed	Premium	7.9	5.1	6.1	139	B
Q2 2.0 TFSI quattro	19	140	S tronic, 7-speed	Premium	8.1	5.5	6.4	146	C
Q2 1.6 TDI	16, 17	85	6-speed	Diesel	4.9	4.1	4.4	114	A
Q2 1.6 TDI	19	85	6-speed	Diesel	5.0	4.4	4.6	120	B
Q2 1.6 TDI	16, 17	85	S tronic, 7-speed	Diesel	4.4	4.0	4.1	109	A
Q2 1.6 TDI	19	85	S tronic, 7-speed	Diesel	4.6	4.3	4.3	114	A
Q2 2.0 TDI quattro	16, 17	110	S tronic, 7-speed	Diesel	5.6	4.3	4.8	125	A
Q2 2.0 TDI quattro	19	110	S tronic, 7-speed	Diesel	5.8	4.6	5.0	131	B
Q2 2.0 TDI quattro	16, 17	140	S tronic, 7-speed	Diesel	5.7	4.4	4.9	128	B
Q2 2.0 TDI quattro	19	140	S tronic, 7-speed	Diesel	5.9	4.6	5.1	134	B

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Audi Q3									
Q3 1.4 TFSI	16, 17 ⁴⁾	92	6-speed	Premium	7.1	5.0	5.8	133	B
Q3 1.4 TFSI	17–20	92	6-speed	Premium	7.4	5.3	6.1	141	C
Q3 1.4 TFSI COD ultra	16	110	6-speed	Premium	6.6	4.9	5.5	127	B
Q3 1.4 TFSI COD ultra	17–20	110	6-speed	Premium	6.8	5.2	5.8	134	B
Q3 1.4 TFSI COD	16	110	S tronic, 6-speed	Premium	7.1	5.1	5.8	135	B
Q3 1.4 TFSI COD	17–20	110	S tronic, 6-speed	Premium	7.4	5.5	6.2	143	C
Q3 2.0 TFSI quattro	16	132	S tronic, 7-speed	Premium	7.8	5.7	6.5	150	C
Q3 2.0 TFSI quattro	17–20	132	S tronic, 7-speed	Premium	8.4	6.3	7.0	161	C
Q3 2.0 TFSI quattro	17	162	S tronic, 7-speed	Premium	8.1	5.9	6.7	154	C
Q3 2.0 TFSI quattro	17–20 ³⁾	162	S tronic, 7-speed	Premium	8.6	6.5	7.2	168	D
Q3 2.0 TDI	16	88	6-speed	Diesel	5.2	4.1	4.5	117	A
Q3 2.0 TDI	17–20	88	6-speed	Diesel	5.5	4.4	4.8	126	A
Q3 2.0 TDI	16	88	S tronic, 7-speed	Diesel	5.9	4.3	4.9	128	A
Q3 2.0 TDI	17–20	88	S tronic, 7-speed	Diesel	6.2	4.7	5.3	139	B
Q3 2.0 TDI ultra	16	110	6-speed	Diesel	4.8	3.9	4.2	109	A+
Q3 2.0 TDI	16	110	6-speed	Diesel	5.0	4.1	4.4	116	A
Q3 2.0 TDI	17–20	110	6-speed	Diesel	5.3	4.4	4.7	124	A
Q3 2.0 TDI	16	110	S tronic, 7-speed	Diesel	5.9	4.3	4.9	128	A
Q3 2.0 TDI	17–20	110	S tronic, 7-speed	Diesel	6.2	4.7	5.3	139	B
Q3 2.0 TDI quattro	16	110	6-speed	Diesel	5.6	4.5	4.9	127	A
Q3 2.0 TDI quattro	17–20	110	6-speed	Diesel	6.0	4.8	5.2	138	B
Q3 2.0 TDI quattro	16	110	S tronic, 7-speed	Diesel	5.9	4.4	5.0	129	A
Q3 2.0 TDI quattro	17–20	110	S tronic, 7-speed	Diesel	6.3	4.8	5.3	140	B
Q3 2.0 TDI quattro	17	135	6-speed	Diesel	6.4	4.6	5.3	138	B
Q3 2.0 TDI quattro	17–20 ³⁾	135	6-speed	Diesel	6.7	4.9	5.6	146	B
Q3 2.0 TDI quattro	17	135	S tronic, 7-speed	Diesel	6.3	4.5	5.2	136	A
Q3 2.0 TDI quattro	17–20 ³⁾	135	S tronic, 7-speed	Diesel	6.6	4.9	5.5	144	B
Audi Q5									
Q5 2.0 TFSI quattro	17	185	S tronic, 7-speed	Premium	8.3	5.9	6.8	154	B
Q5 2.0 TFSI quattro	21	185	S tronic, 7-speed	Premium	8.6	6.4	7.2	164	C
SQ5 3.0 TFSI quattro	20	260	tiptronic, 8-speed	Premium	10.8	6.8	8.3	189	C
SQ5 3.0 TFSI quattro	21	260	tiptronic, 8-speed	Premium	11.0	7.1	8.5	195	D
Q5 2.0 TDI	17	110	6-speed	Diesel	5.2	4.0	4.5	117	A+
Q5 2.0 TDI	20	110	6-speed	Diesel	5.5	4.4	4.8	127	A
Q5 2.0 TDI quattro	17	120	S tronic, 7-speed	Diesel	5.3	4.7	4.9	129	A
Q5 2.0 TDI quattro	21	120	S tronic, 7-speed	Diesel	5.6	5.1	5.3	138	A
Q5 2.0 TDI quattro	17	140	6-speed	Diesel	6.0	4.6	5.1	133	A
Q5 2.0 TDI quattro	20	140	6-speed	Diesel	6.1	4.9	5.3	139	A
Q5 2.0 TDI quattro	17	140	S tronic, 7-speed	Diesel	5.3	4.7	4.9	129	A
Q5 2.0 TDI quattro	21	140	S tronic, 7-speed	Diesel	5.6	5.1	5.3	138	A
Q5 3.0 TDI quattro	17	210	tiptronic, 8-speed	Diesel	6.4	5.3	5.7	149	A
Q5 3.0 TDI quattro	21	210	tiptronic, 8-speed	Diesel	6.9	5.8	6.2	162	B
Audi Q7									
Q7 3.0 TDI ultra quattro 5 seats	18 ⁸⁾	160	tiptronic, 8-speed	Diesel	6.1	5.1	5.5	144	A
Q7 3.0 TDI ultra quattro 5 seats	21, 22	160	tiptronic, 8-speed	Diesel	6.4	5.7	6.0	157	A
Q7 3.0 TDI ultra quattro 7 seats	18 ⁸⁾	160	tiptronic, 8-speed	Diesel	6.3	5.3	5.7	148	A
Q7 3.0 TDI ultra quattro 7 seats	21, 22	160	tiptronic, 8-speed	Diesel	6.6	5.9	6.2	161	A

Model	Wheels (inches)	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)	Efficiency class
					urban	extra urban	combined		
Q7 3.0 TDI e-tron quattro	19	275 ²⁾	tiptronic, 8-speed	Diesel	–	–	1.8	48	A+
				Electricity			18.1 kWh		
Q7 3.0 TDI e-tron quattro	20, 21	275 ²⁾	tiptronic, 8-speed	Diesel	–	–	1.9	50	A+
				Electricity			19.0 kWh		
Q7 3.0 TDI quattro 5 seats	18–20	200	tiptronic, 8-speed	Diesel	6.3	5.6	5.9	154	A
Q7 3.0 TDI quattro 5 seats	21, 22	200	tiptronic, 8-speed	Diesel	6.7	6.0	6.2	164	B
Q7 3.0 TDI quattro 7 seats	18–20	200	tiptronic, 8-speed	Diesel	6.5	5.7	6.0	158	A
Q7 3.0 TDI quattro 7 seats	21, 22	200	tiptronic, 8-speed	Diesel	6.8	6.1	6.4	168	B
SQ7 4.0 TDI quattro 5 seats	20	320	tiptronic, 8-speed	Diesel	8.4	6.5	7.2	189	B
SQ7 4.0 TDI quattro 5 seats	21, 22	320	tiptronic, 8-speed	Diesel	8.6	6.9	7.5	198	B
SQ7 4.0 TDI quattro 7 seats	20	320	tiptronic, 8-speed	Diesel	8.4	6.5	7.2	190	B
SQ7 4.0 TDI quattro 7 seats	21, 22	320	tiptronic, 8-speed	Diesel	8.7	6.9	7.6	199	B
Audi R8 Coupé									
R8 Coupé V10 5.2 FSI RWS	19, 20	397	S tronic, 7-speed	Super Plus	19.0	8.6	12.4	283	G
R8 Coupé V10 5.2 FSI quattro	19, 20	397	S tronic, 7-speed	Super Plus	19.2	8.8	12.6	287	G
R8 Coupé V10 Plus 5.2 FSI quattro	19, 20	449	S tronic, 7-speed	Super Plus	19.6	9.8	13.4	306	G
Audi R8 Spyder									
R8 Spyder V10 5.2 FSI RWS	19, 20	397	S tronic, 7-speed	Super Plus	19.2	8.7	12.6	286	G
R8 Spyder V10 5.2 FSI quattro	19, 20	397	S tronic, 7-speed	Super Plus	19.4	9.0	12.8	290	G
R8 Spyder V10 Plus 5.2 FSI quattro	19, 20	449	S tronic, 7-speed	Super Plus	19.8	9.9	13.6	309	G
Lamborghini Huracán Coupé									
Huracán RWD Coupé	20	426	LDF, 7-speed	Super Plus	21.0	10.4	14.3	327	G
Huracán Coupé	20	449	LDF, 7-speed	Super Plus	20.9	10.8	14.5	330	G
Huracán Performante Coupé	20	470	LDF, 7-speed	Super Plus	19.6	10.3	13.7	314	G
Lamborghini Huracán Spyder									
Huracán RWD Spyder	20	426	LDF, 7-speed	Super Plus	21.2	10.6	14.5	332	G
Huracán Spyder	20	449	LDF, 7-speed	Super Plus	20.6	11.1	14.6	333	G
Huracán Performante Spyder	20	470	LDF, 7-speed	Super Plus	19.8	10.6	14.0	320	G
Lamborghini Aventador									
Aventador S Coupé	20, 21	544	ISR, 7-speed	Super Plus	26.2	11.6	16.9	394	G
Aventador S Roadster	20, 21	544	ISR, 7-speed	Super Plus	26.2	11.6	16.9	394	G
Lamborghini Centenario									
Centenario	20, 21	566	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Centenario Roadster	20, 21	566	ISR, 7-speed	Super Plus	24.7	10.7	16.0	370	G
Lamborghini Urus									
Urus	21	478	Automatic, 8-speed	Super Plus	16.7	9.7	12.3	279	G

1) Order code: COA

2) Total system output (briefly)

3) Wheel: 17" all season

4) Order code: low rolling-resistance tires

5) Order code: 49F, U63, 49G, V56, 49U, C4L, 49V, U65

6) Order code: H3U low rolling-resistance tires

7) Tire brand: Michelin

8) Order code: H0Q

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," which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany.

The fuel consumption and CO₂ emissions of a vehicle vary due to the choice of wheels and tires. They not only depend on the efficient utilization of fuel by the vehicle, but are also influenced by driving behavior and other non-technical factors.

10-YEAR OVERVIEW

		2008	2009	2010	
Production					
Automotive segment	Cars ²⁾	1,029,041	932,260	1,150,018	
	Engines	1,901,760	1,384,240	1,648,193	
Motorcycles segment	Motorcycles	-	-	-	
Deliveries to customers					
Automotive segment	Cars	1,223,506	1,145,360	1,293,453	
Audi brand ⁵⁾	Cars	1,003,469	949,729	1,092,411	
Lamborghini brand	Cars	2,430	1,515	1,302	
Other Volkswagen Group brands	Cars	217,607	194,116	199,740	
Motorcycles segment	Motorcycles	-	-	-	
Ducati brand	Motorcycles	-	-	-	
Workforce					
	Average	57,822	58,011	59,513	
From the Income Statement					
Revenue	EUR million	34,196	29,840	35,441	
Cost of materials	EUR million	23,430	18,512	21,802	
Personnel costs	EUR million	3,709	3,519	4,274	
Personnel costs per employee ⁶⁾	EUR	64,467	60,964	72,172	
Depreciation and amortization	EUR million	1,908	1,775	2,170	
Operating profit	EUR million	2,772	1,604	3,340	
Profit before tax	EUR million	3,177	1,928	3,634	
Profit after tax	EUR million	2,207	1,347	2,630	
From the Balance Sheet (Dec. 31)					
Non-current assets	EUR million	9,537	9,637	10,584	
Current assets	EUR million	16,519	16,913	20,188	
Equity	EUR million	10,328	10,632	11,310	
Liabilities	EUR million	15,728	15,918	19,462	
Balance sheet total	EUR million	26,056	26,550	30,772	
From the Cash Flow Statement					
Cash flow from operating activities	EUR million	4,338	4,119	5,797	
Investing activities attributable to operating activities	EUR million	2,412	1,798	2,260	
Net cash flow	EUR million	1,926	2,321	3,536	
Net liquidity (Dec. 31)	EUR million	9,292	10,665	13,383	
Financial ratios					
Operating return on sales	Percent	8.1	5.4	9.4	
Return on sales before tax	Percent	9.3	6.5	10.3	
Return on investment (ROI)	Percent	19.8	11.5	24.7	
Ratio of capex ¹¹⁾	Percent	5.6	4.2	4.1	
Research and development ratio	Percent	6.4	7.0	7.1	
Equity ratio (Dec. 31)	Percent	39.6	40.0	36.8	
Audi share					
Share price (year-end price) ¹²⁾	EUR	480.00	501.67	635.00	
Compensatory payment	EUR	1.93	1.60	2.20	

1) Financial figures were adjusted to take account of the revised IAS 19.

2) Since 2011, including vehicles built in China by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)

3) The figure has been adjusted to reflect the amended counting method.

4) Since acquisition of the Ducati Group in July 2012

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

6) Calculated on the basis of employees of Audi Group companies

7) Taking into account special items, in particular in connection with the diesel issue

2011	2012 ¹⁾	2013	2014	2015	2016	2017
1,302,981	1,469,205	1,608,048	1,804,624	1,828,683 ³⁾	1,903,259	1,879,840
1,884,157	1,916,604	1,926,724	1,974,846	2,023,618	1,927,838	1,966,434
-	15,734 ⁴⁾	45,018	45,339	55,551	56,978	56,743
1,512,014	1,634,312	1,751,007	1,933,517	2,024,881	2,088,187	2,105,084
1,302,659	1,455,123	1,575,480	1,741,129	1,803,246	1,867,738	1,878,105
1,602	2,083	2,121	2,530	3,245	3,457	3,815
207,753	177,106	173,406	189,858	218,390	216,992	223,164
-	16,786 ⁴⁾	44,287	45,117	54,809	55,451	55,871
-	16,786 ⁴⁾	44,287	45,117	54,809	55,451	55,871
62,806	67,231	71,781	77,247	82,838	87,112	90,402
44,096	48,771	49,880	53,787	58,420	59,317	60,128
28,594	30,265	32,491	36,024	37,583	40,596	40,370
5,076	5,069	5,543	6,068	6,602	6,761	7,219
81,189	75,759	77,596	78,921	80,071	77,990	80,234
1,793	1,937	2,071	2,455	2,665	3,159	3,593
5,348	5,365	5,030	5,150	4,836 ⁷⁾	3,052 ⁷⁾	4,671 ⁷⁾
6,041	5,951	5,323	5,991	5,284 ⁷⁾	3,047 ⁷⁾	4,783 ⁷⁾
4,440	4,349	4,014	4,428	4,297 ⁷⁾	2,066 ⁷⁾	3,479 ⁷⁾
12,209	18,044	19,943	22,538	25,963	28,599	29,469
24,811	22,357	25,214	28,231	30,800	32,403	33,846
12,903	15,092	18,565	19,199	21,779	25,321	28,171
24,117	25,309	26,592	31,570	34,985	35,685	35,509
37,019	40,401	45,156	50,769	56,763	61,090	63,680
6,295	6,144	6,778	7,421	7,203	7,517	6,173
2,905	6,804 ⁸⁾	3,589	4,450	5,576 ⁹⁾	5,423	1,861 ¹⁰⁾
3,390	-660 ⁸⁾	3,189	2,970	1,627 ⁹⁾	2,094	4,312 ¹⁰⁾
15,716	13,396 ⁸⁾	14,716	16,328	16,420 ⁹⁾	17,232	20,788 ¹⁰⁾
12.1	11.0	10.1	9.6	8.3 ⁷⁾	5.1 ⁷⁾	7.8 ⁷⁾
13.7	12.2	10.7	11.1	9.0 ⁷⁾	5.1 ⁷⁾	8.0 ⁷⁾
35.4	30.8	26.4	23.2	19.4 ⁷⁾	10.7 ⁷⁾	14.4 ⁷⁾
5.1	4.8	4.8	5.5	6.0	5.7	6.4
6.4	7.0	8.0	8.0	7.3	7.5	6.3
34.9	37.4	41.1	37.8	38.4	41.4	44.2
549.00	525.10	638.05	649.95	678.00	631.00	725.95
3.00	3.50	4.00	4.80	0.11	2.00	X ¹³⁾

8) Taking into account the acquisition of participations in Volkswagen Group Services S.A./N.V., Brussels (Belgium), and in Ducati Motor Holding S.p.A., Bologna (Italy)

9) Taking into account the participation in There Holding B.V., Rijswijk (Netherlands), in connection with the HERE transaction

10) Taking into account the transfer of the minority participations in Volkswagen Group Services S.A./N.V., Brussels (Belgium), to Volkswagen AG, Wolfsburg

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

12) Year-end price of the Audi share on trading venue Xetra of the Frankfurt Stock Exchange

13) In accordance with the resolution to be passed by the Annual General Meeting of Volkswagen AG, Wolfsburg, for the 2017 fiscal year on May 3, 2018

FINANCIAL EVENTS 2018

March 15, 2018

Annual Press Conference 2018

April 27, 2018

First Quarter Report 2018

May 9, 2018

Annual General Meeting 2018

August 3, 2018

Interim Financial Report 2018

October 31, 2018

Third Quarter Report 2018



Hall of Fame 2017



Gold 2017



Winner 2017



2x Gold 2017/2018



Gold & Bronze 2017



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