



**Matthias Müller,**  
Chairman of the Supervisory Board

*Dear Shareholders,*

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

As a supplier of sustainable, individual premium mobility, Audi will continue to delight customers worldwide in the future. That represents the core of the

new Strategy 2025. Against the backdrop of the megatrends of digitalization, sustainability and urbanization, Audi is consistently building on the existing business model and unlocking new potential with an eye to seizing opportunities. By introducing product line organization and pooling digital business activities, the Company has prepared the ground for these ventures to succeed.

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

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

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

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

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

agement routinely determined the content of the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG).

The diesel issue, in particular concerning the V6 3.0 TDI engine, accounted for a significant portion of the Supervisory Board's work in the reporting year. In this connection the Supervisory Board held two extraordinary meetings in the past fiscal year and in January 2017. In addition to its four ordinary meetings, the Presiding Committee of the Supervisory Board held four extraordinary meetings in 2016. These extraordinary meetings served for preparation purposes and resolutions regarding the

the current results of its investigations on an ongoing basis.

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

All Supervisory Board members were present at more than half of the meetings. The average attendance rate in the past fiscal year was 95 percent. The members of the Presiding Committee held full consultations before each ordi-

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

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

At its fourth ordinary meeting during the past fiscal year, the Supervisory Board together with the Board of Man-

agement routinely determined the content of the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). The diesel issue, in particular concerning the V6 3.0 TDI engine, accounted for a significant portion of the Supervisory Board's work in the reporting year. In this connection the Supervisory Board held two extraordinary meetings in the past fiscal year and in January 2017. In addition to its four ordinary meetings, the Presiding Committee of the Supervisory Board held four extraordinary meetings in 2016. These extraordinary meetings served for preparation purposes and resolutions regarding the “DOJ Criminal Settlement Agreement,” the “2nd” and “3rd Partial Consent Decree” as well as the “CBP Settlement Agreement.” Before the respective resolutions were passed, the Supervisory Board sought comprehensive technical and legal advice from internal and, in particular, external experts and took account of their assessments in the decision-making process. The Supervisory Board and Board of Management reiterate that they will not tolerate any breaches of the law. As is known, the law firm Jones Day is conducting the investigations into the V6 3.0 TDI diesel issue at Audi and is being assisted operationally by the auditors Deloitte. Jones Day has been updating the Supervisory Board on

nary meeting. The Negotiating Committee did not need to be convened in 2016. The Audit Committee met once per quarter in the past fiscal year. At its meetings, this committee considered the Annual and Consolidated Financial Statements for the 2015 fiscal year as well as other topics such as risk management, compliance and auditing work. In addition, the Audit Committee scrutinized the 2016 Interim Financial Report prior to its publication and discussed its contents with the Board of Management and representatives of the auditing firm. The Audit Committee also advised on the independence of the auditor, the findings of additional audits commissioned,

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

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

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

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

Following examination of the audit documents received and in-depth

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

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

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

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

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

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

At its meeting on May 11, 2016, the Supervisory Board elected Dr. jur. Hans Michel Piëch to the Negotiating Com-

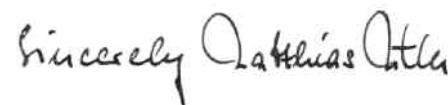
mittee and Presiding Committee of the Supervisory Board of AUDI AG.

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

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

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

Ingolstadt, February 23, 2017



**Matthias Müller,**  
Chairman of the Supervisory  
Board of AUDI AG