

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.”

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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.

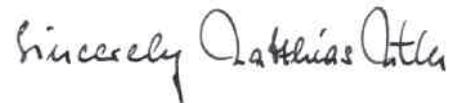
There have been the following changes in the composition of the Company's Board of Management since February 23, 2017: With effect from May 1, 2017, Dr.-Ing. Peter Mertens took up office as member of the Board of Management with responsibility for the "Technical Development" division.

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