



Audi

Quarterly Report

January 1 to September 30, 2016

ECONOMIC ENVIRONMENT

The first nine months of 2016 brought moderate growth in the global economy. However, economic activity in most industrial nations and also in a large number of emerging economies was slightly lower than in the previous year. In Western Europe the economy continued to recover. Economic development in Central Europe also made positive progress. This contrasted with the economic situation in Eastern Europe, with the region suffering in particular from a further decline in economic output in Russia. The referendum held in the United Kingdom in June 2016, in which a majority voted for a withdrawal from the European Union (EU), led to political and economic uncertainty in Europe. This also resulted temporarily in increased volatility on financial markets worldwide. The U.S. economy continued to grow over the first nine months, thanks to a robust labor market and a continuing positive mood among consumers. However, the pace of growth weakened as a result of the decline in investing activities. Brazil's economy remained in recession, overshadowed by political uncertainty. In China, the economy slowed down as expected in the first three quarters of 2016, above all as a result of economic structural change. All the same, the Chinese economy still achieved a high rate of expansion in worldwide terms.

Global demand for cars rose further up to the end of September. Registrations of new cars increased in Western Europe, Central Europe, North America and the Asia-Pacific region. In contrast, passenger car sales in Eastern Europe and South America declined. The German passenger car market

achieved a 6.1 percent rise in new cars registered. Higher demand from both private and business customers had a positive impact. Western European export markets also performed well. Sales of passenger cars were up 7.5 percent, in particular due to the healthy economic environment overall. In contrast, registrations of new passenger cars in Russia dropped -15.2 percent as a result of the continuing difficult economic and political situation. In the United States, sales of passenger cars and light commercial vehicles remained flat at the previous year's high level. The robust U.S. labor market, low fuel prices and attractive financing terms had a positive impact. However, demand weakened as the year progressed, with growing signs of market saturation. In Brazil, the continuing recession led to a -22.5 percent decline in registrations of new passenger cars and light commercial vehicles. China was again the main driver of worldwide demand for cars, delivering growth of 15.7 percent. In particular the tax breaks for vehicles with a displacement of up to 1.6 liters together with high demand for SUV models were behind the positive development.

The established motorcycle markets in the displacement segment above 500 cc enjoyed a 1.2 percent rise in demand from January through September. The rate of growth has slowed over the year to date. In Western Europe, almost all motorcycle markets benefited from the improved economic situation. On the other hand, registrations of new motorcycles in the United States and Japan were down on the prior-year level.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 13.



EXCEPTIONAL EVENTS

DIESEL ISSUE

In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates including AUDI AG had reached settlement agreements in the USA related to the four-cylinder TDI engine issue with the U.S. Department of Justice on behalf of the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and the California Attorney General; private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California and the U.S. Federal Trade Commission (FTC). The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen Passenger Cars and Audi brands in the USA. On October 25, 2016, the court granted final approval of the settlement agreements. This final approval order remains subject to appeal. More information about the settlement and the customer program can be found under www.vwcourtsettlement.com.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA.

The settlements do not resolve all claims.

In Canada, Environment and Climate Change Canada, a department of the Government of Canada responsible for coordinating environmental policies, is monitoring the EPA and CARB proceedings in the USA as part of its pending criminal investigation. Investigations by other Canadian regulators are ongoing. 33 class actions seeking compensation for consumers were filed in Canada against Volkswagen Group companies. The majority of these actions purport to represent a national class of 2.0 l and 3.0 l diesel customers.

On the basis of existing contractual agreements with Volkswagen AG, Wolfsburg, there are presently no direct effects on profit arising for the Audi Group related to the four-cylinder TDI engine issue.

AUDI AG has concluded an agreement with Volkswagen AG on the V6 3.0 TDI 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 TDI engine issue for which Volkswagen AG is accountable and the V6 3.0 TDI engine issue 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.

In connection with the V6 3.0 TDI engine issue we adjusted the risk provisioning in the third quarter of 2016 by EUR 620 million in the form of provisions for technical measures, legal risks and sales measures. For the period from January through September 2016 the correspondent special items aggregate to EUR -752 million. Special items that can only be planned and managed to a limited extent are being incorporated separately into our business planning process during the year. It cannot be ruled out that risks may be assessed differently in the future.

The attorneys general of thirteen US states (Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Tennessee, Texas and Vermont) and some municipalities have filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates partly including AUDI AG seeking civil penalties and injunctive relief for alleged violations of environmental laws. AUDI AG is named in each of the above-referenced proceedings except for Texas. Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New York, Pennsylvania, Tennessee, Texas and Washington participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. In particular, nine states (Delaware, Maine, Minnesota, Missouri, Montana, Ohio, Oregon, Wisconsin and Wyoming) have entered into agreements to toll the statute of limitations for their potential environmental claims through the end of 2016. Of those states, Wyoming has expressed its intention to file suit asserting environmental claims by November 1, 2016. Another state (Connecticut) has expressed its intention to participate in environmental settlement discussions without filing suit.

Detailed information on the diesel issue and on the declaration of the incumbent members of the Board of Management issued in this connection is provided in the Combined Management Report of the 2015 Annual Report in the section "Exceptional Events" on pages 147 f. There are no indications that the information presented there is no longer applicable, even on the basis of new findings from the still ongoing investigation by the law firm Jones Day that have come to light since the publication date.

OPENING OF THE MEXICO PLANT

At the end of September we opened our first own automotive plant on the North American continent in San José Chiapa (Mexico). In all, the Audi Group has invested over one billion euros in the production site, which is building the new-

generation Audi Q5 for the world market. The annual production capacity is 150,000 premium SUVs. A total of 4,200 local jobs will also be created there.

PRODUCTION ^{1) 2)}

4 From January through September 2016, the Audi Group produced 1,445,824 (1,362,706) cars worldwide. This figure includes 411,814 (350,329) Audi vehicles manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). In the first three quarters, the Audi Group built a total of 1,443,097 (1,359,795) cars of the Audi brand and 2,727 (2,911) supercars of the Lamborghini brand. 50,655 (46,147) motorcycles of the Ducati brand were produced in the same period.

In the first nine months of 2016, a total of 460,388 (430,420) cars came off the assembly line at our Group headquarters in Ingolstadt and 202,853 (208,874) at our site in Neckarsulm.

In the same period, the Audi Group manufactured 93,011 (122,219) cars of the TT car line and A3 family at AUDI HUNGARIA MOTOR Kft. in Győr (Hungary). The fall in output is attributable, among other factors, to conversions being carried out to prepare for production of the newly designed A3 models.

In addition we produced 84,002 (87,035) vehicles of the Audi A1 car line at AUDI BRUSSELS S.A./N.V., Brussels (Belgium). AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, manufactured a total of 5,817 (122) of the Audi A3 Sedan and Audi Q3 at the Brazilian plant in São José dos Pinhais, near Curitiba.

At our newest production site in San José Chiapa (Mexico), we have built 843 (22) of the second-generation Audi Q5 in the year to date at AUDI MÉXICO S.A. de C.V. From January through September 2016, 103,851 (100,941) of the Audi Q3 and 75,547 (59,833) of the Audi Q7 left the production line at the two Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia).

At the same time, 4,971 vehicles of the Audi A3, A4, A6, Q3, Q5 and Q7 lines were built in Aurangabad (India) – another Volkswagen Group site. In the prior-year period, parts and components had been delivered from other sites for the production of a total of 8,089 cars.

In China, FAW-Volkswagen Automotive Company, Ltd. produced 352,065 (311,502) cars of the Audi A4L, A6L, Q3 and Q5 models at its company headquarters in Changchun as well as 59,749 (38,827) vehicles of the A3 family in the southern Chinese city of Foshan.

The Audi Group produced a total of 460,613 (419,103) cars worldwide in the third quarter of 2016. This figure includes 131,647 (104,165) Audi vehicles manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi accounted for 459,834 (418,355) units. Over the same period the Lamborghini brand built 779 (748) supercars. 7,541 (9,192) motorcycles of the Ducati brand were manufactured from July through September 2016.

Fuel consumption and CO2 emission figures as well as the efficiency classes can be found on page 13.

1) This figure includes Audi models made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

2) Figures for the prior-year period have been marginally adjusted, along with the counting method for the Aurangabad (India) site.

Car production by model ^{1) 2)}

	1-9/2016	1-9/2015
Audi A1	19,621	25,260
Audi A1 Sportback	64,381	61,775
Audi Q2	2,503	-
Audi A3	12,290	15,124
Audi A3 Sportback	158,116	142,348
Audi A3 Sedan	97,586	101,592
Audi A3 Cabriolet	12,058	14,182
Audi Q3	174,450	149,426
Audi TT Coupé	17,111	22,273
Audi TT Roadster	4,445	6,236
Audi A4 Sedan	171,655	152,388
Audi A4 Avant	100,456	69,156
Audi A4 allroad quattro	11,142	13,088
Audi A5 Sportback	26,195	34,312
Audi A5 Coupé	10,802	15,305
Audi A5 Cabriolet	10,662	11,341
Audi Q5	218,309	204,025
Audi A6 Sedan	157,996	160,883
Audi A6 Avant	47,016	45,435
Audi A6 allroad quattro	8,184	9,391
Audi A7 Sportback	21,694	22,640
Audi Q7	76,266	59,833
Audi A8	17,627	22,484
Audi R8 Coupé	2,254	950
Audi R8 Spyder	278	348
Audi brand	1,443,097	1,359,795
Lamborghini Huracán	1,852	2,096
Lamborghini Aventador	875	815
Lamborghini brand	2,727	2,911
Automotive segment	1,445,824	1,362,706

1) This figure includes 411,814 (350,329) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

Car engine production

	1-9/2016	1-9/2015
AUDI HUNGARIA MOTOR Kft.	1,477,286	1,554,559
Automobili Lamborghini S.p.A.	897	823
Car engine production	1,478,183	1,555,382

The Audi Group produced 1,478,183 (1,555,382) engines in the Automotive segment from January through September 2016.

Motorcycle production

	1-9/2016	1-9/2015
Scrambler	16,237	16,990
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	16,029	12,108
Dual/Hyper (Hypermotard, Multistrada)	12,592	9,543
Sport (Superbike)	5,797	7,506
Ducati brand	50,655	46,147
Motorcycles segment	50,655	46,147

Worldwide, the Ducati brand produced 50,655 (46,147) motorcycles in the first nine months of 2016. Of this total, 42,017 (36,554) bikes were produced at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 7,970 (8,910) motorcycles at the Amphur Pluakdaeng plant (Thailand). 668 (683) bikes were produced in Manaus (Brazil) on a contract manufacturing basis.



Ducati Scrambler Sixty2

DELIVERIES ^{1) 2)}

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In the first nine months of 2016, the Audi Group delivered 1,578,579 (1,517,364) cars to customers worldwide – an increase of 4.0 percent on the previous year, despite the challenging environment that we encountered in individual markets. This figure includes 402,960 (368,297) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi increased its volume of deliveries by 4.5 percent from January through September 2016 to 1,408,783 (1,347,883) cars. Over the same period the Lamborghini brand raised the number of vehicles it delivered to customers to 2,867 (2,696) supercars. The deliveries figure furthermore included a total of 166,929 (166,785) cars of other Volkswagen Group brands. The Ducati brand delivered a total of 46,646 (46,130) motorcycles to customers in the first three quarters of 2016.

In our home market Germany, we increased deliveries of the Audi brand to customers by 10.8 percent in the first nine months of 2016 to 230,890 (208,367) vehicles. We registered a 5.5 percent rise to 385,273 (365,020) in car deliveries of the brand with the Four Rings in other Western European countries. In the United Kingdom – our largest European export market – we handed 139,039 (133,570) cars over to customers. In France, we delivered 47,296 (44,403) cars of the Audi brand to customers. We registered an especially positive development in demand in Italy and Spain, with deliveries up 13.9 percent and 14.2 percent respectively. In the Central and Eastern Europe region, we handed over a total of 40,925 (39,264) Audi vehicles to customers from January through September 2016. The pleasing growth in

deliveries in most Central European countries compensated for the persistently weak volume development in Russia.

Over the same period, 186,837 (177,817) customers in North America chose a model of the brand with the Four Rings – a 5.1 percent rise. In the United States, we delivered 152,179 (147,403) Audi vehicles to customers. Deliveries in Canada, too, made very good progress and increased by 15.9 percent. In the first nine months of 2016, we handed over a total of 17,480 (20,351) Audi vehicles to their new owners in South America. The year-on-year decline is essentially due to weaker demand for cars in Brazil.

In the Asia-Pacific region, we delivered a total of 509,870 (495,068) models of the Audi brand from January through September 2016. In our largest market China, we increased the volume of deliveries to 440,233 (414,410) cars.

The Audi Group delivered a total of 498,962 (492,793) cars to customers worldwide in the third quarter of 2016. This figure includes 137,250 (124,553) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi delivered a total of 455,613 (445,611) vehicles. In the same period, customers took receipt of 42,495 (46,368) cars of other Volkswagen Group brands. The Lamborghini brand delivered 854 (814) supercars between July and September 2016. In addition, the Ducati brand handed 11,849 (13,459) motorcycles over to customers worldwide in the third quarter of 2016.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 13.

1) This figure includes Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The prior-year figures have been marginally adjusted.

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

	1-9/2016	1-9/2015
Audi A1	21,455	25,427
Audi A1 Sportback	66,442	58,932
Audi A3	13,329	15,066
Audi A3 Sportback	149,726	145,014
Audi A3 Sedan	105,347	104,542
Audi A3 Cabriolet	11,986	16,537
Audi Q3	172,227	149,444
Audi TT Coupé	19,371	18,596
Audi TT Roadster	5,486	4,180
Audi A4 Sedan	169,236	154,119
Audi A4 Avant	85,560	69,426
Audi A4 allroad quattro	9,797	13,166
Audi A5 Sportback	29,972	34,155
Audi A5 Coupé	11,913	16,040
Audi A5 Cabriolet	12,068	11,315
Audi Q5	203,904	195,215
Audi A6 Sedan	153,452	166,156
Audi A6 Avant	44,968	43,187
Audi A6 allroad quattro	8,211	8,617
Audi A7 Sportback	19,140	21,515
Audi Q7	74,295	52,177
Audi A8	17,701	23,326
Audi R8 Coupé	2,013	1,166
Audi R8 Spyder	217	565
Internal vehicles before market introduction	967	-
Audi brand	1,408,783	1,347,883
Lamborghini Huracán	1,953	1,909
Lamborghini Aventador	914	787
Lamborghini brand	2,867	2,696
Other Volkswagen Group brands	166,929	166,785
Automotive segment	1,578,579	1,517,364

1) This figure includes 402,960 (368,297) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

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

Motorcycle deliveries to customers¹⁾

	1-9/2016	1-9/2015
Scrambler	13,197	13,561
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	15,421	15,149
Dual/Hyper (Hypermotard, Multistrada)	11,531	9,946
Sport (Superbike)	6,497	7,474
Ducati brand	46,646	46,130
Motorcycles segment	46,646	46,130

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

Worldwide, the Ducati brand delivered 46,646 (46,130) motorcycles to customers in the first nine months of 2016. The motorcycle manufacturer recorded a positive development in deliveries especially in its home market Italy. This was in contrast to a largely market-led decline in the volume of deliveries in the United States.

PRODUCT PORTFOLIO

In the shape of the new Audi Q2 we have added a compact SUV to our product portfolio and thus branched out into a new market segment. This latest addition to our Q family stands out with its progressive design and high functionality. The high-level Singleframe grille, the large air inlets on the front end and the accentuated wheel arches give our Q2 a powerful appearance. Furthermore, the new SUV comes optionally with an array of infotainment and assistance systems. The very low center of gravity for an SUV plus the standard-fit progressive steering and the optional adaptive dampers make for good driving dynamics. The new Audi Q2 has been available to order since July 2016 and deliveries will commence towards the end of 2016, initially to customers in Europe.

Our new Audi A4 allroad quattro has been available at dealers in Europe since summer 2016. With quattro drive as standard, increased ground clearance, a wide array of driver assistance and safety systems plus many optional infotainment features, the midsize model combines various off-road qualities with impressive ride comfort. In addition, the new and efficient quattro drive with ultra technology made its debut in the gasoline engine version.

Following the unveiling of the Audi S4 Sedan, we also presented the Audi S4 Avant at the 2016 Geneva Motor Show.

The new Audi RS Q3 performance – the top model of our Q3 model line – has been on sale in a large number of markets since April 2016. The “performance” part of its name denotes both increased power and the exclusive equipment items available for the exterior and interior.

A gradual market roll-out for the models of our revised Audi A3 family has been taking place since July 2016. Our successful model can be equipped optionally with a wide array of driver assistance systems. In addition, the engine range has

been extensively revised and the headlights as well as the rear lights have been redesigned. For example, our new Audi A3 models can now for the first time be supplied with Matrix LED headlights.

The Audi Q7 e-tron quattro – the world’s first plug-in hybrid model with six-cylinder TDI engine and quattro drive – has been on sale in most European markets since mid-2016. The new model combines advantages of electric drive with those of the internal combustion engine. The Audi Q7 e-tron quattro permits zero-emission electric driving for up to 56 kilometers, while enabling the customer to continue to benefit from a high operating range.

Multiple new features make their debut in the Audi SQ7, the first S model in our Q7 car line. Its newly developed engine uses an electrically powered compressor, which is the key to dynamic starting performance. One of the options for the SQ7 is electromechanical active roll stabilization. It reduces the vehicle’s lateral inclination, thus permitting greater lateral acceleration and therefore faster cornering. The SQ7 went on sale in Europe in spring 2016, with the first cars now being distributed to dealers.

The first customers have been taking receipt of our new Audi R8 Spyder since the end of October 2016. The sports car combines impressive performance with the attraction of open-top driving.

The new Audi TT RS Coupé and new TT RS Roadster offer impressive road performance and a special engine sound experience. These two models are the first to be equipped optionally with the efficient, visually impressive rear lights in Matrix OLED technology and feature the Audi virtual cockpit with a 12.3-inch screen as standard. The new Audi TT RS Coupé is

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appearing on the European market from November 2016 initially as a limited special edition.

Following on from the presentation of the Audi A5 Coupé and S5 Coupé in June 2016, the Audi A5 Sportback and S5 Sportback made their international debuts at the end of September 2016. The new models from the second generation of our A5 car line offer a sharper appearance as well as a variety of infotainment and driver assistance systems. The range of equipment options includes the Audi virtual cockpit and Audi connect, for example. In addition, customers who choose MMI navigation plus gain access to the wide-ranging Audi connect services over the LTE network for three years free of charge. The A5 models also feature a completely new chassis and a high-performance powertrain. Deliveries of the Audi A5 Coupé in Europe commence from November 2016, with the A5 Sportback due to follow at the start of 2017.

At the end of September 2016, we presented the second generation of our Audi Q5 to the public. Alongside a comprehensive range of infotainment and assistance systems, three of the five new and efficient engine versions come with quattro drive with ultra technology as standard from their market introduction in Europe. Their efficiency is also enhanced by the improved aerodynamics and a reduced unladen weight of up to 90 kilograms compared with the predecessor model depending on engine version. The new Audi Q5 will be shipped to the first dealers at the start of 2017.

The Audi RS 3 Sedan, the most dynamic model in our revised A3 car line and the first compact Audi sedan with the RS label, also made its debut in September 2016. With a powerful engine, quattro permanent all-wheel drive and numerous optional assistance systems such as traffic jam assist and

emergency assist, the new model combines innovation and performance with the design of a sedan. The RS 3 Sedan will go on sale from summer 2017 initially in the United States and China, then later also in Europe.

Following the unveiling of the Lamborghini Centenario Coupé at the start of 2016, Lamborghini presented the open version of the special series – the Centenario Roadster – in August 2016. Only 20 vehicles will be built of each of the Coupé and Roadster versions, for delivery from 2017. A particularly striking feature of the new models is the actively self-steering rear wheels for added agility and stability. What is more, the monocoque and body are made entirely from carbon fiber. Lamborghini also presented the Aventador Miura Homage in June 2016. To mark the 50th anniversary of the Miura – the precursor of all Lamborghini V12 supercars – 50 units of this special series of the Aventador Coupé are being built. Another model making its first appearance at the start of the year was the special series Huracán LP 610-4 Avio, which is available in a limited edition of 250 vehicles and has been delivered since summer 2016.

Since the start of the year the Ducati brand has brought the two latest versions of the Scrambler model series onto the market, the Scrambler Sixty2 and the Scrambler Flat Track Pro. In addition, the new models XDiavel and XDiavel S as well as the Multistrada 1200 Enduro have been available to customers since the first quarter of 2016, enabling Ducati to serve two entirely new segments. The Multistrada 1200 Pikes Peak, the Hypermotard 939 and 939 SP as well as the Hyperstrada 939 and the 959 Panigale are now also available in new model versions. The 1299 Panigale S Anniversario – a numbered limited run of just 500 bikes – has also gradually been appearing at dealers since July 2016.

FINANCIAL PERFORMANCE INDICATORS ¹⁾

The Audi Group generated revenue of EUR 44,017 (43,695) million for the first nine months of 2016. The unfavorable currency environment compared with the prior-year period – in particular due to the devaluation of the pound sterling – was largely counterbalanced by the healthy development in other automotive business. The other automotive business includes, for example, increased revenue from deliveries of parts sets for local production in China. In the Automotive segment, revenue amounted to EUR 43,404 (43,120) million. Particularly the high demand for our new models Audi A4 and Audi Q7 as well as growth in the Western Europe region had a positive impact on revenue performance. However, this was offset by adverse currency effects together with challenging conditions in individual vehicle segments and markets. In the Motorcycles segment, we increased revenue to EUR 612 (575) million.

Operating profit of the Audi Group

<i>EUR million</i>	1-9/2016	1-9/2015
Operating profit before special items	3,918	4,024
Special items	-885	-
<i>of which Takata</i>	<i>-133</i>	<i>-</i>
<i>of which V6 3.0 TDI diesel issue</i>	<i>-752</i>	<i>-</i>
Operating profit	3,033	4,024

Key earnings figures of the Audi Group

<i>in %</i>	1-9/2016	1-9/2015
Operating return on sales before special items	8.9	9.2
Operating return on sales	6.9	9.2
Automotive segment	6.9	9.2
Motorcycles segment	7.3	7.0
<i>adjusted for PPA effects ¹⁾</i>	<i>10.1</i>	<i>10.0</i>
Return on sales before tax	6.5	9.7

1) Effects of purchase price allocation

The operating activities of the Audi Group are reflected in the operating profit before special items of EUR 3,918 (4,024) million. The operating return on sales before special items reached 8.9 (9.2) percent in the first three quarters of 2016. Impacted by special items amounting to EUR -885 million, the operating profit for the Audi Group totaled EUR 3,033 (4,024) million. This represents an operating return on sales of 6.9 (9.2) percent.

Special items are certain matters, reflected in the financial statements, where we consider that their separate disclosure permits a more accurate assessment of the economic performance of the Audi Group. As previously presented in the 2016 Interim Financial Report, special items amounting to EUR -133 million relate to recalls already instructed for vehicles that are equipped with airbags from the Japanese manufacturer Takata. Further special items result from the V6 3.0 TDI diesel issue. In this connection we adjusted the risk provisioning in the form of provisions for technical measures, legal risks and sales measures in the third quarter. From January through September, the special items representing these measures therefore amount to EUR -752 million. It cannot be ruled out that risks may be assessed differently in the future.

Matters that are not attributable to operating activities are continually evaluated in technical, legal and accounting terms and incorporated separately into our in-year corporate planning in terms of special items, which can only be planned and controlled to a limited extent.

In the Automotive segment, taking account of the special items, we achieved an operating profit of EUR 2,989 (3,984) million. The operating return on sales reached 6.9 (9.2) percent. The profit performance was positively influenced above all by volume growth along with process and cost optimization measures. Alongside the special items, operating profit was affected above all by negative currency effects and intense competition. In addition, the expansion of our model and technology portfolio and of our international manufacturing structures is reflected in higher depreciation and amortization. In the Motorcycles segment, we increased the operating profit to EUR 44 (40) million and the operating return on sales to 7.3 (7.0) percent. Adjusted for the effects of purchase price allocation, we achieved an operating profit of EUR 62 (57) million and an operating return on sales of 10.1 (10.0) percent.

The financial result of the Audi Group for the first nine months of 2016 totaled EUR -194 (225) million. The decrease compared with the previous year is attributable among other things to higher expenditures from the measurement of long-term provisions due to changes in interest rates. The financial result also includes the result from investments accounted for using the equity method amounting to EUR 240 (337) million – of which

1) The prior-year figures for the cash flow statement have been adjusted.

EUR 292 (331) million originates from the result from the measurement of investments in FAW-Volkswagen Automotive Company, Ltd., Changchun (China). In addition, the other financial result includes financial compensation amounting to EUR 251 (356) million agreed between AUDI AG and Volkswagen AG, Wolfsburg, to reflect the economic performance of the respective brands within FAW-Volkswagen Automotive Company, Ltd.

In the first three quarters of 2016, the Audi Group achieved a profit before tax of EUR 2,839 (4,249) million, representing a return on sales before tax of 6.5 (9.7) percent. The profit after tax was EUR 2,158 (3,284) million.

The above factors also had a material effect on our business development in the third quarter of 2016. The Audi Group thus generated revenue amounting to EUR 13,883 (13,911) million from July through September 2016. EUR 13,756 (13,773) million of this amount is attributable to the Automotive segment. The Motorcycles segment achieved revenue of EUR 127 (138) million.

In the third quarter of 2016, the Audi Group generated an operating profit before special items of EUR 1,252 (1,110) million, representing an operating return on sales before special items of 9.0 (8.0) percent. The Audi Group's operating profit came to EUR 632 (1,110) million, while the operating return on sales was 4.6 (8.0) percent. The decline is substantially attributable to special items relating to the V6 3.0 TDI diesel issue amounting to EUR -620 million.

The Automotive segment earned an operating profit of EUR 646 (1,116) million. Seasonal factors meant that our Motorcycles segment posted a quarterly operating profit of EUR -14 (-6) million.

The financial result of the Audi Group for the third quarter of 2016 rose to EUR 17 (-11) million.

From July through September 2016, the Audi Group posted a profit before tax of EUR 649 (1,099) million; the return on sales before tax came to 4.7 (7.9) percent. The profit after tax was EUR 476 (856) million.

The balance sheet total of the Audi Group increased to EUR 62,409 million as of September 30, 2016, compared with EUR 56,763 million as of December 31, 2015.

The non-current assets of the Audi Group totaled EUR 27,844 (25,963) million, while current assets amounted to EUR 34,564 (30,800) million.

The equity of the Audi Group rose to EUR 24,663 million as of September 30, 2016, compared with EUR 21,779 million as of December 31, 2015. This represents an equity ratio of 39.5 (38.4) percent.

As of the same date, the non-current liabilities of the Audi Group amounted to EUR 15,410 (13,431) million. Current liabilities increased to EUR 22,336 million as of September 30, 2016, as against EUR 21,554 million as of December 31, 2015.

The Audi Group achieved a cash flow from operating activities of EUR 6,890 (4,967) million in the first nine months of 2016. This positive development was driven by lower aperiodic tax payments among other factors. There were in addition to other factors temporary improvements to working capital as a result of in-year payment effects. Despite extensive investing activities, the net cash flow therefore increased to EUR 3,086 (2,061) million. The net liquidity of the Audi Group amounted to EUR 18,160 million as of September 30, 2016, compared with EUR 16,897 million as of September 30, 2015.

The first three quarters of 2016 saw no changes to the group of consolidated companies with a material impact on the presentation of the net worth, financial position and financial performance.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 13.



WORKFORCE

AUDI AG is hiring around 1,200 experts this year for the future fields of electric mobility and digitalization. In addition, for

the first time more than 800 young people commenced dual training at the Ingolstadt and Neckarsulm sites in September.

PERSONNEL CHANGES

On September 26, 2016, Dr. Stefan Knirsch stepped down as Member of the Board of Management for Technical Development

of AUDI AG with immediate effect and left the Company in agreement with the Supervisory Board.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Report on expected developments

For 2016 as a whole, the Audi Group currently anticipates that global economic growth will be slightly below the previous year. In the 2015 Annual Report we were still expecting slightly stronger growth than in the previous year. There are risks to economic development from potential turbulence on the financial markets in individual countries. In addition, geopolitical tensions and conflicts continue to weigh on the growth prospects. For industrialized nations, we expect the positive economic development to continue. However, the pace of growth is likely to weaken somewhat, among other reasons following the Brexit vote. In the emerging economies, GDP growth rates are expected to be on a par with the prior-year level. However, Asia's emerging economies are likely to enjoy comparatively stronger growth.

In our assessment, worldwide demand for cars will continue to rise in 2016 as a whole. While we anticipate an increase in new registrations in Western and Central Europe, North America and the Asia-Pacific region, sales of passenger cars in Eastern Europe and South America will decline.

In the established motorcycle markets in the displacement segment above 500 cc, the Audi Group currently expects new registrations for 2016 overall to be slightly up on the previous year's level.

Overall, the Board of Management considers the Audi Group to be well equipped to handle present and future challenges, despite the effects it currently has to absorb from special items. The forecasts for the key performance indicators for the 2016 fiscal year, which are presented in detail in the 2015 Audi Annual Report on pages 187 ff., were to some extent adjusted with the publication of the 2016 Interim Financial Report. These assessments largely remain valid. Mainly due to a change in currency rate assumptions, we currently expect revenue to be at the previous year level. In the 2015 Annual Report we were assuming a moderate increase. For the operating activities of the Audi Group reflected in the operating return on sales before special items, we still expect a value within our strategic target corridor of 8 to 10 percent. We currently expect a value considerably below the strategic target corridor for the operating return on sales, adversely affected by the special items which can only be planned and managed to a limited extent. For the 2016 Interim Financial Report, the Audi Group was still assuming a figure slightly below the abovementioned target corridor. For the return on investment (ROI), which is also adversely affected by special items, we currently expect a value below 16 percent, but still significantly above the minimum rate of return of 9 percent. In the 2015 Annual Report, we assumed a ROI between 16 and 18 percent.

Report on risks and opportunities

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

The function of the risk and opportunity management system as well as the opportunities and risks to which the Audi Group is subject are described in detail in the 2015 Annual Report on pages 189 to 201. That publication also contains statements on risks associated with the diesel issue, which remain valid. The risk provisioning undertaken up until now in the form of provisions for the V6 3.0 TDI is based on current knowledge. Due to the uncertainties inevitably associated with the ongoing negotiations, it cannot be ruled out that risks may be assessed differently in the future.

Equally, there continue to be risks for the Audi Group in connection with the recall for airbags supplied by Takata. The Audi Group, in partnership with various traffic safety agencies, is currently investigating the effects of potentially defective Takata airbags. Recalls have already been ordered by the authorities in the United States, Canada, Japan and South Korea. We have created provisions for these based on current findings. However, it still cannot be ruled out that there will be a widening of the recall that will also involve vehicles of the Audi Group. The technical investigations and official consultations are ongoing.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no reportable events of material significance after September 30, 2016.

FUEL CONSUMPTION AND EMISSION FIGURES AS WELL AS EFFICIENCY CLASSES

The fuel consumption and emission figures as well as the efficiency classes of the passenger cars mentioned in the document are given below.

Fuel consumption in l/100 km (combined): 16.0 – 1.6

Hybrid electric vehicles: power consumption in kWh/100 km (combined): 19.0 – 11.4

Hybrid gas vehicles: fuel consumption (CNG) in kg/100 km (combined): 3.6 – 3.3

CO₂ emissions in g/km (combined): 370 – 36

Efficiency classes: G – A+

Fuel consumption, CO₂ emission figures and efficiency classes given in ranges depend on the tires/wheels used.

Further information on official fuel consumption figures and the official specific CO₂ emissions of new passenger cars can be found in the “Guide on the fuel economy, CO₂ emissions and power consumption of all new passenger car models,” which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany (www.dat.de).

DISCLAIMER

This Third Quarter Report contains forward-looking statements relating to anticipated developments. These statements are based upon current assessments and are by their very nature subject to risks and uncertainties. Actual outcomes may differ from those predicted in these statements.

Fuel consumption and CO₂ emission figures as well as the efficiency classes can be found on page 13.



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