



Dr.-Ing. Herbert Diess
Chairman of the Supervisory Board

Dear Shareholders,

2018 was a year of major challenges and new departures for the Audi Group. In the second half of the year in particular, the switch to the new WLTP test cycle resulted in a restricted sales range. On top of this was the political debate about banning the use of diesel vehicles, along with a downturn in important passenger car markets. Financial burdens arose from a fine imposed under the administrative order by the Munich II public prosecutors in connection with the diesel crisis. When Chairman of the Board of Management Rupert Stadler was accused and taken into custody on June 18, 2018, this came as a shock to the entire Audi and Volkswagen family.

The active commitment of everyone at Audi was especially important in 2018. The Supervisory Board would particularly like to thank all employees of the Audi Group for this. I am convinced of the potential of the brand with the Four Rings. With its capabilities and spirit, the Audi team will rise to the forthcoming challenges. Every effort must be made to achieve this.

The Supervisory Board is supporting the Board of Management with the repositioning of Audi. It is careful to ensure that the lessons learned in the past are firmly anchored in the corporate culture and strategy. The new Chairman and his management team will define and substantiate the action areas, goals and approach in the corporate strategy in time for the Audi 2019 Annual General Meeting.

The Supervisory Board was newly elected in 2018.

The Supervisory Board was newly constituted last year. With effect from the close of the Annual General Meeting on May 9, 2018, Senator h. c. Helmut Aurenz, Berthold Huber and Max Wäcker left the Supervisory Board. The Supervisory Board and Board of Management have always appreciated their constructive advice and critical questions. The Supervisory Board would like to express its deep gratitude to these former members in acknowledgment of the work they performed.

At its constituent meeting on May 9, 2018, the Supervisory Board elected me as its Chairman and Peter Mosch as Vice Chairman. The Negotiating Committee, the Presiding Committee, the Audit Committee and the “Diesel” Committee were also elected. The Presiding Committee as well as all other committees were also constituted and commenced work.

The Board of Management gave regular, up-to-date, comprehensive accounts of its actions to 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.

At its four ordinary meetings in 2018, the Supervisory Board also considered at length the opportunities and risks for Audi in key markets, in particular China, the United States and European markets. In that connection it explored subject areas such as how to assure a sustainable return and the WLTP test cycle. The Supervisory Board also held discussions with the Board of Management on progress with the digitalization and electrification of vehicles. It approved a new remuneration system for the members of the Board of Management and, together with the Board of Management, routinely determined the content of the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG).

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

The diesel issue, in particular concerning the V6 3.0 TDI engine, as well as human resources decisions in addition accounted for a significant portion of the Supervisory Board's work in the year under review. 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. In this connection the Supervisory Board held six extraordinary meetings in the past fiscal year. In addition to its four ordinary meetings, the Presiding Committee of the Supervisory Board held five extraordinary meetings in 2018.

All Supervisory Board members were present at more than half of the meetings. The average attendance rate in the past fiscal year was 94.1 percent. The Negotiating Committee did not need to be convened in 2018.

The "Diesel" Committee oversees and supports the Board of Management in its investigation and reappraisal of events related to diesel issues. It also prepares the Supervisory Board's consultations and resolutions on diesel issues.

The "Diesel" Committee came together for four meetings in the 2018 fiscal year.

The Audit Committee met once per quarter in the past fiscal year and devoted its attention mainly to risk management as well as compliance and auditing work. In addition, the Audit Committee concerned itself with the 2018 Interim Financial Report prior to its publication and the preparatory work for the 2018 Annual Financial Statements. It also advised on the independence of the auditor, the findings of additional audits commissioned and the situation of the Company at the end of 2018. It passed the necessary resolutions for putting the auditing of the Annual Financial Statements out to tender.

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Upon the proposal of the Supervisory Board, the Annual General Meeting of AUDI AG appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditor of the accounts for the 2018 fiscal year. The auditor of the accounts confirmed the Annual Financial Statements of AUDI AG, the Consolidated Financial Statements of the Audi Group as well as the Combined Management Report of the Audi Group and AUDI AG for the 2018 fiscal year, and in each case issued its unqualified certification with an additional note.

The auditing firm’s representatives explained the key findings of their audit in detail at the meetings of the Audit Committee and Supervisory Board. 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 based on its own conclusions, the Audit Committee recommended to the Supervisory Board at the meeting on February 21, 2019, that the Annual and Consolidated Financial Statements each be signed off. 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 no changes in the composition of the Supervisory Board since the close of the last Annual General Meeting on May 9, 2018.

There have been the following changes in the composition of the Company's Board of Management since the close of the last Annual General Meeting on May 9, 2018:

With effect from June 19, 2018, Abraham Schot assumed responsibility for the function of Chairman of the Board of Management of AUDI AG for an interim period, alongside his responsibility for the "Marketing and Sales" division. Previously the Supervisory Board had temporarily released Rupert Stadler from his office as "Chairman of the Board of Management" and member of the Board of Management of AUDI AG.

Rupert Stadler left the Board of Management of AUDI AG from the close of October 2, 2018.

Hans-Joachim Rothenpieler assumed responsibility for the "Technical Development" division with effect from November 1, 2018, succeeding Dr. Peter Mertens, who had left the Company's Board of Management at the close of October 31, 2018.

With effect from January 1, 2019, the Supervisory Board appointed Abraham Schot as the Company's Chairman of the Board of Management. In addition, the Supervisory Board appointed Hildegard Wortmann as member of the Board of Management with responsibility for the "Marketing and Sales" division. Hildegard Wortmann will take up office on July 1, 2019. Until then, Abraham Schot will be in charge of the division temporarily.

The Board of Management has suitably taken account of the economic environment and also of future challenges when making its plans. It will proceed systematically with the transformation of Audi together with the entire workforce. The Supervisory Board will continue to support the Board of Management actively and constructively on this journey in the future.

Ingolstadt, February 21, 2019

A handwritten signature in black ink that reads "Sincerely H. Diess". The signature is written in a cursive style.

Dr.-Ing. Herbert Diess
Chairman of the Supervisory Board of AUDI AG