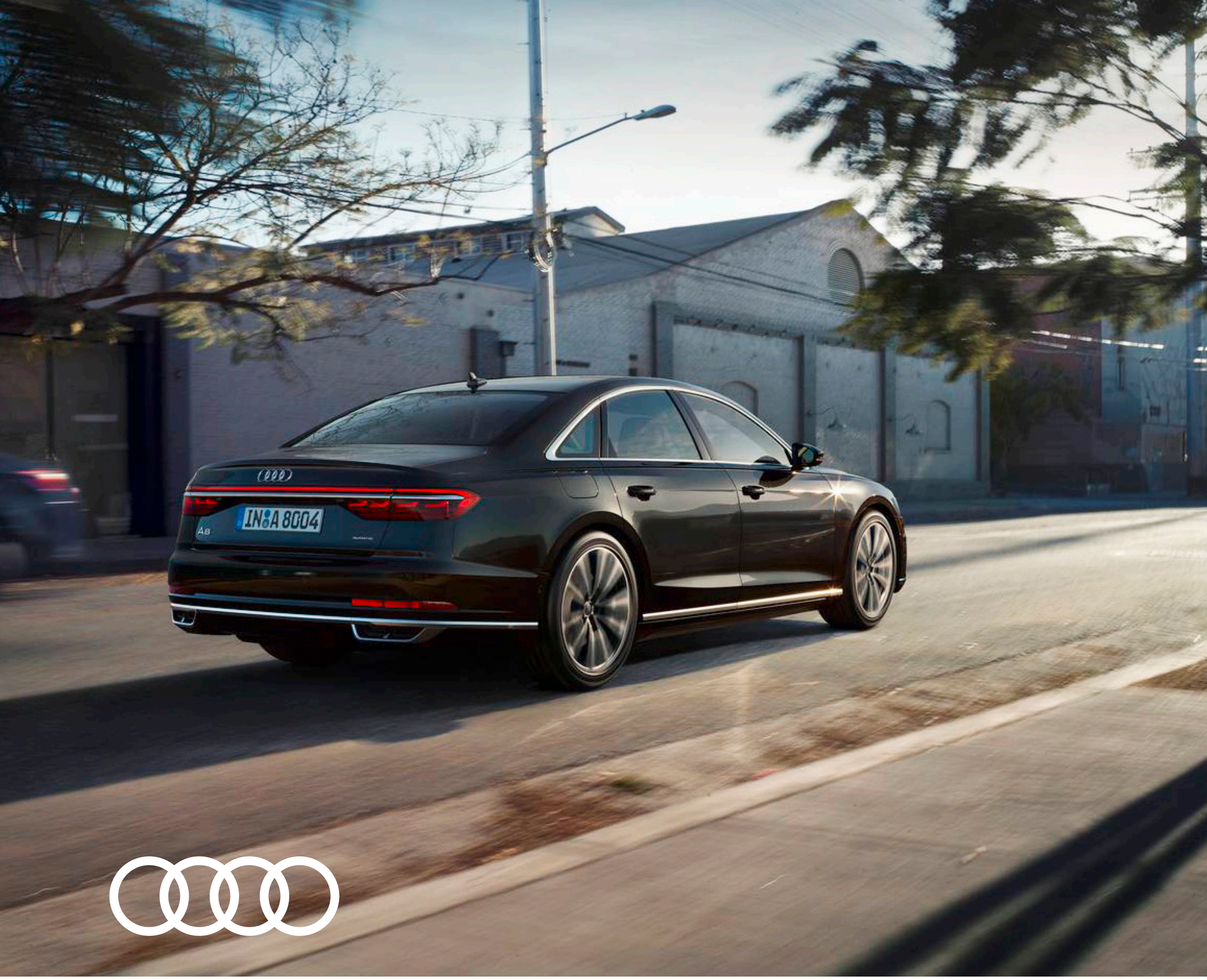


Audi Group
Interim Financial Report

January 1 to June 30, 2017

Audi Vorsprung durch Technik

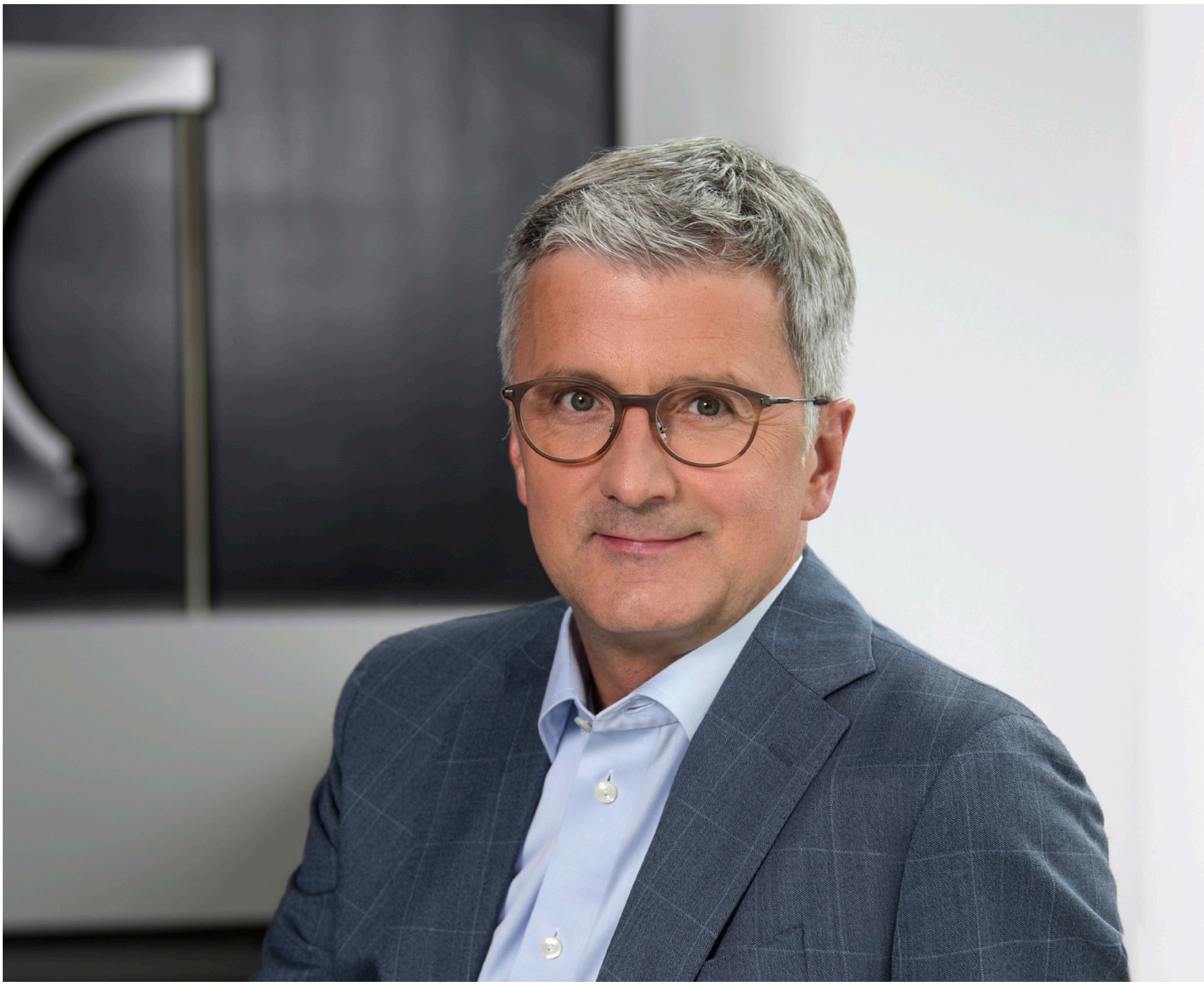
AUDI GROUP KEY FIGURES

		1–6/2017	1–6/2016	Change in %
Production				
Automotive segment	Cars [1]	943,166	985,211	–4.3
	Engines	1,045,573	1,032,524	1.3
Motorcycles segment	Motorcycles	37,870	43,114	–12.2
Deliveries to customers [2]				
Automotive segment [3]	Cars	1,035,032	1,079,740	–4.1
Audi brand [3]	Cars	908,955	953,293	–4.7
Lamborghini brand	Cars	2,091	2,013	3.9
Other Volkswagen Group brands	Cars	123,986	124,434	–0.4
Motorcycles segment	Motorcycles	34,854	34,803	0.1
Ducati brand	Motorcycles	34,854	34,803	0.1
Workforce	Average	89,680	86,001	4.3
Revenue	EUR million	30,143	30,134	0.0
Operating profit before special items	EUR million	2,680	2,666	0.5
Operating profit	EUR million	2,680	2,401	11.6
Profit before tax	EUR million	2,798	2,190	27.7
Profit after tax	EUR million	2,096	1,682	24.6
Operating return on sales before special items	Percent	8.9	8.8	
Operating return on sales	Percent	8.9	8.0	
Return on sales before tax	Percent	9.3	7.3	
Ratio of capex [4]	Percent	3.8	4.1	
Research and development ratio	Percent	6.9	7.4	
Cash flow from operating activities	EUR million	3,740	4,510	–17.1
Net cash flow	EUR million	1,879	2,085	–9.8

		June 30, 2017	Dec. 31, 2016	Change in %
Balance sheet total	EUR million	62,674	61,090	2.6
Equity ratio	Percent	43.9	41.4	

1) This figure includes 258,862 (280,167) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The figures for the prior-year period have been marginally adjusted.
3) This figure includes 233,411 (265,710) delivered Audi vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
4) 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

Notes:
All figures are rounded off, which may lead to minor deviations when added up.
The figures in brackets represent those for the corresponding prior-year period.



Prof. Rupert Stadler
Chairman of the Board of Management of AUDI AG

Dear Shareholders,
Dear Readers,

With all of our products and services, we want to simplify our customers' lives and create more personal freedom for them. In July 2017, we held our first Audi Summit in Barcelona. At the brand-exclusive event, we presented to the world our vision of the journey into the digital future. Our solutions for the urban mobility of tomorrow range from premium mobility services to piloted driving and parking. We are creating a more diverse array of drives with sustainable, synthetic fuels: Audi e-fuels. These will be joined by pure electric drives and, in the long term, fuel cells as a source of power. And we are working on automobile production using resources efficiently. The urban mobility of the future and therefore our company too are digitally connected and sustainable.

Sound business performance is the basis of the upcoming transformation of our company. Despite challenging conditions, we continued to build upon the financial performance of the previous year in the first half of 2017. With revenue of EUR 30.1 billion, we remained on a level with the previous year and generated an operating result of EUR 2.7 billion. With an operating return on sales of 8.9 percent, we were within our strategic target corridor of 8 to 10 percent.

In the first half of 2017, we delivered 908,955 Audi models to customers, a decrease of 4.7 percent. A 12.2-percent drop in sales in China was a major factor in this change. Negotiations on the future cooperation with local partners curbed

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

business in that country. With an agreement reached in May 2017, we want to pick up on the sales successes of past years in the still growing premium market.

In the United States, we bucked the negative market trend to increase sales by 6.2 percent. For the first time ever, more than 100,000 U.S. customers placed their confidence in the brand with the Four Rings in the first six months of a year. That is a new record. Deliveries in Europe were stable at 458,917 units and a slight increase of 0.8 percent.
With the new Audi Q2, we are tapping into the compact SUV segment for the first time for Audi. The new model is very popular with our customers. Around the world, 46,340 customers chose the Q2 by June.

In the first half of 2017, we resolutely pursued our course of clearing up the diesel crisis. In addition to continually optimizing our processes, we have in particular expanded our compliance structure and established comprehensive systems of reporting and control. On the technical side, we are working intensively on retrofitting and service solutions for our customers. We are firmly dedicated to regaining the trust of our customers and the public as quickly as possible.

We consider it a central duty to completely clarify the past. At the same time, we are working on the future of Audi with undiminished energy.

At present, we are preparing the biggest model initiative in our history. By mid-2018, we will have renewed five model series from the ground up. The new Audi A8 will get things rolling in the fourth quarter of 2017. Now in its fourth generation, our flagship vehicle stands more than ever for "Vorsprung durch Technik."

With the Audi A8, we are ready for the introduction of Level 3 piloted driving. As soon as the legal framework permits it, we will gradually bring the new piloted driving functions into series production beginning in 2018. Further highlights include the new design language, the unique touch operating concept and an electric drive in all model variants, ranging from mild hybrid to plug-in hybrid.

Audi AI also made its debut at the Audi Summit in Barcelona. The mobility of the future is interactive, communicative and based on artificial intelligence. As a technological promise, Audi AI groups together a variety of innovative systems aimed at using machine learning to make life easier for drivers and passengers. They handle routine tasks and increase safety by observing the environment and independently initiating braking or swerving maneuvers when danger is detected.

Our cavalcade of new models continues in 2018. Among others, we will start the year off with the new model generation of the Audi A6 and A7 Sportback. We will launch the Audi Q8 on the market as a completely new model in the full-size class – an elegant alternative to the traditional SUV. In the same year, Audi customers can experience our first electric car, the Audi e-tron. For Audi, this is a milestone on the road to electric mobility. The Audi e-tron Sportback will follow in 2019. Beginning in 2020, we will also offer a premium electric car in the compact segment.

With our model initiative, Audi AI and with the digitalization of the entire company, we are laying the foundation for a successful future.

Kind regards,

R. Stadler

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

INTERIM MANAGEMENT REPORT OF THE AUDI GROUP FROM JANUARY 1 TO JUNE 30, 2017

BUSINESS AND UNDERLYING SITUATION

/ GLOBAL ECONOMIC SITUATION

The global economy grew at a moderate rate in the first half of 2017. Industrial nations as well as emerging economies accomplished a slight upturn in economic momentum compared with the prior-year period.

In Western Europe, economic development remained healthy despite political uncertainties thanks to such factors as continuing low interest rates, resulting in falling unemployment. Growth rates for gross domestic product were consistently positive in both northern and southern European countries. The German economy was influenced by strong consumer spending and good orders received in the industrial sector, and the long-established pattern of growth was maintained. In Central and Eastern Europe, the economy also put in a positive performance in the period under review. Economic activity in Eastern Europe benefited from higher energy prices and a recovery in the Russian economy following the lengthy recession.

The U.S. economy – supported by strong demand from the private sector – continued to expand in the first half of 2017. On the back of a stable economic situation and the higher inflation rate, the U.S. Federal Reserve increased the key rate twice in the first half of the year.

In Brazil, gross domestic product declined yet again as a result of weak domestic demand and political uncertainty, although the drop was not as sharp as in the prior-year period.

By contrast, China again exhibited continuing high economic momentum in international terms thanks to government spending on infrastructure and strong consumer spending.

The Japanese economy recorded slight growth in the first six months of 2017.

/ INTERNATIONAL CAR MARKET

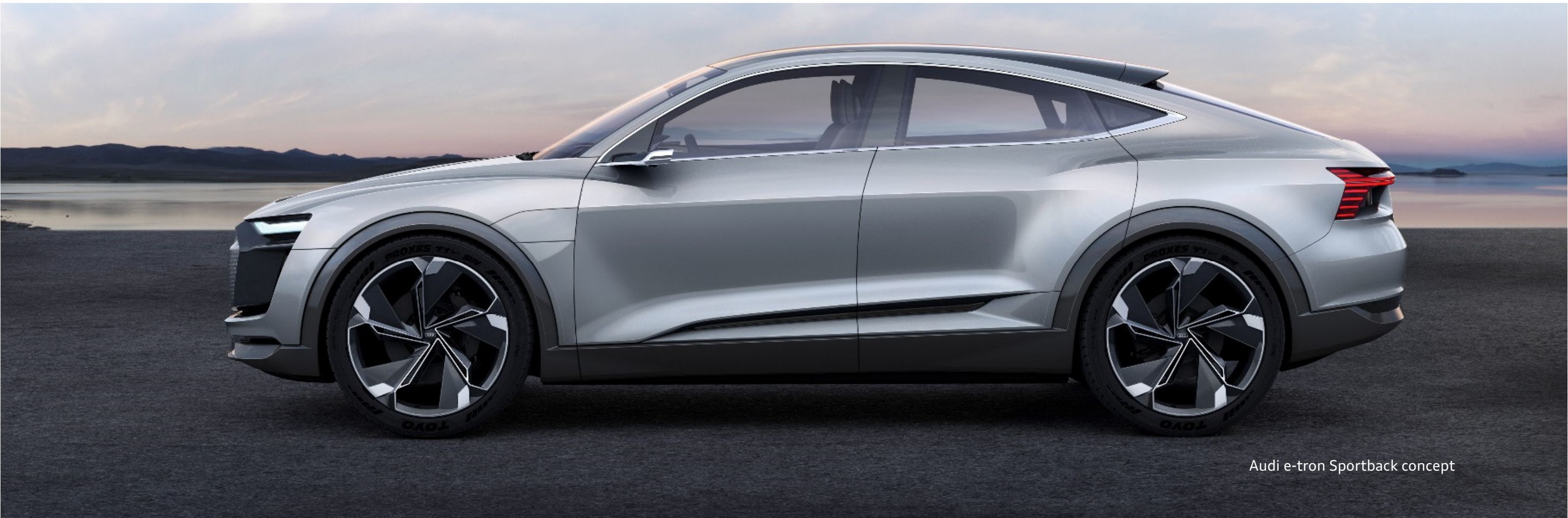
Worldwide demand for cars grew by 2.7 percent to 40.6 (39.5) million vehicles in the period from January through June 2017. While higher sales figures were recorded in Western Europe, Central and Eastern Europe as well as in the Asia-Pacific and South America regions, new registrations in North America were lower than in the prior-year period.

On the back of the positive economic development, car markets in Western Europe made healthy progress with new registrations growing 3.6 percent. The German passenger car market achieved a 3.1 percent rise in new registrations to 1.8 (1.7) million units in the first half of 2017 as a result of higher demand among both private and commercial customers. There was clearly positive growth in the Spanish and Italian car markets thanks to high replacement demand of 7.1 and 8.5 percent, respectively. Passenger car sales in France were up 3.0 percent. In the United Kingdom, the record established in the previous year was missed by –1.6 percent, due to factors including a change in the motor vehicle tax taking effect on April 1, 2017.

New registrations in Central and Eastern Europe advanced well thanks in large part to an increase in demand in the Russian automobile market that reflected the economic upturn. Sales of automobiles in Russia rose to 0.7 (0.6) million units – an increase of 7.1 percent.

In the United States, signs of market saturation led to a –2.1 percent fall in unit sales of passenger cars and light commercial vehicles to 8.5 (8.6) million units. There was a continuing

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi e-tron Sportback concept

shift in demand towards SUV and pick-up models combined with a contraction of the classic passenger car segments.

Following a drop in registrations of new vehicles in the prior-year period, South America regained a course of growth. The Brazilian market for passenger cars and light commercial vehicles benefited from growing demand for the first time in three years, with an increase of 4.3 percent to 1.0 (1.0) million units.

The Asia-Pacific region again achieved the highest absolute growth for sales of automobiles in the period under review. As the biggest single market, China nevertheless exhibited a significant slowdown in demand with sales rising 2.7 percent to 10.5 (10.2) million automobiles. In the previous year, tax breaks for vehicles with a displacement of up to 1.6 liters had boosted sales. The Japanese car market achieved substantial growth with a 10.0 percent rise in newly registered passenger cars due in part to government support. Thus, 2.3 (2.1) million passenger cars were newly registered there.

/ *INTERNATIONAL MOTORCYCLE MARKET*

In the displacement segment above 500 cc, the established motorcycle markets recorded a decline in demand of –2.0 percent in the first six months of 2017. Most major Western European motorcycle markets were able to buck the market trend and capitalize on the improved economic situation with higher new registrations. In Germany, by contrast, unit sales were down. New registrations of motorcycles in the United States and Brazil also declined sharply in the period under review, while the Japanese motorcycle market remained flat compared with the prior-year period.

PRODUCTION [1)]

The Audi Group manufactured 943,166 (985,211) cars in the first half of 2017. This figure includes 258,862 (280,167) Audi vehicles made by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). From January through June 2017, the Audi Group built 941,101 (983,263) automobiles of the premium brand Audi and 2,065 (1,948) supercars of the Lamborghini brand worldwide. In the same period, 37,870 (43,114) motorcycles of the Ducati brand were produced.

At our Group headquarters in Ingolstadt, a total of 276,845 (298,930) cars of the Audi brand left the production lines in the first six months of 2017. The factors behind this lower figure compared with the prior-year period include model changeovers and production starts. In addition, a fire at a supplier temporarily affected production of the A4 and A5 car lines in the first quarter.
We built 109,523 (141,453) Audi models in Neckarsulm, fewer than in the previous year due to model cycle factors mainly in the upper car lines.
At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), we produced a total of 60,749 (61,856) vehicles of the brand with the Four Rings.
At AUDI MÉXICO S.A. de C.V., we built 59,024 (445) vehicles at our production site in San José Chiapa (Mexico) in the first six months of the current fiscal year.
In Hungary, Audi Hungaria Zrt., Győr, built 54,621 (63,798) vehicles in response to the current pattern of demand in the compact sedan segment.
AUDI DO BRASIL INDUSTRIA E COMERCIO DE VEICULOS LTDA., São Paulo, produced a total of 3,337 (4,027) automobiles in the first half of 2017 in São José dos Pinhais, near Curitiba (Brazil).
In the same period, the two Volkswagen Group sites in Martorell (Spain) and Bratislava (Slovakia) built 61,985 (75,853) and 52,974 (53,750) Audi vehicles, respectively.
We managed production of our Audi Q3 car line in Martorell to reflect the model cycle. The Bratislava plant already built the first units of our new Audi Q8, in preparation for its volume production starting in 2018. With the Q8, a premium SUV with the style of a coupe, we will gain access to a new segment in the full-size category.
A total of 3,181 (2,984) vehicles with the Four Rings were built in Aurangabad (India) – another Volkswagen Group site.
In China, the associated company FAW-Volkswagen Automotive Company, Ltd., manufactured 218,387 (241,860) cars of the Audi brand at its company headquarters in Changchun and 40,475 (38,307) Audi vehicles in the southern Chinese city of Foshan between January and June of the current fiscal year. In light of the necessary coordination concerning the implementation of the two-partner strategy in China, we adopted a flexible approach to our production management at the Chinese sites. Discussions have now been concluded.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

1) This includes 258,862 (280,167) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

Car production by model [1)]

	1–6/2017	1–6/2016
Audi A1	13,879	14,783
Audi A1 Sportback	46,870	47,073
Audi Q2	49,530	305
Audi A3	3,874	7,342
Audi A3 Sportback	83,107	103,630
Audi A3 Sedan	60,970	65,393
Audi A3 Cabriolet	7,432	8,735
Audi Q3	111,152	117,031
Audi TT Coupé	9,474	11,254
Audi TT Roadster	3,189	3,432
Audi A4 Sedan	97,116	122,674
Audi A4 Avant	55,809	67,699
Audi A4 allroad quattro	10,554	5,528
Audi A5 Sportback	38,364	16,528
Audi A5 Coupé	14,727	7,341
Audi A5 Cabriolet	12,064	8,684
Audi Q5	127,785	141,075
Audi A6 Sedan	87,139	113,392
Audi A6 Avant	28,645	34,041
Audi A6 allroad quattro	5,666	5,660
Audi A7 Sportback	9,204	14,333
Audi Q7	53,133	54,166
Audi Q8	114	–
Audi A8	9,693	11,583
Audi R8 Coupé	934	1,536
Audi R8 Spyder	677	45
Audi brand	**941,101**	**983,263**
Lamborghini Huracán	1,403	1,336
Lamborghini Aventador	662	612
Lamborghini brand	**2,065**	**1,948**
Automotive segment	**943,166**	**985,211**

1) This includes 258,862 (280,167) Audi models manufactured by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

*Read more about the **production sites** of the individual models on page 93 of the **Audi 2016 Annual Report**.*

Car engine production

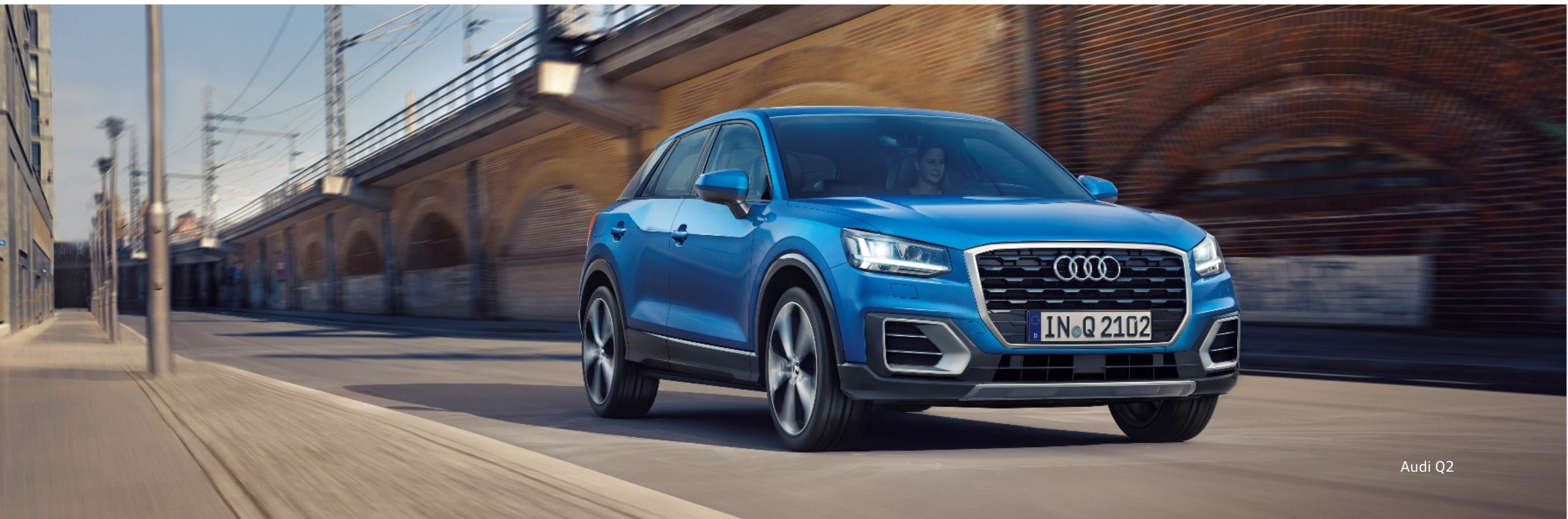
	1–6/2017	1–6/2016
Audi Hungaria Zrt.	1,044,920	1,031,887
Automobili Lamborghini S.p.A.	653	637
Car engine production	**1,045,573**	**1,032,524**

Motorcycle production

	1–6/2017	1–6/2016
Scrambler	9,270	13,977
Naked/Sport Cruiser (Diavel, Monster)	12,013	13,808
Dual/Hyper (Hypermotard, Multistrada)	9,570	10,663
Sport (SuperSport, Superbike)	7,017	4,666
Ducati brand	**37,870**	**43,114**
Motorcycles segment	**37,870**	**43,114**

Worldwide, the Ducati brand produced 37,870 (43,114) motorcycles in the first six months of 2017. The first half of 2017 was influenced by a different scheduling of market introductions compared with 2016, reflecting the requirements of the markets. However, there was a marked increase in production in the second quarter of 2017 compared with the first quarter of 2017, bringing production nearly to the level of the second quarter of 2016. We built 32,981 (36,042) bikes at the company headquarters in Bologna (Italy). Over the same period, Ducati manufactured 4,369 (6,405) motorcycles at the Amphur Pluakdaeng (Thailand) plant. 520 (667) units were built in Manaus (Brazil) on a contract manufacturing basis.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi Q2

DELIVERIES AND DISTRIBUTION [1) 2)]

From January through June 2017, the Audi Group delivered 1,035,032 (1,079,740) cars to customers worldwide – a fall of –4.1 percent in comparison with the previous year. This figure includes deliveries of 233,411 (265,710) Audi models built locally by FAW-Volkswagen Automotive Company, Ltd., Changchun (China). The core brand Audi handed 908,955 (953,293) vehicles over to customers. The drop in deliveries of –4.7 percent compared with the previous year was affected particularly by the growing intensity since January of negotiations conducted with our Chinese partners concerning the further strategic development of our China business. The negotiations have now been brought to a successful conclusion. In the first six months, the Lamborghini brand handed 2,091 (2,013) supercars over to customers. Deliveries to customers of other Volkswagen Group brands came to 123,986 (124,434) cars in the first half of 2017. The Ducati brand recorded a delivery volume of 34,854 (34,803) motorcycles.

In Western Europe, we increased deliveries of the Audi brand to 432,865 (427,371) vehicles. Demand for our Audi models was also positive in our home market Germany and rose by 0.9 percent to 167,620 (166,154) automobiles.
Despite declining overall market demand, our volume in the United Kingdom was on a par with the previous year at 90,004 (89,935) Audi vehicles. By contrast, we increased deliveries of the Audi brand in Italy by 9.0 percent to 35,012 (32,124) cars. Demand for Audi vehicles also showed a healthy development in France and Spain with growth rates of 1.7 percent and 5.1 percent, respectively.

In the Central and Eastern Europe region, we handed a total of 26,052 (27,898) automobiles with the Four Rings over to customers in the first half of 2017. The rise in deliveries in some countries in Central Europe only partly made up for the dwindling volume of vehicles in Russia.

In the same period, a total of 128,155 (119,927) cars of the Audi brand were handed over to customers in the North America region. We maintained our pattern of growth in the United States with growth of 6.2 percent to 102,971 (96,934) units – and this in a period of declining overall market demand. Our deliveries in Canada also made very good progress and were up a substantial 16.6 percent.

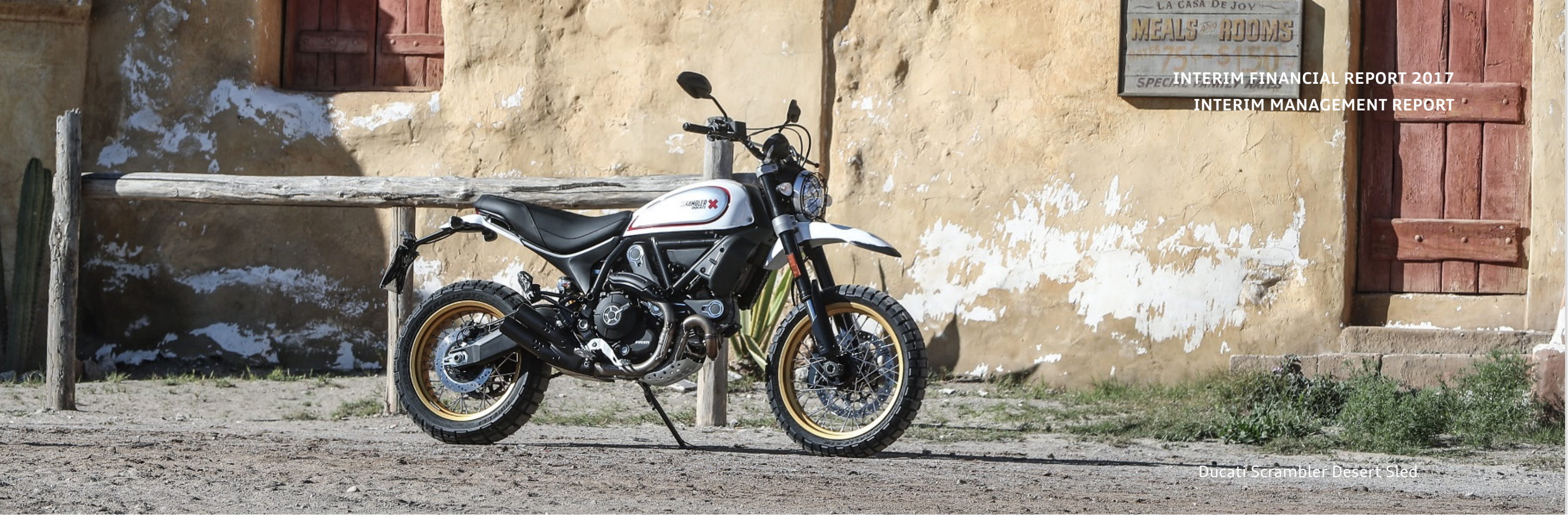
Especially as a result of the continuing difficult economic situation in Brazil, we registered a downturn in volume in the South America region to 9,871 (11,496) delivered Audi models.

In the Asia-Pacific region, we handed a total of 289,304 (339,411) Audi vehicles over to customers in the period from January through June 2017. In China, our biggest single market, the negotiations on the further strategic development of our China business which have now been successfully concluded were a factor in the downturn in deliveries to 254,785 (290,126) automobiles – a change of –12.2 percent. At the start of the year, we conducted negotiations with our local partners with the objective of preparing ourselves for the next stage of growth planned. The path is now clear for our new strategy and the further expansion of our activities in China. Hand in hand with our strong partners, we will actively promote the future of premium mobility in China. In addition to an extended product and services portfolio, the two-partner strategy offers the existing dealer network significant synergies. With a 1.7 percent rise in deliveries in China, we were able to resume our growth trend and achieve an all-time record for June. Meanwhile, we have recaptured market leadership in the premium segment.
As previously throughout 2016, our deliveries performance in the Asia-Pacific region was inhibited by registration-based sales restrictions in South Korea.
Without the special situation in the Asia-Pacific region, we would have succeeded in increasing our worldwide deliveries.

Alongside regional demand in the individual sales markets, the development in our deliveries was influenced by our current product cycle. The new Audi Q2 – our entry-level SUV in the compact segment – made a clearly positive volume contribution with 46,340 (371) units delivered. Demand for our second generation of the Audi A5 car line was also high, with 47,900 (37,457) vehicles delivered. Furthermore, our Audi Q7 enjoyed continuing market success with 51,649 (50,360) units. For our new Audi Q5, the ongoing change to the new generation still had the overall effect of curbing the volume of vehicles. Due to the point reached in their model cycles, a number of car lines in our model portfolio revealed falling deliveries. For example, the model changeover to the new Audi A8 is due at the end of 2017. Deliveries to customers of the Audi A8 correspondingly dropped to 9,576 (12,279) vehicles. The new Audi A8 marks

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

1) This includes deliveries of 233,411 (265,710) Audi models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The figures for the prior-year period have been marginally adjusted.



Ducati Scrambler Desert Sled

our next step in the direction of electrification with a 48-volt electrical system as standard. It makes Audi the first premium car manufacturer to electrify its top car line throughout. Alongside this mild hybrid technology, the fourth-generation Audi A8 clearly embodies “Vorsprung durch Technik” through a new design language and its innovative touch operating concept.

Car deliveries to customers by model [1) 2)]

	1–6/2017	1–6/2016
Audi A1	10,789	15,323
Audi A1 Sportback	41,190	46,724
Audi Q2	46,340	371
Audi A3	5,128	9,440
Audi A3 Sportback	89,156	103,663
Audi A3 Sedan	60,972	72,446
Audi A3 Cabriolet	8,271	8,588
Audi Q3	98,212	114,554
Audi TT Coupé	9,909	13,388
Audi TT Roadster	3,365	4,264
Audi A4 Sedan	98,019	117,054
Audi A4 Avant	56,953	53,727
Audi A4 allroad quattro	10,374	5,816
Audi A5 Sportback	28,559	20,532
Audi A5 Coupé	12,614	7,962
Audi A5 Cabriolet	6,727	8,963
Audi Q5	124,471	132,216
Audi A6 Sedan	89,305	102,352
Audi A6 Avant	30,542	32,786
Audi A6 allroad quattro	5,692	5,674
Audi A7 Sportback	9,323	13,404
Audi Q7	51,649	50,360
Audi A8	9,576	12,279
Audi R8 Coupé	1,106	1,319
Audi R8 Spyder	713	88
Audi brand	**908,955**	**953,293**
Lamborghini Huracán	1,400	1,370
Lamborghini Aventador	691	643
Lamborghini brand	**2,091**	**2,013**
Other Volkswagen Group brands	**123,986**	**124,434**
Automotive segment	**1,035,032**	**1,079,740**

1) This includes deliveries of 233,411 (265,710) Audi models built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
2) The figures for the prior-year period have been marginally adjusted.

Motorcycle deliveries to customers [1)]

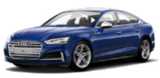
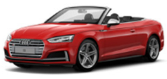
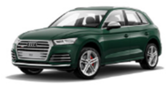
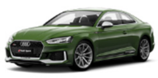
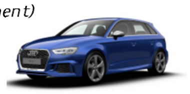
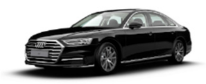
	1–6/2017	1–6/2016
Scrambler	8,674	9,605
Naked/Sport Cruiser (Diavel, Monster, Streetfighter)	10,752	11,706
Dual/Hyper (Hypermotard, Multistrada)	9,457	8,799
Sport (SuperSport, Superbike)	5,971	4,693
Ducati brand	**34,854**	**34,803**
Motorcycles segment	**34,854**	**34,803**

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

From January through June 2017, Ducati delivered 34,854 (34,803) motorcycles to customers worldwide. We achieved a substantial increase in our volume in the second quarter of 2017, having seen deliveries decline in the first quarter of 2017 due to model cycle factors. The Italian home market in particular brought Ducati a strong rise in deliveries. We were also able to hand over more motorcycles than in the previous year to Ducati customers in the United States. In Germany, by contrast, the number of bikes delivered declined in line with the overall market development.

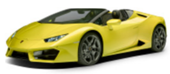
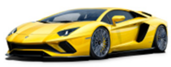
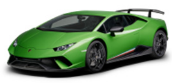
Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

Market introductions in 2017: Audi models presented or introduced in the period under review

Models	Main characteristics and new features
Audi S5 Sportback and Audi A5 Sportback *(new models)* 	> New, elegant and emotional design > Newly developed suspension and high-performance drives > Innovative driver assistance systems, e.g. optional adaptive cruise control (ACC) with traffic jam assist > Gradual market introduction since January 2017 > Later on in 2017, also available for the first time as A5 Sportback g-tron
Audi S5 Cabriolet and Audi A5 Cabriolet *(new models)* 	> New, sporty and elegant 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 *(new models)* 	> Extensive range of driver assistance systems, e.g. standard-fit Audi pre sense city assistance system, which for instance warns of 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 *(new model, no predecessor)* 	> First compact Audi sedan with the RS label > Newly developed five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Phased market introduction since May 2017
Audi RS 5 Coupé *(new model)* 	> 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 June 2017
Audi RS 3 Sportback *(product improvement)* 	> Sharper RS design (e.g. eye-catching Singleframe, large air inlets, striking sill trims) > Newly developed five-cylinder engine, quattro permanent all-wheel drive and numerous optional assistance systems > Market introduction later on in 2017
Audi A8 *(new model)* 	> 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 Audi AI 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 > Presentation in July 2017, market introduction later on in 2017

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

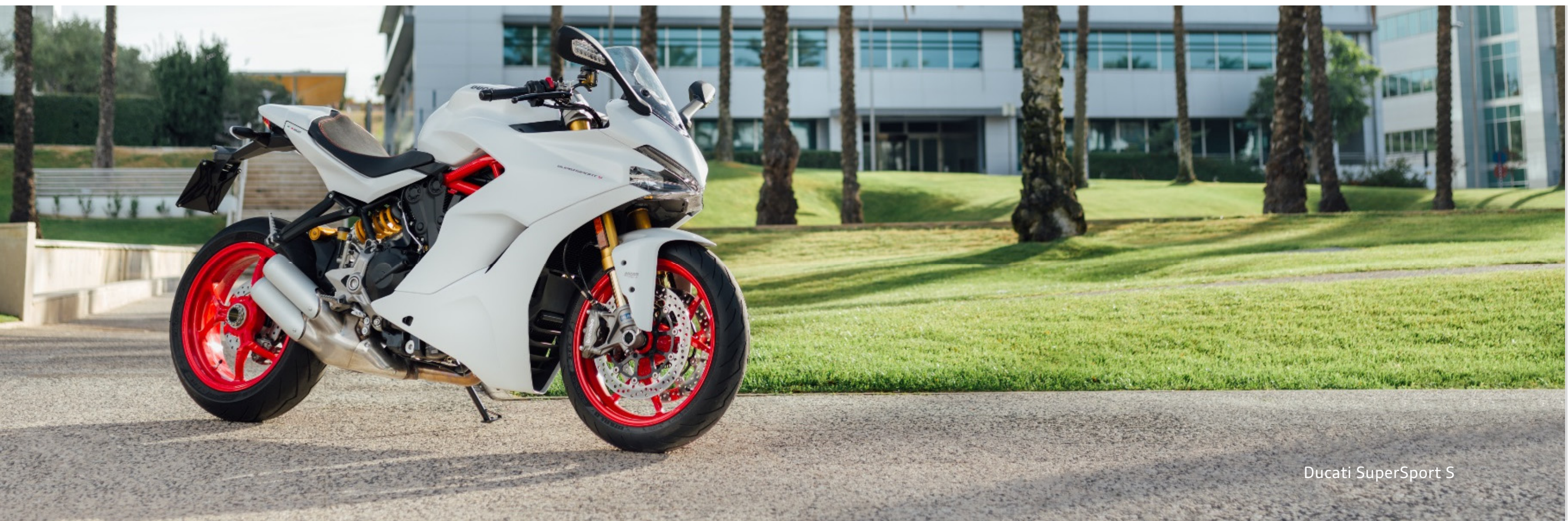
Market introductions in 2017: Lamborghini models presented or introduced in the period under review

Models	Main characteristics and new features
Lamborghini Huracán RWD Spyder *(new model)* 	> 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 > Gradual market introduction since January 2017
Lamborghini Aventador S *(product improvement)* 	> 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 > Phased market introduction since April 2017
Lamborghini Huracán Performante *(new model)* 	> 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 produced by Lamborghini to date > Gradual market introduction since June 2017

Ducati models introduced in the period under review

The Monster series was rounded off with the all-new Monster 797 at the start of 2017. The new Ducati Multistrada 950 has also gone on sale to customers since the start of the year. In the spring, the Ducati Scrambler series was expanded with the additions of the Desert Sled and Café Racer models. The new Ducati SuperSport and the Ducati SuperSport S are other new arrivals in our Italian motorcycle manufacturer’s product range. Furthermore, Ducati launched the exclusive 1299 Superleggera, the most powerful factory twin-cylinder bike ever built. In addition, the Multistrada 1200 Enduro Pro – an off-road version with an exclusive design – has been on sale at dealers since the start of the summer.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Ducati SuperSport S

FINANCIAL PERFORMANCE INDICATORS

/ *FINANCIAL PERFORMANCE*

The Audi Group generated revenue of EUR 30,143 (30,134) million in the first half of 2017.

Revenue for the Automotive segment reached EUR 29,684 (29,648) million. Particularly the market success of our new Audi A5 family and of the new Audi Q2 as well as growth in the North America and Western Europe regions had a beneficial impact on our revenue performance. In addition, the development of other automotive business, which comprises deliveries of parts sets for local production in China and also the engine business, impacted revenue positively. However, the challenging environment that we face at present in the Asia-Pacific region and the current position in the model cycle weighed on revenue performance overall.

In the Motorcycles segment, revenue generated by the Ducati brand amounted to EUR 459 (486) million; this was substantially due to model cycle factors.

Condensed Income Statement, Audi Group

EUR million	1–6/2017	1–6/2016
Revenue	30,143	30,134
Cost of goods sold	– 24,826	– 24,431
Gross profit	**5,316**	**5,703**
Distribution costs	– 2,583	– 2,921
Administrative expenses	– 325	– 318
Other operating result	271	– 63
Operating profit	**2,680**	**2,401**
Financial result	118	– 210
Profit before tax	**2,798**	**2,190**
Income tax expense	– 702	– 508
Profit after tax	**2,096**	**1,682**

Operating profit, Audi Group

EUR million	1–6/2017	1–6/2016
Operating profit before special items	**2,680**	**2,666**
Special items	–	– 265
of which Takata	–	*– 133*
of which diesel issue	–	*– 132*
Operating profit	**2,680**	**2,401**

Key earnings figures, Audi Group

in %	1–6/2017	1–6/2016
Operating return on sales before special items	**8.9**	**8.8**
Operating return on sales	**8.9**	**8.0**
Automotive segment	8.9	7.9
Motorcycles segment	8.2	11.9
adjusted for PPA effects [1]	*10.8*	*14.3*
Return on sales before tax	**9.3**	**7.3**

1) Effects of purchase price allocation

From January through June 2017, the cost of goods sold for the Audi Group increased to EUR 24,826 (24,431) million. Factors such as the expansion of our model and technology portfolio and of our international manufacturing structures are reflected here in the form of increased depreciation and amortization as well as costs for production starts. For example, the amortization of capitalized development costs increased to EUR 480 (398) million and, related to this, research and development expenditure also increased to EUR 1,845 (1,748) million. The research expense and non-capitalized development costs came to EUR 1,365 (1,350) million. The Audi Group is pressing ahead with its product initiative and also targeting increased efficiency in the Research and Development area. Audi is also focusing even more on systematically managing the allocation of resources to prioritize future topics. This shift led to a reduction in research and development activities to EUR 2,083 (2,231) million. Of this total, EUR 718 (881) million was capitalized. This represents a capitalization ratio of 34.5 (39.5) percent. The research and development ratio measured against revenue amounted to 6.9 (7.4) percent.

Gross profit reached EUR 5,316 (5,703) million.

In the first six months of 2017, distribution costs of the Audi Group fell to EUR 2,583 (2,921) million. The decline compared with the previous year is substantially attributable to lower marketing costs as well as the positive impact of our “SPEED UP!” program of measures. Administrative expenses were almost on a par with the previous year at EUR 325 (318) million. The other operating result of the Audi Group for the first half of 2017 rose to EUR 271 (–63) million. Compared with the prior-year period, this item was lifted above all by lower expenses for settled currency hedging transactions.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

The Audi Group increased its operating profit to EUR 2,680 (2,401) million in the first half of 2017. This represents an operating return on sales of 8.9 (8.0) percent. The figure for the prior-year period reflected the negative impact of special items amounting to EUR –265 million. Of that figure, EUR –133 million resulted from recalls of vehicles equipped with airbags made by the Japanese manufacturer Takata. A further EUR –132 million was incurred in the prior-year period in connection with the diesel issue. 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 economic performance of the Audi Group.

In the Automotive segment, we achieved an operating profit of EUR 2,642 (2,343) million and an operating return on sales of 8.9 (7.9) percent. Alongside our ongoing process and cost optimization measures as well as our “SPEED UP!” program of measures, the higher operating profit also reflects positive exchange rate effects. The prior-year profit was adversely affected by special items.

For the period January through June 2017, the operating profit for the Motorcycles segment declined to EUR 38 (58) million mainly as a result of model cycle effects. This represents an operating return on sales of 8.2 (11.9) percent. After elimination of the effects of purchase price allocation, the operating profit came to EUR 49 (70) million and the operating return on sales was 10.8 (14.3) percent. Profitability and margins for the second quarter of 2017 improved significantly after an expectedly weak first quarter.

The financial result of the Audi Group includes the result from investments accounted for using the equity method, the finance expenses and the other financial result. The first half of 2017 brought a rise in the financial result to EUR 118 (–210) million. The main driver of this increase was the fall in finance expenses to EUR –11 (–245) million from the interest-related change in the measurement of long-term provisions. In addition, the result from investments accounted for using the equity method improved to EUR 333 (154) million. 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 service HERE. The measurement of the shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China), at EUR 127 (199) million is also included in the result from investments accounted for using the equity method. The measurement of the shares in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin (China), at EUR 42 (–32) million had a positive effect. Following the successfully completed ramp-up, the Chinese plant in Tianjin manufactures vehicle transmissions for the local market. The other financial result also includes financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, concerning the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd., totaling EUR 59 (163) million.

In the first six months of the 2017 fiscal year, the Audi Group achieved a profit before tax of EUR 2,798 (2,190) million and a return on sales before tax of 9.3 (7.3) percent. Profit after tax came to EUR 2,096 (1,682) million.

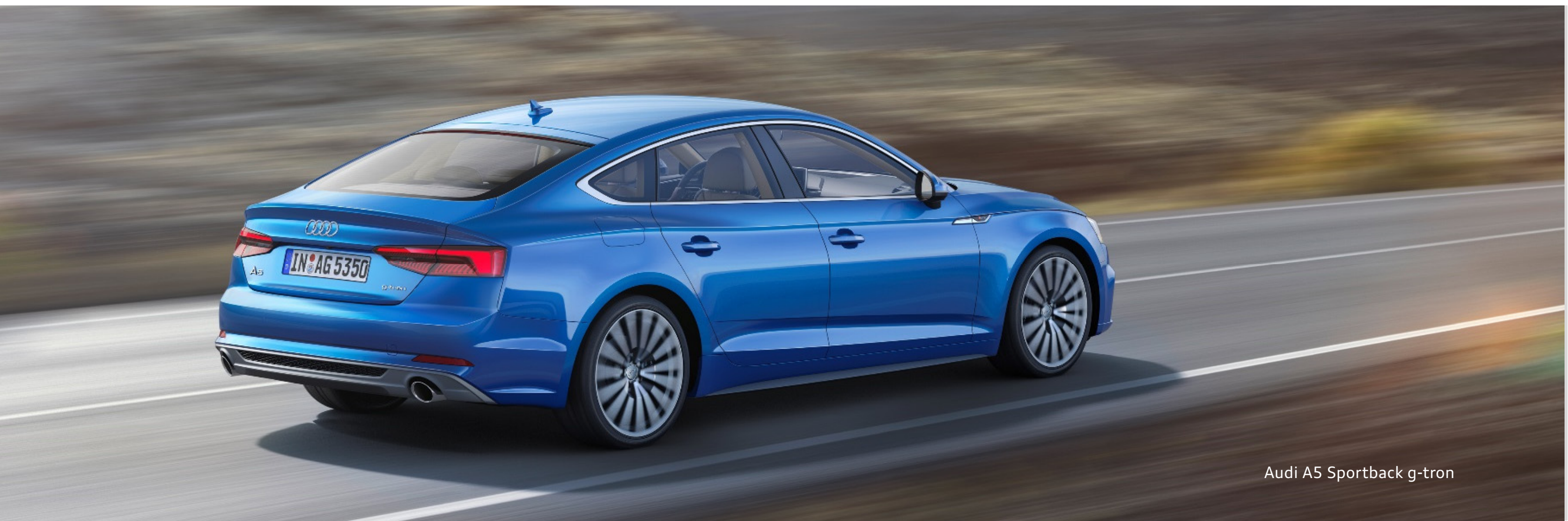
/ *NET WORTH*

As of June 30, 2017, compared with the position as of December 31, 2016, the balance sheet total of the Audi Group increased to EUR 62,674 (61,090) million.

Non-current assets came to EUR 28,212 (28,599) million, mainly reflecting the lower deferred tax assets.

The increase in current assets to EUR 34,462 million, up from EUR 32,403 million as of December 31, 2016, primarily stems

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi A5 Sportback g-tron

from an increase in trade receivables for reporting date reasons as well as from higher cash and cash equivalents.

The equity of the Audi Group as of June 30, 2017, compared with the 2016 year-end figure rose to EUR 27,540 (25,321) million. The increase was mainly attributable to the measurement effects to be recognized under IFRS rules with no effect on profit or loss, which in sum led to an equity increase of EUR 1,093 million. These measurement effects were mainly related to fluctuations in the market value of hedge-effective currency hedging instruments driven by the appreciation in the external value of the euro. The balance remaining after the transfer of profit additionally increased equity by EUR 618 million. Furthermore, the capital injection by Volkswagen AG, Wolfsburg, added EUR 459 million to the capital reserve of AUDI AG.
Compared with December 31, 2016, the equity ratio for the Audi Group as of June 30, 2017, was 43.9 (41.4) percent.

Mid-way through 2017, non-current liabilities of the Audi Group showed a decrease to EUR 13,984 (14,980) million. This item was influenced most notably by lower other financial liabilities, in particular in connection with calculating the fair values of hedging transactions.

The rise in current liabilities to EUR 21,150 million from EUR 20,705 million as of December 31, 2016, had its origin mainly in higher advances received in connection with the seasonal expansion of our buy-back business. The utilization of provisions in connection with the diesel issue in the first half of 2017 had an opposing effect.

/ FINANCIAL POSITION

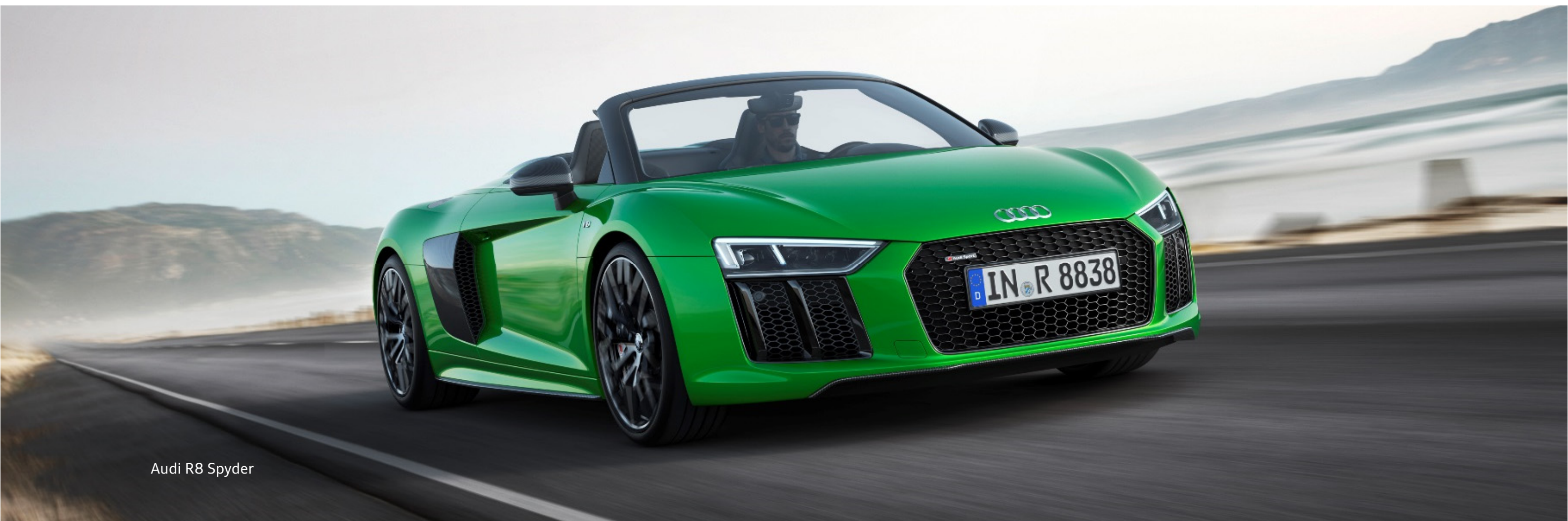
The cash flow from operating activities of the Audi Group for the period from January through June 2017 declined to EUR 3,740 (4,510) million. The increased profit before tax had a positive impact. As expected, however, cash used in connection with the diesel issue in the high three-digit millions weighed on cash flow from operating activities.

The cash used for investing activities for current operations fell to EUR 1,860 (2,426) million in the first half of 2017. The main effects on the cash flow from investing activities comprised the lower cash used for the acquisition of participations and for capital increases.
In the first half of 2017, we further intensified our disciplined approach to investment spending through our "SPEED UP!" program of measures. This program provides the necessary resources and the financial basis for the rapid and competitive transformation of our business model. Additions of capitalized development costs fell to EUR 718 (881) million. Investments in property, plant and equipment, investment property and other intangible assets were likewise down, and amounted to EUR 1,156 (1,238) million in the first half of 2017. At 3.8 (4.1) percent, the ratio of capex was consequently also lower than the prior-year figure.

The net cash flow of the Audi Group came to EUR 1,879 (2,085) million in the first six months of 2017. Once again, this figure already reflects the amounts of 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 –2,009 (1,959) million. The fall is substantially attributable to the restructuring of cash funds as fixed deposits.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi R8 Spyder

Condensed Cash Flow Statement, Audi Group

EUR million	1–6/2017	1–6/2016
Cash and cash equivalents at beginning of period	11,395	7,218
Cash flow from operating activities	**3,740**	**4,510**
Investing activities attributable to operating activities [1]	– 1,860	– 2,426
of which investments in property, plant and equipment, investment property and other intangible assets	*– 1,156*	*– 1,238*
of which capitalized development costs	*– 718*	*– 881*
of which acquisition and sale of participations	*– 26*	*– 326*
Net cash flow	1,879	2,085
Change in cash deposits and loans extended	– 148	4,385
Cash flow from investing activities	**– 2,009**	**1,959**
Cash flow from financing activities	**– 662**	**– 1,299**
Change in cash and cash equivalents due to changes in exchange rates	– 168	– 26
Change in cash and cash equivalents	**901**	**5,145**
Cash and cash equivalents at end of period	**12,296**	**12,363**

1) The item also includes other cash changes amounting to EUR 41 (19) million.

EUR million	June 30, 2017	June 30, 2016
Cash funds as per Cash Flow Statement	12,296	12,363
Fixed deposits, securities and loans extended to participations	6,717	6,706
Gross liquidity	**19,013**	**19,069**
Credit outstanding [1]	– 546	– 1,920
Net liquidity	**18,468**	**17,150**

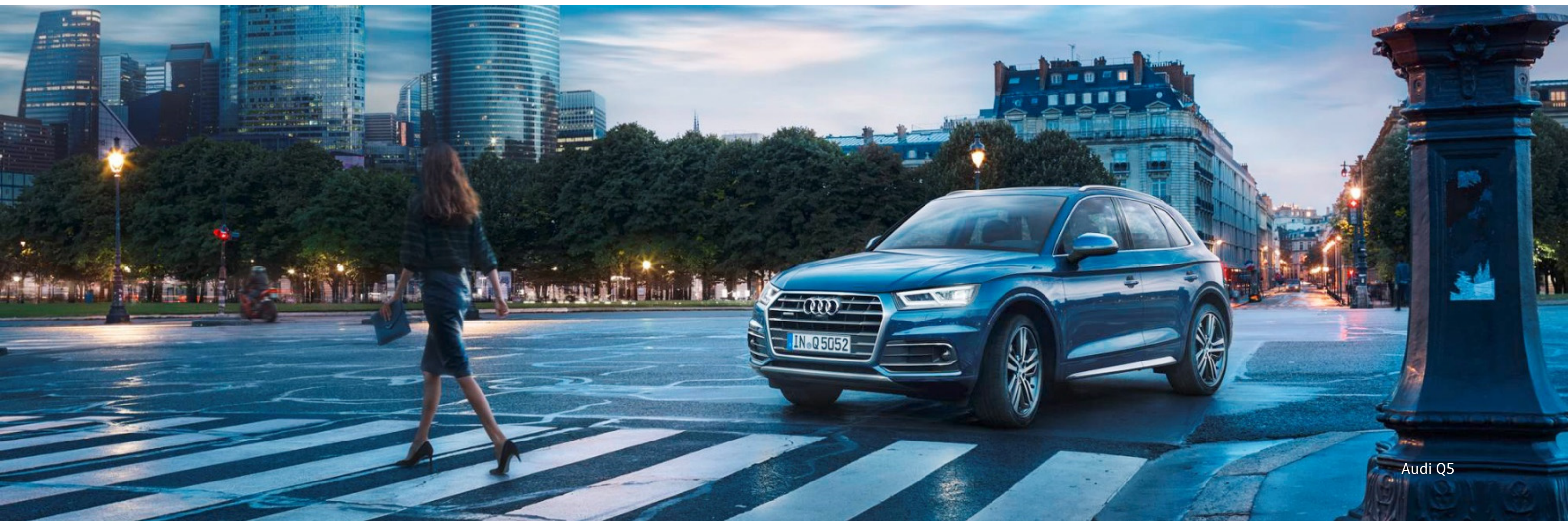
1) Current financial liabilities and non-current financial liabilities

Cash flow from financing activities amounted to EUR –662 (–1,299) 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.

The closing position for cash funds as of June 30, 2017, was EUR 12,296 million, representing an increase of EUR 901 million on the start of the year. In the previous year, cash funds had risen by EUR 5,145 million to EUR 12,363 million in the first half as a result of a stronger short-term emphasis for the investment strategy.

The net liquidity of the Audi Group as of June 30, 2017, rose to EUR 18,468 million compared with EUR 17,150 million as of June 30, 2016.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi Q5

CONSOLIDATED COMPANIES AND STRATEGIC INVESTMENTS

In the period under review, 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.

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 at the same time the latter company was renamed Audi Hungaria Zrt., Győr.
Furthermore, Volkswagen Group Firenze S.p.A., Florence (Italy), was removed from the consolidated companies of the Audi Group in the first quarter of 2017. The purpose of the sale is to separate importer and dealership operations.

There Holding B.V., Rijswijk (Netherlands), which is accounted for within the Audi Group using the equity method, signed contracts on the sale of shares in HERE International B.V., Eindhoven (Netherlands) in December 2016. A 15-percent stake was sold to Intel Holdings B.V., Schiphol-Rijk (Netherlands). The transaction with Intel was completed on January 31, 2017. A 10-percent stake is to be transferred to a consortium comprising NavInfo Co. Ltd., Beijing (China), Tencent Holdings Ltd., Shenzhen (China), and GIC Private Ltd., Singapore (Singapore). The completion of the transaction with the consortium is dependent on the approval of the relevant authorities. HERE plans to develop an open platform that combines high-resolution maps with location-based real-time information as a precondition of autonomous driving.

Meanwhile, Audi is stepping up the pace of its technological development work on self-driving cars. For example, we established Autonomous Intelligent Driving GmbH (AID), Munich, in the first quarter of 2017. This company's focus is on the development of a software module that will enable autonomous driving in the urban environment. We want the employees of this start-up to be able to work outside the constraints of Group structures and within flexible organizational boundaries. Audi is assuming the lead role within the Volkswagen Group for the development of this technology of the future. As in the case of the technology provider HERE, the Audi Group is open to the idea of additional partners from the automotive and IT sectors participating in AID.

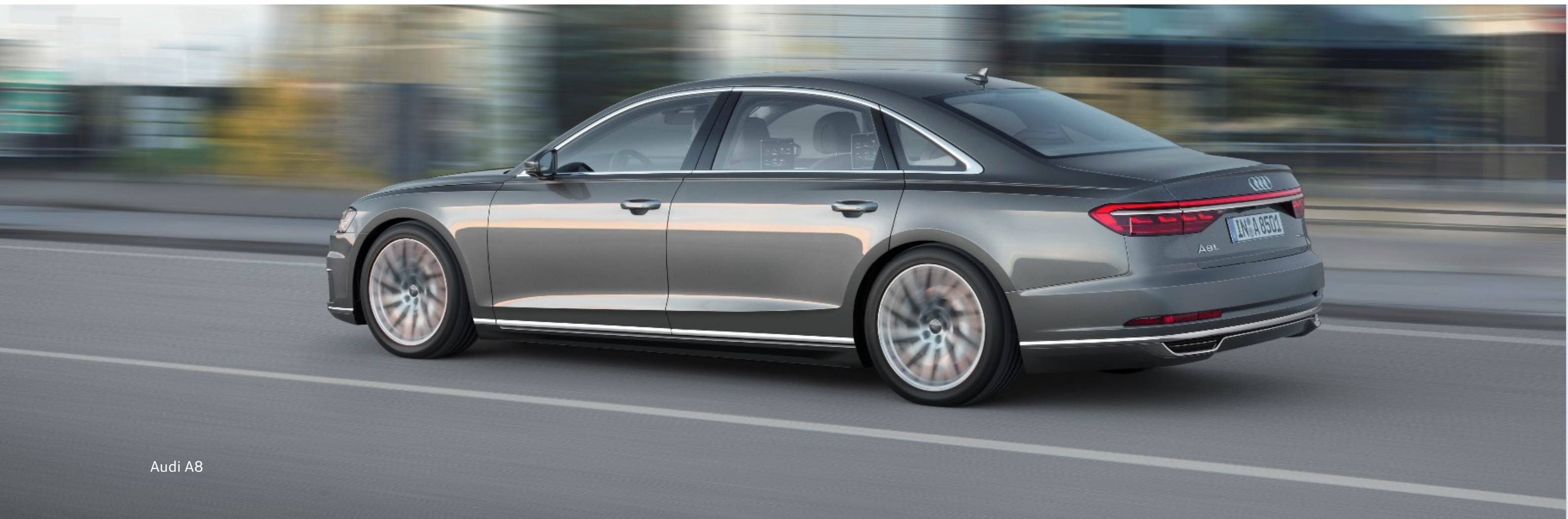
Plans to increase the investment in Silvercar Inc., Austin (USA), to 100 percent were also announced in the first quarter of 2017. The U.S. mobility provider has specialized in digitally based services for flexible vehicle use in the high-end market segment. The transaction was completed in July 2017.

PERSONNEL CHANGES

Dr. Christine Hohmann-Dennhardt resigned from the Supervisory Board of AUDI AG effective January 31, 2017. She was succeeded by Hiltrud Dorothea Werner with effect from February 16, 2017.

Dr.-Ing. Peter Mertens has been a member of the Board of Management of AUDI AG since May 1, 2017, and has assumed responsibility for the Technical Development division.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.



Audi A8

EMPLOYEES

/ WORKFORCE

Average for the period	1–6/2017	1–6/2016
Domestic companies [1]	**59,368**	**58,768**
of which AUDI AG	*58,411*	*57,819*
Ingolstadt plant	*42,458*	*42,279*
Neckarsulm plant	*15,953*	*15,540*
Foreign companies	**27,503**	**24,500**
of which AUDI BRUSSELS S.A./N.V.	*2,576*	*2,508*
of which Audi Hungaria Zrt.	*11,666*	*11,490*
of which AUDI MÉXICO S.A. de C.V.	*6,093*	*3,275*
of which Automobili Lamborghini S.p.A.	*1,419*	*1,285*
of which Ducati Motor Holding S.p.A.	*1,321*	*1,317*
Employees	**86,871**	**83,268**
Apprentices	2,376	2,328
Employees of Audi Group companies	**89,247**	**85,596**
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	433	405
Workforce Audi Group	**89,680**	**86,001**

1) Of these, 1,167 (1,022) employees were in the passive stage of their partial retirement.

The workforce of the Audi Group rose to an average of 89,680 (86,001) employees in the first half 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. With Audi actively shaping the transformation of the automotive industry, the focus for recruitment and qualification is on the important strategic future areas of electric mobility and digitalization. For example, we are offering tailor-made qualification measures for new technologies and tasks, and run over 13,500 training courses each year. The vocational careers are also being continually adjusted to reflect new developments. Yet again, over 800 young people will embark on vocational training at Audi in 2017. The expertise of our workforce will continue to serve as the basis of our entrepreneurial success.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

/ REPORT ON EXPECTED DEVELOPMENTS

For 2017 as a whole, the Audi Group still anticipates that based on current estimates the global economy will grow slightly faster than in the previous year. We expect moderate growth in economic output in industrialized nations and stronger growth rates in emerging economies, with countries in Asia again likely to be among the significant contributors. Protectionist tendencies, volatility on financial markets and structural deficits in individual countries continue to present risks to economic development. In addition, political tension and conflicts may negatively impact growth prospects.

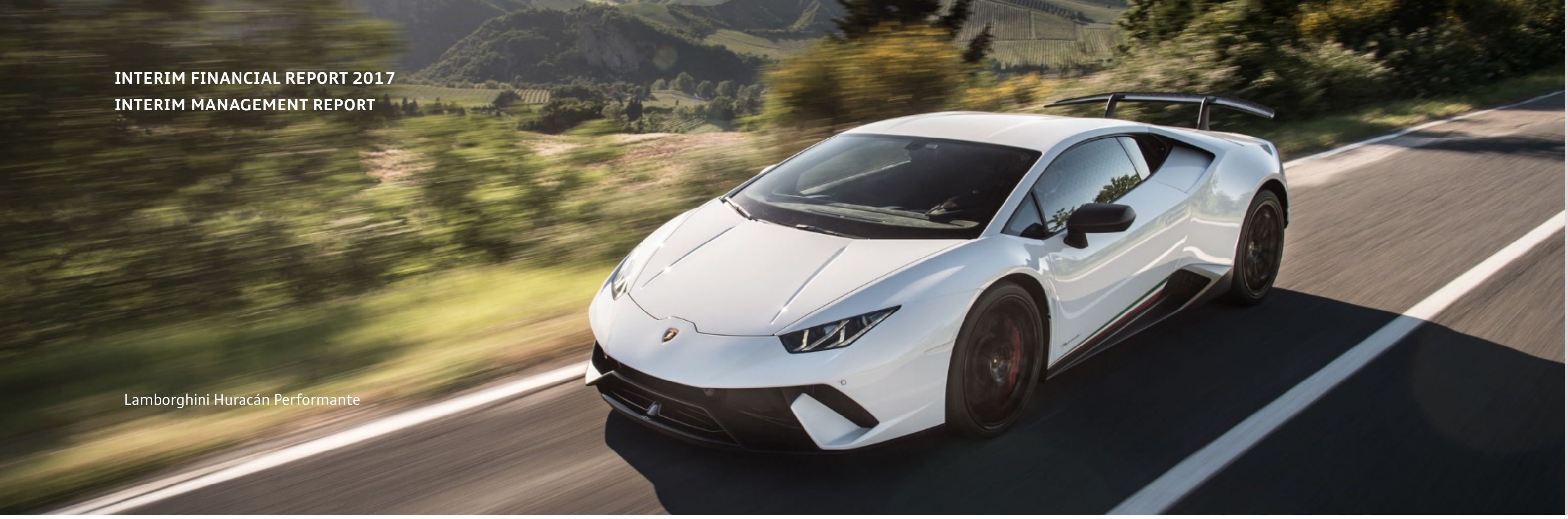
In our assessment, worldwide demand for cars will continue to increase in 2017 as a whole. We expect to see new registrations rise in the regions Western Europe, Central and Eastern Europe, Asia-Pacific and South America. We assume the figure for North America will fall back slightly.
In the established motorcycle markets, we still expect a slight drop in overall demand in the displacement segment above 500 cc for the forecasting period.

Overall, the Board of Management considers the Audi Group to be well equipped to handle both current and future challenges. The forecasts for the key performance indicators for fiscal year 2017, which are explained in detail in the 2016 Annual Report on pages 137 ff., fundamentally remain valid.

/ 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 risks and opportunity management system as well as the opportunities and risks to which the Audi Group is subject are presented in detail in the 2016 Annual Report on pages 140 to 151. The comments made there also include statements that are still valid in connection with the most significant risks from the diesel issue and other possible proceedings as well as the statutory emission regulations and the product creation area.



Lamborghini Huracán Performante

As presented in the 2016 Annual Report, against the backdrop of the diesel issue there are risks that could fundamentally arise from further governmental investigations and inquiries, including in jurisdictions outside the United States. Agreements reached on the diesel issue in the United States and Canada were previously described in detail in the 2016 Annual Report.

In March 2017, Volkswagen AG and certain affiliates, including AUDI AG, entered into a settlement agreement resolving the environmental claims of ten U.S. states.

In April 2017, the U.S. federal court in California granted final approval to the "third partial consent decree" that resolved claims for civil penalties 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 May 2017, the same court granted final approval of the so called "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 to the "second California partial consent decree" and the class action settlement reached with private plaintiffs related to vehicles with V6 3.0 TDI diesel engines.

Also in April 2017, the U.S. federal court in Michigan accepted an agreement of Volkswagen AG, to plead guilty in January, 2017 and to pay a criminal penalty, and imposed a sentence of three years' probation. In June 2017, Larry Thompson was named as Independent Compliance Monitor and Independent Compliance Auditor. Together with his team he will fulfill this role for the period of three years pursuant to the criminal plea agreement and the "third partial consent decree", respectively.

Within the reporting period, the topics of risk management, compliance and integrity were brought together in a new organizational unit at AUDI AG. It reports directly to the Board Member for Finance, IT and Integrity. The new organizational unit has the task of reinforcing integrity and compliance activities in the Company and of assuring Group-wide fulfillment of the conditions attached to the agreements on the diesel issue. This organizational unit's tasks also include assuring cooperation with the Independent Monitor appointed by the U.S. agencies.

Moreover, 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. The court has set a deadline of August 28, 2017, for plaintiffs to file a consolidated class action complaint and a deadline of October 27, 2017, for defendants to file a motion to dismiss. In addition, five "mass actions" have been filed in the California multidistrict litigation on behalf of approximately 500 individual plaintiffs alleging similar claims with respect to the existence of defeat devices in Audi brand vehicles with automatic transmissions. In June 2017, plaintiffs dismissed these actions without prejudice.

Also 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.

And in May 2017, the U.S. federal court in the multidistrict litigation in California remanded the consumer and environmental claims of 12 U.S. states to their respective state courts, where future litigation of these claims will proceed.

In July 2017, this California court approved the "third California partial consent decree" that resolved claims for California environmental penalties for both four-cylinder and V6 3.0 TDI diesel engine vehicles and cost reimbursements. An agreement in principle had been reached in January 2017.

In connection with the diesel issue, the Munich public prosecutor's office initiated investigations against persons unknown on suspicion of fraud and false advertising in connection with vehicles equipped with V6 3.0 TDI diesel engines distributed in

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

the United States in March 2017. Its actions included searches of individual locations of the Company.

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 beyond the current legal requirements. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions.
Audi has been systematically checking the emissions of engine-transmission combinations for months, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA).
Audi currently assumes that the overall cost of the software-based retrofit program including the scope related to recalls will be manageable and has already recognized first provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the US authorities for information regarding automatic transmissions in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

We continue to cooperate with all the responsible authorities to clarify these matters completely and transparently.

The risk provisioning undertaken to date in the form of provisions is supported by current knowledge. Based on the continuing negotiations and proceedings involving the authorities, in particular in connection with the diesel issue, the calculation of these provisions is affected by multiple uncertain factors and thus subject to significant evaluation risks.

The systematic implementation of our corporate Strategy 2025 requires a very high level of availability and consistency of the critical IT systems for the digitalization process. Risks exist here due to the higher demands placed on the IT system landscape and infrastructure.
The gradual electrification of our vehicle fleet is equally firmly embedded in our strategy. All the same, risks could arise if the pace of implementing country-specific regulations is forced, for example through the introduction of quotas for newly registered electric vehicles.

Fuel consumption and CO_2 emission figures as well as the efficiency classes can be found on page 20.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no reportable events of material significance after June 30, 2017.

FUEL CONSUMPTION AND EMISSION FIGURES, EFFICIENCY CLASSES

The fuel consumption and emission figures as well as the efficiency classes for the passenger cars mentioned in the document are given below.
Fuel consumption in l/100 km (combined): 16.9 – 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): 4.4 – 3.3
CO_2 emissions in g/km (combined): 394 – 36
Efficiency classes: G – A+

Fuel consumption, CO_2 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 CO_2 emissions of new passenger cars can be found in the “Guide on the fuel economy, CO_2 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

The Interim 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. The figures in brackets represent those for the corresponding prior-year period.

CONSOLIDATED FINANCIAL STATEMENTS OF THE AUDI GROUP AS OF JUNE 30, 2017

INCOME STATEMENT OF THE AUDI GROUP

EUR million	Notes	1–6/2017	1–6/2016
Revenue	1	30,143	30,134
Cost of goods sold	2	–24,826	–24,431
Gross profit		**5,316**	**5,703**
Distribution costs		–2,583	–2,921
Administrative expenses		–325	–318
Other operating income	4	1,461	1,129
Other operating expenses	4	–1,189	–1,192
Operating profit		**2,680**	**2,401**
Result from investments accounted for using the equity method		333	154
Finance expenses		–11	–245
Other financial results		–204	–120
Financial result	**5**	**118**	**–210**
Profit before tax		**2,798**	**2,190**
Income tax expense		–702	–508
Profit after tax		**2,096**	**1,682**
of which profit share of AUDI AG shareholders		*2,047*	*1,633*
of which profit share of non-controlling interests		*49*	*49*
Profit share to which Volkswagen AG is entitled in event of profit transfer based on profit in accordance with the German Commercial Code		1,429	1,163

EUR		1–6/2017	1–6/2016
Earnings per share	6	47.60	37.99
Diluted earnings per share	6	47.60	37.99

STATEMENT OF COMPREHENSIVE INCOME OF THE AUDI GROUP

EUR million	1–6/2017	1–6/2016
Profit after tax	**2,096**	**1,682**
Revaluations from pension plans recognized in other comprehensive income		
Revaluations from pension plans before tax recognized in other comprehensive income	367	–1,387
Deferred taxes on revaluations from pension plans recognized in other comprehensive income	–110	413
Revaluations from pension plans after tax recognized in other comprehensive income	257	–973
Share of other comprehensive income of equity-accounted investments that will not be reclassified subsequently to profit or loss after tax	–	0
Items that will not be reclassified to profit/loss after tax	**257**	**–973**
Currency translation differences		
Gains/losses from currency translation recognized in other comprehensive income	–191	4
Currency translation differences before tax	–191	4
Deferred taxes on currency translation differences	0	0
Currency translation differences after tax	–191	4
Cash flow hedges		
Fair value changes recognized in other comprehensive income	1,504	1,342
Fair value changes transferred to profit or loss	3	552
Cash flow hedges before tax	1,507	1,894
Deferred taxes on cash flow hedges	–451	–559
Cash flow hedges after tax	1,056	1,335
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	–1	18
Fair value changes transferred to profit or loss	21	0
Available-for-sale financial assets before tax	19	17
Deferred taxes on available-for-sale financial assets	–6	–5
Available-for-sale financial assets after tax	14	12
Share of other comprehensive income of equity-accounted investments that will be reclassified subsequently to profit or loss after tax	–43	–35
Items that will be reclassified subsequently to profit/loss after tax	**835**	**1,315**
Other comprehensive income before tax	1,659	493
Deferred taxes relating to other comprehensive income	–566	–151
Other comprehensive income after tax [1]	**1,093**	**342**
Total comprehensive income	**3,188**	**2,025**
of which profit share of AUDI AG shareholders	*3,185*	*1,983*
of which profit share of non-controlling interests	*3*	*42*

1) A share of EUR –46 (–7) million of other comprehensive income 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	June 30, 2017	Dec. 31, 2016
Intangible assets		6,747	6,550
Property, plant and equipment		12,497	12,591
Leasing and rental assets		5	3
Investment property		344	364
Investments accounted for using the equity method		4,677	4,763
Other participations		312	280
Deferred tax assets		2,003	2,601
Other financial assets		1,461	1,275
Other receivables		166	172
Non-current assets	**7**	**28,212**	**28,599**
Inventories	8	7,577	7,233
Trade receivables		5,686	4,880
Effective income tax assets		42	21
Other financial assets		1,816	1,580
Other receivables		1,186	1,211
Securities		5,845	6,028
Cash funds		12,310	11,449
Current assets		**34,462**	**32,403**
Available-for-sale assets		**–**	**87**
Total assets		**62,674**	**61,090**

EQUITY AND LIABILITIES *in EUR million*	Notes	June 30, 2017	Dec. 31, 2016
Subscribed capital		110	110
Capital reserve		12,175	11,716
Retained earnings		13,606	12,731
Other reserves		1,010	129
AUDI AG shareholders' interest		26,900	24,685
Non-controlling interests		639	636
Equity		**27,540**	**25,321**
Financial liabilities		321	314
Other financial liabilities		371	993
Other liabilities		1,349	1,225
Provisions for pensions		4,830	5,202
Other provisions		6,029	6,220
Effective income tax obligations		848	809
Deferred tax liabilities		236	217
Non-current liabilities		13,984	14,980
Financial liabilities		224	502
Trade payables		7,798	7,406
Other financial liabilities		4,203	3,893
Other liabilities		3,189	2,503
Other provisions		5,376	6,135
Effective income tax obligations		360	267
Current liabilities		21,150	20,705
Liabilities		**35,135**	**35,685**
Liabilities classified as held for sale		**–**	**84**
Total equity and liabilities		**62,674**	**61,090**

CASH FLOW STATEMENT OF THE AUDI GROUP

EUR million	1–6/2017	1–6/2016
Profit before profit transfer and income taxes	2,798	2,190
Income tax payments	–569	–421
Amortization of and impairment losses (reversals) on capitalized development costs	480	398
Depreciation and amortization of and impairment losses (reversals) on property, plant and equipment, leasing and rental assets, investment property and other intangible assets	1,148	987
Result from the disposal of assets	–26	34
Result from investments accounted for using the equity method	42	254
Change in inventories	–528	–487
Change in receivables	–759	–1,117
Change in liabilities	1,930	1,080
Change in provisions	–850	1,393
Change in leasing and rental assets	–3	–
Other non-cash income and expenses	77	199
Cash flow from operating activities	**3,740**	**4,510**
Additions of capitalized development costs	–718	–881
Investments in property, plant and equipment, investment property and other intangible assets	–1,156	–1,238
Acquisition of subsidiaries and changes in capital	–21	–3
Acquisition of investments in associates and other participations and changes in capital	–10	–323
Sale of subsidiaries, other participations and changes in capital	6	–
Other cash changes	41	19
Change in investments in securities	143	–102
Change in fixed deposits and loans extended	–291	4,487
Cash flow from investing activities	**–2,009**	**1,959**
Capital contributions	459	1,526
Transfer of profit	–918	–2,752
Change in financial liabilities	–200	–70
Lease payments made	–3	–2
Cash flow from financing activities	**–662**	**–1,299**
Change in cash and cash equivalents due to changes in exchange rates	–168	–26
Change in cash and cash equivalents	**901**	**5,145**
Cash and cash equivalents at beginning of period	11,395	7,218
Cash and cash equivalents at end of period	**12,296**	**12,363**

EUR million	June 30, 2017	June 30, 2016
Cash and cash equivalents as per Cash Flow Statement (bank assets and cash deposits with maturities of no more than three months)	12,296	12,363
Currently due fixed deposits with a remaining term of < 3 months	14	1,118
Cash funds as per Balance Sheet	**12,310**	**13,481**
Securities, loans extended to participations and currently due fixed deposits with an investment period of > 3 months	6,703	5,588
Gross liquidity	**19,013**	**19,069**
Credit outstanding	–546	–1,920
Net liquidity	**18,468**	**17,150**

STATEMENT OF CHANGES IN EQUITY OF THE AUDI GROUP

EUR million	Subscribed capital	Capital reserve	Retained earnings	Other reserves				Equity		
			Statutory reserve and other retained earnings	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
Position as of Jan. 1, 2016	110	10,190	12,308	135	–1,622	–31	159	21,248	531	21,779
Profit after tax	–	–	1,633	–	–	–	–	1,633	49	1,682
Other comprehensive income after tax	–	–	–973	11	1,335	12	–35	349	–7	342
Total comprehensive income	**–**	**–**	**660**	**11**	**1,335**	**12**	**–35**	**1,983**	**42**	**2,025**
Capital increase	–	1,526	–	–	–	–	–	1,526	–	1,526
Miscellaneous changes [1]	–	–	–1,163	–	–	–	–	–1,163	–	–1,163
Position as of June 30, 2016	**110**	**11,716**	**11,805**	**145**	**–287**	**–19**	**124**	**23,593**	**573**	**24,166**
Position as of Jan. 1, 2017	110	11,716	12,731	222	–192	–30	128	24,685	636	25,321
Profit after tax	–	–	2,047	–	–	–	–	2,047	49	2,096
Other comprehensive income after tax	–	–	257	–145	1,056	14	–43	1,139	–46	1,093
Total comprehensive income	**–**	**–**	**2,304**	**–145**	**1,056**	**14**	**–43**	**3,185**	**3**	**3,188**
Capital increase	–	459	–	–	–	–	–	459	–	459
Miscellaneous changes [1]	–	–	–1,429	–	–	–	–	–1,429	–	–1,429
Position as of June 30, 2017	**110**	**12,175**	**13,606**	**77**	**865**	**–16**	**85**	**26,900**	**639**	**27,540**

1) The miscellaneous changes relate to the profit share to which Volkswagen AG, Wolfsburg, is entitled in event of profit transfer in accordance with the German Commercial Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

/ *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 applied. The Interim Consolidated Financial Statements as of June 30, 2017, were prepared on the basis of IAS 34 and, compared with the Consolidated Financial Statements as of December 31, 2016, have been presented in condensed form. The prior-year figures have been calculated according to the same principles. All figures have been individually rounded in accordance with standard commercial practice. Minor discrepancies may therefore occur through the addition of these amounts.

/ *RECOGNITION AND MEASUREMENT PRINCIPLES*

For the first half of 2017, all standards whose application became mandatory from January 1, 2017, have been applied. Various amendments to standards were to be applied in addition as of January 1, 2017, on the basis of the initial application dates provided for by the IASB. Since their incorporation into European law is not expected until the third or fourth quarter of 2017, there is no obligation to apply them until then. One of these amendments concerns IAS 7 (Statement of Cash Flows), according to which 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 amendments, or any of the other amendments to the IFRS, have any material impact on the net worth, financial position and financial performance of the Audi Group. The notes to the new or revised accounting standards already approved by the IASB, which are not yet to be adopted, are described in the corresponding note in the 2016 Annual Report.

For this Interim Financial Report, a discount rate of 2.1 (December 31, 2016: 1.8) percent was applied to provisions for pensions in Germany. The increase in the interest rate resulted in lower provisions for pensions and, taking deferred taxes into account, in lower actuarial losses recognized in equity under retained earnings.

Income tax expense for the interim reporting period is, in accordance with IAS 34, determined on the basis of the weighted average annual tax rate that is expected for the entire fiscal year.

Moreover, the same recognition and measurement methods have been applied in the condensed presentation of the Consolidated Financial Statements for the first six months of 2017 as for the Consolidated Financial Statements for the 2016 fiscal year. A detailed description of these methods is published in the 2016 Annual Report. That report is also available on the internet at www.audi.com/corporate/en/investor-relations/financial-reports/annual-reports.html

/ *CONSOLIDATED COMPANIES*

In addition to AUDI AG, all of the material domestic and foreign companies and structured entities are included in the Consolidated Financial Statements in cases where AUDI AG has decision-making power over the relevant activities that can be used to control variable returns.

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 import and dealership operations. Furthermore, Audi Hungaria Motor Kft., Győr (Hungary) merged with Audi Hungaria Services Zrt., Győr (Hungary) as of January 1, 2017. Audi Hungaria Services was consequently renamed Audi Hungaria Zrt., Győr (Hungary). Both companies were at that point consolidated subsidiaries.

Other than the above, there were no further changes to the group of consolidated companies of the Audi Group during the reporting period.

/ PARTICIPATIONS IN ASSOCIATED COMPANIES

The Audi Group, the 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 contracts for the sale of interests in HERE International B. V., Rijswijk (Netherlands). A 15 percent stake was sold to Intel Holdings B. V., Schiphol-Rijk (Netherlands), and a 10 percent stake to a consortium consisting of NavInfo Co. Ltd., Beijing (China), Tencent Holdings Ltd., Shenzhen (China), and GIC Private Ltd., Singapore (Singapore). 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 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. The completion of the transaction with the consortium is dependent on the approval of the relevant authorities. There is no change in the Audi Group's participating interest in There Holding B. V. as a result of the sales.

In addition, the stake in Volkswagen Automatic Transmission (Tianjin) Company Limited, Tianjin (China), has been reduced from 49 percent to around 46 percent. This reduction is the result of a capital increase in which Audi did not participate.

/ NOTES ON THE DIESEL ISSUE

On November 2, 2015, the EPA issued a "Notice of Violation" alleging that irregularities had been discovered in the software installed in certain vehicles with six-cylinder diesel engines of type V6 3.0 TDI. On November 2, 2015, and in a supplement on November 25, 2015, CARB issued letters stating that engine management software was installed in certain vehicles with type V6 3.0 TDI diesel engines developed by the Audi Group to circumvent NOx emissions testing regulations in the United States in order to comply with certification requirements. Audi has confirmed that at least a total of three auxiliary emission control devices (AECDs) were not declared in the course of the U.S. approval documentation of vehicles with six-cylinder V6 3.0 TDI diesel engines. These relate to approximately 83,000 vehicles of model years 2009 through 2016 of the Audi, Volkswagen Passenger Cars and Porsche brands in the United States. Detailed explanations can be found in the Consolidated Financial Statements 2016 under "Notes on the diesel issue".

In the first six months of 2017 there were no new reliable findings or assessments with regard to the underlying facts and the evaluation of the associated risks (for example investor lawsuits) from publications issued prior to the preparation date or from investigations and surveys on the diesel issue that have any material impact on the Interim Consolidated Financial Statement.

/ 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. Vehicle recalls have been ordered by the authorities in certain countries. Provisions for these measures have already been set aside in prior years. At present it cannot be ruled out that there will be a further widening of the recalls that will also involve models of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 / *REVENUE*

EUR million	1–6/2017	1–6/2016
Audi brand	20,787	21,363
Lamborghini brand	517	475
Other Volkswagen Group brands	2,098	1,932
Other automotive business	6,282	5,877
Automotive	**29,684**	**29,648**
Ducati brand	459	486
Motorcycles	**459**	**486**
Revenue	**30,143**	**30,134**

Revenue from other automotive business primarily includes the supply of parts sets to China, proceeds from the sale of engines and genuine parts as well as proceeds from long-term development and toolmaking orders.

2 / *COST OF GOODS SOLD*

Amounting to EUR 24,826 (24,431) million, cost of goods sold comprises the costs incurred in generating revenue and purchase costs in trading transactions. In the first six months of 2017 there were no impairment losses (previous year: 14 EUR million on capitalized development costs).

3 / *RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE*

EUR million	1–6/2017	1–6/2016
Total research and development costs	2,083	2,231
of which capitalized development costs	*718*	*881*
Capitalization quota	34.5%	39.5%
Amortization of and impairment losses (reversals) on capitalized development costs	480	398
Research and development expenditure	1,845	1,748

4 / OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses of EUR 271 (– 63) million includes among other things income and expenses arising from the settlement of foreign currency and commodity hedging transactions, from rebilling and from the reversal of provisions.

5 / FINANCIAL RESULT

The result from investments accounted for using the equity method is EUR 333 (154) million and is mainly attributable to the valuation of shares in FAW-Volkswagen Automotive Company, Ltd., Changchun (China) using the equity method of accounting, amounting to 127 (199) million and the positive effect on results at THERE Holding B. V., Rijswijk (Netherlands), from the sale of 15 percent of its interests in HERE International B. V., Rijswijk (Netherlands) to Intel Holdings B. V., Schiphol-Rijk (Netherlands) amounting to EUR 183 million. Finance expenses amounting to EUR 11 (245) million comprise mainly interest effects from the measurement of long-term provisions. The other financial results totaling EUR – 204 (– 120) million include expenses related to hedging transactions as well as a financial compensation agreed between AUDI AG and Volkswagen AG, Wolfsburg, concerning the economic performance of the respective brands achieved by FAW-Volkswagen Automotive Company, Ltd., totaling EUR 59 (163) million.

6 / EARNINGS PER SHARE

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 period under review. In the case of AUDI AG, the diluted earnings per share are the same as the basic earnings per share, since there were no potential shares of AUDI AG in existence at either June 30, 2017 or June 30, 2016.

	1–6/2017	1–6/2016
Profit share of AUDI AG shareholders (EUR million)	2,047	1,633
Weighted average number of shares	43,000,000	43,000,000
Earnings per share in EUR	**47.60**	**37.99**

7 / NON-CURRENT ASSETS

EUR million	Net carrying amount as of Jan. 1, 2017	Additions	Disposals/other movements	Depreciation and amortization	Net carrying amount as of June 30, 2017
Intangible assets	6,550	738	– 1	543	6,747
Property, plant and equipment	12,591	1,136	152	1,078	12,497

8 / INVENTORIES

EUR million	June 30, 2017	Dec. 31, 2016
Raw materials and supplies	889	787
Work and services in progress	725	885
Finished goods and products	4,579	4,629
Current leased assets	1,383	932
Inventories	**7,577**	**7,233**

9 / *FINANCIAL INSTRUMENTS DISCLOSURES*

9.1 / *FAIR VALUE DISCLOSURES*

EUR million	Measured at fair value	Measured at amortized cost		Carrying amount as per Balance Sheet as of June 30, 2017
	Carrying amount	Carrying amount	Fair value	
Other participations	1	–	–	1
Other financial assets	963	499	503	1,461
of which from the positive fair values of derivative financial instruments	*963*	–	–	*963*
of which fixed deposits and extended loans	–	*455*	*460*	*455*
of which receivables from finance leases	–	*21*	*21*	*21*
of which miscellaneous other financial assets	–	*22*	*22*	*22*
Non-current financial assets	**964**	**499**	**503**	**1,462**
Trade receivables	–	5,686	5,686	5,686
Other financial assets	582	1,234	1,234	1,816
of which from the positive fair values of derivative financial instruments	*582*	–	–	*582*
of which fixed deposits and extended loans	–	*403*	*403*	*403*
of which receivables from finance leases	–	*4*	*4*	*4*
of which miscellaneous other financial assets	–	*828*	*828*	*828*
Securities	5,845	–	–	5,845
Cash funds	–	12,310	12,310	12,310
Current financial assets	**6,427**	**19,231**	**19,231**	**25,658**
Financial assets	**7,391**	**19,730**	**19,734**	**27,120**
Financial liabilities	–	321	352	321
Other financial liabilities	345	27	27	371
of which from the negative fair values of derivative financial instruments	*345*	–	–	*345*
of which miscellaneous other financial liabilities	–	*27*	*27*	*27*
Non-current financial liabilities	**345**	**348**	**379**	**693**
Financial liabilities	–	224	224	224
Trade payables	–	7,798	7,798	7,798
Other financial liabilities	420	3,783	3,783	4,203
of which from the negative fair values of derivative financial instruments	*420*	–	–	*420*
of which miscellaneous other financial liabilities	–	*3,783*	*3,783*	*3,783*
Current financial liabilities	**420**	**11,805**	**11,805**	**12,225**
Financial liabilities	**765**	**12,153**	**12,184**	**12,918**

EUR million	Measured at fair value	Measured at amortized cost		Carrying amount as per Balance Sheet as of Dec. 31, 2016
	Carrying amount	Carrying amount	Fair value	
Other participations	1	–	–	1
Other financial assets	837	438	435	1,275
of which from the positive fair values of derivative financial instruments	*837*	–	–	*837*
of which fixed deposits and extended loans	–	*393*	*391*	*393*
of which receivables from finance leases	–	*22*	*22*	*22*
of which miscellaneous other financial assets	–	*23*	*23*	*23*
Non-current financial assets	**838**	**438**	**435**	**1,276**
Trade receivables	–	4,880	4,880	4,880
Other financial assets	567	1,013	1,013	1,580
of which from the positive fair values of derivative financial instruments	*567*	–	–	*567*
of which fixed deposits and extended loans	–	*178*	*178*	*178*
of which receivables from finance leases	–	*4*	*4*	*4*
of which miscellaneous other financial assets	–	*831*	*831*	*831*
Securities	6,028	–	–	6,028
Cash funds	–	11,449	11,449	11,449
Current financial assets	**6,595**	**17,343**	**17,343**	**23,937**
Financial assets	**7,433**	**17,780**	**17,778**	**25,213**
Financial liabilities	–	314	340	314
Other financial liabilities	893	99	99	993
of which from the negative fair values of derivative financial instruments	*893*	–	–	*893*
of which miscellaneous other financial liabilities	–	*99*	*99*	*99*
Non-current financial liabilities	**893**	**413**	**439**	**1,306**
Financial liabilities	–	502	502	502
Trade payables	–	7,406	7,406	7,406
Other financial liabilities	1,128	2,765	2,765	3,893
of which from the negative fair values of derivative financial instruments	*1,128*	–	–	*1,128*
of which miscellaneous other financial liabilities	–	*2,765*	*2,765*	*2,765*
Current financial liabilities	**1,128**	**10,673**	**10,673**	**11,801**
Financial liabilities	**2,022**	**11,085**	**11,112**	**13,107**

The methods used to measure fair value remain fundamentally unchanged from the Consolidated Financial Statements for the 2016 fiscal year. Detailed notes on the measurement methods can be found in the 2016 Annual Report.

The fair value of the financial instruments measured at amortized cost, 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. For reasons of materiality, the fair value for current balance sheet items is equated with the balance sheet value. Equity instruments recognized at their carrying amount are assigned to level 3 in the fair value hierarchy.

9.2 / *ALLOCATION OF FAIR VALUES TO THE LEVELS OF THE FAIR VALUE HIERARCHY*

EUR million	June 30, 2017	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	963	–	950	13
Non-current financial assets	**964**	**–**	**950**	**13**
Other financial assets	582	–	576	6
Securities	5,845	5,845	–	–
Current financial assets	**6,427**	**5,845**	**576**	**6**
Financial assets	**7,391**	**5,845**	**1,526**	**19**
Other financial liabilities	345	–	140	205
Non-current financial liabilities	**345**	**–**	**140**	**205**
Other financial liabilities	420	–	338	82
Current financial liabilities	**420**	**–**	**338**	**82**
Financial liabilities	**765**	**–**	**478**	**287**

EUR million	Dec. 31, 2016	Level 1	Level 2	Level 3
Other participations	1	–	–	1
Other financial assets	837	–	828	10
Non-current financial assets	**838**	**–**	**828**	**10**
Other financial assets	567	–	561	6
Securities	6,028	6,028	–	–
Current financial assets	**6,595**	**6,028**	**561**	**6**
Financial assets	**7,433**	**6,028**	**1,388**	**16**
Other financial liabilities	893	–	733	161
Non-current financial liabilities	**893**	**–**	**733**	**161**
Other financial liabilities	1,128	–	1,061	67
Current financial liabilities	**1,128**	**–**	**1,061**	**67**
Financial liabilities	**2,022**	**–**	**1,794**	**228**

The allocation of fair values to the three levels of the fair value hierarchy is based on the availability of observable market prices. Level 1 shows fair values of financial instruments that cannot be observed directly on an active market. These financial instruments are securities. 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. Fair values of level 3 are calculated using measurement methods that include factors that cannot be observed directly on an active market. In the Audi Group, non-current commodity futures are allocated to level 3 because the prices available on the market need to be extrapolated for measurement purposes. The extrapolation for the respective commodities is carried out on the basis of observable input factors, acquired via rating agencies. Furthermore, level 3 shows the residual value hedging model which is valued based on input factors (model-related residual values of used cars) which cannot be observed on active markets and are instead forecast by various independent institutions.

9.3 / *RECONCILIATION OF 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	+ 9	+ 5
Income (+) and expense (–) recognized in other comprehensive income	0	+ 1
Settlements	– 1	– 1
Transfer from level 3 to level 2	– 5	– 1
Positive fair values of level 3 derivative financial instruments as of June 30	**19**	**15**
Income (+) and expense (–) recognized in the financial result from level 3 derivative financial instruments still held as of June 30	+ 9	+ 5

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	+ 98	+ 19
Income (–) and expense (+) recognized in other comprehensive income	–	–
Settlements	– 38	– 36
Transfer from level 3 to level 2	– 1	– 5
Negative fair values of level 3 derivative financial instruments as of June 30	**287**	**200**
Income (–) and expense (+) recognized in the financial result from level 3 derivative financial instruments still held as of June 30	+ 98	+ 19

Reclassifications between the levels of the fair value hierarchy are taken into account at the respective reporting dates. The reclassifications from level 3 to level 2 include commodity futures that no longer require the exchange rates to be extrapolated for their valuation because exchange rates which can be observed are now available. There were no shifts between the other levels of the fair value hierarchy.

The commodity price is the principal risk variable for the fair value of commodity futures. A sensitivity analysis reveals the effect of commodity price changes on profit after tax and equity. If the commodity prices of commodity futures, which are allocated to level 3, had been 10 percent higher (lower) as of June 30, 2017, profit after tax would have been 3 EUR million higher (lower). There would be no effect on equity.

Residual value risks arise from hedging arrangements with dealers according to which, in the context of buy-back 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 market prices of used cars are the main risk variable for the fair value of the options from residual value risks. The impact of changes in used car prices on profit after tax is estimated using sensitivity analyses. If the used car prices of the vehicles in the residual value hedging model had been 10 percent higher (lower) as of June 30, 2017, profit after tax would have been EUR 263 million higher (lower).

10 / *CONTINGENT LIABILITIES*

There were no material changes in the contingent liabilities compared to December 31, 2016.

11 / *LITIGATION*

There were no material changes in litigation compared to December 31, 2016.

12 / *OTHER FINANCIAL OBLIGATIONS*

There were no material changes in other financial obligations compared to December 31, 2016.

13 / *RELATED PARTY DISCLOSURES*

EUR million	Goods and services supplied		Goods and services received	
	1–6/2017	1–6/2016	1–6/2017	1–6/2016
Volkswagen AG	3,660	3,486	4,249	4,060
Volkswagen AG subsidiaries and other participations outside of the Audi Group	7,875	7,841	4,847	4,229
Associates and joint ventures as well as their subsidiaries	4,043	4,218	187	188
Non-consolidated subsidiaries of AUDI AG	24	24	56	50

In the first half of 2017, goods and services with a total value of EUR 180 (201) thousand were provided to the German State of Lower Saxony and to companies in which the State of Lower Saxony holds a majority stake.

Goods and services provided to members of the Board of Management or Supervisory Board of AUDI AG and Volkswagen AG, Wolfsburg in the first half of 2017 totaled EUR 6 (6) thousand.

EUR million	Receivables from		Liabilities to	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Volkswagen AG	3,266	3,099	5,101	5,090
Volkswagen AG subsidiaries and other participations outside of the Audi Group	2,382	2,108	6,047	6,655
Associates and joint ventures as well as their subsidiaries	928	823	827	782
Non-consolidated subsidiaries of AUDI AG	289	222	90	116

Of the cash stated in the balance sheet, EUR 11,278 (10,669) million is invested in associated companies, Volkswagen AG and Volkswagen AG subsidiaries outside of the Audi Group. In addition, in the first half of 2017, capital contributions totaling 32 (326) were allocated to non-consolidated subsidiaries, associated companies and joint ventures.

14 / 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 threshold 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 brand and the Lamborghini brand. Moreover, the segment includes 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.

The definition and composition of operating profit are shown in the Income Statement of the Audi Group on page 21 of the Interim Financial Report. For a breakdown of revenue, please refer to the corresponding note on page 28.

Internal reporting corresponds to external IFRS reporting. The full Board of Management regularly monitors, among others, the following financial and economic key figures.

The operating return on sales of the Audi Group totaled 8.9 (8.0) percent.

The Automotive segment recorded an operating return on sales of 8.9 (7.9) percent. After taking into account additional depreciation due to the revaluation of assets and liabilities as part of the historical purchase price allocation, the Motorcycles segment recorded an operating profit of EUR 38 (58) million and an operating return on sales of EUR 8.2 (11.9) percent. Adjusted to take account of these effects, the operating profit totaled EUR 49 (70) million and the operating return on sales 10.8 (14.3) percent.

14.1 / RECONCILIATION OF THE SEGMENTS

EUR million	1–6/2017			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	29,684	459	–	30,143
Revenue with other segments	–	0	0	–
Revenue	**29,684**	**459**	**0**	**30,143**
Segment profit (operating profit)	**2,642**	**38**	**–**	**2,680**

EUR million	1–6/2016			
	Automotive	Motorcycles	Reconciliation	Audi Group
Revenue with third parties	29,648	486	–	30,134
Revenue with other segments	–	0	0	–
Revenue	**29,648**	**486**	**0**	**30,134**
Segment profit (operating profit)	**2,343**	**58**	**–**	**2,401**

14.2 / *RECONCILIATION TO GROUP PROFIT*

EUR million	1–6/2017	1–6/2016
Segment profit (operating profit)	2,680	2,401
Consolidation	–	–
Operating profit	**2,680**	**2,401**
Financial result	118	–210
Group profit before tax	**2,798**	**2,190**

14.3 / *REVENUES BY REGION*

	1–6/2017		1–6/2016	
	EUR million	*in %*	*EUR million*	*in %*
Germany	6,477	21.5	6,552	21.7
Rest of Europe	10,717	35.6	10,343	34.3
Asia-Pacific	6,619	22.0	7,438	24.7
North America	5,865	19.5	5,345	17.7
South America	289	1.0	295	1.0
Africa	176	0.6	162	0.5
Revenue	**30,143**	**100.0**	**30,134**	**100.0**

Revenues by region pursuant to IFRS 8.33 have been determined on the basis of the country of origin of external customers.

GERMAN CORPORATE GOVERNANCE CODE

The current declarations on the German Corporate Governance Code by the Board of Management and Supervisory Board of AUDI AG pursuant to Section 161 of the German Stock Corporation Act (AktG) are permanently available on the website www.audi.de/cgk-declaration.

EVENTS OCCURRING SUBSEQUENT TO THE INTERIM BALANCE SHEET DATE

After June 30, 2017, there were no events subject to a reporting obligation in accordance with IAS 10.

"RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the net worth, financial position and financial performance of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year."

Ingolstadt, July 26, 2017

The Board of Management

Prof. Rupert Stadler

Dr. Bernd Martens

Dr.-Ing. Peter Mertens

Prof. h. c. Thomas Sigi

Axel Strotbek

Dr. Dietmar Voggenreiter

Prof. Dr.-Ing. Hubert Waltl

“REVIEW REPORT

To AUDI Aktiengesellschaft, Ingolstadt

We have reviewed the condensed Interim Consolidated Financial Statements – comprising the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and selected explanatory notes – and the Interim Group Management Report of AUDI Aktiengesellschaft, Ingolstadt, for the period from January 1 to June 30, 2017, which are part of the Interim Financial Report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed Interim Consolidated Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company’s Board of Management. Our responsibility is to issue a review report on the condensed Interim Consolidated Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the condensed Interim Consolidated Financial Statements and the Interim Group Management Report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with reasonable assurance, that the condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed Interim Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Without qualifying our opinion, we point out that – unchanged from the Consolidated Financial Statements of the Audi Group and the Annual Financial Statements of AUDI AG for the 2016 fiscal year – the status of the investigation in connection with the diesel issue presented in explanations in the Notes to the Financial Statements and in the Combined Management Report was taken into account in the creation of provisions for legal risks and warranties. On that basis, we have no evidence that incumbent members of the Board of Management of the Company had knowledge of the unregistered software components (auxiliary emission control devices) in connection with V6 3.0 TDI engines, or knowledge of irregularities in connection with control software used on the four-cylinder diesel engines developed and submitted for type approval by Volkswagen AG, until notified by the U.S. Environmental Protection Agency (EPA) in fall 2015. Nevertheless, if in the course of further investigations new findings should come to light that indicate that members of the Board of Management were aware of the diesel issue earlier, these could potentially have an effect on the condensed Interim Consolidated Financial Statements as of June 30, 2017, and the Interim Group Management Report for the period from January 1, 2017, to June 30, 2017, on the comparative figures as of June 30, 2016, as well as on the Consolidated Financial Statements of AUDI AG as of December 31, 2016, and previous years. The provisions for warranties and legal risks created so far are based on the presented state of knowledge. Due to the large number of technical solutions necessary and the inevitable uncertainties associated with the current and expected litigation, it cannot be excluded that a future assessment of the risks may be different.”

Munich, July 26, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner
Wirtschaftsprüfer
(German Public Auditor)

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