Form in color:
the Audi R8 V10

Audi
Vorsprung durch Technik

Audi

2008 ANNUAL REPORT

PIONEERING SPIRIT A new lightness in car design. AUTHENTICITY Clint Eastwood makes self-will his trademark. ORIGINS 100 years of Audi. EFFICIENCY Endurance test for TDI clean diesel. PROGRESSIVENESS Technology meets design. One annual report – 49 x Vorsprung.

Form in color:
the Audi A5 Cabriolet

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Form in color:
the Audi Q5

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Audi Group Key Figures

		2008	2007	Change in %
Production	Cars	**1,029,041**	980,880	4.9
	Engines	**1,901,760**	1,915,633	-0.7
Vehicle sales	Cars	**1,223,506**	1,200,701	1.9
Audi brand		**1,003,469**	964,151	4.1
Germany		**258,111**	254,014	1.6
Outside Germany		**745,358**	710,137	5.0
Lamborghini brand		**2,430**	2,406	1.0
Other Volkswagen Group brands		**217,607**	234,144	-7.1
Employees	Average	**57,533**	53,347	7.8
Revenue	EUR million	**34,196**	33,617	1.7
Profit from operating activities	EUR million	**2,772**	2,705	2.5
Profit before tax	EUR million	**3,177**	2,915	9.0
Profit after tax	EUR million	**2,207**	1,692	30.4
Operating return on sales	Percent	**8.1**	8.0	
Return on sales before tax	Percent	**9.3**	8.7	
Return on investment	Percent	**19.8**	18.6	
Total capital investments	EUR million	**2,486**	2,115	17.5
Capitalized development costs		**547**	497	10.1
Depreciation and amortization	EUR million	**1,908**	2,287	-16.6
Cash flow from operating activities	EUR million	**4,338**	4,876	-11.0
Balance sheet total at Dec. 31	EUR million	**26,056**	22,578	15.4
Equity ratio at Dec. 31	Percent	**39.6**	37.0	

EDITORIAL

Dear Readers,
Dear Shareholders,

2008 was a remarkable year in quite a number of ways. For the first time ever, Audi's vehicle deliveries broke through the one million barrier, the crowning achievement of a 13th successive record-breaking year. And this was also the year in which the Audi brand took its product portfolio to a new level by adding a large number of attractive new models. As well as unveiling completely new vehicles, such as the A3 Cabriolet, the A4 Avant and the Audi Q5 performance SUV, we carried out a thorough update of our core car lines A3 and A6, and brought numerous sporty derivative versions onto the market.

2008 turned out to be exactly as we had planned from the outset: a thoroughly successful year in which passionate enthusiasm for our exceptional cars once again brought us a whole lot closer to achieving our ambitious strategic objectives.

All the same, we were not left unscathed by the global economic crisis. Whatever happens in this current year, one thing is certain: We will steadfastly adhere to our unique Audi approach – innovative, progressive, cosmopolitan and responsible.

All these qualities are mirrored in our Annual Report, in which leading authors probe intriguing aspects of the past, present and future. In addition, the financial section provides information about our economic development and the record figures achieved in the past year.

I wish you an interesting and entertaining read.

Kind regards

R. Stadler

Rupert Stadler
Chairman of the Board of Management

Photos: Klaus Becker (cover), Claudia Kempf, Andreas Teichmann (pages 4 and 5)

REPORT OF THE SUPERVISORY BOARD

Prof. Dr. rer. nat. Martin Winterkorn
Chairman of the Supervisory Board

Ladies and Gentlemen,
Dear Shareholders,

The Audi Group succeeded in maintaining the growth of recent years in the 2008 fiscal year, amid an increasingly difficult economic environment. In addition to establishing a new record for manufacturing output, the Company delivered over one million premium cars of the Audi brand for the first time in its history. Moreover, revenue and key earnings ratios reached new all-time highs. The Supervisory Board would like to take this opportunity to thank the management, the elected employee representatives and the staff for everything they did to make this achievement possible.
All seats on the Supervisory Board were up for re-election during the past year. With the close of the Annual General Meeting on May 7, 2008, Dr. Thomas R. Fischer, Dr. Claus Helbig and Dr. Axel Freiherr von Ruedorffer retired from the Supervisory Board. The Supervisory Board greatly appreciated their constructive advice and critical questioning, and voices its sincere thanks and indebtedness to Dr. Fischer, Dr. Helbig and Dr. von Ruedorffer for the work they accomplished. The ten employee representatives were elected on April 10, 2008. All ten sitting employee representatives on the Supervisory Board were re-elected. The election of stockholder representatives took place at the Annual General Meeting on May 7, 2008. Holger P. Härter, Prof. Ferdinand K. Piëch and Dr. Wendelin Wiedeking were elected as new members of the Supervisory Board. The term of office of all Supervisory Board members ends with the close of the Annual General Meeting, which is to give discharge for the 2012 fiscal year.
At its constituent meeting on May 7, 2008, the Supervisory Board re-elected Prof. Dr. Martin Winterkorn as its Chairman and Berthold Huber as Deputy Chairman. The Negotiating Committee pursuant to Section 27, Para. 3 of the German Codetermination Act and the Audit Committee pursuant to Section 5.3.2 of the German Corporate Governance Code were also elected.

In the past fiscal year, the Board of Management provided the Supervisory Board with regular, up-to-date and comprehensive accounts of its actions. All decisions fundamentally important to the Company were discussed in depth between the Board of Management and the Supervisory Board. The Supervisory Board reviewed and held extensive discussions with the Board of Management on the economic situation of the Company, the development of sales markets, the business policy and risk management approach, together with the risk exposure of the Company, at quarterly meetings throughout 2008 and also on the basis of regular, detailed oral and written reports from the Board of Management. All members were present at more than half of the meetings. The Supervisory Board reached decisions on business developments requiring urgent consideration by written circular. The members of the Presiding Committee held extensive consultations before each Supervisory Board meeting. The Negotiating Committee did not need to be convened in the 2008 fiscal year.
The principal topics considered at the Supervisory Board's meetings were in particular the financial crisis, its direct impact on the real economy, and the currently unforeseeable consequences for the automotive industry and in particular the Audi Group. Other major issues for consultation included the Company's technological responses to the continuing debate about CO_2 emissions, and extensive discussions about market opportunities and risks for the Audi core brand based on the current and future model range.
In addition, the Supervisory Board devoted considerable attention to the mandatory offer by Porsche Automobil Holding SE, Stuttgart, to the shareholders of AUDI AG on September 25, 2008 and, jointly with the Board of Management of AUDI AG, published an opinion pursuant to Section 27 of the German Securities and Takeover Act (WpÜG) on October 16, 2008. In view of the financial valuations available at the time of the drafting of the resolution and the trading prices of Audi shares during the period of the offer, the Supervisory Board and Board of Man-

agement of AUDI AG were able neither to recommend nor to advise against acceptance of the mandatory offer. In order to avoid any hint of a conflict of interest or influencing the debate on the drafting of this opinion in any way, the Supervisory Board members who supervise Porsche Automobil Holding SE or belong to the Board of Management of the holding company each abstained from the vote when the content of the opinion on the mandatory offer was being decided.
The economic environment at the end of the fiscal year rendered it impossible to plan reliably for the long term. The Board of Management will therefore submit specific proposals for financial, human resources and investment planning for the approval of the Supervisory Board at the start of the 2009 fiscal year.
All financial, human resources and investment decisions required in the short term in order to maintain the product initiative and maintain the growth strategy were approved by the Supervisory Board following detailed discussions on November 24, 2008. At this meeting, the Supervisory Board moreover approved the remuneration system for the Board of Management, including the principal contractual elements, as well as the content of the annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act.

"In addition to establishing a new record for manufacturing output, the Company delivered over one million premium vehicles of the Audi brand for the first time in its history."
Prof. Dr. rer. nat. Martin Winterkorn

The Audit Committee duly met during the past fiscal year and considered at length the Annual and Consolidated Financial Statements for 2007, the Company's risk management, the prevailing situation at the end of 2008, and the process initiated by the Board of Management to establish a compliance organization. In addition, the committee considered detailed analyses of potential risks and burdens from the current economic crisis and the continuing high volatility of international raw materials and currency markets.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected by the Annual General Meeting on May 7, 2008 as auditor of the accounts for the 2008 fiscal year. The Supervisory Board issued the audit assignment to this firm of auditors directly after this election. The firm of auditors confirmed the Annual Financial Statements of AUDI AG and the Consolidated Financial Statements of the Audi Group, as well as the Management Reports for AUDI AG and the Audi Group for 2008, and in each case issued its unqualified certification.
The members of the Audit Committee and Supervisory Board were presented with the documentation for the Annual and Consolidated Financial Statements, together with the corresponding audit reports by the auditors, well in advance of the meetings on February 25, 2009. The auditors reported in detail to the meetings of the Audit Committee and Supervisory Board on the key findings of their audit, and were available to answer questions from the members of each committee and provide additional information. On the basis of the audit documents presented to it, its discussions with the auditors and its own conclusions, the Audit Committee recommended to the Supervisory Board at the meeting of the latter on February 25, 2009 that the Annual and Consolidated Financial Statements be signed off. The Supervisory Board accepted this recommendation and signed off the Annual Financial Statements prepared by the Board of Management as well as the Consolidated Financial Statements. The Annual Financial Statements are thus established.

The following change to the composition of the Board of Management of the Company took place in the past fiscal year: Effective end of February 22, 2008, Ralph Weyler, Member of the Board of Management for Marketing and Sales, left the Board of Management of AUDI AG. The Supervisory Board takes this opportunity to thank Mr. Weyler for his work on the Board of Management of AUDI AG.
Effective April 1, 2008, Peter Schwarzenbauer succeeded Ralph Weyler on the Board of Management of AUDI AG.
For the period February 23, 2008 through March 31, 2008, Rupert Stadler had additionally assumed responsibility for the Marketing and Sales Division.

The Board of Management expects a further deterioration in the economic environment worldwide in 2009, with the entire automotive industry particularly affected. Nor will the Audi Group be able to resist this trend altogether. The Board of Management nevertheless believes that the Company is in a strong strategic position to rise to the major challenges that lie ahead both actively and successfully. Wide-ranging, long-term measures already implemented with a view to optimizing costs and processes will help the Company to respond swiftly and appropriately to changes in demand. The Company furthermore has a youthful, attractive model range, which will continue to stimulate the market and will be further expanded in 2009.
The Supervisory Board will actively and constructively continue to support and advise the Board of Management as it seeks to realize its growth strategy.

Ingolstadt, February 25, 2009

Prof. Dr. rer. nat. Martin Winterkorn
Chairman of the Supervisory Board

Photo: Claudia Kempf

THE BOARD OF MANAGEMENT

AXEL STROTBEK
Finance and Organization

MICHAEL DICK
Technical Development

RUPERT STADLER
Chairman of the Board of Management

DR. WERNER WIDUCKEL
Human Resources

FRANK DREVES
Production

PETER SCHWARZENBAUER
Marketing and Sales

ULF BERKENHAGEN
Purchasing

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Ambra Medda and Rupert Stadler above the rooftops of New York. PAGE 26

CHARISMA
The Audi TTS journeys into the colorful life of Montreal. A photo portrait based on a young author's short story. PAGE 55

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ONE CENTRAL THEME – MANY FACETS

Each story captures one “Vorsprung” – one innovative attribute

CHARACTER
Three different covers – one Audi Annual Report. Whether Audi Q5, R8 V10 or A5 Cabriolet: Each model has its very own character – expressed slightly differently depending on color. The Audi 2008 Annual Report is published with three different covers, each featuring one of these brand-new models.*

* Fuel consumption and emission figures at the end of the Annual Report.

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ANNUAL REPORT ONLINE

Experience these stories in fascinating audio and video formats **www.audi.com/ar2008**

23 x VORSPRUNG IN 23 min.

23 news flashes by the minute from the world of the Audi Group

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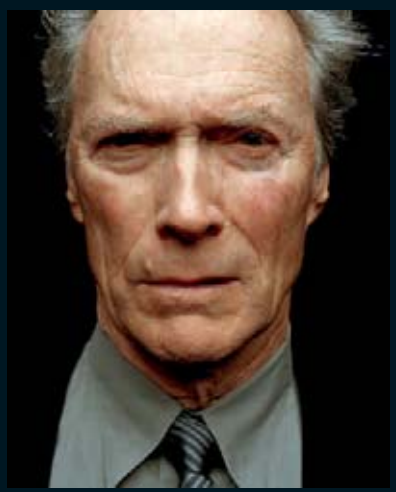
Lamborghini is at home in the narrow streets of Sant'Agata. PAGE 102

DEVOTION
DTM driver Martin Tomczyk is fully focused – not only behind the wheel of his R8, but also on the PlayStation. PAGE 12



AUTHENTICITY
Clint Eastwood may not be a man of many words, but as his recent films show, he still has plenty to say. PAGE 74

AUTHORS & ARTISTS

01

SORIN MORAR

Photographer, Munich

Luckily, Sorin Morar had the foresight to bring Cape Town seagulls' favorite food to the photo shoot. Initially, only two of the birds showed any interest in the car on the beach. Strong winds kept Morar busy tossing the treats to get the perfect constellation of seagulls and Audi A4 for the shot. "I love capturing the exceptional amidst the ordinary," says the 36-year-old photographer. **PAGE 55**

01

02

MATTHEW COOK

Artist and Illustrator, London

Cook sketched his first portraits of musicians at jam sessions he attended from an early age in his father's tow. The 45-year-old artist illustrated the Mileage Marathon and U.S. musical greats for the Audi Annual Report – and came across an old love. As part of London's punk scene in the late 1970s, he was mad about Blondie. **PAGE 86**

03

STEFAN NINK

Travel Journalist, Mainz

The 43-year-old journalist normally reports from the Mekong Delta or Swaziland. For a meeting with DTM driver Martin Tomczyk and professional gamer Sascha Appel, Nink traveled to a world that is every bit as fascinating: the Nürburgring. Here he experienced a race between reality and illusion. Tomczyk and Appel piloted an Audi R8 around the Nordschleife – on the game console and on the circuit itself. **PAGE 12**

04

CAROLE CAPITAINE

Motorsports Editor at L'Équipe, Paris

For years, the 36-year-old editor has been a fixture at Formula One races. But for the 24 Hours of Le Mans, she even regularly misses out on the Canadian Grand Prix. "Nowhere am I closer to the legend of motorsport than in the rainy French province," she says. **PAGE 94**

05

MARC SPITZ

Music Journalist and Author, New York

The "nerd from Long Island," as he describes himself, rocked as a DJ in the 1990s before dedicating himself to writing. He worked for the rock and pop magazine Spin, among others. The 39-year-old author, who long lived like a rock star himself, is currently researching for a biography of David Bowie. In the meantime, he visited the cult sites of American music. **PAGE 86**

06

GIORGIO BARRERA

Photographer, Milan

"To discover this kind of futurism in such a rural setting was fascinating to me," says the 40-year-old photographer. He took his camera in search of traces of a hot-blooded Italian: Lamborghini. **PAGE 102**

07

JULIA KARULINA

Business Journalist, Moscow

"The rhythm of life here is much slower than in Moscow. You don't call anyone after 9 pm," exclaimed the 29-year-old journalist on her trip to Novosibirsk. The Moscow native and writer for the business newspaper RBC daily takes a look into the Audi brand's success in the heart of Siberia. **PAGE 32**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07

Devotion

Reality and illusion

Smoking tires, roaring engines. Two Audi R8 cars charge around the track. Professional drivers are at the wheels. The one chases points in the DTM series; his opponent is a professional gamer and develops car racing games. They storm around the Nordschleife – real and virtual. An unusual couple; an unusual race.

Copy Stefan Nink
Photos Frithjof Ohm

The engine roars briefly one last time before the car comes to a stop and Sascha Appel lets his gaze linger over the digital display, as if he wanted to burn his time into his memory: 7:50 – less than eight minutes – is pretty good even for a virtual lap around the Nordschleife (Northern Loop). He drags himself out of the racing seat. Stressful? Not really! "Each time is just as much fun as the first!" Appel walks to the window. Parked below is the car he has just driven virtually on a PlayStation 3 (PS3): the real Audi R8. He'll hit the real asphalt this afternoon: nearly 21 kilometers, 73 curves, a 290-meter change in elevation – the "Green Hell" in the Eifel Mountains is considered to be the world's most difficult racetrack. Looking down at the R8, Appel seems almost like a child about to unwrap his presents at Christmas. He waves to the man standing beside the car, Martin Tomczyk, and relays his time of 7:50. Tomczyk smiles – the smile of a man undaunted by that achievement.

And what are the two of them doing here? It depends on who you ask. Tomczyk is a professional racing car driver on the Audi German Touring Car Masters (DTM) team and an avid hobby gamer. Today is not the first time he's had the chance to drive a real R8. After all, he was involved in testing the car. Now he wants to see what it feels like to drive the virtual version. Appel, on the other hand, is the German manager of the GT Explore Studio at the video game

GOING FOR IT:
DTM driver Martin Tomczyk (left) clocks a super time in the R8.

LIKE THE REAL THING:
Professional gamer Sascha Appel (right) has only ever driven the R8 in video games.

developer Polyphony Digital, which means he is one of the reasons why the newest car models are able to storm around the virtual Nordschleife in the upcoming "Gran Turismo 5." Appel also has a real racing license. The professional driver is a hobby gamer; the professional gamer is a hobby driver. They are made for each other.
And this "Gran Turismo"? It is one of the most successful racing games of all times. More than 700 different vehicles and 50 tracks. Breathtaking graphics. And so pedantically close to reality that the digital Nordschleife deviates from the original by no more than five centimeters at any one point. The latest, fifth version of "GT," as fans like to call their game, is coming out in 2009 with new models and new tuning options. Until then, there's "GT5: Prologue," a kind of digital appetizer. It's already loaded in the PlayStation, complete with racing seat, cockpit, pedals and television monitor, in the Audi Lounge at the Nürburgring.

GT is a godsend for racers: There are probably precious few professional drivers alive today who don't practice on the console before qualifying. The game is unbelievably important, especially for young drivers going out on a given track for the first time, says Tomczyk as he sits down at the wheel of the game console. Yes, it's about mental training – concentrating intently for eight minutes, and then reproducing this later on the track itself. But above all, it's about the track layout, characteristics of the corners, the climbs and drops. "It usually takes 10 to 15 laps to memorize the circuit during a race. With GT, this can be significantly reduced." He is then silent for a while as he ▶

01

concentrates on shooting out of the pit row onto the track, his facial expressions and body language changing for an instant. Tomczyk will later say that in terms of concentration there isn't much of a difference between sitting behind the wheel of the real car or in front of the PlayStation 3. Admittedly, the PS3 doesn't offer quite the same white-knuckle experience, but even so, you realize that Tomczyk is entering the zone, isolating himself from outside influences. Everyone around him notices as well: While Tomczyk is driving, no one utters a word.
If you've never tried out another PS3 racing simulation before, you won't believe your eyes and ears when you get behind the virtual wheel of the R8. The game is so realistic that you are sucked into and swallowed up by the simulated world within seconds. The shift from reality to illusion is so seamless, that it is hard to describe what is happening to you. After all, it isn't exactly easy for the average driver to maintain the line in a supercar if they are a little heavy on the gas while flying into a Nordschleife corner. Despite the fact that it's all taking place on a computer, braking, hitting the guard rail and spinning out still leaves you a bit dizzy. Or truth be told: very dizzy.

"It is all very realistic," says Martin Tomczyk, "the understeer, the oversteer; the increasing computing power works miracles." Even though the steering wheel also pulls and bucks, you don't really "experience" the reactions of the vehicle. "However, the excellent visuals almost completely conceal that." And if you didn't already know that the virtual R8 is less sensitive than its real counterpart, you

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01 **Ready for action: professional driver and professional gamer in an unusual contest.**

02 **Simulation in the Audi Lounge: Gran Turismo simulator, complete with racing seat and pedals.**

03 **Gran Turismo is the ideal “training ground” for racers. Tomczyk also uses the console to practice.**

04 **The computer game’s detailed graphics blur the boundaries between the real-life and the virtual race track.**

will when you run wide off the track. “You would break an axle if you bounced over the curbs in the real thing. In the game, you only lose a few seconds.”
Because computer performance is seemingly unlimited, there are details in GT5 that affect the subconscious in a way that has little to do with the actual driving. The sun, for example, which either blinds the driver on some parts of the track or plunges the cockpit into deep shadows on others. The dirt that flies against the windshield if the car in front of you leaves the road and skids across the grass. And thousands of incredibly realistic trees along the track. Appel says that when you drive the real Nordschleife, you’ll notice a lone, distinctive pine tree at one particular spot. “And if you’ve ever played the game before, you think to yourself, ‘Hey, the tree from the game is really there.’ But of course that’s not quite true – the tree from the real world is in the game, not the other way round.” What is true is that GT5 blurs the line between illusion and reality so well that it is sometimes difficult to remember exactly where you are.

Which is also one of the reasons why the market for video games has shifted away from children in recent years: People under a certain age can’t truly experience highly complex simulations such as Gran Turismo. In the United States, for example, the average gamer is 35 years old; the average age in Europe is between 27 and 33. The game industry has long since overtaken Hollywood in terms of global sales. And the production costs per game generally amount to tens of millions of dollars, which should come ▸

AUDI R8 MEETS GRAN TURISMO 5
Find out here what happens when the Audi R8 meets its digital counterpart: www.audi.com/ar2008/devotion

as no surprise given the creators' devotion and slavish attention to detail in fine-tuning their products.

Of course, virtual reality profits enormously from the electronic development and design work of automobile designers: What the Audi engineers develop serves as a blueprint for the game designers' models. Artificial intelligence and driving physics have therefore made quantum leaps in recent years in computer games just like in other fields. When the decision was taken to give the R8 a virtual counterpart, 20 technicians and designers arrived in Ingolstadt and took nearly 800 photographs of the vehicle. To make sure the light pattern of the digital R8 matched that of the real one, a set of original headlamps was even sent to Japan. Nor were any compromises made when it came to sound: To ensure that the virtual sportscar sounds exactly like the real one, the R8 was placed on an acoustic roller dynamometer and the engine sound was recorded at all engine speeds. The result: When you downshift in the virtual Audi and accelerate, a shiver runs up your spine. Just like in the real car itself.

"And it's going to be even more realistic in the future." So says Sascha Appel, who is back from his lap of the Nordschleife in the R8. He puts his helmet on the table and smoothes his racing overalls. Takes a deep breath. And? There really is quite a difference, isn't there? "You can say that again," says Appel. Especially because the "Go back to start" option is missing. "You can slowly get your bearings on the console and if you do slam into the guardrail, you just keep going. But one mistake in a real R8 out there – and the race is over. It's an entirely different adrenaline rush." To be perfectly honest: Driving in a simulation is more pleasant," says video gamer Appel. "And that's exactly why professional drivers are professionals!" That, of course, was Martin Tomczyk, who is coming in from the PlayStation with a grin on his face after his latest lap on GT5. "7:42. Now it's your turn, Sascha!" ●

Showdown in reality: And they're off into the real "Green Hell."

FIVE QUESTIONS FOR KAZUNORI YAMAUCHI

The Senior Vice President of Sony Computer Entertainment is the creator of the Gran Turismo series.

The graphics of "GT5 Prologue" are incredibly realistic. What can be done to make this game even better?
Kazunori Yamauchi: GT5 will offer a wider selection of vehicles and tracks. And we will provide more features for online communities. We are also working at full speed to create lifelike graphics that depict rain and the night.

How do you recreate the cars so realistically in the game?
We need the actual models in order to recreate the cars graphically so that they are identical to the originals in every way. With the Audi R8, it was particularly difficult to reproduce the first-class materials of the interior. It was also not easy to express the standard, the unbelievable precision of the body.

It's not just the cars, but also every single tree along the Nürburgring is startlingly similar to its counterpart in reality. Do such details influence the way the game is played?
We have tremendous respect for the intrinsic power not just of the cars but also of nature. Which is why we carefully consider every detail – even if it's just a bush at the edge of the race track. Our passion and our dedication are not always immediately apparent, but they have a subconscious effect on every player.

What new twists can GT fans expect soon?
We are currently working on simulating changing weather conditions that can affect the race. And we will soon also be able to simulate damage to the race cars.

Let's take a look into the future. What will Gran Turismo 9 have to offer?
I find it difficult to predict developments so far in the future. Gran Turismo grows with the automobile industry. When considering the future of GT, we always have to consider the future of the automobile industry as well.

Photo: Polyphony Digital Inc.

2 x VORSPRUNG IN 2 min.

Prestigious award: AUDI AG is the European Inventor of the Year.

01

EUROPEAN INVENTOR OF THE YEAR AWARD AND THINKERS AWARD

In pioneering the Audi Space Frame (ASF), the Audi brand has redefined the benchmark for the key automotive technology of lightweight aluminum construction. In May 2008, the European Patent Office presented AUDI AG with the title of European Inventor of the Year for this technology (May 6, 2008). An ASF vehicle body is not only stronger and safer than its steel counterpart; it also makes the car much lighter and consequently more fuel-efficient. But this prestigious award is just one indication of the company's innovative prowess. For the fifth successive year, the AUDI AG suggestions scheme was voted the best in the automotive industry by the Deutsches Institut für Betriebswirtschaft (dib). The dib's "Thinkers Award" honored the innovative networking of ideas management and Continuous Improvement Process methods (March 13, 2008).

02

ATTRACTIVE EMPLOYER

AUDI AG is the employer of choice among German students. In high-profile employer rankings compiled by the market research institute Universum ("The Universum German Student Survey," 5/2008) and the Berlin trendence Institute ("The German Student Barometer – Business und Engineering Edition," 8/2008), engineering students voted the company their most preferred employer for the first time in 2008. In September 2008, the company took the opportunity to say thank you to its employees, and their families and friends: Over 130,000 visitors flocked to the Family Day in Ingolstadt.

Popular: The Family Day invited even the youngest visitors to take their first driving lesson.

Photos: AUDI AG

Pioneering spirit

The lightness of being

Today's aviation and space travel wouldn't exist without lightweight design: Every additional kilogram consumes valuable fuel and resources. The auto industry is caught in the same "weight trap." AUDI AG has been meeting this challenge since the 1980s. Back then, out-of-the-box thinkers in the company revolutionized body design in volume production by building an aluminum frame structure, whereas today's engineers work with plastics and magnesium.

LIGHTWEIGHT
Carbon fiber-reinforced plastics are both ultra-light and extremely robust. Ideal for helicopters like the Eurocopter EC 135, which is partially made of this material.

Copy **Klaus Jopp**

Three, two, one…lift-off! With a deafening roar, the Endeavour launches right on schedule from the Kennedy Space Center. Its immense fiery tail illuminates the jet-black night sky over Florida as Flight STS-126 takes off on its scheduled journey to the International Space Station (ISS) in mid-November 2008. On take-off more than 2,000 metric tons have to overcome the force of gravity. And, as on every space mission, though materials and structures are subjected to immense forces, they need to be as light as a feather. After all, every gram launched from earth means money – lots of money. The launching cost per kilogram can reach up to 100,000 U.S. dollars. The type of progress being made using lightweight design is evidenced by the midsection of the Space Shuttle's body, where engineers have been able to achieve a 45 percent reduction in weight by using innovative, fiber-reinforced alloys to replace the conventional aluminum solution.

Aeronautics and space travel have always been trendsetters in lightweight design. Though the issues facing car designers are far more earthbound, they are also caught up in the "weight trap." The constantly increasing demand for more comfort, improved safety and – among the most important – environmental considerations necessitates a radical weight-loss program. At the top of the list of engineering specifications are greater fuel efficiency and the resulting reduction in carbon dioxide emissions. It's an empirical formula that any Audi engineer can repeat in his sleep: 100 kilograms less weight on the road means about 0.35 liters less fuel consumption per 100 kilometers driven and 8.8 grams less CO_2 emitted per kilometer. That makes lightweight design more important than ever. And that is why the automobile industry is increasing its efforts to transfer knowledge gained from aviation and space travel into its own world.

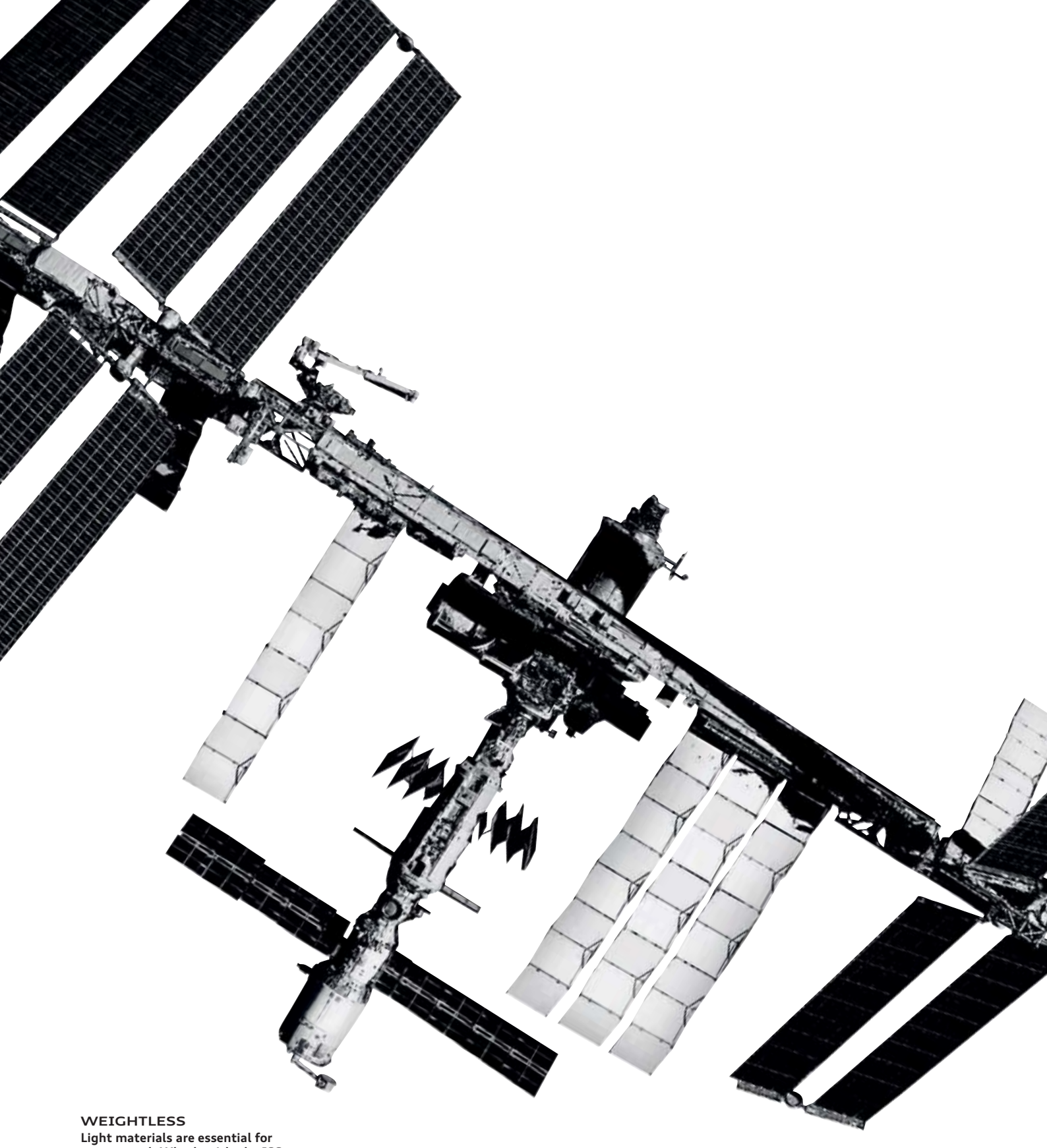
The Audi brand distinguished itself in lightweight design very early on, with its engineers engaged in the area of materials efficiency since the early 1980s. "That's when the concept for the Audi Space Frame, an aluminum frame structure, was developed. Even its flat components are load-bearing, revolutionizing the auto industry," recalls Heinrich Timm, who started this development in 1983 together with a small team. With visionary foresight, the company established the Aluminum and Lightweight Design Center in Neckarsulm in 1994. Today, 170 engineers, materials experts, physicists and other specialists conduct research on lightweight automotive design ▸

LIGHT IS FAST

Developed for the air, used in the water: Thanks to carbon fiber composite materials, this 5.2-meter kayak weighs only 12 kilograms.

“A scale mirrors the world at large. What’s light will rise; what’s heavy will fall.”

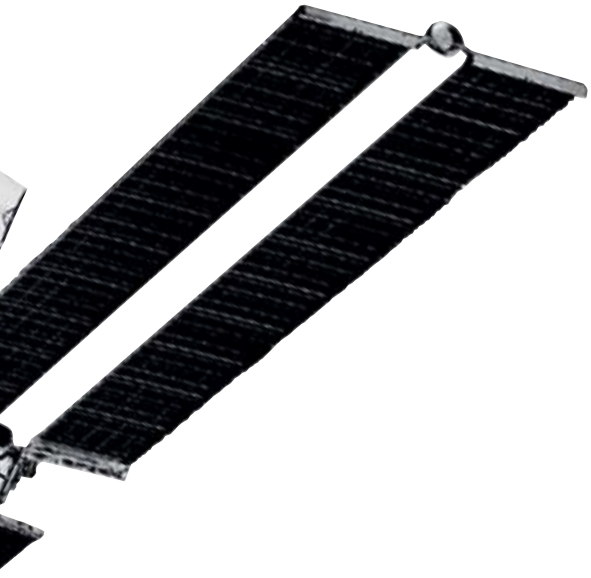
Gotthold Ephraim Lessing



WEIGHTLESS
Light materials are essential for space travel. Whether it's the ISS or the Space Shuttle, overcoming gravity is always the first task on the path to outer space.

“We make every effort to combine even ‘incompatible’ materials.”

Michael Ernst, Head of the Technical Center of the Aluminum and Lightweight Design Center, AUDI AG



here under Timm’s direction. Team members from all disciplines are making important contributions to technological progress; their thinking and experimentation extend across departmental boundaries. Experts developing new technologies and processes work in direct contact with the project managers developing new vehicles. With everything taking place under the same roof, the lines of communication are shortened.
At first, the idea of using lightweight aluminum – which weighs about a third less than steel – on a large scale in automobile production was met by most experts with skepticism. But Timm worked persistently to overcome all objections. For a creative thinker like him, one thing was clear from the start: Simply duplicating the existing steel structure in aluminum would not be a recipe for success – after all, such a new construction would be substantially more expensive. So other advantages had to be weighed – for instance, finding new ways to reduce the number of parts required. “The bottom line is that 30 percent fewer parts means 30 percent less logistics and 30 percent fewer joins. So we immediately took another look at our production processes and sought new ways to optimize our design geometry by selecting the most suitable materials,” recalls Timm. AUDI AG has already received numerous awards for this pioneering achievement; most recently by winning the 2008 European Inventor of the Year Award for its Space Frame technology.

Today’s challenges resemble the Olympic motto “faster, higher, further.” Translated into the language of materials experts, this means: stabler, stronger, lighter. New aluminum alloys, for instance, are intrinsically stronger and can withstand greater mechanical loads. Conversely, engineers are able to design metallic components that are thinner throughout, thereby reducing weight further. “We don’t just focus on the basic material: We also find ways to manufacture it industrially and therefore more economically,” emphasizes Dr. Lutz-Eike Elend, Head of Lightweight Design Technology and Process Development.

Aluminum has long since ceased to be the only interesting material for building auto bodies. Audi specialists are working with plastics, magnesium alloys and steel alloys. The latest trend in airframe design is using carbon fiber composite (CFC) materials, in which carbon fibers of different lengths and orientations are embedded in a mush of plastic and then baked in an oven. 20 percent of the A380 Super-Airbus is made out of CFC and up to 50 percent of the latest Boeing 787 is made of this material. Automakers don’t intend to take a back seat in this area: One option on the Audi R8 supercar is to have the sideblades made from this high-tech material. This and other bold ideas from Technical Development experts are creating new challenges for Michael Ernst, Head of the Technical Center, and his team, whose job it is to implement them at the Aluminum and Lightweight Design Center.

Tricky problems invariably arise when different materials have to be meshed together. “We make every effort to combine even ‘incompatible’ materials,” says Ernst. “Basically, anything is doable. But in order to ultimately shorten the cycle times, our lab results have to translate it into actual automobile production.” ▶

These days, each car is like a three-dimensional puzzle. Even the smallest part has to perform a specific function. Audi engineers can use their large selection of industrial materials and applicable computer programs to virtually explore which material is best suited for a given part – and whether these "building blocks" can be assembled into a total product without driving the production line workers or robots crazy. This approach makes it possible to determine the very best combination of materials needed to ensure a stylish and profitable design very early on in development.

Today's experts at the Aluminum and Lightweight Design Center benefit from over a decade's worth of experience in lightweight design projects. Since the successful 1994 debut of the Audi Space Frame on the A8, five further models – including the R8 – have been developed and produced, and the silver-gray metal has been successfully processed into different hollow extrusions, heated and cast in molds, or rolled into sheets of various thicknesses and sizes.

"Hybrid design simply means that we use the best of all material worlds."

Heinrich Timm, Head of the Aluminum and Lightweight Design Center, AUDI AG

Engineers today are using all variations of these different components to develop an appropriate architecture. In the past several years, the Audi Group has taken great strides in its materials and production competencies, making it a technological leader and pacesetter in automotive lightweight design. 70 vehicles a day

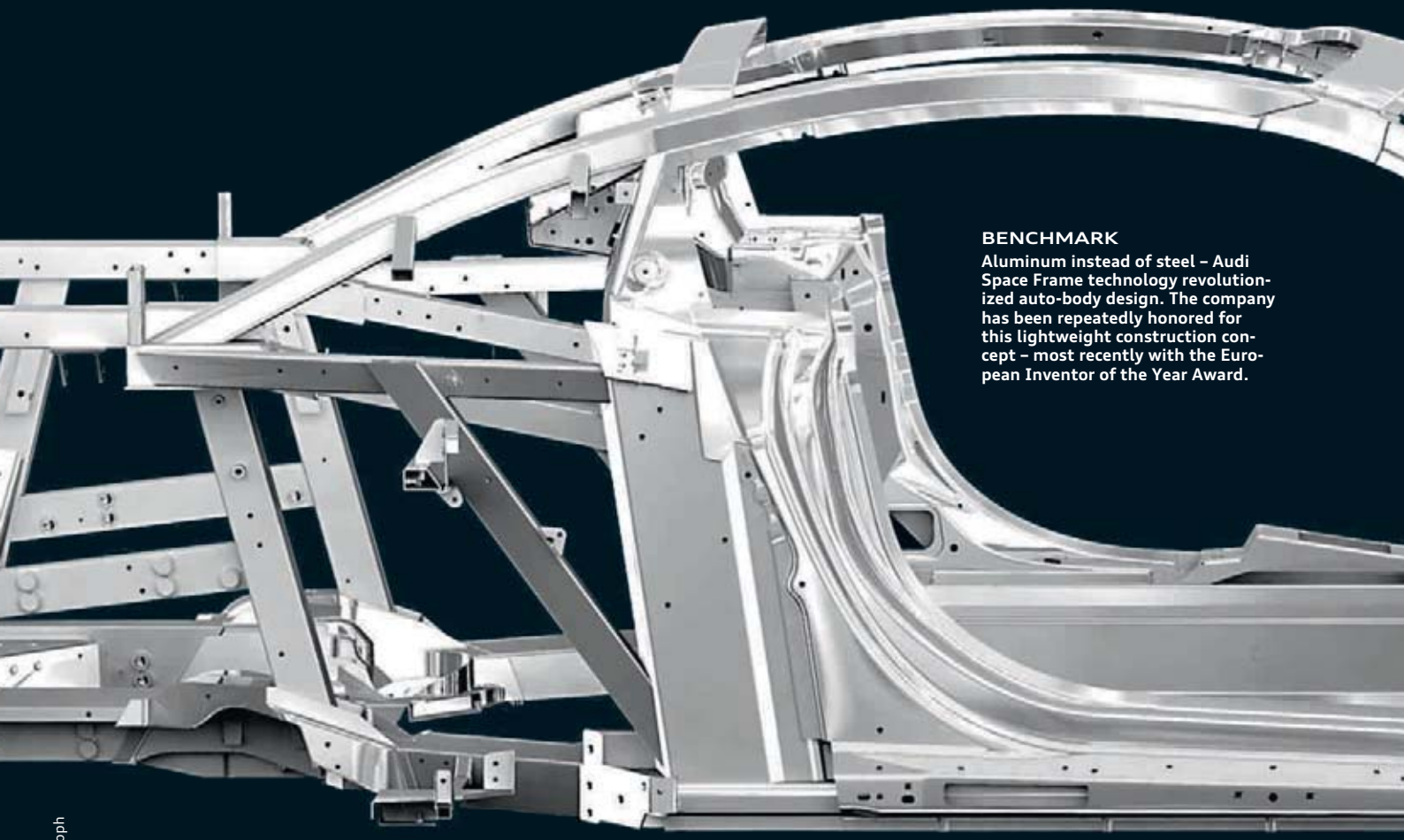
LIGHTWEIGHT PIONEERS

Audi engineers can always learn from Mother Nature. Find out here what this means: www.audi.com/ar2008/pioneeringspirit

were built of the first A8: This played a key role in changing the brand image and represented a quantum leap in modernization. Today, as many as 110 units of the new A8 roll off the assembly line each day – in part because the number of components has been reduced by 25 percent. This was made possible by using more complex cast parts to perform multiple functions – similar to the nodes in a bamboo stick or a blade of straw.

In keeping with what Timm calls "the best of all material worlds," the trend in lightweight design also encompasses "hybrid design," or compound solutions like those used on the R8. It's a "wild" mixture of materials: The body and roof are made of aluminum, the front fenders and sill trims of plastics, the rear frame of magnesium (which is even lighter than aluminum) and the engine hood of composite materials. Today's lightweight design of motor vehicles is innovative high-performance technology on a par with developments in aviation and space travel. Though there are some analogies, the two industries are far from identical: Production volumes of even the most successful aircraft don't compare with large-scale or even smaller-scale production volumes of automobiles. Being at the forefront of research and production is an especially powerful motivator for the employees of the Aluminum and Lightweight Design Center, and their enthusiasm is positively contagious. ●

Science journalist and book author Klaus Jopp writes for Financial Times Deutschland, Welt and Wirtschaftswoche.



BENCHMARK

Aluminum instead of steel – Audi Space Frame technology revolutionized auto-body design. The company has been repeatedly honored for this lightweight construction concept – most recently with the European Inventor of the Year Award.

Photos: Oli Tennent/gallerystock, Christoph Mattes, nasa/actionpress, AUDI AG

Progressiveness

“Our design is like a fingerprint.”

Why does a car need to be beautiful? Ambra Medda, Director of the “Design Miami/” fair, discusses this issue with Audi boss Rupert Stadler. Both have a passion for the extraordinary.

Interview Dominik Wichmann
Photos Joel Micah Miller

Mr. Stadler, you often speak about how design is one of the absolute core competencies of the Audi brand. At the same time, we are hearing over and over again that the automobile industry is going to have to reinvent itself in order to deal with current challenges. So is the characteristic Audi design therefore going to change?

Rupert Stadler: There is no doubt that our society is going through a difficult period. And the automobile industry, of course, is also significantly impacted by these new challenges. In times of turmoil, people are even more likely to look for orientation and reliability. Orientation is something we as a company need to be able to give our customers. Therefore, the very best thing we can do is to ensure that our products fulfill the same high standards of quality in the future that have made them known and sought after in the past. And, of course, that also includes the design of our vehicles. Their look and feel may change – but only in terms of evolutionary and careful improvements. We want to emphasize the authenticity of our models through our own unmistakable messages, and are thus developing into a signature brand. You could say that each and every one of our cars is as unique as a fingerprint.

Ambra Medda: I completely agree with that approach. Of course, a paradigm shift of sorts is underway right now, and it would be very surprising not to see it reflected in the design area. Good designers react to their environment. But this doesn't mean they immediately resort to hasty action.

Since when has product design played such a decisive role in sales success?

Medda: It's hard to pinpoint exactly when. However, one thing I know for sure is that there isn't a company today that can afford to sidestep the unique selling point design has to offer. Of course, that has a lot to do with the growing importance of marketing. Anyone who wants to set themselves apart from the competition is going to have to articulate this. At the latest, that's when product design comes into play.

AMBRA MEDDA

Ambra Medda, 28, grew up in England and Italy. In 2005, Medda founded Design Miami/, now one of the world's leading fairs for high-end design. In April 2008, Medda published her first book entitled "Destination: Limited-Edition Design," an overview of the 60 most sought-after design destinations in the world.

Stadler: That's certainly true. Nonetheless, design dominance has not suddenly become relevant in recent years. The Audi brand, for example, is celebrating its centennial anniversary this year. The design of our cars was already playing a significant role in our marketing success way back in the 1920s and 1930s. Though it primarily had to do with the notion of "beauty," the basic principle behind it, namely wanting to have this beauty for oneself, is the same today as it was then.

Would it be true to say that a new era is also always preceded by a new perception of design?

Medda: I believe so. Take the triumph of the Apple iPod, for example. Any one of us could have gone to a store and bought a similar MP3 player at a fraction of the cost. Even so, most of us will buy the more expensive Apple device. And why? Because it looks different; because it has a design that is considered contemporary. It is a product that has come to symbolize the hip and modern face of the digital revolution. And that's why people just have to have it.

> **"What matters is that the product also has a past. This is always a good basis for a truly sophisticated and creative design."**
> **Ambra Medda, Director of Design Miami/**

Stadler: Anyone wanting to sell a premium product today is going to have to be able to give his customers clever and fresh answers to the pressing issues of the time. In other words: Anyone who buys an Audi today will expect it to fulfill environmental standards; they will expect it to combine the very best of today's technology with comfort, safety and driving pleasure. As far as I am concerned, any car that ignores sustainability is not in line with the times. Anyone wanting to grab his customer's attention is going to have to keep thinking outside the box, be willing to take on something new, and put his own stamp on it. That's the goal of a signature brand, which is what we're aspiring to be at Audi.

Medda: There is no comparison between how much more selective customers are today than they were a few years ago. They have come to recognize good design and good quality. They are more familiar with standards so are also less prepared to forfeit them. Design today is no longer a neat gimmick; design is a core component of every product.

Stadler: We have a promise to keep to our customers: "Vorsprung durch Technik." That may sound easy, but it is also important that this claim is underscored by each and every detail of our cars. And that applies to both the visual and tactile appeal of our vehicles: In the premium segment, ▸

Ambra Medda and Rupert Stadler find inspiration in the diversity of color and form at the New Museum of Contemporary Art in New York City.

INTERESTING DISCUSSION
A video clip of the interview can be found at:
www.audi.com/ar2008/progressiveness

you always have to keep one step ahead of the times – those are the rules of the game.

What other key challenges do you see for Audi over the next few years? The success of the A1, which you are hoping to bring to market in the coming year?
Stadler: In principle, I am focused on the success of the entire brand. But of course, introducing the A1 is an important subject for us. I have supported and monitored the creation, design and initial planning of this model from the very beginning. It will come as no surprise that I am truly convinced it will be a success.

> **"It is important that our claim 'Vorsprung durch Technik' is underscored by each and every detail of our cars. And that applies to both the visual and tactile appeal of our vehicles."**
> **Rupert Stadler, Chairman of the Board of Management, AUDI AG**

Will this newcomer's design differ radically from other Audi models? After all, Stefan Sielaff, chief designer for the Audi brand, recently said that the vehicle form would be significantly influenced by environmental demands, for instance by a drag coefficient of less than 0.33.
Stadler: Obviously, an extremely aerodynamic car is going to look different from a conventional one. As a result of the environmental debate, new technical factors are being introduced that will certainly influence our design and pose a challenge. But that is precisely what is so exciting about our job: developing and finding solutions. And that's why we have designers, technicians and engineers. In the end, I know we will be happy with a result that not only meets environmental requirements, but exudes enough individuality to make it unmistakable.

Isn't this need for individuality in fact the meta-theme of contemporary design?
Medda: You have to differentiate here between industrial design of a classic nature and the creation of individual pieces and limited editions. As far as the latter is concerned, since it has to do with a different and much more intensively handcrafted approach, then individuality and uniqueness naturally play a more important role than they do in traditional industrial design. But even products geared towards the mass market are beginning to exhibit the same trend, which only goes to show how individuality is playing an increasingly important role here as well.
Stadler: Are you alluding to personalized design?
Medda: Yes. With customers becoming ever more aware of design and improved technical possibilities, it has become completely normal to find a product being manufactured in countless variations – options a customer can choose for himself. Anyone who cannot – or will not – offer such options to his customers is going to fall quickly behind.
Stadler: I welcome this development with open arms; it means customers will identify even more closely with their products of choice. For example, anyone buying an A8 can choose almost any color for the leather interior. In our factories, 36,500 stitches are sewn according to the customer's individual wish. This is a service that unites our brand's claim to perfection with the individual needs of our customers. It's one of the ways a brand acquires substance. It means that as a signature brand we are able to conform to society's new understanding of luxury. Customers aren't just looking for craftsmanship and high-quality products; they are looking for intangible assets like charisma and style – that unique something, in other words, which offers superb handcrafted quality and also meets their wide-ranging needs.
Medda: What are some of the most unusual design requests you have had from your customers?
Stadler: Unusual requests are certainly no rarity. One of

DESIGN MIAMI/™

In 2008, AUDI AG was the exclusive automotive partner and exhibitor at Design Miami/ for the third time. Inspired by the fair's theme "Beyond Organic – Design in the State of Nature," the Audi brand interpreted modern design under the influence of nature with its installation "Audi Coastline Marina." The main attraction: the Audi Q7 coastline. The fair is considered a highlight on the design calendar and is held twice annually, in Basel and Miami.

DESIGN AWARDS

The Audi brand once again demonstrated its commitment to the world of culture in 2008. In cooperation with design colleges and ART COLOGNE, the sales regions presented the "Audi Art Award for New Talents" and the "Audi Design Award." Audi France has been honoring up-and-coming artists in the areas of contemporary art, industrial design, sports and music with the "Audi Talents Award" annually since 2007. In the UK, the Audi brand founded the "Audi Design Foundation" in 1997. The foundation supports artists and young designers who make a positive difference in people's everyday lives with their work. AUDI AG sponsors the "Audi Mentor Prize by A&W," which the well-known German home and design publication "Architektur und Wohnen" has awarded to up-and-coming designers since 1997.

The New Museum of Contemporary Art in New York is considered to be one of the world's leading addresses for contemporary art.

the strangest was an order we received years ago from an A8 customer for Nogaro Blue Alcantara trim and a matching dress of the same material, a request she made when ordering the car. She then wore this dress when she came to collect her car. As everybody knows, there is no accounting for taste. So, for a surcharge, any customer can have his car delivered according to his individual wishes and ideas.

Ms. Medda, as a design expert, do you view such developments with a certain amount of esthetic skepticism?
Medda: Of course, not everything people put together reflects my own personal taste. But that's not the point here. What is more important here is that design is becoming increasingly anchored in society. No longer is it just some exotic hobby pursued by certain curators and older couples who eat prawn cocktails at design exhibitions. The design debate is finally back on the agenda. Design has regained its relevance.
Stadler: You have played a significant part in this with the Design Miami/ fair.
Medda: Certainly not on my own. But the fair does provide a platform for anyone who is committed to a contemporary understanding of design and is passionate about it. Of course, that is above all the artists and designers themselves. Exhibitions are not only about sales; they are about providing a platform for a substantive discussion on the subject. Newcomers are promoted; stars of the scene are honored.

Are you finding that the trend is more about content and less about simple design language?
Medda: Certainly content is playing an increasing role in contemporary design, which is only natural given the increased emphasis on craftsmanship. Pure surface design is no longer enough.

Stadler: I think this is a positive development. At Audi, form traditionally follows function. Function is an obligation for us. In this respect, we follow the tradition of modernism wholeheartedly – we only come up with something interestingly new when there is a perfect interplay between designers and engineers.

What feeds inspiration for designing new Audi models?
Stadler: The role our company's history plays should not be underestimated. We continue to draw on a specific design language from our past and develop it further and further. In this way we are able to build an esthetic bridge to the past and the tradition of our brand.

The Audi design language has also been an extremely German design from the very beginning. Why?
Stadler: Our culture is heavily influenced by technology. Craftsmanship, precision and ingenuity mean something in Germany. At the same time, our cultural proximity to Mediterranean countries, especially Italy, is very obvious. Our longing for the country beyond the Alps has always made its esthetic mark here. Today, we believe this mix – this fusion of technology and beauty – is characteristic of our vehicles. It reflects not only how much the product, but also the country, continent and its people have changed.
Medda: But what matters is that the product also has a past. This is always a good basis for a truly sophisticated and creative design. An object shouldn't necessarily look "designed," it should just look good – timeless and without frills. That's what we mean when we talk about a modern classic. Such a title is the best design can hope to achieve. ●

Dr. Dominik Wichmann, journalist and book author, is the editor-in-chief of the multi-award winning Süddeutsche Zeitung magazine. He is considered one of Germany's most creative chief editors.

Photos: AUDI AG, Dean Kaufmann/New Museum

Understanding

Service in the taiga

Whether a flat tire or damage caused by a collision with an animal: Audi's world-class service is also at home in the heart of Russia – and superbly tailored to local customers' needs. Audi mechanics' workplace? Anywhere within 600 km of Novosibirsk.

Copy Julia Karulina
Photos Frank Herfort

Novosibirsk, at the heart of Siberia: temperatures far below freezing; "roads" often undeserving of that term. Drivers here have the very highest expectations of their vehicles. Take 35-year-old Sergei Sorin. His vehicle of choice? An Audi Q7. "A good investment," says the head of two dental clinics. It's the ideal vehicle for winter roads buried under snow – even in the city. As soon as you leave Novosibirsk's main thoroughfare, Red Prospect, ruts in the road can be 20 centimeters deep. And the number and size of the potholes increases with each passing kilometer. The long Siberian winter takes a heavy toll. That's why Russians love SUVs. Novosibirsk, a million-strong city far east of the Ural River – 3,300 kilometers east of Moscow – is Russia's geographic center. Here, in the midst of the Siberian taiga (a swampy coniferous forest), a

Driving doctor: The Audi Q7 is a reliable service vehicle in the wide open spaces of the Russian taiga.

small outpost was founded 116 years ago for workers constructing the Trans-Siberian Railroad. In 1893, the cornerstone was laid for the new bridge across the mighty Ob River. Novosibirsk, which means "New Siberian City," is now home to more than 1.4 million residents and constitutes one of the country's most important transportation hubs.

Several major traffic arteries converge in Russia's third-largest city. The Trans-Siberian Railroad and the Baikal Highway unite this massive country extending from St. Petersburg on the Baltic Sea to Vladivostok on the Pacific Ocean. The Chukchi Highway branches off here into the Mongolian steppes. On the Ob – which is one of Russia's longest rivers and empties into the Arctic Ocean – ships transport oil, construction materials and lumber. And Tolmachevo International Airport serves all of Europe and Asia. But this western Siberian city does not live from trade alone. Machine building, energy and metallurgy also play pivotal roles in the local economy. The cockpit and tail of the Superjet 100 passenger plane, which holds great promise for Russian aviation, are manufactured here. And Akademgorodok, the internationally renowned research center, has developed into an IT powerhouse. Thanks to the high-tech endeavors of young software developers, Novosibirsk is also known as "Silicon Taiga."

Audi cars are coveted by prosperous Russians. Sales records have been the norm for the brand in Novosibirsk for some years now. Around 25 percent more cars were sold in 2008 than in the previous year – almost 250 vehicles. And so the brand is increasingly leaving its mark on the cityscape, with some 2,000 Audi cars on the roads in Novosibirsk. The mayor, high-ranking officials and the police also drive Audi. A key image booster. ▸

01

02

03

01 **Into the wild: Anyone turning off the M51 between Omsk and Novosobirsk has to master the muck and mire.**

02 **Anna Bunyakina is an independent woman – and drives an A3.**

03 **Just call for roadside assistance: excellent service in the Novosibirsk region.**

Half of the Audi models in Novosibirsk are pre-owned cars. Though most come from Germany, some are imported from Japan and so are right-hand drive, explains a service mechanic who ventures out into the vast expanses of the taiga every day in his Audi Q7 Service Mobile. The excellent quality seems to be whetting appetites. “Most people who drive a pre-owned Audi will frequently purchase a new Audi in the long term,” explains the young mechanic on the drive to the outskirts of the city. He certainly has his hands full, especially during cold weather. Flat tires and dead batteries are not uncommon in the winter. Today, it is Anna Bunyakina who needs the help of the Service Mobile: One of her tires punctured while she was turning. As soon as the service mechanic receives her call, he sets out to change the tire on the 29-year-old’s A3 in the autumn muck and mire in an Audi Q7 equipped for every emergency. She bought her vehicle a year ago in Novosibirsk. Single-minded as she is, she drove her new vehicle straight off the lot. “I couldn’t wait two months while a car was built to order and then shipped from Germany,” she says. Bunyakina is the head of regional development for a large Russian restaurant and fast-food chain. In other words, a career woman – still a rarity in patriarchal Russia. This self-made woman began her varied career as an assistant manager at a modeling agency. Nowadays, she seeks out suitable sites for new restaurants. Next year, Anna Bunyakina is moving to Krasnoyarsk to manage a franchise of the restaurant chain. Here, in another Siberian city located about 650 kilometers east of Novosibirsk, she will be able to rely on the same great standard of service she receives in her home city.

Beyond city limits, vehicles are plagued not only by poorly maintained roads, but also time and again by fuel that has either been diluted with water or falsely labeled. Often enough, customers unwittingly fill up with diesel instead of gasoline – and naturally don’t get very far. If they then break down in the middle of nowhere in the Altai Mountains, the service mechanic is usually greeted like a knight in shining armor. Top-quality Audi service is every bit as standard in far-flung Siberia as it is on the streets of Berlin or New York City. Several times a year, therefore, the Audi Service Mobile ventures up to 600 kilometers into the taiga. And even in the 21st century, this means adventurous road trips through sparsely populated landscapes for the mechanics as well! ●

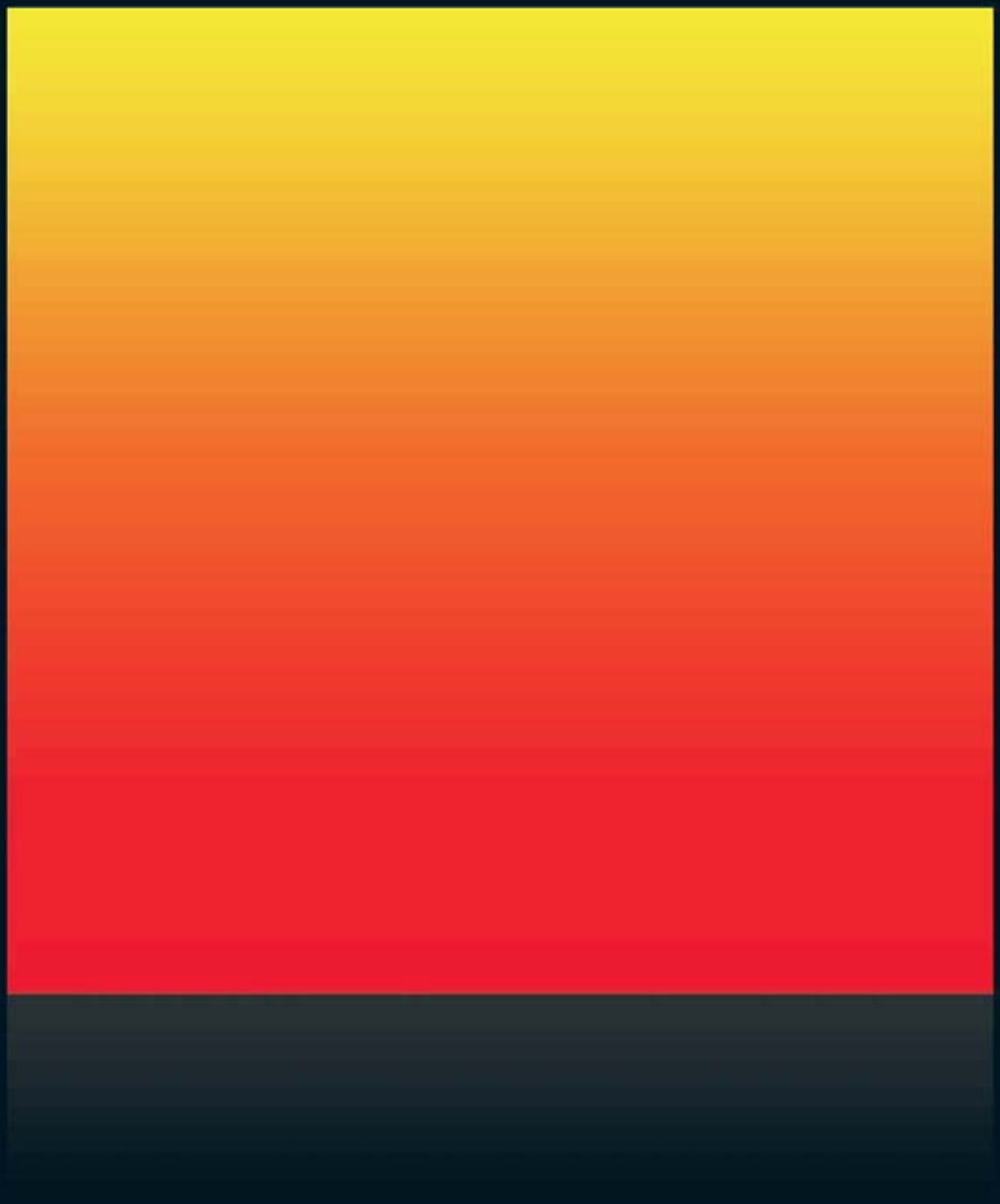
Peter Schwarzenbauer, Member of the Board of Management for Marketing and Sales, AUDI AG

True understanding to me means ...

... not merely hanging on to the familiar, but also questioning and scrutinizing in order to recognize potential and discover opportunities. Every relationship requires getting to understand the other person: their notions, goals and wishes. How this holds the key to successful long-term relationships with our customers became clear to me when selecting a top hotel on my business trips. Though there did not seem to be much difference in the quality offered by the different hotels, I found myself regularly preferring the same leading establishment. On one of my trips, I spoke with the managing director and accompanied his team for an entire day. My epiphany: A good hotel becomes a leading hotel by treating its guests properly. The hotel staff excels by understanding the individual situation of the guest in question. They have a feel for just the right level of service for their customers. And guests are not simply satisfied; they keep coming back.

We at Audi have every right to be very proud of our products. Our cutting-edge technology and outstanding design have propelled us to a leading position. By truly understanding our customers, we will become the world’s most attractive premium brand within the next few years; by understanding what they expect from us as a premium brand and by understanding what perfect service means to them. My personal goal is to have the most satisfied customers. And just as I am loyal to my favorite hotel, they will remain loyal to the Audi brand, use our services – and recommend us to others. I am sure of it.

Photo: AUDI AG



YELLOW

The color of the sun conveys optimism and cheerfulness. But yellow also kindles negative associations like deceit, envy, anger, disease – especially when combined with black. The imperial color in Asia, it also carries positive connotations of wisdom and dignity. It's the car color of choice for the bold owner of a small vehicle who wants to attract attention.

RED

The only color that counts among the 100 most important words in nearly all of the world's languages. Symbolizing energy and passion, it increases the heart rate and breathing. A universal warning signal. In China, it's also the color of good luck. A popular car color in the 1990s before almost disappearing, it is making a comeback. Conveys athleticism and impulsiveness.

Psychology

The power of color

Red stimulates. Blue soothes. Coffee served from a brown pot is perceived as strong. Colors have a greater influence on us than we think. Experts try to decipher their impact and predict color trends. Outside the ever-changing world of fashion, this is also crucial in automotive design, where car color can make or break a sale.

Copy **Klaus von Seckendorff**

If you ask 10 people what color car they would never own, you will hear all kinds of answers; from bright yellow to restrained white. Their responses, however, do reveal one amazing fact: For most people, there is actually a color that would seriously keep them from buying a particular car. “More than 40 percent of drivers could see themselves switching brands if their car company did not offer the right color,” says Karen Surcina, Color Marketing and Technology Manager at the U.S. coatings giant DuPont.

Colors are powerful. They cast a spell on everyone and shape first impressions. In his 1810 Theory of Colors, Johann Wolfgang von Goethe mused: “Only a few are immune to the charm of colors, which are quite visibly propagated throughout nature.” Colors can whet the appetite or spoil it, put us in a buying mood, or spontaneously trigger feelings of like or dislike. We classify them as warm or cold, and speak in terms of sweet pink or screaming red as though colors could be tasted or heard.

Could people even exist without colors? Throughout human evolution, they have given quick guidance: Red or the combination of yellow and black signified danger from fire or dangerous animals, while green symbolized fertility. The human eye is also highly sensitive to nuances between light and dark, helping television become popular during its early black-and-white phase.

And yet, Goethe’s observation rings true for the colorful world: “The eye needs color as much as it needs light.” This may explain the proclivity for colorful houses in Scandinavian countries, where winters are long, dark and colorless. Colorful diversions apparently keep us sane.

“Colors shape our thoughts, feelings and actions,” says renowned color psychologist Harald Braem. “They have a measurable influence on heartbeat, pulse and blood pressure. They can soothe or provoke fear, cause sensations of hunger and thirst, hot or cold. The perceived temperature in a room painted light blue can be as much as ten degrees lower than in one painted a warm orange.”

Scientists have repeatedly demonstrated the effects colors have on us. At the University of Munich, several hundred school and college students participated in various intelligence tests. Professor Markus Maier found that when people are under pressure to perform, a red coversheet alone is enough to significantly lower their scores compared to different-colored coversheets: “Red signifies failure and thereby triggers avoidance anxiety, as brain wave measurements demonstrated.”

In a market research test, 200 test drinkers were all served exactly the same coffee poured from differently colored pots. 73 percent felt the coffee from the brown pot was too strong, 84 percent felt the coffee from the red pot was aromatic and powerful, while the coffee from the blue pot was described as having a mild aroma. A similar pattern of results was observed by a group of U.S. psychologists, who had test subjects lift boxes of equal weight but of different color. Most of the test subjects were only able to correctly estimate the actual weight (three pounds) of the white box. They estimated the yellow box to be 3.5 pounds and the blue to be 4.7 pounds. The estimated weight of the black box (5.8 pounds) was almost two times that of the white. It may be that common sense alone keeps us from coloring laundry powder or lemon candies brown. But normally anyone wanting to market a product is well advised to study the findings of color psychology.

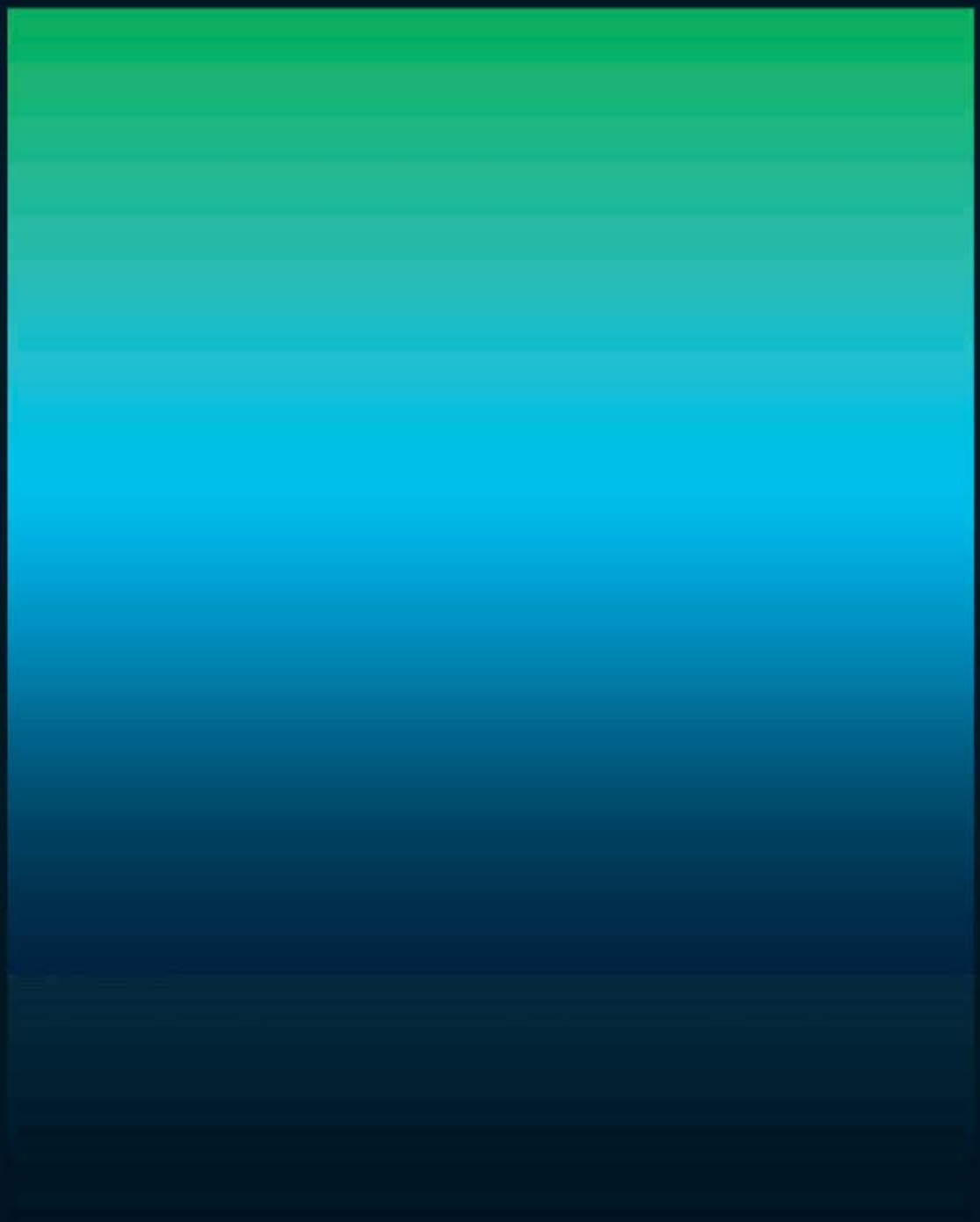
Several years ago, Apple launched a trend by using pure white. Chief designer Jonathan Ive adds: “We didn’t intend any deeper meaning. Some people see our white products as representing optimism for the future. I don’t think they’re entirely wrong.” Right now, however, Apple computers are going more in the direction of aluminum finishes and iPods are becoming ever more colorful. Wherever there is a trend, there is generally a countertrend. “Trendsetters naturally always want to be the first at something. As soon as a trend becomes established, it no longer interests trendsetters,” says Audi color designer ▸

BLACK

Conservative, but always in fashion. Functional not flashy: That's the message communicated by this classic color. Though the color radiates respectability and strength, it also symbolizes death and mourning. That is, with the exception of China, where black is associated with power and money. Black is the color of government vehicles. Dark cars appear more serious and distinguished than light-colored ones.

WHITE

White stands for technological progress, immaculate innocence and pure nature. In Asia, it is the color of sorrow and symbolizes the transition into a new state; rebirth. More popular as a car color in North America and Asia than it is in Europe, where it is on the rise. White cars come across as light and airy. White offers a wide range of hues and shades.



GREEN

Represents health and nature, but also symbolizes envy or inexperience. The evergreen Christmas tree symbolizes eternal life. A safe haven between energetic red and passive blue. A green light signals that everything is OK, that the right solution has been found. Not currently a widespread car color.

BLUE

Used in uniforms, it communicates allegiance to the state and symbolizes loyalty, order and rationality. Considered to be a masculine color, it conveys distance, coldness, but also melancholy (blues). In southern countries, blue window shutters and doors are thought to attract good spirits. Blue (specifically dark blue) is the third most popular car color. Revitalized by metallic colors with turquoise hues.

COLORS MAKE CARS

Painting a car is a complex process. What does it look like when an Audi is dressed up? Find out here: www.audi.com/ar2008/psychology

Sandra Hartmann. The more stylish a product is, the more difficult it is to walk the tightrope between going along with current trends and standing out from the crowd.

At first glance, car manufacturers seem to have an easier time deciding how to handle this challenge: Their products are durable, are developed over many years and, therefore, cannot and should not reflect all fads. Yet this makes it all the more important to anticipate customers' basic preferences for the next five years as accurately as possible. Ute Grönheim from Audi Design sums up this dilemma: "The mind wants something new, while the heart wants the familiar." Fortunately, customers' color tastes only change gradually. Over the last 20 years, they've gone from red, blue and green – all colors experts believe are on the verge of a revival – to silver, the worldwide market leader. Experts also agree that the ever-popular black reflects the current penchant for luxurious purism and has good prospects for the future – not least of all because a lot of energy is being put into giving new nuances to widespread paint finishes. Designers are even working on making pure black shine. Ambiguity is in vogue right now. Nano-particles and tiny, thin metal flakes are being used to give colors the ability to change depending on its exposure to light.

For paint designers, once new designs are exhibited at the International Motor Show (IAA) in Frankfurt, they become "yesterday's trend." Eva Höfli, color designer at BASF Coatings, and her counterparts outside the auto industry are working to discover tomorrow's trend. When stately-white furniture is presented at trade fairs or when the ambience of some lounges is set by using red and brown tones, it gives important insight into social developments. Is white a sign of searching for new values, of concentrating on the essential? Are warm tones good for socially and economically "cold" periods? Movies, advertisement, packaging, fashion and architecture can also give impulse. "Using all this information, we are able to draft what we call 'mood boards,' which reflect the color world in which we want to live," explains Audi color expert Sandra Hartmann. "Trends must be translated into the Audi brand, the specific model and its formal idiom." A business sedan demands different coloring than a lifestyle car. "An Audi A8 in Solar Orange," says Barbara Hondyk from Audi Product Marketing, "would probably not appeal to most tastes. Conversely, this color is very well suited to a sporty vehicle like the Audi S3."

At BASF Coatings, "key colors" are first developed independently of brand image and technical requirements. Work is then carried out with Audi designers to tweak the nuance and effect of the colors. Afterwards, an entire catalogue of specifications for each selected color is issued. Hans Carstensen, in charge of paint shop process technology and planning at Audi, checks the processing capability of the paint lines aided by a team of chemists, engineers and material science experts. His complex tests also check for scratch resistance and resistance to damage from stones and chemicals – characteristics customers expect. One of the tests used to check the ability to withstand all types of climates is the grueling sunbath of a three-year "Florida weathering process" in which key painted panels are exposed to the elements.

At the end of the long journey to series production, the final inspection is made by the Audi Board of Management itself, which is presented with a fully painted vehicle. After years of preparation, the market will actually decide whether or not the color is a success. In addition to questions of taste, there are concrete criteria that also play a role. Exotic paint jobs, for example, can negatively affect resale value. A comprehensive study of used vehicle sales in Switzerland showed that prices can vary as much as 20 percent depending on color. Most of the time, therefore, the power of color triumphs over mundane suitability for everyday use. This does not mean, however, that individual preference is not taken into consideration on questions of taste. A comparison between Asia and America shows just how much influence different cultures and mentalities can have. Sandra Mathia, a designer in charge of the U.S. market for BASF Coatings, observes a predilection for extremes: "In the United States, we see soft, refined and organic surface effects at one end, and very coarse aluminum flakes that give the paint the appearance of depth at the other." Her colleague Chiharu Matsuhara on the other hand has found in Asia that "the wealth of finishing effects is still limited on China's roads. Uniqueness is an important selling point in Japan, where many car companies develop special colors for certain models. Customers tend to seek small cars that match their other 'accessories': car, cell phone and handbag all in cute pink, for instance."

However, anyone who cultivates their fondness to such a radical extent runs the risk of quickly becoming bored with it. In the words of Goethe: The eye needs colors, not the dominance of a single color. Current trends seem to be catering to this need. International studies conducted by coating producer PPG have led their Color Styling Manager Jane Harrington-Durst to prophesize that "the future of the car is a colorful one." ●

Dr. Klaus von Seckendorff works for Süddeutsche Zeitung Wissen, Frankfurter Rundschau and Die ZEIT, among others.

Originality

Fit for an emperor

Purchasing a vehicle is a truly important event in a Chinese customer's life. Audi therefore relies on select dealers like Beijing DAD Automobile Sales (Deaoda) – an emporium with beauty oasis and shopping center. A visit to an unconventional dealership.

Copy Michael Kirchberger
Photos Katharina Hesse

Today is a red letter day in Cai Zhengdong's life. Barely 35 years old, in the Middle Kingdom – where age is equated with experience, wisdom, and prosperity – he is considered to be at a rather foolish time of life. Yet Cai belongs to the China of new values and new prosperity. He has already done well for himself: This design engineer heads a 20-person team at an electrical-appliance factory on Beijing's outskirts. Even so, he is rather nervous when the doors of Beijing DAD Automobile Sales open and senior staff welcome him like royalty. Today, Cai is taking delivery of his new Audi TT. Meticulously polished, his sports car shines in this new glass building near Beijing's 4th Ring Road. Deaoda is one of the largest Audi dealers in the world and one of 125 dealerships in all of China. In 2008, Deaoda sold some 2,300 new vehicles – a year-on-year increase of nearly 10 percent. Shi Guiyuan, President of Deaoda, knows what customers expect from a luxury brand. No less than 28 salespeople go the extra mile in this prestigious complex to anticipate every conceivable wish a visitor might have. This dealership intertwines Audi's typical functional elegance with Chinese ▸

Customers collecting their new Audi. They often spend hours of excitement getting a feel for their automotive dream come true.

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customs. For example, tremendous flower arrangements adorn the tables, creating an atmosphere that facilitates good business for everyone involved. The color red – which symbolizes good luck in China – pervades the dealership. In addition, demonstration and showroom models are not arranged by chance; instead, their placement represents an unwritten code of harmony necessary to promote customer satisfaction and successful business.
The salesroom is immaculate. The new Audi customer Cai Zhengdong himself is visibly impressed. Even the 36 service points in the enormous automotive garage are spotless: There are no tools lying around; no overlooked cleaning equipment. “Our customers expect the utmost in quality and reliability – not only with regard to their vehicles, but also our services,” explains Shi Guiyuan. Even the two stations for welding aluminum vehicle bodies could serve as a setting for a candlelight dinner.

Deaoda’s volume is considerable. During peak periods, the automotive service garage processes up to 400 vehicles a day. On a typical day, 200 vehicles are serviced for the everyday strains of China’s roads. Beijing’s climatic conditions and high levels of particulate matter substantially reduce service intervals: Air filters and engine oil, for example, must be changed relatively frequently. And because Deaoda’s catchment area extends more than 200 kilometers into the surrounding area, many customers who have made a longer journey choose to wait here while having their vehicles serviced.
Reason enough for Shi Guiyuan and his managing director, Ji Hongbo, to realize an unconventional service idea. They set up a shopping center of sorts directly adjacent to the automotive showroom and garage. On the ground floor: an accessories supermarket selling everything from air fresheners through climate-friendly seat covers made of wood balls to tea makers and good-luck dragons; everything a Chinese driver could wish for. Having satisfied their craving for automotive purchases, Audi owners can choose to pamper themselves just one floor up. An escalator whisks them into a beauty oasis and entertainment area, including a hair salon and massage clinic as well as a shoe-repair shop, a leather boutique and a clothing store. Visitors can also turn a few fast laps on a model-car racetrack; billiard tables offer an opportunity for relaxing concentration. This emporium also houses a cyber café. Anyone still looking for a diversion can seek out the in-house movie theater to enjoy the latest Hollywood blockbusters. “We have plenty of parking spaces,” adds Shi Guiyuan with a laugh. “Some customers are

04

01 **Even the service garage sparkles at Deaoda in Beijing.**

02 **This emporium offers much more than just cars.**

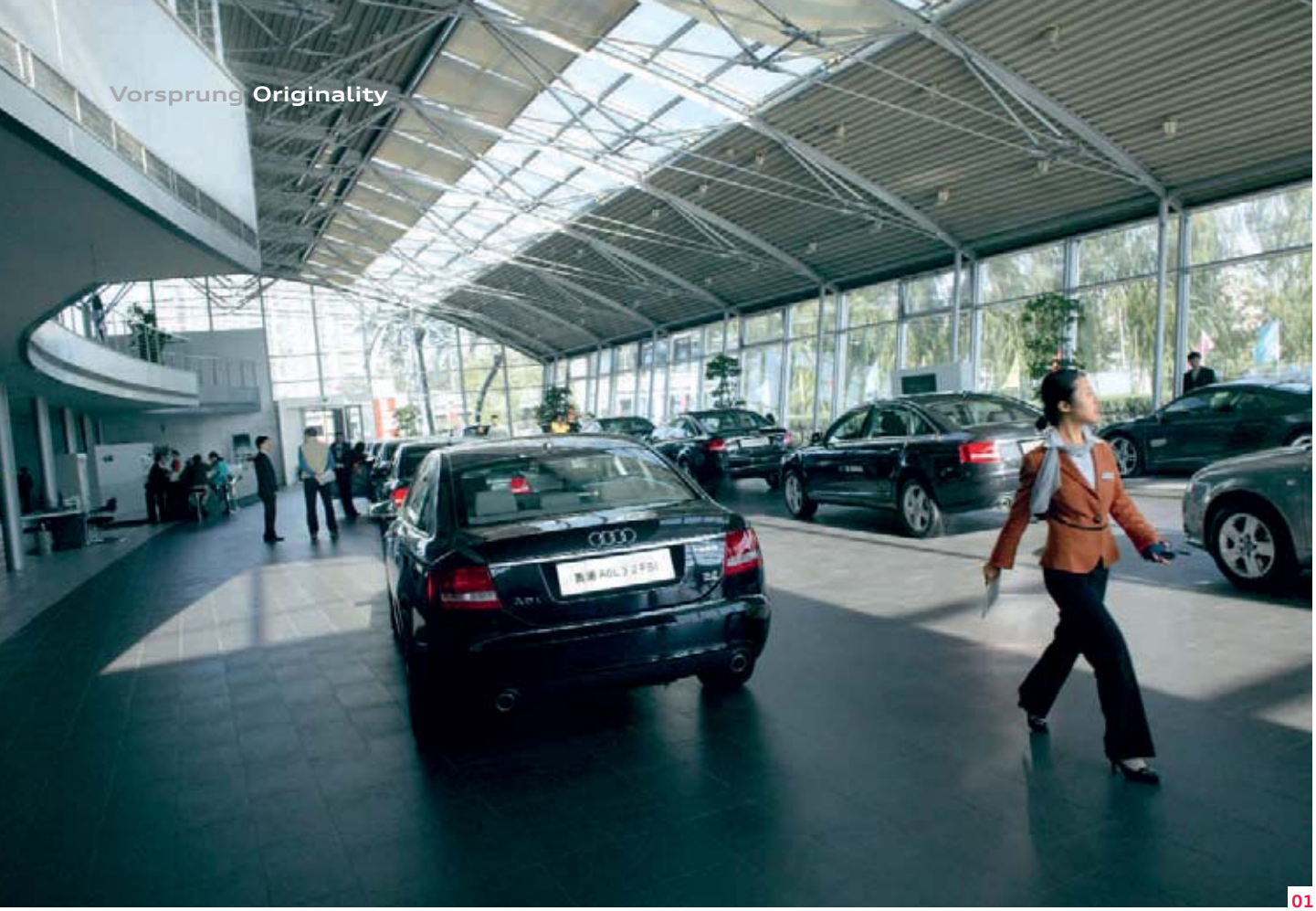
03 **Customers can also make use of the time to get their hair done.**

04 **Air fresheners, seat covers, good-luck dragons: all available at the accessories supermarket.**

happy to stick around for quite some time, be it to catch the end of a movie or to challenge someone to a rematch of billiards – long after their car has been serviced."

If a customer doesn't want to wait at Deaoda, he is given a complimentary mass-transit pass. A collect and return service in roomy chauffeur-driven A6L sedans is also available to customers. Deaoda is open from 7:30 a.m. to 6:00 p.m., seven days a week. In an aspiring economic power such as China, there is simply no time for days off. Service personnel remind customers of upcoming appointments by text message. Shi Guiyuan has 30,000 addresses of existing and potential customers. 20,000 come regularly to have their vehicles serviced or simply to while away the time. They appreciate the inviting atmosphere, the chance to find out about new models and enjoy dreams of increasing prosperity.

For many customers, their first encounter with their new Audi is a truly special experience. Until recently, more than a few of them had been getting around on just two wheels; for others, first automotive experiences were spent in meagerly equipped compact cars. The "Audi experience" is terra incognita for them. Therefore, ▸



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01 **Bathed in light, the showroom models gleam in the stylish Audi hangar.**

02 **Customer service: No Audi leaves Deaoda without bottles of mineral water bearing the Audi logo.**

all new customers get a three-hour orientation session, concluding with a test drive in their new vehicle. Even the technically well-versed Cai Zhengdong remains intent as he takes in the flood of information. Yet sometimes questions remain unanswered. Ji Hongbo recalls a customer who – six months after purchasing a new Audi A8 – complained that the suspension was too sporty for him. "He left here a happy man after we showed him again how to use the MMI module to switch the suspension from Sport mode to Automatic or Comfort."
It's thanks to companies like Beijing DAD Automobile Sales and managers like Shi Guiyuan and Ji Hongbo that Audi has seen such rapid growth in the Far East. Ever since it went into partnership in 1988 with what is now known as China FAW Group Corporation in Changchun in the north of the country, the brand has been very successful in China, where more than 100,000 Audi vehicles are now sold each year. The A6L, the long-wheelbase version of the full-size sedan, accounts for 65 percent of sales at Deaoda. Second place goes to the A4; preferably with a powerful engine. The TT and the A5 are especially popular among Chinese women, points out Ji Hongbo. She places great hope in the new Audi Q5, which will soon be produced in China as well. "The Audi Q7 is doing fantastically, yet is primarily driven by men. We have already received a lot of enquiries about the Audi Q5 – mostly from women."

Shi Guiyuan relies on unusual tactics to make sure that customers remember him and his business. Soon after his dealership opened in 2000, he decided that no vehicle would leave the lot without 12 bottles of mineral water in the trunk. The labels are emblazoned with the logos of Audi and of Beijing DAD Automobile Sales. Moreover, he explains, a fourth story is soon to be added to the building. They could certainly use the space, he says. But more importantly, he wants Deaoda to be even more visible from the ring road, where hundreds of thousands of vehicles pass by every day! ●

Michael Kirchberger is a freelance automotive journalist and works primarily for Frankfurter Allgemeine Zeitung.

3 x VORSPRUNG IN 3 min.

Anniversary: For over 10 years the company has been manufacturing cars alongside engines in Hungary.

Growth trend: The A4 and A6 models are built in Aurangabad.

01

15 YEARS OF AUDI HUNGARIA

15 years of growth and consistent success: AUDI HUNGARIA MOTOR Kft. in Győr, Hungary, celebrated a notable anniversary in spring 2008. By the end of 2008, over 16 million engines had been built at one of the world's largest engine plants since production started there. Car manufacturing operations also reached an auspicious milestone: Over 400,000 vehicles have left the Győr assembly line since 1998. On a site extending over more than 1.6 million square meters, the Hungarian plant currently turns out up to 7,000 engines and 300 cars per day. Alongside the Audi TT models, the A3 Cabriolet* is assembled here on behalf of AUDI AG.

02

PRODUCTION KICKS OFF IN INDIA

Production for the Indian market has started in Aurangabad, a city located in the state of Maharashtra, where the Audi A6 full-size sedan has been built since November 2007. An assembly line for a second successful model, the A4, went operational in the fall of 2008. With this move, AUDI AG is maintaining its growth trend and investing in the future of one of the world's most promising auto markets.

03

20 YEARS OF AUDI CHINA

AUDI AG's highly successful partnership with what is now known as China FAW Group Corporation (FAW), China's oldest automotive business, goes back over 20 years. Timed to coincide with its anniversary, the cornerstone for a new production hall was laid at Changchun in June 2008. The extra capacity is being created in response to rising demand for the A6 L and A4 models. Production of an A4 L long-wheelbase version exclusively for the Chinese market began in late 2008, and as of 2010, the Audi Q5 will also be also be built there. Next to Germany, China is Audi's largest sales market, with over 100,000 cars sold each year.

Breaking new ground: a new production hall in the making at Changchun, China.

Photos: AUDI AG

* Fuel consumption and emission figures at the end of the Annual Report.

When not on stage, Juan Diego Flórez (here at London's Royal Opera House) is devoid of attitude. His breakout role: the cocky tyrant Corradino in Rossini's "Matilde di Shabran."

Precision

Scaling the heights

The critics are raving, the audience is captivated: With incredible ease and precision, the young tenor Juan Diego Flórez climbs up the scale. The infamous high C is his specialty. A portrait of a vocal powerhouse.

Copy Teresa Pieschacón Raphael
Photos Michael Clement

London, Covent Garden. The venerable facade of the Royal Opera House shines in the midday sun. The world-famous opera house is the setting for works of great pathos, where dramas of love, jealousy and betrayal are played out night after night. Spectacular theater that tells the age-old story of life and death, and the struggle between good and evil. But opera is pure illusion and backstage, there's not quite the same kind of magic. Instead there's a hive of activity, people going to and fro; a cardboard box full of scores here and over there, costumes hanging on a rack. Even the artists' dressing rooms look functional, a sink, a long mirror, a box of facial tissues, two plastic chairs, a clothes rack and a piano. And this is exactly where we have arranged to meet the new star tenor Juan Diego Flórez for an interview.

He's already there. He reticently shakes my hand – there's none of the joviality that many of his colleagues are known for. Another rehearsal this morning – three hours long – and in just a few days, Flórez will be back on stage as the cocky tyrant Corradino in Gioacchino Rossini's opera "Matilde di Shabran," a role that made him famous overnight. "I'm probably the only one who sings this part," says Flórez not without pride. It's a fierce role with numerous coloratura and a high tessitura dreaded by many a tenor.
No wonder the 36-year-old Peruvian is booked up until 2015. "Yes, yes, the high C," says Flórez with a smile as he strokes his narrow chin with its fashionable goatee. "The high notes really electrify people." But he can only fathom a guess why. A tenor's voice certainly sounds "different" – for many even erotic. Flórez thinks it might also have something to do with the tenor roles themselves. After all, who wouldn't fall for a nobleman, a prince or even a hero? Flórez himself says that navigating the way through his upper voice "is cathartic: It's like entering another dimension."

Anyone who has ever heard this seemingly unpretentious tenor sing "Una furtiva lagrima" from Gaetano Donizetti's opera "L'elisir d'amore" has gotten a peek into this other dimension. Flórez's artistry flows out during this introspective romanza like a waterfall of emotions, cascading down on his listeners – every note like one "furtive tear" that drops back to the last row of the parquet. But all stops are pulled out on this operatic heaven-on-earth when Flórez offers up "Ah! Mes amis" – the well-known and notorious aria from Donizetti's "La fille du régiment" with its many high Cs. Brilliant silver tones like those of a trumpet appear on the horizon, igniting an absolute fireworks display of color and embellishments. How effortlessly the tones seem to flow forth from a man that arts reviews have come to call the tenor "the world has been waiting for."

Rossini, however, would have seen it differently. In 1837, when the composer heard the first high C emerge from the mouth of the tenor Gilbert Duprez, he was so horrified that he compared the tone to "the shrieking of a castrated rooster whose throat is being cut." As Flórez explains: "In the ▸

01 The pressure forces him to be even better, says Flórez, getting ready for his performance back in the dressing room.

02 Backstage, the set is being built up – perfecting the evening's illusion.

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"Navigating the way through my upper voice is cathartic: It's like entering another dimension."

Juan Diego Flórez

past, singers used their natural voices up to a certain register and then switched over to falsetto, or pure head voice. The result was a very placid tone. Duprez was the first tenor to sing the high C using his full voice, or from the chest. In other words, naturally. That sounded very aggressive back then." Even so, Duprez started a veritable revolution in singing technique, the likes of which have not been seen in any other voice category, and which led another composer, Hector Berlioz, to rave, "The tenor is a creature not of this world."

"Oh dear!" laughs Flórez. "You never know with Berlioz exactly how serious he was when he made that statement." As for Flórez, he's down-to-earth. "I try to sing without any hint of affectedness." The South American likes to compare his singing technique to driving a sports car: "The various registers I sing in are like the gearshift. When I start to move towards a high note, then I will probably have to shift into fourth or fifth gear. I use a special breathing technique to exert just the right pressure, just as if I were stepping on the gas pedal. Air is the singer's gasoline: You have to use more and more air to reach the high notes, while the diaphragm compresses and the body contracts. I have to keep the pressure on and find the right balance. This is the secret of high notes." Flórez was trained in this technique. First in Lima, where he grew up as the son of a folksinger, and then from 1993 at the renowned Curtis Institute of Music in Philadelphia.

When the world's most famous tenor, Enrico Caruso, was once asked the secret of his extraordinary success, he replied: "A big chest, a big mouth, 90 percent memory, 10 percent intelligence, a lot of hard work and a little something in the heart." Flórez smiles. He would add intelligence and heart to the formula, though he will not and

BEHIND THE SCENES
Juan Diego Flórez is a likeable opera star. Find out for yourself: www.audi.com/ar2008/precision

cannot compete with Caruso's enormous chest, which Caruso could allegedly expand so that he was able to push a grand piano several inches along the floor. He obviously doesn't resemble the stocky, bull-necked prototype tenor of those days. This "tenore di grazia" with his elegant, flawless voice seems predestined for the operas of Rossini and Donizetti. He prefers to sing the roles in their original settings; the smaller theaters for which operas were composed. That's where he believes his voice can be heard at its best: "You can keep the voice very focused and don't have to push. But I also like singing regularly at the major houses such as London's Royal Opera or New York's Metropolitan Opera, which seats around 5,000 people."
Basically, the preparation is all the same. "That's also like driving a car: You can drive the same car through a city, on country roads and the highway or on a racetrack. It's all great." He only uses a microphone for open-air concerts, as do all singers.

Flórez's breakthrough came in 1996 at the Rossini Festival in Pesaro, Italy. The then 23-year-old had to fill in for a sick colleague in "Matilde di Shabran." With only a few days to learn and rehearse the role, he was celebrated as a spectacular new discovery. He's had the audience captivated and critics raving ever since. Though praised for his elegant dramatics, his brilliant high notes and perfect phrasing, people's expectations are always growing. "I do feel the pressure," admits Flórez. "But it also forces me to be even better. Each performance is like a test."
Of course, he has to watch out for his health, but he isn't one of those singers who panic at the first sign of a draft. Stages, however, are very dry and full of dust. Ever the consummate professional, during performance he drinks "green tea, tea and more tea." Regular vocal exercises, often without that difficult high C, keep his vocal apparatus flexible and disciplined: "I still continue to record myself, for study purposes," says Flórez.
Even so, he sometimes feels like he is standing at the brink of an abyss: "There are passages in "Matilde di Shabran" that are rich in coloratura and very high notes. It's like driving at 240 km/h. Everything must be very fast, very accurate. You have to be 100 percent in the moment: You can't afford to be distracted for even one second." ●

The opera journalist Teresa Pieschacón Raphael has been following Flórez's career ever since she first heard him sing live many years ago.

Frank Dreves, Member of the Board of Management for Production, AUDI AG

Precision
to me means ...

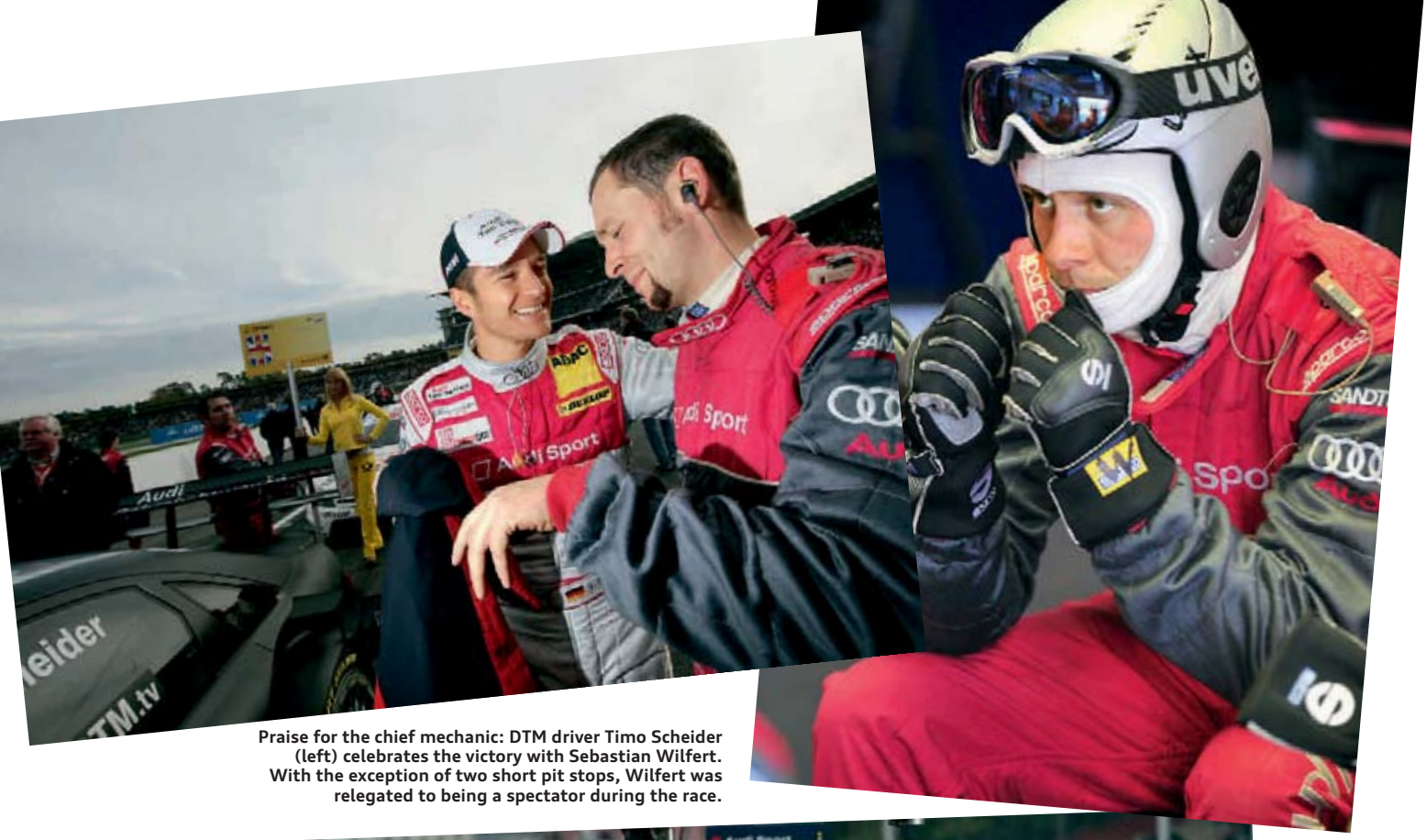
... more than just tight seams and small radii. For me, it's a motivating force that I passionately promote and demand every day – from myself and everyone else. It's precision in large and small objects alike. It's the idea that every single detail counts – always!

Precision is a fundamental value of the Audi brand. It shapes the quality of our cars, their precise handling and their inherent sportiness. Precision is everything that customers experience with their senses; what they can see, hear, feel and smell. By selecting premium materials and working them to exact specifications, we create that unique beauty that sets Audi apart.

Precision leaves no room for compromise. That's why we also pursue the same quality behind the scenes – in our tool-making shop, in engine production, body construction and in vehicle assembly. Precision is an Audi principle that applies from the very first design step all the way to the final check of the finished vehicle. Production at Audi actively contributes to precision in all phases of product creation.

I'm never satisfied with past achievements. For me, each individual production step and every component on the car demands an even greater level of precision. I never stop working on something until everything fits together precisely.
I see the same passion, the same sparkle in the eyes of our employees. In line with our continuous improvement process, they continue to question the status quo in order to make things even better. This is our very special strength – it's what Audi is all about.

Photos: Gideon Marshall, AUDI AG



Praise for the chief mechanic: DTM driver Timo Scheider (left) celebrates the victory with Sebastian Wilfert. With the exception of two short pit stops, Wilfert was relegated to being a spectator during the race.

Winning mentality

“Timo wanted this title.”

Audi successfully defended the DTM title in the 2008 season. Winning driver: Timo Scheider. One of his closest associates, chief mechanic Sebastian Wilfert, provides insight into the microcosm surrounding the racing driver during the season.

TOP OF THE PILE
A portrait of Timo Scheider. The likeable DTM champion talks about his recipe for success:
www.audi.com/ar2008/winningmentality

What a year: tension, work, 11 races, wins, defeats, then the title – and a very special one at that. It was the first time Timo Scheider won the German Touring Car Masters (DTM) and the first time I was directly involved in such a victory. I have been working for Audi Motorsport in the DTM for four years now, the last two years on Timo's car. But 2008 was my first season as his chief mechanic. If asked to characterize Timo, there are a number of traits that would spring to mind: friendly, funny, active in the community, honest, focused, ambitious and fair – both to us and to his opponents on the track. He never thinks of me and my colleagues as just the mechanics working for him, but cultivates a truly friendly relationship with us. And he takes it farther than anyone else: One race weekend, he surprised us with a game console; another time he gave each of us a mountain bike as a token of his gratitude.

This go-to attitude has had a direct influence on our interpersonal relationships. In principle, Audi mechanics have to perform the identical program to prepare each Audi A4 DTM for the race. The differences lie primarily in the individual setup requested by each driver. So on race weekends, we use Friday, Saturday and Sunday morning to test the car. But well before that, Timo Scheider, his engineer Armin Plietsch and the entire Audi team give a great deal of thought to the optimal setup of the A4 DTM, making our work more transparent and easier. There is a clear focus on efficiency.
There is a palpable and perceptible crescendo of emotions as the race weekend progresses into Sunday. When Timo climbs into the car on Sunday afternoon, we spring into action again. As I close the door behind him, all the hype and stress surrounding the television cameras, photo cameras and guests comes to an abrupt halt. After everyone has left the starting grid, only a single mechanic remains standing at each vehicle with a starting battery to ignite the car. That's what I do for Timo. It is the last chance we have to look each other in the eye. The next time will be in parc fermé, the enclosed area of the racetrack where the cars are parked following the race. We had plenty of opportunities to offer our congratulations this season.

The tension mounts on the way from the starting grid back to the pit area. It's a strange situation for those of us on the team: First of all, there is nothing more we can do to help Timo until he pits. Other than the two pit stops that last just a few seconds, we are relegated to being nothing more than spectators. Of course, we can't enjoy the race the same way the fans in the stands do. I cheer Timo on, listen to his comments on the radio and eagerly follow events on the monitors. There are moments of pure joy – such as during the final race at Hockenheim, when Timo pulled away from his greatest rival at the start. But the DTM is a rollercoaster of emotions: In Mugello, Italy, we had to stand by helplessly as Timo false-started, received a drive-through penalty and fell far behind.
Situations like these prove one thing above all: that racing drivers are people and not robots. And each of us gives 110 percent to achieve everything for our driver and the Audi brand.

"Timo entered purposefully – and that was exactly how he drove the race."
Sebastian Wilfert, chief mechanic for Audi driver Timo Scheider

The final DTM race was a powerful demonstration of how strong we can be. After qualifying, we realized that Timo's car was seriously damaged. He had gone all out, but ran off line on one of the corners and his car bounced over the curb. When the car landed, there was quite a bit of damage, which meant we had to change the engine on the night before the race. Almost the worst situation imaginable. But the other Audi drivers' mechanics were happy to help and worked hard with us late into the night. The repairs were finished at around four in the morning. Everything was fine; the work paid off. The Audi A4 DTM was perfect during warm-up the next morning – just as it was during the race.

Timo was completely focused on victory and winning the title. Neither hectic, nor anxious, his will to succeed was palpable, which had a calming effect on the team. His arrival in the pits testified to his expectations: He entered purposefully, was single-minded and didn't have to say much. Everyone understood what was at stake. And that was exactly how he drove that decisive race.
The first cause for celebration was in April when he finished first in Oschersleben, Germany. Timo's second win was at Brands Hatch, Great Britain. And it all came down to the final race of the season at Hockenheim, Germany. Timo and his rival for the title were almost level on points. After the tremendous start, it remained extremely close at the front. That meant that our pit stops, again, had to be perfect. The pressure seemed to make us stronger. We completed each stop in slightly more than three seconds, thereby helping Timo Scheider cross the finish line in first place. ●

Reported by motorsports journalist Mark Schneider, who has long accompanied the DTM both in front of and behind the scenes.

Photos: AUDI AG

3 x VORSPRUNG IN 3 min.

01

AWARD-WINNING

More than 90 awards worldwide paved the Audi brand's road to success in 2008. The year kicked off with the reader poll staged by the trade magazine auto motor und sport, which saw four Audi models – Audi A3, A4, A6 and R8 – finish top of their respective categories (issue 4/2008). In the Chinese edition, the Audi A6L and Audi Q7 were also voted "Best Cars" in addition to the R8 (issue 2/2008). The Audi A4, A6 and R8 were all winners of the 2008 Auto Trophy awarded by Auto Zeitung (issue 25/2008). The Audi A4 was also voted "Auto 1 of Europe" by the readers of Auto Bild (issue 10/2008). The Audi Q5 received the Golden Steering Wheel (Bild am Sonntag, issue 45/2008) in December, having already picked up the "Euro Car Body Award" for its innovative body (October 23, 2008). AUDI AG also won the coveted "Yellow Angel" from ADAC's "AutoMarxX" image and brand study (ADACmotorwelt, 2/2008) and the J.D. Power Asia Pacific 2008 China Sales Satisfaction Index (SSI) Study℠ (August 28, 2008).

Audi boss Rupert Stadler receives the coveted Golden Steering Wheel for the Audi Q5.

02

NEW PRODUCTS

The Audi model family grew significantly in 2008: New additions were the TT TDI, TTS Coupé and Roadster, A3 Cabriolet, S3 Sportback, Audi Q5 and Audi Q7 V12 TDI. Successor models to the Audi A4 Avant, the sporty S versions of the A4 and the Audi RS 6 were also presented. The A3 and A6 core model series with their numerous sporty derivatives also underwent extensive model update measures.*

One of many new models in 2008: the Audi A4 Avant*.

03

AUDI CONCEPT CARS 2008

In 2008, the Audi brand again produced some fascinating and visionary autos, starting with the Audi R8 TDI Le Mans, a high-performance road machine. Next, the elegant and powerful Audi Q7 V12 TDI coastline made its debut in Geneva. In May 2008, the A3 TDI clubsport quattro made a confident showing at the 27th Wörthersee Tour. In exhibiting the Audi A4 TDI concept e and the A1 Sportback concept show car at the Paris Motor Show, AUDI AG demonstrated a new approach to efficiency, dynamism and driving pleasure.

Smallest Audi: The A1 Sportback concept show car was unveiled at the Paris Motor Show.

* Fuel consumption and emission figures at the end of the Annual Report.

Photos: AUDI AG

Charisma

Global cities

Montreal, Sydney and Cape Town confidently set trends and cultivate their unique characters. Short stories by young literati have captured what it is that makes these cities tick, while a photo gallery of Audi's latest models accompanies readers on their journey through these metropolises – this is no ordinary declaration of love.

Montreal 01

The sensuous

Sydney 02

The mysterious

Cape Town 03

The multifaceted

"All three stories are like road movies."

Sorin Morar, 36, photographer, traveled around the world to capture the personalities of the TTS, A3 Cabriolet* and A4 as they unfold within the urban context of three world metropolises. "At times the car is in the foreground; at others in the background. And sometimes it disappears altogether – a fascinating play of images."

Illustration: Matthew Cook

The colorful shop windows of Mile End reflect tree branches, most of whose autumn leaves have already fallen.

01 Montreal, the sensuous

Mile End is a creative melting pot. Moving amidst art and design, the TTS is at home in the streets of this quarter. The multicultural flair north of Mont Royal, Montreal's landmark mountain, opens the eyes to something new.


OUVERT
ATM
INSTACASH

“The air smells of dried leaves. Up and down the street, there’s life and movement, like when I was a child.”

The plentiful fall harvest brings the colors of an Indian summer into the city’s market halls.

Clockwise

The city wind twirls the autumn leaves through the streets of Montreal.

The traditional eatery Wilensky is famous for its sandwiches.

The smell of foreign spices; the sound of foreign languages. Mile End has many faces.

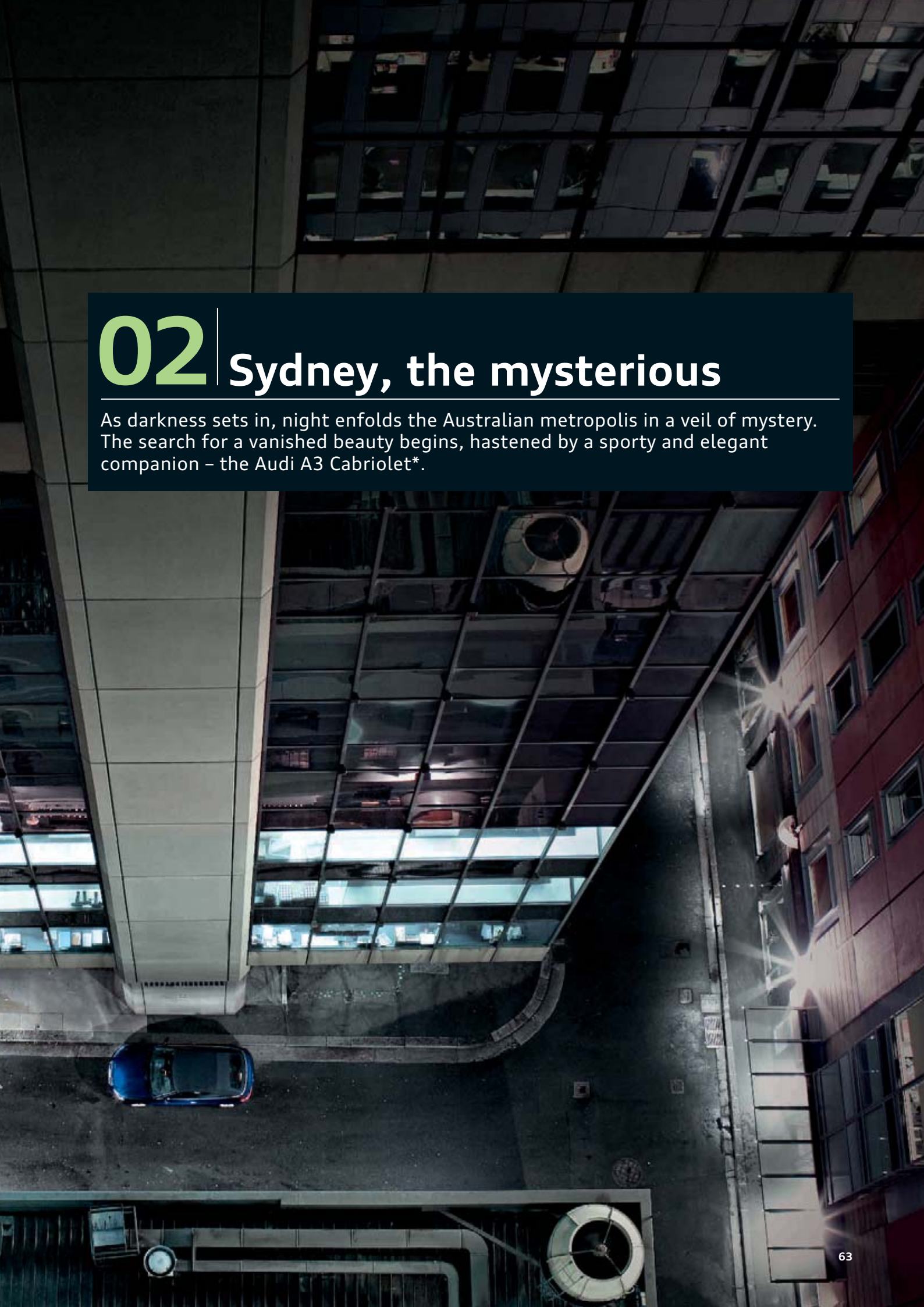
Nature isn't the only one who likes to play with color. Life in Mile End, Montreal's artist district, is colorful.

The autumn sun's rays break through the canopy of the trees.

"I imagine the city in superb detail and when I open my eyes I want the city to look back at me, to meet me halfway."

Moving along steel and glass facades, a fleeting glance into the depths is greeted by empty streets, by shadows and light; by elegance.

* Fuel consumption and emission figures at the end of the Annual Report.



02 Sydney, the mysterious

As darkness sets in, night enfolds the Australian metropolis in a veil of mystery. The search for a vanished beauty begins, hastened by a sporty and elegant companion – the Audi A3 Cabriolet*.

Clockwise

Shadows fill the streets of Sydney at night, penetrated only by the light of street lamps.

Hidden well below the city's powerful foundations, underground tunnels and passageways lead to places long since forgotten.

Office lights transform the facades of city skyscrapers into works of art – or are they secret messages being sent in Morse code?

The movements are only fleeting shadows.

“She was always trying to find out what the city was hiding. She wasn’t happy with its dazzling beauty. But beneath the surface there was only another surface.”

The night-time tangle of roads, bridges and underpasses is deserted – almost.

Sydney doesn't come alive again until nightfall – inviting another encounter.

03 Cape Town, the multifaceted

Anyone willing to tear themselves away from the city's picture postcard perfection will discover the raw side of the South African metropolis. A city buffeted by history. A city that also invites the Audi A4 to leave the beaten tourist paths.

Old cargo ships are overhauled in the dry docks of the port. The A4 rests without a sound in the shadows of the rusty giants.

Within sniffing distance of two oceans, a colony of black-footed penguins: The A4 nestles within the city walls.

Clockwise

If the trip should take you along a luscious, grassy hillside, you might catch a glimpse of the grazing quaggas, early relatives of the zebra.

A tour through Cape Town is rich with new images, fragrances and sounds at every turn. Some impressions, however, remain unforgettable.

Porcelain-blue heavens meet the dunes of the expansive beaches framing the sea.

Goodbye paradise: Cape Town, where the Atlantic meets the Pacific, is considered one of the most beautiful cities in the world.

Local Stories

What defines a metropolis? Three young writers use suspenseful, melancholic and whimsical short stories to describe their hometowns for the Audi 2008 Annual Report. A separate booklet for your enjoyment.

Authenticity

“Today, everyone’s so exalted”

Clint Eastwood is a Hollywood legend. Movies like Unforgiven and Dirty Harry established his tough-guy reputation. At a ripe old age, when many people’s minds are on retirement, this multitalented artist has reinvented himself. As a director, he has tackled hot social issues and taken a clear stand. A true original.

Copy **Holger Christmann**

How do you remain successful over a 40-year career? By staying true to yourself and continuing to stretch. Clint Eastwood has done both. He was the star of Spaghetti Westerns before he became Dirty Harry – “a role I really enjoyed.” Later on, as a director, he began to develop characters a gunslinger and cop wouldn’t have been interested in: the victims of violence. “I’m not that good at introspection, but I do think that the secret is to continue to be interested in new things and to keep moving forward. I’ve always worked and always continued to learn something new,” he muses while looking out the window of the Mission Ranch restaurant, a historic farmhouse in Carmel, California that he bought and renovated some 20 years ago. He’s 78 now, but still looks as good as he did in his earlier films; though maybe with a few more wrinkles; leathery skin and graying hair.

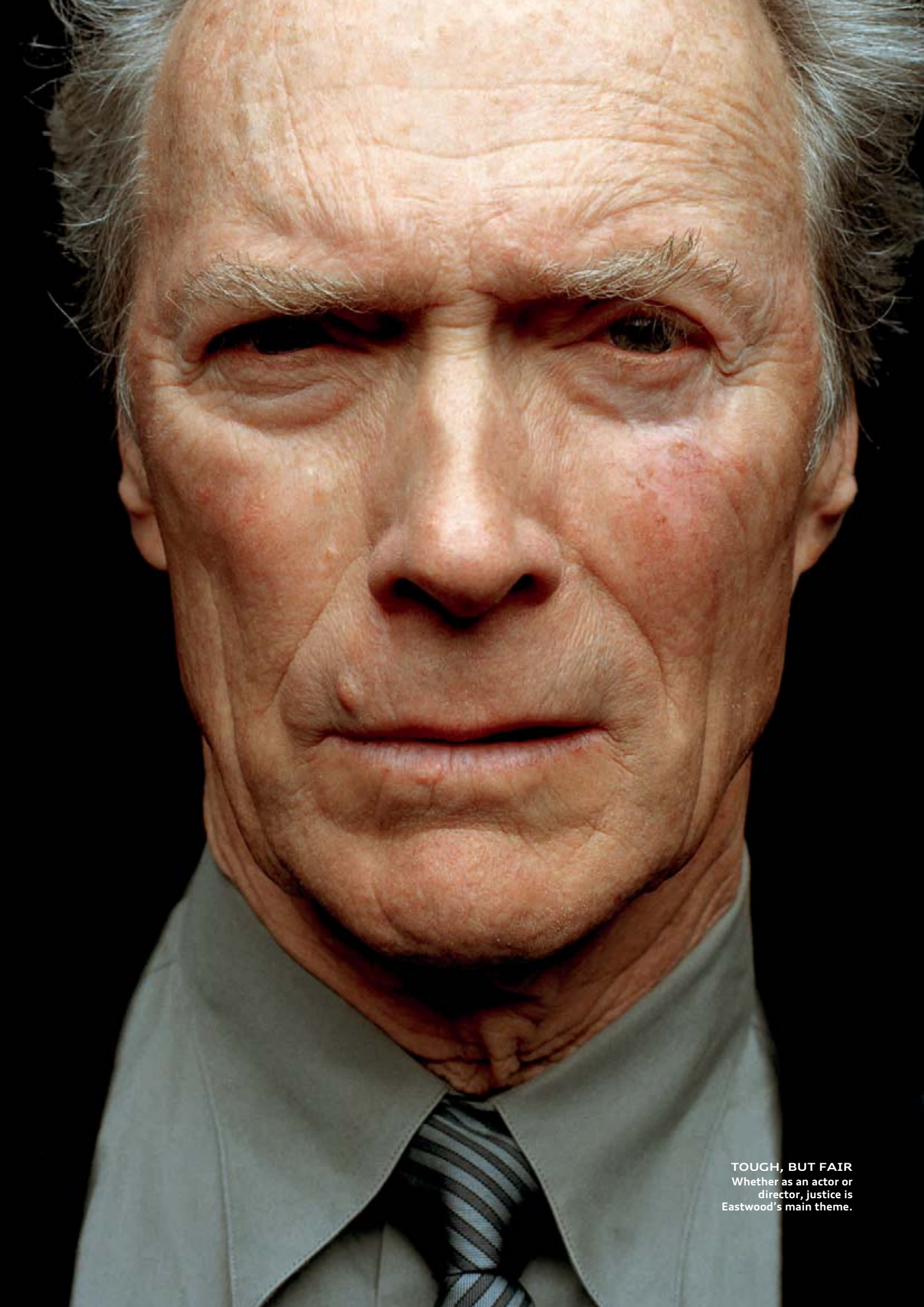
Eastwood lives and entertains in Carmel situated on Monterey Bay, which was once home to Ernest Hemingway and John Steinbeck. In the 1980s, he served as the town’s mayor for three years: “I got mad at the authorities a couple of times, and then someone asked me why I didn’t run as a candidate myself. But it wasn’t a long-term stint.” Today, there’s only one thing he’s looking for in Carmel: peace and quiet. He lives with his second wife Dina, a TV journalist 35 years his junior, in a house with a panoramic view over the coast. He calls it his sanctuary; a scenic place where he can kick back and enjoy taking a ride along the famous coastal highway in his Audi Q7 or A8. His wife drives a TT. Though Eastwood likes cars, his passion is golf. He plays like a pro and his 11-point handicap puts him up there among the top ranks of the Hollywood elite. Every year, he invites colleagues and other celebrities for a showdown at the AT&T Pebble Beach National Pro-Am. He’s done everything but make a movie about golfing. “A few directors have tried – including me – but it just doesn’t give you an angle to develop any conflict,” he says. “Golf isn’t suited to high drama.”

Eastwood is a complete stranger to artifice. He seems to find his strength from within, not from boasting. “There are some people who exude an exaggerated, almost arrogant self-confidence,” he says, sipping his wine. He’s always been suspicious of those types. When his colleagues express their surprise that he seems to be completely unaware of his stardom, he counters: “Everyone wants to be a star these days. But that’s not enough. They don’t just want to be a model – they have to be a supermodel. Today, everyone’s so exalted.”

Eastwood combats this with a sense of reality and modesty that has only served to enhance his reputation among colleagues. Actors rave about working with him, using old-fashioned terms like decency and integrity. One actor in Mystic River said: “Eastwood is the only American icon who’s not a disappointment.” There are a lot of managers who could take a lesson from his management style and efficiency. On the set, Eastwood doesn’t yell “Action!” Instead, he describes precisely what it is he wants to show. “Start when you’re ready,” he’ll add casually. That takes the pressure off, giving the actors room to flourish. Typically, everything comes together on the first take: Eastwood rarely needs to shoot more than three takes of a single scene. “If an actor knows that it’s only going to start counting after the 19th take, then he doesn’t really need to make an effort,” says Eastwood. This means the director has to be extremely well prepared. There is a positive byproduct: significant cost-savings. While production budgets of 100 million U.S. dollars are the norm in Hollywood, Eastwood usually gets by on less than 30 million.

Outside, the Pacific breaks onto the sandy white beach. Could Eastwood’s unassuming style possibly be the product of his upbringing? Born in 1930 in San Francisco during the midst of the Great Depression, he grew up in humble surroundings. After high school, he worked as a wood cutter and gas station attendant before joining the army in 1951 and becoming a swimming instructor. While in the army, he met an actor who advised him to take his good looks and athletic build to Hollywood.

Eastwood smiles when he thinks back to his audition at an acting school in Los Angeles. “There were 40 girls, most of them attractive, and seven guys. I said to myself: ‘I don’t care what it costs. This is the place for me.’” He reflects for a moment and smiles. “Everyone needs some kind of motivation.” He got a few small roles, including that of a jet pilot in Tarantula (1955) – the oxygen mask covered his ▸



TOUGH, BUT FAIR
Whether as an actor or director, justice is Eastwood's main theme.

face – until a studio boss decided that Eastwood's Adam's apple was too large, which put a temporary stop to his career. He eventually landed a role in the TV western Rawhide and attracted the attention of Sergio Leone, who hired him for his Italian western. Together they became world-famous. From the start, Eastwood realized that less is sometimes more. "There was a scene where a woman asks my character why he rescued her. The script called for an endless answer. The guy talked about his mother and took all kinds of digressions, not really winding up anywhere at all. The more the character talked, the less interesting he became. I was able to convince Leone that only second-rate movies used dialog to express everything, and I rewrote the scene. Now the answer is: I hate injustice."
"I'm more talkative in real life, though," Eastwood adds, smiling again.

Limiting himself to just a few terse sentences together with his unshakable coolness has become his trademark. One of his fellows expressed it this way: "Eastwood only has two facial expressions: one with the hat and one without it." Do those movies seem silly to him today? He thinks about it a moment, his eyes narrowing into small slits as they did in A Fistful of Dollars. "No. Anyway, you shouldn't regret anything. I actually had a lot of fun doing it," he says. Some lines still appeal to him, including the one cynical police inspector Harry Callahan (Dirty Harry) used to provoke the bad guys: "Go ahead. Make my day." Even then, it was important to Eastwood to question the boundaries between good and evil and shake up conventional wisdom – which is precisely what he has been doing over the past years in his critically acclaimed work as a director. The only difference is that he was fighting crooks back then. Today, as a director, he shows the victims some sympathy. Mystic River tells the story of three boyhood friends whose lives were shattered by a crime, ultimately ending with a revenge murder. In Million Dollar Baby, which won four Oscars, a female boxer is brutally attacked in the ring, breaking her spine and crippling her. The movie tells her harrowing story of suffering that ends in euthanasia. Flags of Our Fathers and Letters from Iwo Jima both portray a famous battle in World War II but from two different viewpoints – dispelling any conviction that the United States was the hero.
It is now late in the evening and Eastwood says goodbye. After 78 years, he has finally found a positive hero. He's going to make a movie on the life of Nelson Mandela, and is flying down to South Africa in spring 2009 to begin filming. But it wouldn't be like Clint Eastwood to make a big to-do about it. "There are good stories and good scripts that interest you," he says with his typical understatement. "When one grabs you, then you make it." ●

Holger Christmann was developer and project manager of Park Avenue lifestyle magazine. Today, he works as a freelance author.

Dr. Werner Widuckel, Member of the Board of Management for Human Resources, AUDI AG

Being authentic to me is …

… the epitome of distinctiveness. Being authentic means being credible, saying what one thinks and doing what one says. This has a particular meaning here at Audi. Working to take the lead and staying ahead means leaving behind familiar, well-worn paths and thriving on the resolve to distinguish oneself from others by being "better." Anyone who wants to take the lead and stay there must repeatedly answer the questions: "What do we stand for? What distinguishes us from the rest – today and tomorrow?"

Being authentic means standing up for your convictions with courage, passion and competence. It is about setting trends, not following fashions. These qualities shape our corporate culture, our brand development and the way our customers perceive us. This is most readily visible in our products.

Anyone who wants to be authentic has to live an outward life that resonates from his inner being. Courage, passion and competence can only be lived out in an organization that is defined by its appreciation of commitment and performance, respect and open debate, and which is focused on collective goals. Promoting the development of employees to improve performance and sharing successes with employees rather than claiming them as one's own are therefore essential traits of a management culture seeking to live the leadership role credibly. Only when a company provides the space for people to deal and behave authentically, will it be truly authentic.

4 x VORSPRUNG IN 4 min.

01

AWARD-WINNING AUDI R8

Doubly successful: The Audi R8 came away from the 2008 World Car of the Year Awards (March 20, 2008) with the dual titles of World Performance Car and World Car Design of the Year. The international jury based its choice on the outstanding handling characteristics that keep the R8 responding safely and precisely even when pushed to the limit. The Audi R8 also demonstrated its dynamic qualities on the big screen last year in the movie Iron Man, starring Robert Downey Jr., where it accompanied the superhero on his spectacular exploits.

02

SALZBURG FESTIVAL

The Salzburg Festival draws the attention of theater and music lovers to the city of Mozart's birth for five weeks each summer. In 2008, AUDI AG was once again principal sponsor of this exceptional music festival and, to mark the festival's opening, the company extended its third invitation to Audi Night during which leading figures from the worlds of business and culture got a chance to rub shoulders with celebrities. A real highlight of the opening weekend.

03

AUDI TWIN CUP IN ISTANBUL

A final in 25 languages: 60 teams from 36 countries traveled to Istanbul in June 2008 for the world final of the Audi Twin Cup. After having already qualified during national heats, the best service technicians and advisors from the Audi dealers were pitted against each other on the local Formula 1 racetrack. The winning team came from Liaoning Aotong Automobile Sales & Service Co. Ltd, located in Shenyang, China. Over 9,000 service technicians and advisors worldwide took part in the Audi Twin Cup.

04

AUDI MEDCUP SETS SAIL FOR FIRST TIME

21 yachts set sail in the popular Mediterranean regatta series that was rebranded the Audi MedCup in 2008 to reflect the company's new role as principal sponsor. The six regattas saw entrants from 10 countries involved in an exciting tussle for the title. Honors finally went to the U.S. team Quantum Racing, which won the most of the 53 races at venues including Alicante (Spain), Marseille (France) and Portimão (Portugal), where the final race was held.

Photos: AUDI AG

There is no final frontier: In winter, extreme athlete Bubendorfer looks for new challenges on frozen waterfalls.

Extreme experience

Beyond the limits

They free climb ice walls, dive to death-defying depths without oxygen and run themselves to exhaustion. Extreme athletes are driven by more than just the kick. They are looking for answers to life's questions.

Copy **Tobias Moorstedt**

The line separating the mundane from adventure lies only a few meters from shore. The sandy floor of the lagoon breaks away as it becomes a bottomless abyss: The clear, light blue water gives way to a dark blue color that looks almost black. Most people are scared of Dean's Blue Hole, a 200-meter deep hole in the ocean floor off Long Island, Bahamas, because they don't know how this surface anomaly was formed, what lives down there and what is going on.

William Trubridge, however, sees a realm of possibilities in the underwater hole. He can focus on his mission in the Blue Hole: to go as deep as possible and then return to the surface. The 28-year-old is the world record holder in free diving and dives without an oxygen tank, fins or other aids to a depth of 86 meters. "The water is warm and still here, even at depth," says the New Zealander, who used to train in the open ocean.

William Trubridge is a member of a small, global community of extreme athletes whose careers and training schedules resemble a scientific experiment. The research questions are: What are the limits of human performance? What is the maximum blood volume, muscle contraction, energy efficiency? And can they be pushed just a bit further? But men such as Trubridge, Thomas Bubendorfer, the free solo climber who has completed more than 80 solo climbs in the Alps, Andes and Himalayas, or Dean Karnazes, who ran marathons in four different deserts in 2008, are driven by more than an adrenaline rush. The adventurers climb the highest mountains and plunge to the deepest depths in order to learn something about the world, mankind and life itself.

The natural habitat of extreme athletes is inhospitable territory: deserts, mountain peaks, ocean depths. Places that are either hot or cold, where strong winds blow and oxygen is in short supply. The Caribbean's Long Island is just one such place and resembles nothing of the stereotypical tropical paradise. William Trubridge steers his truck along the dusty trail. Greenish-brown hills overgrown with tattered vegetation regularly ravaged by hurricanes roll past the window. The beach is white and deserted, and only the flotsam gives evidence that a consumer society exists somewhere beyond the horizon.

Climbing, diving and running are sports that conform to the way man moves naturally. So Trubridge carries all of his equipment in one hand: fins, contact lenses, a nose clip and a diving watch. He depends not on the latest technology but on his own ability, his own strength and his larger-than-life determination to make it to that next meter, next success or next record. "An oxygen tank, lamp and weights would make me feel like a human submarine."

Thomas Bubendorfer also doesn't think much of high-tech mountaineering, where bolts and fixed ropes are used to hammer a highway into the mountain so that "any layman can make the ascent." The 46-year-old Austrian acknowledges the human tendency in modern mountaineering to use mechanical aids to guarantee safety and success. "You can't stay down below and arrive at the summit at the same time," he says. And that ▸

The free solo climber Thomas Bubendorfer has completed more than 80 solo climbs in the Alps, Andes and Himalayas.

applies equally to the route up a wall, to life in the office, or to the stormy heights of executive suites. “There is no greater risk than not taking any risks,” says the climber in summarizing his philosophy. He believes that if you want to evolve, you have to expose yourself to homeopathic doses of danger and risk. “I am at my best when things are really dangerous: I am alert and cautious and can do things I normally couldn’t,” he says. In business, innovative ideas and new strategies aren’t developed in the comfortable routine of day-to-day business, but rather in heated meetings with investors and customers; in moments when your own job or even the future of the company are at stake. “Pressure,” says Bubendorfer, “makes us stronger.” Which is why you have to proactively seek out such challenges. In winter, Bubendorfer wanders through dark alpine valleys in search of frozen waterfalls that form anew each year only to disappear into melt water in the spring. “There are a lot of conquests to be made there,” he says.

“And then time stands still.” William Trubridge dives without an oxygen tank into the Blue Hole, a deep, dark hole in the ocean floor off the Bahamas.

The gentle words and lucid thoughts of these extreme athletes almost obscure the fact that their sports are unforgiving of mistakes. In 1988, Thomas Bubendorfer fell 20 meters, broke several vertebrae and still has a stiff ankle. Trubridge lost consciousness at a depth of 12 meters during an attempt to set a record in Egypt and was rescued by his safety divers. Dean Karnazes collapsed during a marathon in Death Valley. Though the extreme athletes discuss their near-death experiences almost casually, the stories always have the same ending: “The fall shattered my bones, but healed my head,” says Bubendorfer. “We learn more from our failures than we do from our successes.” And that applies to everyday and business life as well. In addition to their athletic careers, Bubendorfer and Karnazes both work as management trainers, where they share the insights and routines gleaned from extreme situations with managers and business consultants. One of their most important lessons: “Success is dangerous – it makes you satisfied, contented and slow. A company that produces a successful product cannot rest on current figures – it has to continue investing in the future.”

Inhospitable territory is the training ground of Dean Karnazes. As a management trainer, the "Ultramarathon Man" shares his experiences with managers.

Dean Karnazes is known in the U.S. media as the "Ultramarathon Man," because in 2006 he completed 50 marathons in 50 days, covering more than 2,000 kilometers. After that, he spontaneously decided to run from the East Coast of the United States back to where he ran the first marathon of this series, to St. Louis, Missouri – like the film character Forrest Gump, for whom continuous motion was a place of retreat. The 46-year-old is familiar with the looks of passers-by "who consider people like me, who don't pursue a normal way of life, to be some kind of freak." But maybe the astonished glances are due to the fact that in fall 2008, Karnazes was running through the parks of San Francisco wearing thick winter clothes despite a mild 20 degrees Celsius "to train for the heat and expected problems with body ventilation" in preparation for the desert marathon.

Extreme athletes follow a rigid diet, are disciplined and undergo rigorous training. You won't hear them complaining. "I have been in training for so many years," says Karnazes, "that I no longer have to force myself to do it. Running is a part of my personality." Here the athlete shows himself to be a student of Aristotle, who in his moral philosophy stated that man only learns traits if exposed to situations that demand them.

Above the Blue Hole at Long Island is a small white platform – the base station for the expedition into the abyss. Trubridge is floating on his back in the water and breathing in time with the waves. "Breathe-up," he calls it – slowing down the circulatory system and stocking up with oxygen. He has to try and collect his thoughts and emotions before the dive. "If I am worried, my heart beats faster and consumes unnecessary energy." The extreme athlete lies motionless in the water. He takes two more deep breaths, turns in a fluid motion and dives.

Trubridge follows the white rope leading to the ocean floor like a maritime guardrail. His eyes are half-closed. All of his actions are automatic now: the even kicks of his feet, pressure equalization at 10 meters, 25 meters and 50 meters. Everything is quiet. "Breathing sets the rhythm of our life," he says, "and when this natural metronome goes silent, time stands still." At this point, the extreme athlete becomes an existential athlete.

With diet, endless planning and medical examinations finally behind them, the athletic performance of these men becomes an act of meditation. "These are the most vibrant and beautiful moments," confirms Dean Karnazes, "I can finally really relax." Thomas Bubendorfer describes how he feels when climbing in the same way. "All that matters is the next hold and how it fits into the route. A wall has to pose enough of a challenge so that I am not able to think about anything else – until there is no distance between thought and action." He believes that this recipe for happiness can also be applied to everyday life. The athletes sometimes sound like Buddhist monks. "The most important thing of all is to be able to control your thoughts," says Bubendorfer.

Each one has developed his own method for overcoming the fear and pain he is confronted with during his adventures. When Karnazes "hits the wall," as he calls the low point of a run, "I break the task up into a lot of small parts; I take one good step and then the next good step, and at some point I am there." This form of self-hypnosis is called dissociation. Trubridge also tries to program his brain before the dive. He visualizes the descent, each maneuver, the turning point; attempts to "anticipate problems and internalize solutions." Under stress and the enormous pressure at depth, you can't rely on your decision-making ability. "Through visualization, I have already successfully completed the project before I even start the dive." The power of imagination generates confidence.

One lesson you can learn from extreme athletes is that, although you cannot change the material world and its laws through pure strength of will, you can change the perception of this world. And suddenly, you discover new ways and the energy to overcome yourself again. For these men, there is no ultimate performance, no final frontier for pushing themselves to the limit. There are only challenges. "Standing still is not an option," says Bubendorfer. ●

Tobias Moorstedt works for Süddeutsche Zeitung, Neon, GQ and Handelsblatt, among others.

Photos: Peter Rohrmoser, Patrick Becker/FPA, Richard Robinson (2), The North Face (2)


HH MF 442

Ingenuity

Haute couture for the soul

An Audi unleashes feel-good hormones. That's especially true for the creations from quattro GmbH. This luxury manufacturer converts production cars into unique works of art. To make sure that every customer's wish is fulfilled, the number one rule in Neckarsulm is: Anything's possible.

Copy **Robert Kittel**

There is a saying: "Don't dream your life away. Live your dream!" Neckarsulm, barely an hour's drive north of Stuttgart, brings you just a little closer to that goal. The Audi plant, also home to quattro GmbH, is near the center of town. And there is no better name for it than "dream factory." It's where production cars are converted into unique masterpieces. You could call it automotive haute couture.

Upstairs in the enormous entrance lobby of the Audi Forum Neckarsulm stand an extremely low-slung, white Audi R8, and Thomas Degenhard – gray suit, local accent. Mr. Degenhard is a customer service representative at quattro GmbH. But he isn't just selling cars: He sells dreams. Customized dreams.

While Degenhard leads the way through the lobby, he mentions some VIP guests he is expecting next week from the Far East. "They are coming here all the way from Tokyo to get some in-depth advice." Customers from the United States also regularly come to quattro GmbH to pick up their new car themselves. They combine the car's maiden voyage with a tour of "Old Europe," driving their new car to Bremerhaven personally so that it can be shipped onwards. Three customers have just arrived from New Zealand and their faces say more than a thousand words. Their eyes sparkle when they see the white R8. Their smiles broaden as they inspect the fine leathers, the exquisite woods, the distinctive alloy wheels and the diversity of colors in the adjacent showroom. They compare different kinds of leather, decide which wood grain they like best and choose their favorite metallic shimmer. This is where car lovers can experience the full spectrum of automotive feel-good culture. Making the different choices is deliciously difficult. Anyone who has ever sat in a morning dew green Audi A5 with alabaster white leather upholstery and ash wood inlays knows the burst of feel-good hormones such an experience unleashes.

Later, Degenhard leads the way into the Nuvolari Restaurant located downstairs in the huge building. The interior looks a little like a New York design hotel: Works of modern art decorate the walls. This is where customers who have come to pick up their new car are invited to a meal.

Individuality is in demand. Audi trend researchers confirm that "individualization is one of the megatrends. Customers of the future won't be as reserved as they might have been just a few years earlier." 20 years ago, privacy was still society's most precious privilege. People are a lot more open about their personal lives now. "People want to be noticed more, want to be different." This phenomenon is also very evident on the Internet. Social networks and communities demonstrate that the "new" consumers like to display their personal side and have no qualms about showing personal vacation photos to total strangers on the Internet.

The experts from trendwatching.com in Amsterdam take it a step further: This new willingness to show what others don't have is a new ideology. "Consumers want other people to finally see them as they see themselves," says trendwatching chief Reinier Evers. While they like to stick to known brands, they also prefer a personal note or a limited edition. The textiles and fashion industry was the first to clue into this. Sports shoe manufacturers started to sell individually "tunable" sneakers early on – where a well-fitting shoe wasn't the only thing that mattered. Not much later, the luxury couturiers also "discovered" mass customization. A suit off the rack in high-end design, tailored to the customer's measurements and in a personally selected combination of colors and fabrics was just what customers were looking for.

Incoming orders are also increasing at quattro GmbH and thousands of unique Audi vehicles are leaving the factory every year. It's the most exclusive way ▶

A dream comes true: the Audi R8 V10*.

* Fuel consumption and emission figures at the end of the Annual Report.

Second home: Top-quality leather trim and office package in the Audi A8.

"Diamonds in the dashboard, an A8 in pink – the extraordinary is all part of our daily routine."

Armin Weber, Marketing Manager of quattro GmbH in Dubai

to drive an Audi. Whether electric curtains for the rear windshield, initials in the inlays or a built-in refrigerator in the back – with a workforce of around 800, the quattro team can make anything happen as long as it is technically feasible. The only taboos are using leathers from endangered species, tropical woods and anything that might create an onboard hazard. The trend towards customization is particularly pronounced in the Arab world, where the order placed by a businessman for an A8 in pink with green leather throughout the interior is not considered unusual. "A TT with diamonds in the dashboard, an A8 with two-tone body paint or a trunk converted into a refrigerator – the extraordinary is all part of our daily routine," says Armin Weber, Marketing Manager of quattro GmbH in Dubai. Of course, notes Degenhard, it is important to remember that customers from Abu Dhabi aren't the same as customers from Dortmund. With globalization comes the need to understand and respect each customer's cultural environment. Of course, clientele looking for extravagant special appointments ranging from a bar to leather that matches their tie tend to be concentrated in the high-end sector as far as price and models go, with the Audi R8, A8 and RS 6 models in the lead.

But since there are important differences between individual markets, the watchword is "Think globally and act locally." That's why quattro GmbH maintains designated sales customer representatives with showrooms in important cities like Moscow, Beijing, Riyadh, Stockholm and New York. On request, these specialists will also take their laptops and samples cases with them directly to the customer. quattro GmbH prides itself on its customer proximity.

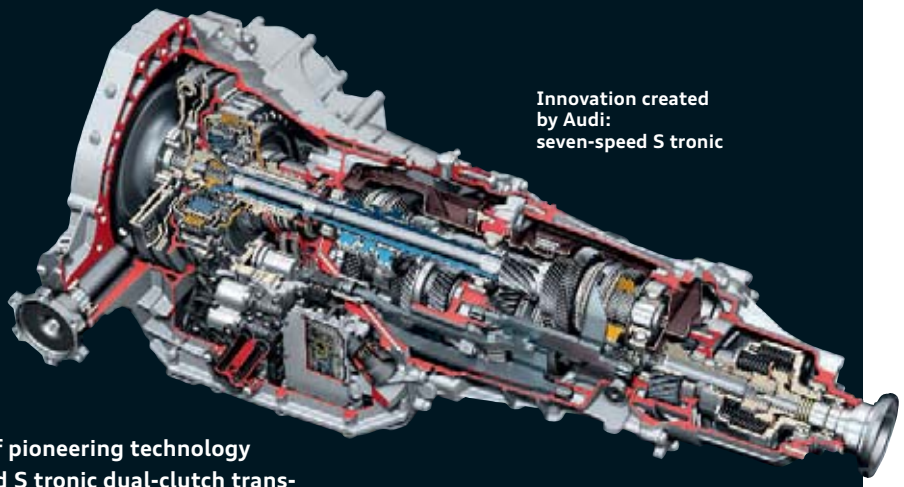
Customers in Moscow also have different preferences from those in Berlin, London or Paris. "A Russian customer is particularly interested in getting a spectacular paint job, maybe even gold side mirrors, and of course striking rims," relates Degenhard from years of experience. Germans, as well as Swiss and Austrian customers, on the other hand, are more interested in having a customized interior. As for the English, they're bolder in their choice of colors than other Europeans.

Back downstairs, a couple is just picking up their new A8. In a custom color, of course. The car is parked right in the center of the showroom; so finely polished, that the pair can see their reflections. A little later, as the A8 slowly drives out of the showroom, Thomas Degenhard looks pleased as he watches them drive off. ●

Robert Kittel, columnist for Wiener, also writes for GQ, brand eins and Stern.

DREAM FACTORY
quattro GmbH fulfills virtually any wish. See for yourself:
www.audi.com/ar2008/ingenuity

4 x VORSPRUNG IN 4 min.



Innovation created by Audi: seven-speed S tronic

01

SEVEN-SPEED DUAL-CLUTCH TRANSMISSION

The Audi brand unveiled another example of pioneering technology in the past year in the guise of a seven-speed S tronic dual-clutch transmission for the Audi Q5. Thanks to its slick gear changes, it has efficient propulsion and agile thrust with virtually no interruption to the power flow. In combination with longitudinally installed engines and quattro permanent all-wheel drive, the seven-speed S tronic showcases the typically sporty drivability of an Audi.

02

10 YEARS OF AUDI ACCIDENT RESEARCH

An "accident-evading car" – wishful thinking? Everyone at the Audi Accident Research Unit (AARU) is striving to make this vision a reality. Since 1998, AARU experts – in cooperation with the Regensburg University Hospital and the Bavarian Ministry of the Interior – are often called upon to track down evidence when an Audi model is involved in an accident. Technical, psychological and medical findings can then be channeled back into the vehicle development process. The objective is to increase general road safety and to further improve active and passive safety and driver assistance systems.

03

EFFICIENCY STARTS WITH THE ENGINE

In launching the Audi valvelift system, the Audi brand unveiled a technology that permits intelligent control of the intake valves on six-cylinder FSI engines and the exhaust valves on four-cylinder turbo FSI engines – thus boosting both power and torque, while at the same time improving fuel efficiency. Audi engine developer Dr. Stefan Dengler, who masterminded this technology, was presented with the Hans List Award and 50,000 euros in prize money by the Graz-based engine and powertrain developer AVL List (September 19, 2008).

04

MORE FROM ONE TANK OF FUEL

1,650 kilometers on just one tank of gas (65 liters) – that is what 40 Auto Bild readers achieved in a fleet of Audi A4 2.0 TDI* cars (88 kW/120 hp) during an efficiency marathon through Austria and Switzerland. And they beat the official average consumption figure of 5.1 liters: The winning team averaged 3.32 liters of diesel per 100 kilometers. In the "Audi Efficiency Tour 2008," 3,600 existing and prospective customers were also able to find out for themselves how efficient Audi models are. The two-day fall event held in 10 German cities sought to identify the most efficient driver.

* Fuel consumption and emission figures at the end of the Annual Report.

Cult icon

Good vibrations

Along the trail of the Audi Mileage Marathon, U.S. writer and music journalist Marc Spitz tracks the sounds of rock 'n' roll, country and blues. The result is a deeply personal travel diary about well-known and less-than-famous sites of cult worship in American music.

A lot of careers kicked off in CBGB, a New York cult club.

Copy Marc Spitz
Illustrations Matthew Cook

Most New Yorkers, like myself, pass cultural landmarks every day and seldom stop to consider them. Occasionally there's a bronze plaque out front that catches the eye, forcing you to slow down and acknowledge who slept, worked or died inside. Like the one at the Chelsea Hotel on West 23rd Street in the trendy Chelsea district. The Chelsea has become a legend unto itself: This is where the voices of the countercultural and antiwar movements of the 1960s descended – the hotel has been home to artists, bohemians and musicians ever since.

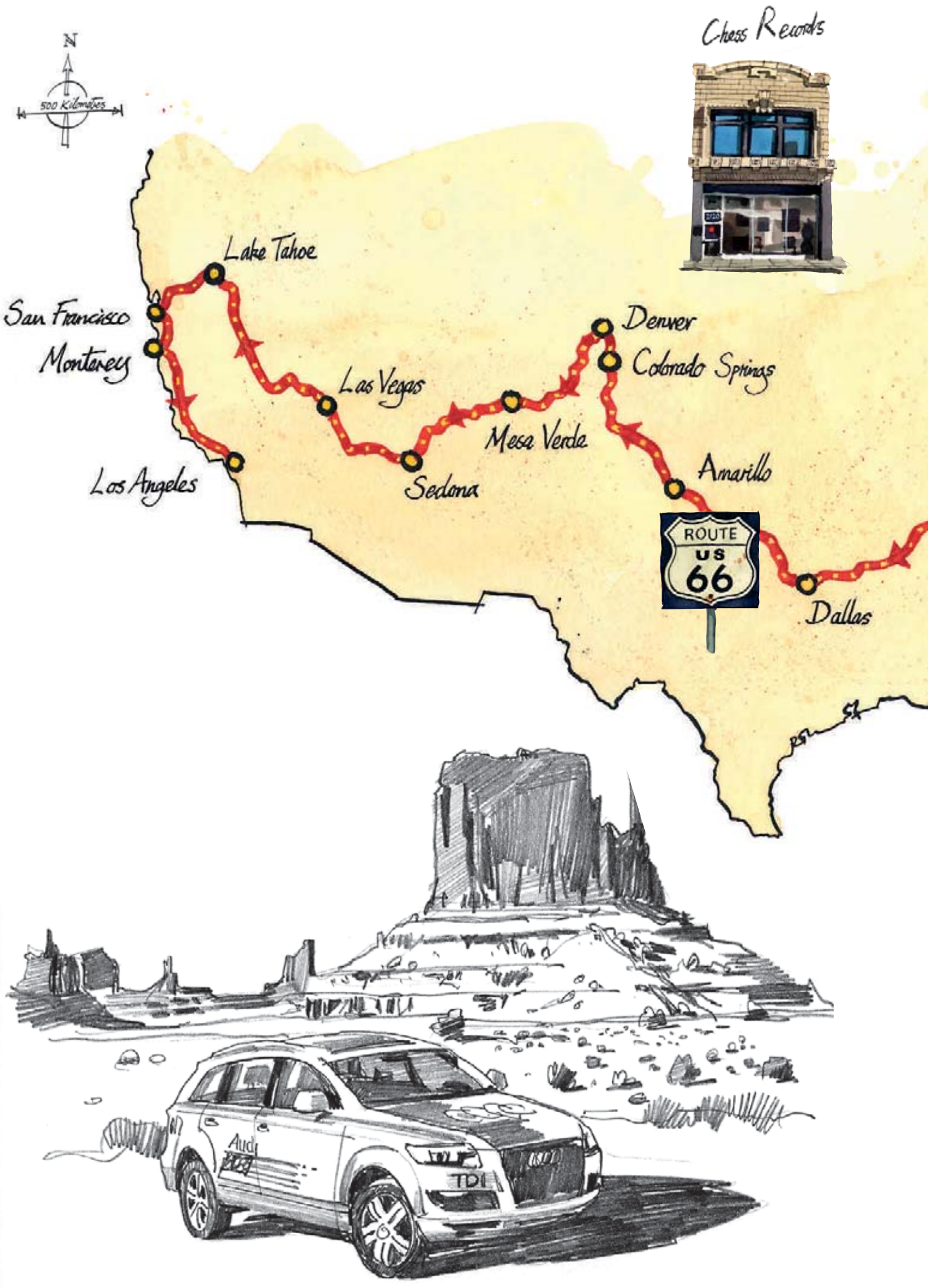
We Americans are especially unsentimental about our rock 'n' roll and pop landmarks, which it can be argued is appropriate. After all, isn't rock 'n' roll all about moving forward? And yet, each time a rock club like CBGB – where the careers of musicians like Blondie first began – turns into a shoe store, I wonder whether or not more should be done to keep the memories alive. On this road trip from New York to Los Angeles, I am going to try and cover as much rock 'n' roll hallowed ground as I can.

The journey begins in my town: New York City. First, I drive up the Joe DiMaggio Highway towards the Bronx. Today, there are DJs, breakdancers and rappers in Australia, Iceland, China, probably Antarctica too. But there wouldn't be any anywhere if it weren't for what happened up here at 1520 Sedgwick Avenue: On August 11, 1973, somewhere between 9 p.m. and 4 a.m., Jamaican immigrants didn't just play records at one of the many block parties in the South Bronx, for the first time they livened them up by using rhythmic mixing and scratching. Thus, hip hop was born.

36 years after that historic night, rumors are circulating that real estate developers are going to gut this place and turn it into more expensive condos. The neighborhood and some politicians have tried to intervene.

I leave New York and head for Washington, D.C., where one of the most gifted soul musicians ever known was born in 1939. As a young boy, this singer was at his happiest spending the afternoon on wasteland near his family's home, where he would sing on the bank of the Watts Branch. Today, that very same area is now named after him: Marvin Gaye Park. ▸

An icon of the New Wave era: Debbie Harry of Blondie.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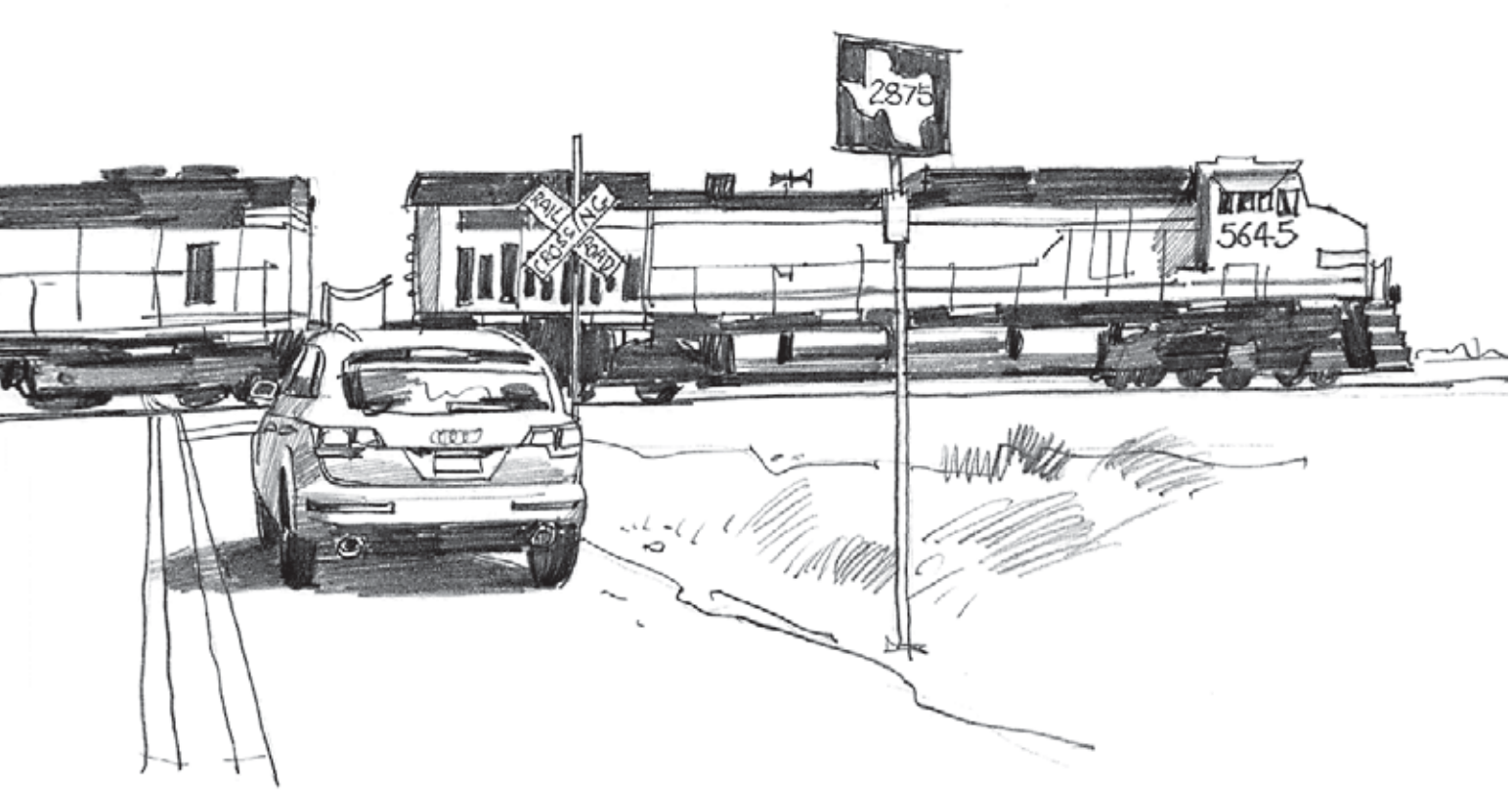
On to Ohio. Here's a fun fact that crosses my mind as I cross the state line. Ohio has produced more Presidents than any other state in the nation. I would wager that they've produced more rock stars than any other. I'm headed for Cleveland on Lake Erie. My destination is not the Rock 'n' Roll Hall of Fame – even though the glass pyramid designed by a celebrated architect has long been a city landmark. There's good reason that Cleveland of all places was chosen to house the pantheon of the 20th century's most successful music: For years, the city had a tremendous influence as a radio bastion of rock 'n' roll. After all, it was here that bold radio DJs coined the term "rock 'n' roll" in 1951 and regularly played black music. "Cleveland had a great scene back then," remembers Chris Vrenna, former band member of Nine Inch Nails and current drummer of Gnarls Barkley. "The 'in' district was called The Flats and was full of great bars and clubs."

Next stop: Chicago. The Windy City. My kind of "music town." The top label for blues and souls can be found in the heart of the city on 2120 Michigan Avenue – a place where history was made. It's where the Chicago blues were invented as an electrically amplified answer to the traditional acoustic blues of the Mississippi Delta. The original front office and the shipping room where all those epochal vinyls were sent out into the cultural water supply are still there and completely intact.
I drive over to the Metro, a club on North Clark Street, where any star of distinction has appeared. "The Metro ▸



has always been one of the best rock venues in the world," says James Iha of Smashing Pumpkins, who played one of their first concerts here some 20 years ago. "It has great sound, a great room, and a history of booking classic and of-the-moment bands."

It's time to head south – like all white kids with indie record collections do when they need a little soul-ifying. You will find it here in the Mississippi Delta – the blues. A Blues Trail has just been developed to honor the great musicians born and bred in Mississippi. The trail winds its way through the homes and birthplaces of the most famous singers, blues bars of all sizes, museums and even cemeteries. Throughout the state, commemorative plaques mark the individual stations. One day, there should be over 120 plaques.

People also come to pay homage to their own ancestors in the southwestern Tennessee metropolis of Memphis. A center of the slave trade and hard-fought key city in the American Civil War, Memphis was Afro-American from early on and so was exposed to the influences of black music. In the 1960s, Memphis rose to the status of music capital of the United States – as home to the legendary Sun Records label and the King of Rock 'n' Roll, who died much too young in 1977 at the age of 42. Today his grave on the Graceland estate has become a place of pilgrimage for rock 'n' roll fans from around the world.

Onward to the Lone Star State: Texas. I turn onto the legendary Route 66 and then follow the tracks of rock 'n' roll to Colorado. The air has gotten gradually thinner and the soothing flow of oxygen has been compromised so it's time to park. I am in Denver to ponder on the geological wonder that is Red Rocks, a natural amphitheater forever chiseled in the rock of the mighty mountains. The careers of some of the most successful rock bands of our time took shape on this sacred ground. Hardly any other place in the world can provide such an imposing backdrop to stage performances that guarantee a lasting impression as Red Rocks.

Now headed north, somewhere between the Grand Canyon and Monument Valley I feel myself becoming grouchy so I pull into The Mexican Hat Lodge, a bar and one-time dance hall where the kind of country music that made, well, this country great, first emanated.

Classical child prodigy and flashy Las Vegas showman: Liberace.

I drive on through the night. Suddenly, the lights of Las Vegas appear in the distance. They say you can see the lights of Sin City, as they call this desert beauty, from space. Where else could Liberace – who began his career as a classical child prodigy and finished it as a flamboyant entertainer – and his theatrical persona have been so at home? I head to the old part of the Las Vegas Strip, down East Tropicana Avenue to a deceptively unflamboyant building. It's no more pink neon than your average Chinese take-away. Liberace's legacy is preserved here – mainly behind glass.

Leaving Vegas for California, the next must-see is in Lake Tahoe. The Cal Neva Lodge & Casino used to belong to one of the most important singers and entertainers in U.S. history. Lake Tahoe runs second only to his birthplace of Hoboken, New Jersey, as the greatest place of cult worship of Ol' Blue Eyes. There are dozens of souvenir stores here and, of course, the casino.
Built in 1926, the place later acquired true celebrity status. Among its regulars were Hollywood stars and a U.S. President. Being a nerd from Long Island, staring across Crystal Bay in a pair of vintage sunglasses, I realize that

I am in a place that defines the collective memory of the United States.
The final leg of my journey takes me from the mountains encircling Lake Tahoe to the Pacific Ocean. You can't talk about California without mentioning the beach culture. Countless bands have tried to put their stamp on the upbeat songs and polyphonic choruses that belong to the refrains of the Sunshine State's laid-back California Feeling. The melodies even make me smile reflexively. As I cross the desert on my way into L.A., I think about all the raves that were held out here in the 1980s and early 1990s. Before rave and gangsta rap, there was of course L.A. punk.

When I arrive in L.A., I park my car on Hollywood Boulevard and walk down North Cherokee Avenue, which used to house the entrance to The Masque – one of the first underground punk clubs in L.A. "It was a bomb shelter during the nuke scares in the 1950s," recounts Brendan Mullen, the club's founder. The entrance is now closed off by a chain-link fence. If you want to search for the milestones of American music history in this country, you will have to drive from ghost to ghost. So you should have a really good car. ●

Efficiency

Triumphant TDI

During the Audi Mileage Marathon 2008, TDI technology passed the ultimate efficiency test. While traversing the United States, currently the world's cleanest diesel engine also demonstrated its superiority in the Audi Q7 3.0 TDI*.

A road trip clear across the United States: from New York to Los Angeles, from metropolis to metropolis, from coast to coast. "Going west" is a cornerstone of the American experience. The Audi brand has penned a new chapter in the spellbinding tradition of crossing this continent: efficiency. In its first starring role on the U.S. stage, TDI technology demonstrated its pairing of excellent drivability and remarkable fuel efficiency. During the Audi Mileage Marathon, some 200 participants from 15 countries experienced different facets of the United States. And they subjected the new Audi models to an extraordinary test run – among them was the Audi Q7 with TDI clean diesel, currently the world's cleanest diesel technology. Audi did not choose the shortest westward route, but rather the most varied. It encompassed over 7,800 kilometers (over 4,800 miles), 13 daily stages and took the participants through open expanses, over hills, through metropolises and past wonders of nature like the Grand Canyon. Yet the Mileage Marathon was no theoretical experiment in extreme fuel efficiency; instead, it realistically mimicked everyday driving. Whether in Chicago traffic, on a Tennessee highway or on a winding Rocky Mountain pass, the TDI unleashed its full potential, demonstrating its efficient operation under realistic conditions on urban and rural routes.

The green flag was waved in New York's Central Park at 9 a.m. on October 6, 2008. The Audi fleet, consisting of 23 vehicles from four model lines, mastered Manhattan traffic en route to the first-stage destination: Washington, D.C. From there, the route proceeded via Cleveland to

* Fuel consumption and emission figures at the end of the Annual Report.

Chicago. Subsequent daily stages – as long as 870 kilometers (541 miles) each – took drivers southward along extended farmland. Memphis, Dallas and Denver were additional test-run destinations.

What is currently the world's cleanest diesel made its debut at the Audi Mileage Marathon. Thus, the Audi Q7 3.0 TDI clean diesel faced its first real-world endurance test several months prior to its scheduled 2009 launch in Europe and the United States. The exhaust emission-control system reduces nitrogen oxides by as much as 90 percent and meets what is currently the world's most stringent emission standard: California's ULEV II BIN 5. And it already meets the emission limits of the Euro 6 standard, not expected to come into force before 2014.
By the time the Audi fleet crossed the finish line on October 19, the drivers and their vehicles had completed a journey through extremes: Within just hours, the tour stretched from Death Valley – still 33 degrees centigrade even in October – to the snow-covered Sierra Nevada mountains.
It then passed through the natural beauty of Yosemite National Park to Monterey and on southward along the Pacific Coast. The Audi Mileage Marathon concluded in Los Angeles' Santa Monica with outstanding fuel-efficiency figures. Calculated under the supervision of the independent International Motor Sports Association, these statistics emphasize the efficiency of TDI technology. The best Audi A4 3.0 TDI consumed an average of just 5.3 liters of diesel per 100 kilometers. And the new performance SUV Audi Q5 3.0 TDI required just 6.1 liters. The Audi Q7 3.0 TDI clean diesel achieved a best figure of 7.1 liters. The prize for the best fuel efficiency went to the Audi A3 Sportback 2.0 TDI: a mere 4.7 liters! The fuel consumption of TDI vehicles is thus as much as 40 percent lower than similar, gasoline-powered vehicles typical in the United States.*

TDI engines are just one element in the Audi brand's integrated strategy of further reducing the emission of CO_2 and pollutants throughout the product range. Here the company is combining the great potential of its modern combustion engines with the synergies of new technologies.
Along the many-faceted routes between the East Coast and West Coast of the United States, Audi diesel technology proved once again that excellent fuel efficiency and sporty handling are not mutually exclusive and that innovative developments such as TDI clean diesel lay the cornerstone for the automotive future. ●

ROAD TRIP ACROSS THE UNITED STATES
What's it like when currently the world's cleanest diesel drives clear across the land of opportunity? Find out here: www.audi.com/ar2008/efficiency

The Audi Mileage Marathon also passed through Monument Valley's one-of-a-kind landscape.

Photo: AUDI AG

01

Perfection

Making our own luck

Peugeot was hoping its extremely fast racing cars would win this year's 24 Hours of Le Mans. What followed was one of the most exciting duels in the history of the endurance classic. In the end, a well-practiced team prevailed: Audi. The French motorsports journalist Carole Capitaine from L'Équipe was there.

02


03

Copy Carole Capitaine
Photos Anke Luckmann

I had been looking forward to this weekend for an entire year! To be more precise, ever since the late afternoon of June 17, 2007, when the defeated Peugeot team announced that it planned to end Audi's dominance the next year. They wanted nothing more than to finally bring the Le Mans trophy back to France. The 76th running of the 24 Hours of Le Mans had every chance of going down as one of the most exciting in history. A promising stage was set. On the one side, multiple champion Audi with the R10 TDI, which scored a historic victory in 2006 as the first diesel-powered winner, but whose technology had already been pushed to its limits. On the other side, the Peugeot team hoping to rekindle the glory of the early 1990s with a well-engineered 908 HDi FAP. As if that were not enough, both teams sent top drivers from the world of auto racing to compete: The "King of Le Mans" Tom Kristensen was driving alongside Rinaldo Capello, Allan McNish and others for Audi, while Peugeot had secured Formula 1 champion Jacques Villeneuve and other talents such as Stéphane Sarrazin. To make a long story short: On June 14 and 15, 2008, there was no place on earth a motorsports fan would have rather wanted to be than Le Mans.

The race week traditionally begins a few days prior with a technical inspection at the Place des Jacobins. Hundreds of spectators have gathered to cheer on the teams. Excitement fills the air. Even the modest performance of the French national soccer team at the European Soccer Championships fades into the background. The number one topic of conversation is the tough duel expected between Audi and Peugeot. Some actually believe that the fast cars bearing the four rings will win again this year. The team is accustomed to success and is supposedly too well-practiced for Peugeot to actually offer any serious competition. Even so, most people are convinced that the German team's winning streak will finally come to an end.
Behind the scenes, there are wild rumors flying about the Peugeot 908's expected lap times. It is supposed to be incredibly fast, needing only 3:21, 3:20 minutes to complete a 13.629 kilometer lap. Isn't that wildly exaggerated? The managers of the French team are keeping a low profile and smile cryptically when I ask them about their car's potential. They don't want to spoil the surprise for us sports journalists. Things are calm at Audi. While they won't be able to wrestle the pole position from their competitors, it still remains to be seen whether the French diesel engines can really deliver such sustained power for a full 24 hours. Wednesday evening is the first qualifying session. In pit row, everyone is staring at the monitors as the first significant lap times are measured. Astonishment spreads rapidly. Even the officials of the event organizer, the Automobile Club de l'Ouest, can't hide their amazement. 33-year-old Stéphane Sarrazin blasts around the track in the 908 HDi FAP and takes the pole position with a record time of 3:18.513 minutes! Peugeot also takes second and third spots on the grid. The Audi R10 TDI driven by Capello/Kristensen/McNish can only manage fourth place – 5.5 seconds behind the leader. It is an unparalleled display of power.

Every move is perfectly orchestrated: A top team takes care of both car and driver.

The French camp is euphoric. The media are tripping over themselves with superlatives, while the French soccer team is taking some hefty criticism for its 4-1 defeat against the Netherlands. So French sports fans turn their wounded national pride to Peugeot. Back at the Audi motor home, the team remains unperturbed. Official statements can be summed up as follows: "Yes, we expected it; no, we are far from accepting defeat; by Monday, nobody will remember who was on pole." Only the race matters: 24 hours, 75 percent of which is driven at full speed.
Dark clouds begin to form shortly before the 3 p.m. start and it looks like rain. The meteorologists' predictions make the competition even more charged. When, how hard and how long will it rain? On the starting grid, a few minutes before the warmup lap, nerves are taut to the point of snapping. The drivers eye each other critically and size up their opponents' cars one last time, while the race engineers hurry to their respective command posts. They won't see each other again until the same time tomorrow – at the foot of the podium. And, in between, an afternoon, a long night, a dawn and another half a day – roughly 5,200 kilometers at an average speed of 216.3 kilometers an hour. ▶

01 **Victory! After a hotly contested 24 hours, the Audi team wins the world's toughest race.**

02 **Ready for a tire change.**

03 **Each pit stop is an adrenaline rush for the crew. Every second counts.**

LE MANS LEGENDS
Few racetracks are surrounded by more legends than the circuit in northwest France. Here you can find out why:
www.audi.com/ar2008/perfection

The pit stops are the only thing that will keep man and machine intact over the 381 laps. So much for the bare facts. But the 24 Hours of Le Mans is notorious for its surprising turnarounds. And rightly so, as we see once again: The three Peugeots dominate the first two hours of the race, when suddenly the tide turns. Transmission problems cause the leading 908 HDi FAP to pit for 20 minutes. When the second-place Peugeot also drops back due to a headlight problem, Audi briefly takes the lead, but is quickly passed again by the Number 7 Peugeot. The rivals race into the night. By around 8 p.m., there is less than one lap separating three Audi cars and two Peugeots.

The Capello/Kristensen/McNish Audi R10 TDI continues to lap steadily. Everyone at the Audi command post is deeply concentrated; they are working quickly, efficiently and precisely. A few meters away, the Peugeot technicians are having an uneasy night. The cars have to return to the pit several times to have their radiators cleaned out with a high-pressure hose. A defective battery costs the Number 8 car valuable minutes. When the rain starts at about four in the morning as predicted, the situation intensifies. The contrast between the two teams could hardly be greater: Peugeot frantically switches over to the rain setup, while the Audi drivers just consult briefly with their engineers on the proper tires. In the early hours of the morning, Tom Kristensen takes the lead from Jacques Villeneuve, but the gap between the cars is unbelievably close – 16 hours after the start, they are only 20 seconds apart, though the Audi R10 TDI is handling the wet road conditions much better. On Sunday afternoon, 24 hours after the start of the race, the Audi driven by Capello/Kristensen/McNish wins the world's toughest race by 4:31 minutes.

"The contrast between the teams could hardly be greater: Peugeot frantically switches over to the rain setup, while the Audi drivers just consult briefly with their engineers."
Carole Capitaine, Motorsports Editor at L'Équipe

There are tears of joy in the Audi camp. It was a narrow victory – and a little surprising. There are also tears at Peugeot. It's a huge disappointment; and totally unexpected. How could the clearly faster car lose the race? Peugeot will have to answer this question if it hopes to win next year. And I will be there again as well; I wouldn't miss the next round of this historic duel for anything in the world. ●

Michael Dick, Member of the Board of Management for Technical Development, AUDI AG

Striving for perfection to me means ...

... drive and motivation. It has influenced my actions for as long as I can remember. I have always been fascinated by technology. Taking toys apart and putting them back together again – especially toys with tires and a steering wheel – was always a special experience for me. The idea was never to take them back to their technical beginnings, but to make the toy better, faster, more sophisticated. And over the years, this passion became my profession.

Mobility is and will remain a concrete expression of individual freedom and thus a basic human need. The automobile with all its emotional associations has played a significant role here for over a century now. And during this time, by continuously developing and refining new products and technologies, the Audi brand has left a strong mark on the automotive world. Lightweight design, quattro, Audi duo, TDI and TFSI – just a few of its pioneering achievements.

Regardless of what you do, the way to the top is a direct reflection of the goals you set for yourself. Customers today expect us to deliver superior quality and unmatched driving performance with maximum efficiency, coupled with inspiring design. And that's also what we want to deliver. It is therefore eminently important for each and every employee to perform his or her duties skillfully and with great dedication and devotion – always striving to develop, produce and sell a perfect product. Only by striving for perfection will we be better tomorrow than we are today.

Photo: AUDI AG

4 x VORSPRUNG IN 4 min.

01

DTM

Audi driver Timo Scheider wrapped up his first DTM (German Touring Car Masters) title with a victory in the final race of the season at Hockenheim. Last year's winner, Mattias Ekström, finished third overall. With eight pole positions and six victories in its debut year, the new Audi A4 DTM was the season's most successful car.

02

24 HOURS OF LE MANS

The Audi R10 TDI remains undefeated in the 24 Hours of Le Mans. In June 2008, the diesel-powered racing car won the French endurance classic for the third year in a row. This is the second time that Audi has achieved the feat of three consecutive victories here. The Audi driver team of Dindo Capello, Tom Kristensen and Allan McNish won the extraordinarily exciting 76th running of the race in front of 258,000 spectators.

03

AMERICAN LE MANS SERIES

With its third one-two finish in a row, AUDI AG secured the title in the American Le Mans series before the end of the racing season in August 2008 in Mosport, Canada. Audi factory drivers Lucas Luhr and Marco Werner not only won the Grand Prix of Mosport in the Audi R10 TDI, they also won the drivers' title in the LMP1 class.

04

LE MANS SERIES

In its very first season participating in the European Le Mans Series, Audi Motorsport claimed the championship with the Audi R10 TDI. A fourth-place finish at the season finale in Silverstone (UK) was enough to secure the drivers' title for Alexandre Prémat and Mike Rockenfeller. The manufacturers' and team title also went to Audi. Fast laps, a good strategy and excellent pit stops were the keys to victory for Audi drivers Dindo Capello and Allan McNish in the last race of the season.

Photos: AUDI AG

Sustainability

In-house ecosystem

A new generation of skyscrapers features impressive climate-friendly technology. Top architects of our times are designing and building self-sustaining showcase structures around the globe, including New York's Hearst Tower.

Copy **Carmen Stephan**

From far away, the building looks like an upscale, futuristic beehive: a honeycomb grid applied to the facade and illuminated in dark blue. With New York's Hearst Tower, architect Sir Norman Foster has succeeded in creating an especially stylish icon, winning him the 2008 International Highrise Award among others for the 182-meter tower. But that's not actually the subject of this story. Contrary to the norm, how a skyscraper looks plays only a supporting role here.

First, a few facts. 85 percent of Hearst Tower is made out of recycled steel. It uses 26 percent less energy than comparable skyscrapers, saving 1,070 metric tons of carbon dioxide a year. Water for the "icefall" in the lobby is provided by rainwater collected on the roof, as is the case for the air conditioning system and water for the plants. Hearst Tower is the prototype of a new movement in which skyscrapers no longer garner attention for their record heights and symbolic external appearance, but strictly for their sophisticated, in-house ecosystem instead.

There was a time when sustainability was no more than a trendy label applied to buildings. The words "solar" and "green" only seemed to spring forth from the mouths of ambitious architects. It was all about shiny packaging: Its actual content was hardly noticed nor was it taken seriously enough. But architecture is currently making great strides in giving this subject the emphasis it deserves. Sustainability has gained intrinsic value among major builders, and is a trademark of anyone who wants to take our future and its challenges seriously. Skyscrapers are ideally suited to conveying this conviction. Not only have they always served as prestigious landmarks in sprawling metropolises, embodying a feeling of status and importance, they also demonstrate the further advances in technology. Walking down New York's 57th Street today and seeing Hearst Tower shimmer through the forest of skyscrapers, you marvel not only at the elegance of the monolith, but also at the ecological significance that has made it famous. "Hearst Tower is a kind of role model," says Professor Stefan Behling, senior partner at the offices of Sir Norman Foster. "Sustainability has become a very important goal and one that everyone is going to have to comply with. In the future, no one is going to be able to afford continuing to ignore sustainability."

Architecture is already preparing to take the next step forward. Future towers will not only surround us with light and heat within their own four walls; to some extent, they will also share this energy with others. Regenerative energy recovery usually produces more energy than the building actually needs. The giant wind turbines and photovoltaic facades used to produce the energy turn skyscrapers into power plants. One innovative example of this revolutionary approach is the planned 309-meter high Pearl River Tower designed by Skidmore, Owings & Merrill (SOM) to be built in Guangzhou, China, almost 200 kilometers from Hong Kong. The environmentally friendly giant will tap energy from wind and sun, and produce surplus energy. As the building leans into the wind like a gigantic sail, the shape of the facade guides the airflow into the tower's two cavities, activating turbines that generate electricity. In-house energy consumption will also be greatly reduced by using as much natural light as possible, rainwater and so-

01

02

01 ROTATING TOWER
With levels that rotate on their own axes – powered by wind turbines – this green giant is scheduled to begin twisting into the skies above Dubai in 2010.

02 PEARL RIVER TOWER
The new landmark in the Chinese city of Guangzhou actually functions as a power plant. The shape of the facade guides the airflow into two integrated wind turbines to generate electricity.

lar energy to heat the water. SOM describes the project as an "iconic high-performance structure designed to be in perfect harmony with its environment." In the past, the external appearance of a building needed only to conform to its natural surroundings. Today's buildings are transforming into organisms that seek direct interaction with their environment – a constructive symbiosis between architecture and nature.

Another ecological giant straining towards the heavens is planned for Dubai. Florence-based architect Dr. David Fisher designed the 420-meter high rotating tower, which envisions a unique change of scenery. According to Fisher's concept of "Dynamic Architecture," the building's appearance will be in constant motion by means of individual levels rotating independently on their own axes. Silent wind turbines installed between the floors will turn the individual levels, which are going to be layered on a central column like the layers of a cake. If all goes as planned, the structure should be completed by mid-2010. "We are living in a dynamic world, so the spaces we live in should also be dynamic," says David Fisher. "Buildings will flow with the rhythm of nature; they will change their direction and their form from spring to summer, from sunrise to sunset, and will adapt to the weather. Buildings will come alive." This new generation of high-rise buildings reflects more than just the social consensus that everything possible must be done to prevent climate change. The value of the "green tower" is steadily increasing because it is a win-win situation for all parties. It gives architects a rewarding new challenge and a chance to build their reputations. Its clients are able to save energy long-term, and its renters are no longer subjected to fluctuating gas and oil prices. People working in green buildings find the pleasant temperatures, abundant sunlight and well-filtered air much more comfortable to work in – they even call in sick less often. "This new architecture is going to change the way manmade environments are perceived – there is going to be a lot of discussion on the solutions being developed," says Werner Sobek, an expert in high-rise buildings based in Stuttgart. He believes the criticism of high-rise buildings being energy guzzlers is unjustified. "We tend to forget that living in a vertical village equates to a drastic reduction in private traffic in the area. And there is always a clever solution for handling any increased energy demand in buildings, like using a solar-capable facade. We are able to build skyscrapers today that are extremely attractive from an energy standpoint." Foster partner Stefan Behling puts it succinctly: "Of course, a small residential building will always be more energy-efficient than a prestigious skyscraper for global players. But, in terms of sustainability, it is important that each player tries to design and achieve the best they can in their own particular field of expertise." ●

Carmen Stephan, a specialist in architectural topics, writes for Architectural Digest, Monopol, Neon and SZ-Magazin, among others.

Ulf Berkenhagen, Member of the Board of Management for Purchasing, AUDI AG

Sustainability to me is ...

... the essential criterion for a company's competitiveness and future viability. Because when we act sustainably, we automatically think about tomorrow ... today. Such a forward-looking way of thinking is the basis of our success.

When it comes to purchasing, one word usually springs to mind: price. But today purchasing has a much wider significance. It is about costs and overall profitability coupled with the highest demands on quality. Designing vehicles that have a coherent price-performance ratio is something for which we in purchasing bear a large part of the responsibility. Sustainability, however, means more to us than simple economics; we also confront the ecological and social challenges.

We see ourselves as partners to our suppliers and want to cultivate reliable long-term relationships. Our goal is to create lasting, mutually profitable relationships all over the world based on open dialog. That is the only way to work together successfully throughout a vehicle's entire life cycle.

Innovation is indispensable to the Audi brand. The sooner we begin working together with our suppliers, the faster and better we can be – and that holds just as true for quality. In order to come up with the best solutions and groundbreaking innovations, we need to work more and more closely with our partners, drawing on their expertise ever sooner – particularly bearing in mind that new development cycles are becoming ever shorter.

Photos: Chuck Choi, Dynamic Architecture; Skidmore Owings & Merrill LLP, AUDI AG

Pride

Tracing history in Sant’Agata

A Lamborghini is probably the most Italian of all sports cars. A car like its country: passionate and bursting with energy. The cult brand was born decades ago in the narrow streets of Sant’Agata, and the legend remains alive and well today. Here, in the midst of Emilia Romagna, the pulse of the community beats proudly for and with Lamborghini.

TOWN OF CONTRASTS
In Sant'Agata, the common presence of the conspicuous Lamborghinis is taken for granted.

Copy **Sandro Mattioli**
Photos **Giorgio Barrera**

The afternoon sun is casting its long shadows over the piazza. The most noticeable structure here is the whitewashed church. Other buildings include the bar centrale, a bakery and many small shops lined up side by side. Old men seated under the arcades engage in heated debate. A waitress crosses the square balancing five espressos on a tray. Sant'Agata Bolognese seems like a typical Italian village – until a bright-green Lamborghini suddenly enters the village's main road. It growls softly as it rolls down the street, reaches the end of the village and accelerates.

Lamborghini sports cars are taken as much for granted here as is pasta in the ristorante. Sant'Agata is world famous and it's all thanks to one man: Ferruccio Lamborghini. The engineer and car enthusiast brought glamour to this little town situated between Bologna and Modena. By uncompromisingly pursuing an ideal of beauty and perfection, he created a legend that is the pride of the residents of Sant'Agata – today more than ever.

"The first Lamborghinis start to drive by on the road up here at seven in the morning," relates the farmer, wielding a wrench as he repairs the tractor in his barnyard. For him, these streamlined speedsters are just an everyday part of life. He even knows many of the test drivers by sight and waves to them as they drive by. Since each of these supercars is test driven extensively before being delivered to the customer, the people living out here have grown accustomed to seeing the fast, finely sculpted thoroughbreds zipping past their fields and farms. The pulse of the community beats with and for Lamborghini. With a passion. And it's where the hot-blooded auto brand gets its power. The rock-solid support from the locals provides a wonderful environment for creating extreme sports cars.

Test driver Mario Fasanetto has the job all the boys in the region dream of. He and his colleague Moreno Conti spend every day behind the steering wheel of the power cars from Sant'Agata. Fasanetto may be cool-headed, but he puts his heart and soul into his job. And while others might be tempted to show off a bit, he goes about his work calmly and professionally. Every year, 43-year-old Fasanetto drives 100,000 kilometers in these supercars to prepare them for life on the road. During the development phase of new models, he pushes them to their limits on the racetrack to see what is possible. "My maximum speed was 340 kilometers per hour," says the professional driver, whose easy elegance and penetrating glance could just as easily qualify him as a James Bond actor. For the endurance tests, Fasanetto accompanies the engineers as they travel around the world with the prototypes. At Lamborghini, test drivers and engineers are always in close contact. "My work carries a great deal of responsibility. My information and assessment of the vehicle must be reliable, because the engineers are relying on my input," he explains.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Fasanetto speaks with the accent typical of the region, which you hear everywhere as you walk through the factory workshops, the cafeteria or anywhere else in the company. That's because the Lamborghini workforce, now numbering around 990, has strong ties to this region. Working in the exclusive sports car factory is the dream of many young people living in Sant'Agata and its vicinity. That should come as no surprise: Ever since Ferruccio Lamborghini's auto plant delivered the first sports car in 1964, it has shown the automotive world what is possible. Miura, Diablo, Murciélago and Gallardo – these models are good examples of what sets the Lamborghini apart: a unique mixture of Italian design, uncompromising driving performance and extreme luxury. Which is why Fabio Serra, the owner of the restaurant right next door to the Lamborghini plant, has had the opportunity to serve his pumpkin-stuffed tortelloni to many celebrities. He even remembers the Shah of Iran stopping by personally to take delivery of his new Miura.

Serra's trattoria is an institution in Sant'Agata. It gets noisy on Friday nights when the motorsport regulars meet, but it's quiet at lunchtime. Time to eat. Basta! Prominent customers are actually entertained directly at Lamborghini these days. Even so, the success of the top-tier manufacturer has boosted business at the trattoria. "You find many more suppliers and business people in Sant'Agata these days. And they all stop here for lunch." ▸

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01 Memories: Donatella Martinelli was a friend of Ferruccio Lamborghini.

02 Neighborhood: Mayor Daniela Occhiali is pleased with the success.

03 Commonplace: Lamborghini is at home in the narrow streets of Sant'Agata.

04 A real find: Miura engine hood on a farm.

05 Deceleration: Rustic idyll plays counterpoint to the Lamborghini temperament.

06 Extreme athlete: Lamborghini derives its power from the country and its people.

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01 Memorable: the Lamborghini Museum, Centro Eccellenza.

02 Family ties: Moreno Conti (left) works as a test driver, his brother Maner in quality control.

03 Loves the finished form: Claudio Carretti designs auto bodies.

04 Woman power: Engineer Giulia Ganzerla is also from this area.

05 Test driver Mario Fasanetto has a job all the boys in the region dream of.

Almost all the older people in this town of over 7,000 inhabitants have some kind of story to tell about Ferruccio Lamborghini, the man with the elegant, combed-back hair. How he loved to be seen with beautiful women. How he much preferred simple meals. How he used to drive by and show off his latest cars. The people here have many anecdotes to share. Only Donatella Martinelli at the bakery is somewhat reluctant to open up – her relationship with Ferruccio was much more private. As a teenager, she doted on the man behind the dream cars. But she didn't actually meet him until years later, when she and her husband visited the noble vineyards Lamborghini bought after selling his sports car factory in 1972. All of the Lamborghini models were on display here. From then on, whenever Lamborghini came to Sant'Agata, he always visited Donatella and her husband, and shopped at their bakery. "We spent many pleasant evenings together, drinking wine and eating well," she recalls. "He was like my grandpa." She was devastated by his death in 1993. Ferruccio Lamborghini touched people's hearts, just as his cars still do. And that is most obvious among the people who develop, design and build them.

People like Mario Fasanetto. His career development is typical of Lamborghini and shows the versatility that characterizes the brand's employees. In 1985, he joined Lamborghini as an engine design engineer, switched over to customer support, took care of classic cars, and finally became a test driver. His colleagues Claudio Carretti, who now works in body development, and Maner Conti, currently responsible for quality control, have already performed different functions within the company as well. "It's why I have a very clear understanding of what a Lamborghini actually is," says Fasanetto. "It's got to be an extreme car. It must have a clearly defined character. A Lamborghini is a car that always lets you feel its power, and which you climb out of with a smile on your face."
And sometimes the company provides for happiness of a very different sort: Giulia Ganzerla, a 32-year-old logistics engineer, fell in love with a colleague here. They aren't the first married couple to meet in the sports car plant. And it isn't uncommon for entire families to work for the auto brand with the bull in its logo. Giulia Ganzerla and her family are already well on their way to doing this. Though her son may be only two years old, he is already an enthusiastic fan of these cult cars. "My husband and I have agreed never to talk about work at home," she confides. "But then we walk into our son's room and it's got Lamborghini wherever you look!"
Not surprisingly, scale-model Lamborghini cars also decorate the mayor's office. For Daniela Occhiali, these vehicles are works of art, small metal sculptures worthy of a museum exhibition. And yes, she has taken a ride in a full-size Lamborghini. "It's hard to believe you're sitting in a car, so extraordinary is the sensation of the acceleration," she raves. Right behind Daniela Occhiali's massive desk hang three large flags; the Italian, the European, and – representing the whole world – the United Nations banner. Of course,

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THE ATTRACTIVE ITALIAN
An extra dose of Lamborghini and further impressions from Sant'Agata can be found at: www.audi.com/ar2008/pride

her primary focus is local, because the more successful her large neighborhood company is, the better it is for her town. And so Madam Mayor has nothing but praise for the good relationships with Automobili Lamborghini – especially ever since AUDI AG took charge more than 10 years ago.

Since that time, Sant'Agata's prime mover has been running at high revs. The results are impressive: In 2008, 2,430 supercars found an enthusiastic buyer somewhere in the world. A new record and a remarkable achievement considering that, until 2002, Lamborghini only sold an average of 250 of its supercars in any 12-month period. The Audi know-how is paying dividends in both quality and production. And there are funds available again for new designs and product improvement. As a result, Lamborghini now has the youngest and broadest product range in its history. And its dealer network has also been expanded worldwide.
At the same time, Lamborghini has remained a thoroughly Italian brand at heart. Many key positions remain firmly in Italian hands. Audi sees itself as the big partner who provides knowledge and technology, but who appreciates Italian skill and competence in building sports cars. "Lamborghini has become more international," auto-body designer Claudio Carretti summarizes. "We have more methodology, more organization, more precision, a better grasp of the whole picture. We have matured." ●

Freelance reporter Sandro Mattioli writes for Stern, Tagesspiegel, Berliner Zeitung and Financial Times Deutschland. He lives in Rome.

Imagination

In the land of ideas

What do Munich, Ingolstadt and Los Angeles all have in common? All have designers hard at work designing future Audi models. While the vast majority of creative minds at corporate headquarters are working on tomorrow's cars, the studios in Munich and Los Angeles are developing mobility concepts for the less immediate future.

Copy **Titus Arnu, Jochen Siegle**
Photos **Piet Truhlar, Frank Kayser**

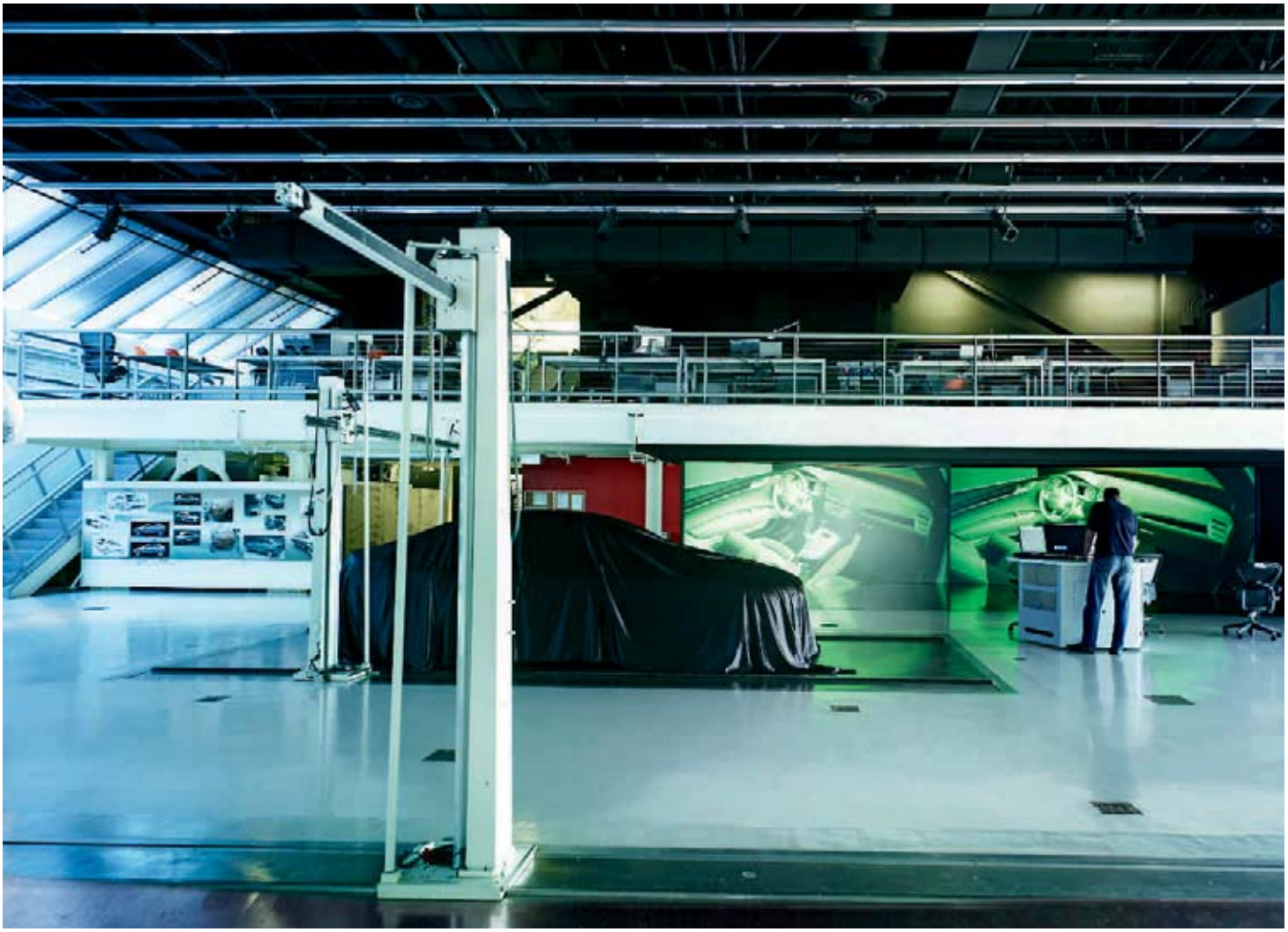
Snippets of English, Italian and Spanish dart through the air. There is a smell of resin and clay, the components of industrial plasticine, the modeling clay used to hand-sculpt tomorrow's dream cars. At the moment, three clay models are covered by tarps in the loft-like workshop with the modelers' sculpting tools close at hand. Carsten Monnerjan, Head of Concept Design Munich, asks visitors for their understanding: "Everything here is top secret!"

For 25 years, Audi Design has operated a branch office in the vibrant city of Munich. Far enough away from corporate headquarters in Ingolstadt to allow the designers to work more independently – and more unconventionally – but close enough so that Audi Group design chief Wolfgang Egger can occasionally drop by the Schwabing studio to discuss the status and results of projects with his staff. "This is where the trouble makers are," explains Egger with a smile. "In Ingolstadt, the designers work in close proximity to the engineers and production, which exposes them to different influences and keeps them close to the production model."
The Munich designers, on the other hand, have more freedom to think beyond the narrow confines of manufacturing and work on new vehicle categories. That's also the reason why the company decided in 1984 that design shouldn't just take place in Ingolstadt. A workshop large enough to create full-scale models is only one part of the studio. There's also a large atelier where interior and exterior designers sit at their computers, discussing the contour of rooflines, wheel wells and headlights. A front wall made of glass bricks lets plenty of daylight into the room. But anyone outside expecting to find a trendy glass palace here is going to be sorely disappointed. An inconspicuous gateway leads to a rear building in Munich's Schwabing district and a back courtyard with a long automotive tradition. Since the 1930s, auto mechanics have been repairing all types of cars in the "Kurfürstengarage Schwabing." There was even a filling station. The old garage sign now hangs in the modeling hall.
14 designers, assisted by model makers and modelers, work here in tight quarters. The confusion of languages sometimes reaches Babylonian proportions: This is an international team which has grown more and more in recent years, and the studio space is slowly being pushed to its limits.
The heart of communication is located in the shop kitchen, which doubles as a conference room and separates the studio from the workshop. This is where ideas are shared and current trends are discussed – whether it is the latest Hollywood high-tech cartoon or even a child's toy. Creative people are always on the lookout for new ideas, and anyone working here is also getting paid to break down barriers in their own heads and let their imaginations run wild. At times, that can also mean trying out other products like high-tech skis, a tabletop soccer game or even a concert piano.

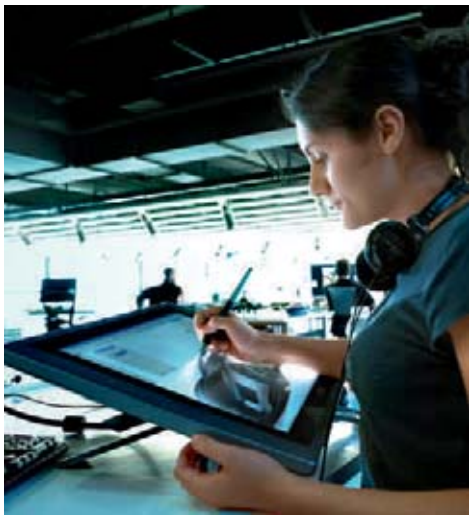
Setting up the studio in the center of Schwabing was a deliberate choice. Not only does the trendy neighborhood have a disproportionate number of convertibles and sports cars, there is no shortage of classic and vintage cars and, of course, those of the competition. "It's extremely important to experience our own automobiles in the same frame of reference as other vehicles, and to see how they move through traffic," explains Monnerjan. But that's not the only thing that makes Munich such an interesting location for a design studio. The streets are pulsating with life. The university and the huge English Garden, Munich's Central Park, are just around the corner. Not only are trends recognized and adopted early in the Bavarian capital, sometimes they are even set here. But how can these creative brains take such abstract thoughts and convert them into concrete forms? "We get our inspiration from our environs," says Christian Labonte, responsible ▸

CONCEPT DESIGN MUNICH

In the Schwabing design studio, abstract ideas like “lightness” are gradually worked into real objects until a finished full-scale model ultimately emerges in the modeling hall. Under the strictest secrecy, creative minds headed by Carsten Monnerjan (above) are allowed to give their imaginations free rein – even if it means coming up with a tabletop soccer game in Audi design.



DESIGN CENTER CALIFORNIA
Claus Potthoff (right) and his team in the Mecca of trends, California, come up with new concepts for automotive architectures and new interior design approaches. But there is a lot of competition between the creative professionals at Santa Monica Airport and their colleagues in Ingolstadt and Munich to come up with the best design for new production models.



for design strategy at Audi. A city like Munich is a great place to come up with new ideas. For instance, is there something to be learned from the air-filled foil panels of the Allianz Arena or the glass windows of the Herz-Jesu Church? Or could Audi Design derive something from the detail solutions used in floating facades? How do the light fabrics of the new spring collection handle? Needless to say, they also engage in dialog with other creative professionals. Audi Group design chief Egger says this cultural interchange is an important remedy to tunnel vision.

directly to the hard model with unparalleled results: muscle cars with clean contours, masculine and aggressive. "A Lamborghini's look has to astonish," says Filippo Perini, design chief of the Lamborghini brand, "because the brand stands for avant-garde and provocative design."
Back to Munich: The casual atmosphere betrays nothing of the pressure the team is working under. "Design is hard work," says Monnerjan. "Even two or three millimeters can dramatically change the character of a sculpture."
Despite all their freedom, sooner or later the Munich designers have to sit

"Design is hard work. Even two or three millimeters can dramatically change the character of a sculpture."
Carsten Monnerjan, Head of Concept Design Munich, AUDI AG

Auto designers must have a good antenna for esthetic and social currents and must always be a few years ahead of what's currently happening on the streets. That's why the creative minds at Audi are presently focused on catchwords like "performance athlete," "new value" and "lightness."
"Downsizing isn't just about building smaller cars," explains Egger. "Downsizing is a strategy. It's about how we are going to define luxury in the future. It's about simplicity, reduced opulence." And that's also how Munich was able to give impetus for the A1. The first prototype of the smallest Audi scheduled to hit the roads in 2010 is distinguished by its aluminum-colored curved roof, unusually sporty design for a compact car and typical Audi front end with its distinctive single-frame radiator grille.
The Munich designers, of course, also discuss ideas with their counterparts in Los Angeles and at Lamborghini in Sant'Agata, even though the Italian sports car manufacturer's Centro Stile usually works alone on designing its new models. The Italian creative team designs almost all its cars entirely on computer. No full-scale clay models are built here. Data from 1:4 scale models are transferred

face to face with the design engineers in Ingolstadt to discuss what is actually possible on a production scale. "We can't sacrifice a single week of work in this process," confirms Egger. He estimates it takes an average of six months to complete the theoretical design of a new production model.

Designing a vehicle from the first idea through sketches, 3D views, clay models, and ultimately to a full-scale plastic model with real wheels takes years. Time and again, its designers come to the modeling hall to stand before their creation, relentlessly contemplating the surface treatment or countless other details. The design chief from Ingolstadt uses marking tape to indicate any changes they want to make to the model – like improving the contour of the engine hood or simplifying a sidewall. There is significance in every angle; nothing is left to chance. It is precisely this obsession with detail that differentiates Audi design. "An Audi has to be recognizable from a distance of 200 meters," explains Egger. "Even without a logo. It's a goal we are constantly pursuing." He likes to speak of a brand's DNA; its unmistakable character.
It's well worth the effort because, unlike the latest sports shoe collection that is already out of fashion at the end of a single season, on average an Audi will be on the roads for more than 10 years. In the best case, the car becomes an icon – like the Audi TT. Creating a successor to such a car is one of a designer's toughest jobs. But Egger is convinced that even that is possible if one "uses a freethinking approach and continues to push ideas forward." Like they do in Munich. Of course, customers have the final vote.

11 flying hours farther west, shortly before 9 am. Powerful SUVs, sleek sports cars, vans, pick-ups and conventional sedans are moving bumper to bumper along urban freeways that span up to 16 lanes. Welcome to L.A.! Nowhere else in the world do people spend more time in their cars than in California. The VW Group has been operating the Design Center California in Los Angeles since 1990 and, since 2006, more than 60 designers, artists, modelers and engineers have been at work here at Santa Monica Airport.
L.A. is the ideal environment for Audi to design new esthetic dimensions far away from what's happening at corporate headquarters.
Ideation is the process of coming up with the initial concept in automotive design, and includes the design of new vehicle architectures and car bodies as well as the creation of new interior concepts or even devising new controls and switches. "Our work here is akin to basic research and trend scouting for the automotive field," says Jae Min, who is in charge of Audi Design.
Ideas generated here in close cooperation with Ingolstadt's design chief might show up years later as a concept car at one of the big auto shows or even in production models. Examples include the conceptual design of the Audi A4, the first generation of the TT as well as the current A8 series.
On the three floors of the brightly lit interior of the off-white building on Donald Douglas Drive, people are busy drawing, refining, sculpting, being confronted with virtual designs – and asking questions. What will cars of ▸

the future look like? What are the global trends? How are tastes developing among American car buyers? Is it the same in Asia and the Pacific area? What can be deduced for Europe from these trends? What esthetic and ergonomic factors are important for the next-generation global Audi design? L.A. is the perfect location to explore these questions and to contemplate new and unconventional vehicles. "California has the most progressive and experimental automobile culture in the world," says Claus Potthoff, the studio's Executive Design Director. "What's more, with its multicultural society, the Sunshine State is a trailblazer in many fields, setting trends that other regions will only adopt much later." Its proximity to Hollywood, for example, and the ability to swap ideas with scriptwriters working on futuristic scenarios stimulates car designers' imagination.

Whether it's entertainment, technology, art, sports or science, the melting pot which is California is historically more open to new things than many other places on earth. And, for years, that's exactly what has attracted the smartest, most creative and most innovative brains from around the world. Of course, this is also reflected in the Audi team, where Americans, Germans, Italians and Koreans bring individual facets of their own cultures and mentalities with them to the drawing table. "There's an incredible amount of talent here, and we are benefiting tremendously from their ideas and suggestions," says Min, a native South Korean who originally came to California to study automotive design at the renowned Art Center College of Design in nearby Pasadena.
No doubt about it: Californians not only love their cars, they live in them. People interact differently with their vehicles here. They tend to be more mobile, spending more time on the road – in part due to the fantastic weather. "Automobiles aren't just a means of transportation in California," says General Manager Hendrik Veltmann. "A car is an expression of one's personality and so people want to feel as comfortable in their cars as they do at home." To fully appreciate the peculiarities of the important U.S. market, you have to live here.

Judging by the ever-present air conditioning systems and super-wide highways, one would hardly suspect at first glance that the Golden State has made sustainability a high priority for years. In addition to a health-conscious lifestyle ("Green Living"), with organic food available in any supermarket, rigid water conservation programs and strict energy conservation codes to regulate construction have been in place since the 1990s.

"The subject of sustainability is approached much more emotionally and less technically in the United States than it is in Germany."
Claus Potthoff, Executive Design Director, Audi Design Center California

"The subject of sustainability is approached much more emotionally and less technically in the United States than it is in Germany," says Potthoff. These factors also influence the designers' work.
And finally there are innumerable small start-ups and initiatives with superb ideas – especially in nearby Silicon Valley. "There's a lot we can learn from them," says Potthoff. This is of particular value to the Color & Trim Department, which deals with the design of colors, surfaces and materials. The designers here are constantly on the lookout for the materials and colors of the future. "There is a marked trend toward sustainably produced textiles," notes designer Sabine Lapine. "Recycled materials are also continuing to gain importance – for instance, using yarn made of recycled water bottles for interior textiles." The entire esthetics of the interior has fundamentally changed. Whether it's leather for seats and gearshift knobs or fabrics for trim panels, some of the trendiest materials now have a patina, or signs of use. The worn denim look is also "in." The designers under Potthoff's supervision are even experimenting with innovative high-tech materials that are able to cleanse the ambient air in the interior. Interior woods are also being treated completely differently than they were a few years ago: Thickly lacquered wood is giving way to wood with a natural look and feel. "Materials are being treated less and less so that their intrinsic character is shown to its full advantage," says Lapine. Making such decisions requires extensive lab work, for instance by examining materials for scuff resistance or durability, which is later retested in Ingolstadt. Here too, the L.A. studio provides ideas for the first development phase, delivering mood boards with material samples. "That gives our colleagues in Germany a perfect feel for how tastes are trending in the United States," notes Lapine.

Also worth noting is an eco-design study conducted in 2006: the Clear Car project. The purpose of this transparent, virtual model was to demonstrate "how the 'Green Topic' could be offered in an appealingly sporty form," explains Potthoff. The CO_2-free design study, which is externally reminiscent of classic coupes of the 1940s, was based on an electric propulsion system with fuel cells. The studio's objective was to present the first utterly appealing vehicle with wheel-hub motor, proving that "an eco-friendly car doesn't mean having to sacrifice on something," notes the Design Center chief. "Believe me, our pencils are sharpened. We do a lot of work in secret, and of course we also have to evaluate our ideas economically." In view of the profound challenges facing the auto industry, it is easy to understand that the designers in L.A. are itching to get going. ●

Titus Arnu works as a reporter for Süddeutsche Zeitung, among others. He lives in Munich. Jochen Siegle reports from San Francisco about life on the U.S. West Coast for Spiegel Online and die ZEIT, among others.

3 x VORSPRUNG IN 3 min.

01

NEW AUDI FORUM INGOLSTADT

AUDI AG's visual identity has gotten a new look: The Audi Forum Ingolstadt reopened to customers and visitors in March 2008 after the completion of remodeling work in record time – just 10 weeks. The new car collection center, museum, factory tours, catering, independent cinema, events and service facilities create an even more exclusive world of experience. The new premises have a stunning black and white design, in keeping with the updated Audi showroom concept.

02

CAR VERSUS SKIER

An extraordinary race took place in winter 2008 between the Audi S5 and the French Alpine skier and Olympic champion Antoine Dénériaz. The S5, piloted by Audi factory driver Alexandre Prémat, took up the challenge of driving down a ski slope in Val d'Isère on ordinary tires. The Audi S5*, with its 260 kW (354 hp) and quattro all-wheel drive, mastered the slope safely and with poise, demonstrating extraordinary strength – and particularly excelled at driving back uphill!

03

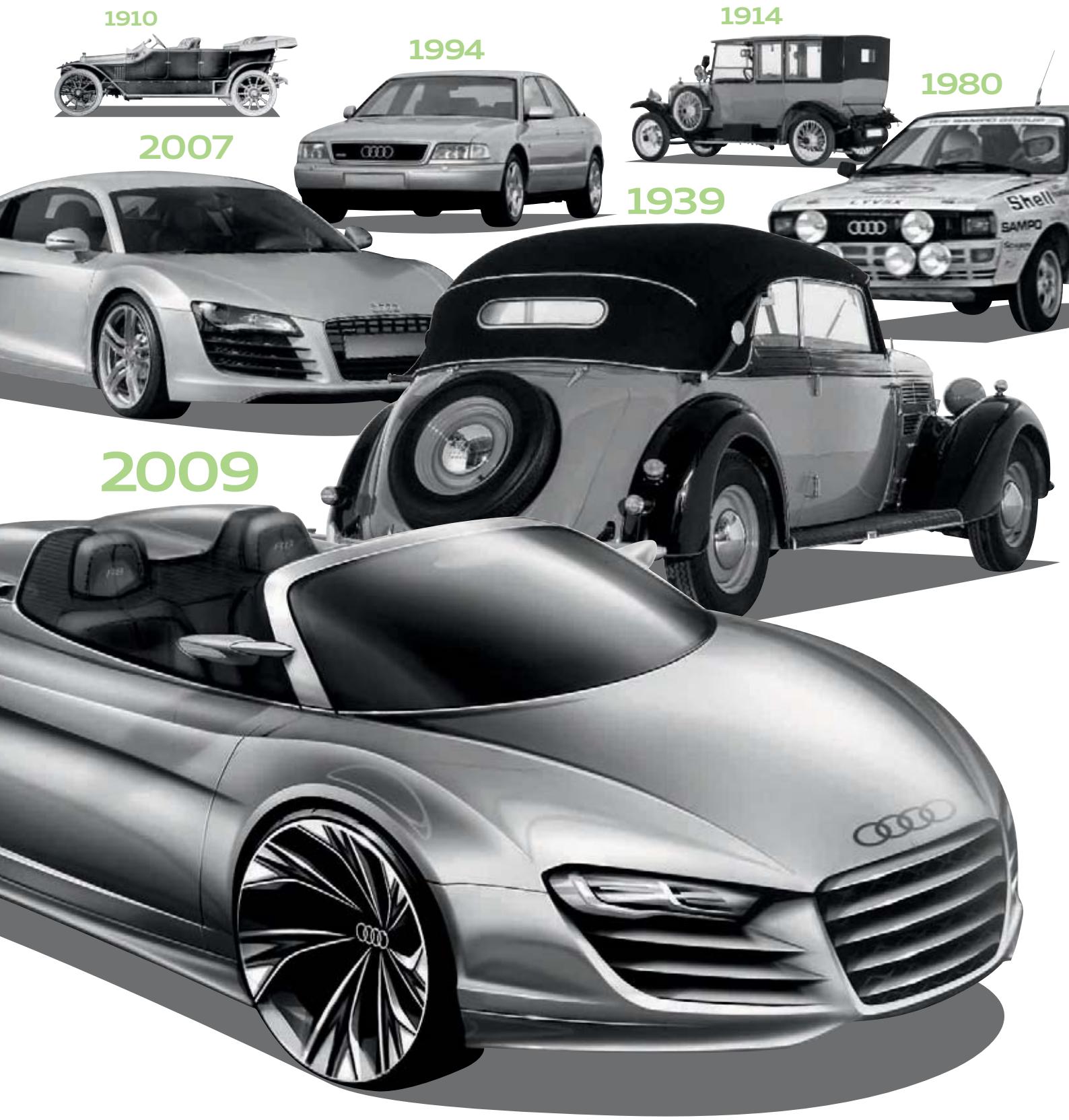
"TALK OF THE TOWN" – AUDI Q5

To kick off an exclusive debut tour of Germany, the Audi Q5 put in a guest appearance at the new Audi terminal in Munich in October 2008. In a new spectacular departure, elaborate hologram technology was used to present the sporty SUV in virtual reality to the audience of some 400. The musical highlight of the gala event was a performance by the British funk and soul band Jamiroquai.

Photos: AUDI AG

* Fuel consumption and emission figures at the end of the Annual Report.

Copy Jürgen Lewandowski
Collage Arndt Knieper



Origins

100 years of Audi

1909 was the year German engineer August Horch created Audi – a Latin translation of his surname, which means “Listen!” One year later, the first Audi rolled off the Zwickau assembly line. An excursion through 100 years of automotive history with models from Audi’s past. The key to their success: Vorsprung durch Technik.

1909

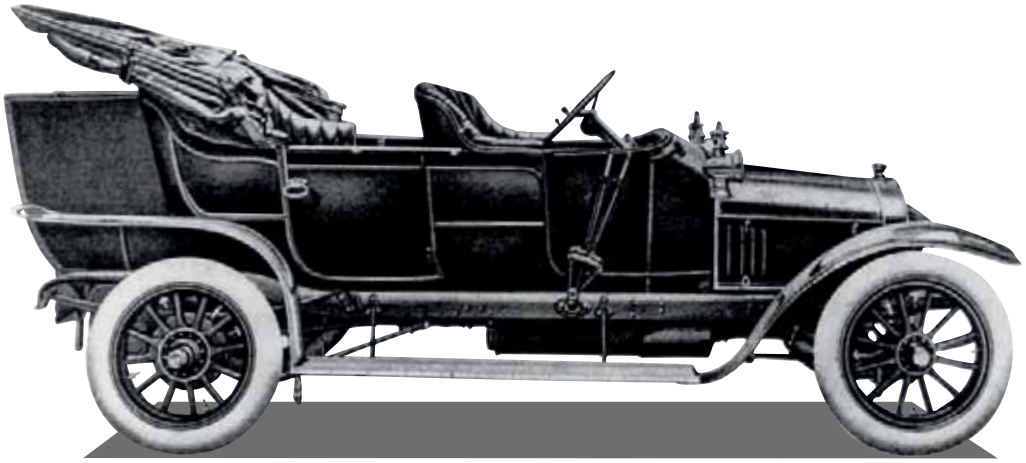
THE BIRTH OF THE AUDI BRAND

"Just as I thought, the Supervisory Board pinned the blame for our car's failure in the Prince Heinrich Tour on me. It was a heated meeting. I quickly ended the discussion, left the room, and stormed out onto the factory yard." On June 19, 1909, the brilliant automotive engineer August Horch, who learned his trade from Carl Benz, left the company he had founded, Horch-Werke. By July 16, 1909, he had set up a new company in Zwickau: August Horch Automobilwerke GmbH. To his astonishment, his former company prohibited him from continuing to use the Horch name. The son of his friend Franz Fikentscher came up with the idea of calling it Audi instead – a simple translation of his surname into Latin. And so the Audi brand was born.

1910

AUDI TYPE A

"I was the one who established the car industry in Saxony and took it to new heights." These words reflect the pride with which August Horch built his vehicles. Within a matter of days of entering his new company Audi Automobilwerke mbH on the Commercial Register on April 25, 1910, he unveiled the first Audi model – the 10/22 hp, also known as the Type A. Its 2,612 cc four-cylinder engine had an output of 22 hp at 1,800 rpm, propelling the 830 kilogram phaeton to speeds of up to 75 km/h. Even though Horch was a passionate advocate of participating in major road reliability tests, he didn't believe the Type A was ready for such rigors. But his employees decided to enter the car in the eight-day trials in Sweden in spite of this. The Type A won – and the Audi legend began.



1914

AUDI TYPE C

"I resolved to take part in the competition. I did everything in my power to study all the difficulties involved, to ensure that our Audi cars would make it through the next three-year period." Convinced by the quality of his vehicles and having taken his Audi to victory in the 1911 Alpine Run of the K.K. Austrian Automobile Club, August Horch ventured to take part in the 1912 to 1914 races with the new Type C and its 35 hp, 3,560 cc four-cylinder engine. It was the toughest reliability test in the world: a distance of well over 2,000 kilometers, including almost all Alpine passes, in the shortest possible time. Furthermore, lead seals were applied to every vehicle so that no part could be changed and an inspector traveled in each car. By 1914, the Type C had three wins to its name.

1929

AUDI TYPE ZWICKAU

Gradually, the Golden Twenties began to lose their sparkle, and the onset of the Great Depression confronted the automotive industry with problems that it simply could not solve. Building luxury vehicles was a capital-intensive business – one that was only possible with the backing of major banks. The Dane Jörgen Skafte Rasmussen, who made his fortune with the small DKW models, pounced on an initiative by the State Bank of Saxony and, in 1928, Audi was taken over by DKW. Rasmussen believed Audi had a future in the full-size category. From the wreckage of the collapsed U.S. motor company Rickenbacker, he bought equipment to build six- and eight-cylinder engines. The 5,130 cc, 100 hp eight-cylinder engine was fitted in the Type Zwickau – but who, at that time, could afford to spend 12,950 Reichsmarks on a Pullman limousine? Audi's next eight-cylinder car didn't come along until 1988.

1935

AUDI 225 ROADSTER

Since the start of the 1930s, Auto Union AG was a multi-brand group, under whose umbrella DKW, Wanderer, Horch and Audi were each given precisely defined roles. Audi was the brand for the upscale midsize category, targeting customers drawn to technically avant-garde solutions. It therefore comes as no surprise that this brand adopted front-wheel drive. 1935 saw the introduction of an enhanced version of the Audi Front, designated the Audi Front 225, with its engine capacity increased from 1,950 cc to 2,257 cc. It was a model that appealed to both esthetes and individualists alike. The rarest model of all was the Special Roadster, which was actually intended as an attention-getter for an auto show and cost the princely sum of 8,500 Reichsmarks – a luxury only two customers could afford.

1939

AUDI TYPE 920

Audi has earned a reputation as being a brand suited to technically discerning customers looking for products that are truly special. Some of the innovations securing this reputation are the Audi Front, launched in 1933, the 225 series, introduced in 1935, and the ultramodern 3.2 liter straight-six engine that achieved 75 hp at 3,000 rpm. This engine was developed by Audi's exclusive sister brand Horch for a "compact" Horch model and made its way into the product range as the Audi Type 920. With this engine's 75 horsepower, the exclusive sedan and elegant convertible were capable of 130 km/h. And since the Type 920's comfortable specifications also meant it had to be heavier, the last pre-war Audi reverted to rear-wheel drive. Sales started well – but then war broke out and only 1,281 of this model were ever built.

1965

AUDI 72

By the mid-1960s, the two-stroke era was drawing to a close at Auto Union and a new era was dawning in Ingolstadt, when Head of Development Ludwig Kraus brought a new four-cylinder, four-stroke engine able to pull 72 hp out of 1,696 cc into production. This engine, which had an exceptionally high compression ratio, was destined to secure Auto Union's future. The first post-war Audi rolled off the production line on August 13, 1965 in Ingolstadt and went on sale at a price of 7,690 German marks. It was later designated "72" to denote the number of horsepower.

1980

AUDI QUATTRO

Rarely has a new technology had such a radical influence on developments in the auto industry as the quattro, unveiled during the Geneva Motor Show in 1980. "That's the car we forgot to build," said flabbergasted competitors when the quattro streaked away from its challengers in its very first outing at the World Rally Championship. A hollow shaft with center differential in the manual transmission distributed the engine's power to all four wheels. The eye-catching quattro coupe was universally impressive; whether on ice or snow, dry roads or wet. It demolished its rivals in rally competitions and captured its first Constructors World Championship in 1982.
Under the then Technical Director Ferdinand Piëch, Audi wrote a new chapter in technical history. ▸

1989

AUDI 100 TDI

Direct-injection diesel engines are among the most efficient internal combustion engines available. The company adopted this technology in volume production in 1989, when it launched the first refined direct-injection diesel engine for the Audi 100. The 2,460 cc turbocharged straight-five had an output of 120 hp, propelling the car up to a top speed of 200 km/h. The average standard fuel consumption was an impressive 5.7 liters of diesel fuel per 100 kilometers. With its direct-injection concept and an outstanding drag coefficient, Audi had yet again supplied impressive proof of its slogan “Vorsprung durch Technik.”

1994

AUDI A8

Scarcely any other car-maker has made as many advances in the areas of image, acceptance and technology leadership as Audi has over the past two decades. It therefore came as no surprise when, in 1994, the company also decided to equip its first luxury sedan with progressive technology. Not only did it include a 4.2 liter V8/300 hp engine and quattro drive as standard, it also made the widest possible use of aluminum. The body structure consisted of a positive-locking, high-strength aluminum frame structure that supported aluminum panels: the patented Audi Space Frame. The chassis was also made of aluminum, producing a substantial weight saving compared to a conventional vehicle.

1998

AUDI TT

The Audi TT Coupé study car was first shown at the International Motor Show in Frankfurt (IAA) in September 1995, and the TT Roadster study captivated the public at the Tokyo Motor Show a month later. Journalists and customers alike unanimously insisted that the Coupé and Roadster – names reminiscent of the memorable sporty NSU TT models of the 1960s – go into production. Volume production started in 1998. Customers were especially attracted by the study car’s original shape, which was retained for the production model.

1999

AUDI A2

In hindsight, the A2 and its radical approach to economy and ecology probably arrived on the market too early. In building the A2, Audi demonstrated its expertise by building a compact car – of just 3.76 meters long – with superb technology and high standards of active and passive safety. It also had the same type of aluminum body featured on the A8 and a drag coefficient of just 0.28. With its 1.2 liter TDI engine, a further reduced drag coefficient of 0.25 and other measures to optimize fuel efficiency, the A2 earned a place in history as one of the first genuine “three-liter” (referring to fuel consumption per 100 kilometers) cars. But there was a price to pay for all this technology, and it was ahead of its time. When the last A2 rolled off the production line in June 2005, a total of 170,000 units had been built.

2007

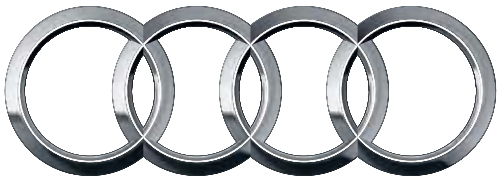
AUDI R8

Audi has certainly designed and built quite a few exceptional sports cars over the years. For instance the quattro, which dominated the World Rally Championship. Other study cars, like the Avus and the quattro spyder, provided a glimpse of the expertise available in Ingolstadt. But it wasn't until September 2003 that Audi created the Le Mans study, which former design chief Walter de Silva described as a driving machine that "combined the experience of motor racing triumphs with pioneering design and Audi's technological expertise." Three years later, in September 2006, the study had matured into the R8 production model and made its first appearance at the Paris Motor Show. The "thoroughbred sports car with the functionality of an Audi" has delighted customers since 2007.

2009

LOOKING AHEAD

The Audi brand will continue to unveil exciting automotive ideas in 2009 and push ahead with its model initiative. The brand's centenary year will see numerous new models launched and new niches filled. The A5 family will be extended, with the Cabriolet joining the Coupé, which was successfully launched in 2007. The A5 Sportback, yet another A5 version with distinctive design and remarkable functional appeal, will appear in the second half of the year. A new model is also being added to the A4 car line: an A4 allroad quattro to follow in the footsteps of the hugely successful A6 allroad quattro. Sports cars are another focus of Audi's model initiative. During the Detroit Auto Show at the start of the year, Audi unveiled its 386 kW (525 hp) R8 V10. And a new top-of-the-line TT model celebrated its debut at the Geneva Motor Show: The successful TT is now available as an RS version.* ●



THE BIRTH OF THE FOUR RINGS

In the late 1920s, the German automotive industry underwent radical change: The pressure to rationalize, create new products and finance sales required large amounts of capital, which could only be raised with the support of strong banks. The same was true for all carmakers in Saxony. When the State Bank of Saxony decided to merge all the leading local vehicle manufacturers, it gave birth to Auto Union. The receiving company – already largely financed by the State Bank – was to be Zschopauer Motorenwerke AG, which manufactured DKW motor vehicles and had already acquired the Zwickau-based Audiwerke AG in 1928. The other companies in the consolidation were Horchwerke AG, Zwickau and the Automotive Division of Wanderer Werke AG, based in Chemnitz. The merger was finalized on June 29, 1932 and took place retroactively as of November 1, 1931. The initial equity capital of 14.5 million Reichsmarks eventually rose to 30 million Reichsmarks and was almost completely owned by the State Bank of Saxony. And so Auto Union AG in Chemnitz was founded. With an initial annual income of 65 million Reichsmarks, 8,000 employees, and a large proportion of vehicle registrations, it became Germany's second-largest automobile concern. The Group preserved the legacy brands Audi, DKW, Horch and Wanderer and their unity found symbolic expression in the four interlocking rings, which to this day remain the symbol for Audi. Auto Union, newly established as a limited liability company (GmbH) in Ingolstadt in 1949, and NSU Motorenwerke AG, Neckarsulm, ultimately merged in 1985 to form AUDI AG.

Jürgen Lewandowski has devoted decades to researching automotive history and has documented the evolution of the Audi brand in several books.

Engine sounds from 100 years of automotive history can be found on a CD at the end of the Annual Report.

Photos: AUDI AG

* Fuel consumption and emission figures at the end of the Annual Report.

Foresight

Opportunities in crisis

Audi CFO Axel Strotbek met with Max Otte, the economist who predicted the global crash back in 2006 and who now hopes for clear and better regulations on global economic activities. Something everyone would profit from.

Interview Olaf Wittrock
Photo Dieter Mayr

We are engulfed in a financial crisis and are bombarded daily with alarming reports about how bad things could still get. So it's high time to call on the experts for an assessment of the situation. Professor Max Otte saw the collapse coming. When you wrote "The crash is coming" two years ago, what were the warning signs?

Max Otte: Well, my basic observation was that a nation's economy, just like a business, becomes overleveraged if it takes on too much debt. And we had reached a point where total U.S. debt was almost 400 percent of its gross domestic product. Such a house of cards is eventually going to come tumbling down. If the financial sector gets to be too big, the real economy can no longer sustain it.

For many years, the drastic expansion of the global economy and the resulting rise in demand cushioned the growing amount of debt. So what prompted the bubble to burst?

Otte: I would dispute the claim that there was ever a strong growth in demand. It is often said that U.S. consumers are the driving force of global capitalism. The U.S. economy absorbed a great many surpluses; after all, in recent times it has been soaking up two-thirds of global savings. There was such an accumulation of debt-financed potential hazards that it was ultimately impossible to say what really prompted the collapse. But the behavior of central banks certainly played a part. By flooding the markets with cheap money, they ultimately left us with no risk premium to help us differentiate between risky and less risky credit. Once the first risky loans fall due or turn toxic, there is no way to stop it.

Mr. Strotbek, as AUDI AG's CFO, have you ever experienced a particular moment where you thought: We're about to be hit by a crisis?

Axel Strotbek: Well, Europe had long been suspicious and critical of the United States' over-indebtedness and access to cheap money. But there's no doubt most of us here were taken aback by the severity and speed of the crash. I think we're a long way away from having fully digested the situation – in fact, we're only just beginning to do so. There is still a lack of transparency and perception of how the rules of the game have changed.

When you consider that many companies are looking a lot shakier than the Audi Group, might you even be one of the winners of this crisis?

Strotbek: Thanks to our youthful, attractive model range, we succeeded in posting outstanding results in 2008. But we have always tried to stress that we don't exist in some island paradise. And with the overall markets slumping in some cases by more than 25 percent, we are bound to be drawn ▸

Summit talks: Axel Strotbek (left) and Max Otte believe entrepreneurial action is the way out of the crisis.

in as well. 2009 is going to be an extremely hard year, but I'm very confident that, thanks to our efficient, emotion-packed vehicles and modern engines, we'll fare much better than markets as a whole. And we will keep up our product initiative.

Mr. Otte, are there ever winners in such crises? It feels more like everything is going downhill.
Otte: Of course every crisis has its winners and losers. Because whenever there is a downturn in economic activity as a whole and things are allowed to follow their normal course, the strongest companies in the industry automatically come out the winners. They don't have to focus as much on prices and are equipped for the long haul. The exact opposite is true for weaker companies, who fare particularly badly during a crisis.

But it also sounded as though some companies might not be able to pull through the crisis on their own. That's when people are quick to call on the state to intervene. Is that attitude healthy or rather more dangerous, Mr. Strotbek?
Strotbek: In principle, I prefer the idea of self-regulating, self-healing markets. For instance, our company does not need any subsidies or bailouts. As in the past, we will be able to finance our capital investment ourselves. But in a global industry, it's always important to monitor global competitive trends and respond if we see any signs of unfair competition. Regional subsidies in other manufacturing countries could adversely affect our competitiveness, and thus have an indirect impact on employment in Europe. So imposing conditions on injections of capital into the European auto industry – e.g. to fund future technologies – undoubtedly makes sense and may even be essential.

The German car manufacturers' banks have just tried to obtain such state aid. Is that part of such an emergency plan?
Strotbek: The financial crisis has led to a complete breakdown of trust between banks. That trust now needs to be restored through support measures made available for a limited period. We're not asking for any kind of equity injection or state funding; we merely want individual guarantees so that we can resume refinancing under sensible conditions. In the end, our customers benefit because we will be able to offer attractive terms based on competitive leasing and financial arrangements, which in turn will boost demand and, ultimately, the economy as a whole.
Otte: I think that is also part of the emergency plan.

"I think we'll see a return to the old principles of the reputable merchant who assesses his risks realistically and doesn't get involved in things he doesn't understand."
Prof. Max Otte, economist

Though, of course, the car industry is not entirely blameless for the orgies of debt we have seen in the United States in recent years, complete with price wars, zero interest loans and so on. It makes me wonder whether it wouldn't be better to introduce sensible legislative controls to ensure that loans are granted under fair conditions, rather than as a hidden discount. It would be wonderful if the state could emerge from this crisis with greater authority – as a referee who ensures that the regulations are actually complied with.

The three big U.S. carmakers are facing enormous difficulties and the public's perception is that this had a lot to do with the financial crisis. But isn't there actually a different cause of these structural problems in the car sector?
Strotbek: I believe the structural challenge that the car industry is facing is an entirely separate issue to what is currently happening. The question of how structures need to be changed in the medium and long term should be considered independently of the present upheaval. As to the United States, it is a very distinct market that applies different standards of viability and competitiveness. Ever since the early 1990s, its domestic industry has been under attack by foreign manufacturers, e.g. from Japan, who entered the market with locally built products. So the fundamental weakness of certain major carmakers has been evident for many years, if not decades, in the form of dwindling market shares.

To what extent is the current crisis affecting Audi's business in the United States?
Strotbek: A direct consequence of economic uncertainty is restraint among buyers; overall demand has dropped by almost 20 percent and nobody knows how much further it is going to fall. On the other hand, we have a growing product range and new technologies that offer us enormous potential to develop in the medium term. So even though part of me deeply regrets what is happening on the U.S. market, I also see how it is creating opportunities for the Audi brand in the years ahead.

MOVING DISCUSSION
A video clip of the interview can be found at:
www.audi.com/ar2008/foresight

But, all in all, the industry is in the throes of radical transformation.
Otte: Absolutely. The automotive industry encapsulates all the problems and opportunities that are part and parcel of modern business life. On the one hand, it is a mature industry making an indisputable bulk commodity that dominates our economic life, but with little room for market growth because, at some point, people simply don't have space for yet another car in their garage. On the other hand, it has a long way to go in terms of sustainability: Energy efficiency and this very idea of sustainability are the two major growth areas that will give fresh impetus even to this mature industry.

> **"2009 is going to be an extremely hard year, but I'm very confident that, thanks to our youthful model range, we'll fare much better than markets as a whole."**
> **Axel Strotbek, Member of the Board of Management for Finance and Organization, AUDI AG**

Although sustainability has been strongly overshadowed by the financial crisis in recent months, it has actually been the industry's defining issue with regard to its structure. To what extent can energy efficiency provide a solution to the current situation, Mr. Strotbek?
Strotbek: I think it offers huge opportunities because the ideas we currently have in the pipeline focus very specifically on the type of structural change Professor Otte has just described. It is one of our greatest strengths that we have continued to invest and step up the pace in this area – ensuring that tomorrow and in the future we will continue to bring products to market that convince through "Vorsprung durch Technik."

So does that put you in the role of hunter or hunted? The impression in recent years has often been that European manufacturers as a whole have not exactly been taking the leading role.
Strotbek: Speaking for Audi, I think it is fair to say that after a 13th successive record-breaking year, our brand is in the "hunted" role. But there's no such thing as a free lunch, and the challenge we now face is using convincing technologies to build on this position. The question we are currently addressing is therefore where to place our priorities, and where to rein in capital investment and costs. I am very confident that we will find the right answers and pull through the crisis with future-proof products and technologies.

Can investing actively and being highly entrepreneurial during the current crisis have a particularly positive effect, Mr. Otte?
Otte: It has to! Entrepreneurial activity is of fundamental importance to the economy's development. In mature industries, in particular, you often find that one company copies another; in other words, if one player does something, the others follow suit. And this can hamper innovative solutions. However, when Mr. Strotbek talks about having to choose between cutting costs and investing when setting priorities, he is referring to key business decisions. You simply can't do everything all at once, otherwise you just get bogged down. That's why a company can provide impetus by establishing a trend in a particular direction. When I take a look at the Audi Group's 10-year figures and see a doubling of vehicle sales along with over 60 percent growth for the core brand, then I can see it has succeeded in doing this. And, of course, that also creates very ambitious targets for the future.

Mr. Otte, you saw the crash coming – are you also able to predict when we will come out the other side?
Otte: It would be nice if I could. But it is easier to recognize that a bridge is going to collapse under an excessive load than to know when reconstruction will be finished. I think we are going to experience a sharp recession first. I can't yet exclude the possibility of a really bad ending, but I hope that the danger has been averted thanks to the rescue measures that governments have taken. Amid the crisis, I must say I am very pleased with the way politicians have responded to the need for firefighting measures. This certainly couldn't be taken for granted. We will have to wait and see whether better regulation will now follow.

So ultimately, you hope we will learn from our mistakes?
Otte: Of course. I think we'll see a return to the old principles of the reputable merchant who assesses his risks realistically and doesn't get involved in things he doesn't understand. If we manage to lay down some simple, clear rules for the banks and are generally able to behave more responsibly, we'll have moved forward. ●

The business journalist Olaf Wittrock works for Frankfurter Allgemeine Zeitung, Financial Times Deutschland and Handelsblatt, among others.

VORSPRUNG FOR ALL ETERNITY

1980

quattro

The idea of spreading the propulsive power across all four wheels so as to decisively improve traction and cornering behavior has become a legend in its own time – both on the open road and in motor racing. Since 1980, some three million Audi models have been equipped with quattro permanent all-wheel drive. Today, almost one in three Audi vehicles is ordered with quattro drive.

1989

TDI

In creating the first passenger-car diesel engine with fully electric direct injection and turbocharging in 1989, AUDI AG paved the way for today's efficient diesel engines. TDI technology has since taken to the road more than 4.8 million times.

1994

AUDI SPACE FRAME

The A8 arrives on the market – the first production car to feature the revolutionary lightweight Audi Space Frame, reducing its weight by some 140 kilograms compared with a conventional sheet steel body.

1996

PRODUCTION HYBRID MODEL AUDI DUO III

The Audi brand is a pioneer in hybrid research, unveiling the Audi duo hybrid model with integral electric motor as far back as 1989. The Audi duo III, Europe's first production hybrid vehicle, followed in 1996.

2008

EFFICIENCY

A production version of the Audi A4 2.0 TDI* covered 1,650 kilometers without refueling. This amounted to an average fuel consumption of 3.32 liters of diesel per 100 kilometers.

* Fuel consumption and emission figures at the end of the Annual Report.

Local Stories

Written for the Audi 2008 Annual Report

MADELEINE THIEN

Montreal

Mile End

MATT RUBINSTEIN

Sydney

The Secret Heart

HENRIETTA ROSE-INNES

Cape Town

The Other Safari

Three award-winning young authors describe in three uniquely individual short stories what makes their cities so special.

Montreal

Mile End

In the early morning, when the streets are bare and still, I walk past Ren's apartment. This ritual is now fourteen days old. I choose the right-hand side of the very same roads. Yesterday there was rain. The day before that I felt faint drizzle like a melting of the air. As I walked, I thought I could hear the taps being turned on, I could smell coffee grinds. I could hear dreams pacing restlessly across the hardwood floors. I'm nearly blind now but I know well enough the streets I'm walking through. Here on Clark, metal staircases spiral up to meet the second and the third storeys. Balconies perch like little shelves, lost behind the spindly trees. The leaves are crimson and orange, in my mind they seem to me like afterimages, hanging on after the light itself has burned out.

Last year, my opthamologist told me that all sight is a creation, we take what the stream of light gives us when it touches the nerve cells of the retina, when it pulses its way from the optic nerve to the visual cortex. We gather up all the information contained therein and we read it as best we can. So, each night for the last fourteen nights, I've lain in bed and created my own pictures: Ren in her high heels winding her way up the staircase, Ren in the day-to-day morning ritual of opening the curtains and letting the sky in. I imagine the city in superb detail and when I open my eyes I want the city to look back at me, to meet me halfway. Instead what I see is the great empty centre of the room pinning me down, a black centre haloed by fraying edges. Over at the Y on Park Avenue, I've been exercising on the treadmill. I keep my eyes wide open as I stride boldly into the darkness. Freedom comes in such small spoonfuls, measured out like summer days in Montreal.

It's been twenty-two years since Ren left me, left Vancouver and came here to Montreal, came home. All I can say when I call her is, Can you come and see me one more time?

Twenty-two years ago she stirred her coffee and said, I'm irrelevant to your life. She was sitting beside me at our kitchen table, illuminated by the skylight, particles of dust snowing down on us, she was wearing a blouse with a flower-print pattern. Sweetie, I said, but I couldn't meet her eyes. I'm going home, she told

me. What is this, I said, puffing myself up, trying to be indignant. She had a lover and I had someone else and we both knew this humiliating fact without either of us having to admit it out loud. She was leaving me.

This afternoon I fell asleep on the sofa, the television still on. When I wake it's already dinnertime and I'm a little bit confused. I wonder if I've done it again, fallen asleep in public, in a cafe where talk murmurs around me like the river rolling on beneath a bridge, a cafe where the cardiganed ladies tear off pieces of croissant and the flaky bits rain down onto pristine white napkins but no, the couch envelops me. Light hovers around the windows. The sweet smell of my lunchtime soup, prepared by my daughter, is still strong in the air.

I close my eyes, breathe deeply and open my eyes again. To be back in Montreal is a strange thing. The other day, I tripped while going up the stairs of the Church of St. Michael and St. Anthony. When I was a boy growing up in Mile End, I used to study the disjointed architecture – equal parts rectangle, crescent moon, and pointing finger – I tried to imagine a way up to the centre of the vast, domical roof because I wanted to see the city without myself being seen. I tripped and my right knee bruised against the same steps that used to hoist me up.

In the days when my vision first began to deteriorate, I told myself that the salinity of tears was the answer to the mess inside. I sat in my bed and thought of things I hadn't considered in years, and I let those slivers fall right through me, Ren rolling away from me when I came to bed. Me leaving a woman in the middle of the night, stepping out into the rainy darkness of an alien city, rehearsing excuses in my head. I remember going blind, a memory as shorn and shaven as the first time I undid Renny's blouse, or the last shouting match I had with my father. Tears contain some sort of painkiller. Would crying for three weeks be the equivalent of a cleansing fast?

Outside my kitchen, life is rich and fluent. A squirrel runs along my terrace like a madman, ripping things up. I can hear him but not see him. Once, when I was a child, I saw a squirrel racing down Clark Street, a croissant between his teeth, I chased this squirrel until he spiraled up into a tree and hid his fat tail among the burnished leaves. My grandmother said, Why can't you leave the world alone?

It's not difficult to fool people. I walk much slower now and people think my knees are giving out. I stopped driving and relied on taxis and when that got

too expensive, I took the bus. They're big and fairly unmissable. But eventually, I couldn't read a newspaper, a book, a computer screen, a letter, a menu. I couldn't actually read the words macular degeneration, couldn't see my own diagnosis. I asked myself, who is doing this to me? I felt cold everywhere, cold in my chest, cold in my stomach. I realized I had seen my last clear image of the world, it was retreating moment by moment. Standing in a parking lot that day, I put my hands out to steady myself. Someone was blotting out the world, dab by dab, with a little grey tissue. I lifted my hands to stop them but they just kept coming, an army of caves. I covered my eyes. The next morning I flew home to Montreal.

On est au milieu de nulle part, I told Ren on the day she left me. Here I am at the staircase. Evening light around me and a warm wind that stirs the trees. A couple walks past, whispering to one another. In my mind's eye, I see their fingertips brushing, their hatted heads bowed together. I hear the clicking paws and huffing breath of a little dog, the crunching of a paper bag, I smell warm bread. A chair creaks on a nearby balcony and a man pulls a child away from a display window, and the child cries out in soft, bereft French.

I nudge my shoe out and find the bottom step, swim my hand tentatively through the air until the iron handrail folds itself into my fingers. I shuffle up. Tomorrow I will get a cane but today I want to be someone else. The air smells of dry leaves. Up and down the street, there's life and movement, like when I was a boy and I used to sit on the curb and watch the cars rush by. All the foreign languages ran out of all the windows, deafening, like they were begging the world to listen up, to take notice, newcomers like city birds who chirp harder to out-sing the traffic. Bicycles whirr by and a cheer goes up from a sports bar down the street. Maybe there's a thick-necked guy running up the ice now, waving his stick in the air. I can hear pint glasses slammed down on a beer-smeared table.

Step by step, so different from when I used to imagine running up this staircase, slamming my fist against Ren's door. Sometimes I imagined bursting in, and all the rage and guilt I felt would flood the sunny walls and on her face I'd see regret and love and maybe even fear. Was that me? The person I was twenty-two years ago, does he still belong to me and I to him? So here I am and I can see the door. It has a black hole in the middle and it's pulling me into it. The sound of my knocking is confident. And Renny's face when she appears falls into the same darkness, haloed by the frayed edges, and I know that I waited too long.

The insistent city wind finds its way between the folds of my knotted scarf. I want to touch the stones of the building and reassure myself these are the same stones I used to lean against and write upon, that the city keeps everything I've long forgotten.

How's Sanjay, I ask. I know that her face is falling. Oh, haven't you heard? she says. I have heard but I want to hear her say it out loud. She says, I left him. You left him, too? I ask. Him too, she says.

She asks me why I'm looking at her like that and I say, Just thinking. Thinking what? I can't find the words to tell her that I don't understand how the afterimages can burn so persistently, but I'm starting to forget what my own face looks like and can she imagine, just imagine, what that's like? It's snowing, I say. It's not snowing, she says. Around me, Montreal is disappearing and growing louder and because I can't see it, I feel like I'm losing myself within it. You okay? she asks. Her voice is the same, only lower, only slower, and there's a catch in it like a needle pulling thread. What do you see? I ask her. There's a strangeness between us like the distance between two houses. That's a nice shirt, she says, and that makes me smile. Come in, she says, embarrassed, nervous. Or aren't you staying?

On est au milieu de nulle part, I had told her callously. In the middle of nowhere, she had said, at least you can see a goddamn thing.

Now Renny takes my hand and pulls me nearer. My god, she says, what's wrong? Why are you looking at me like that? Her voice wavers like a held note against my skin. When we were young, she used to hold my face in both her hands so that she could kiss me in her soft and hopeful and lingering way. When she speaks now, a clutch of memories come raging through but the dark stays dark, the shades stay drawn. At this last possible moment, I'm falling short and I want to turn and run back down the stairs, run to the Old Port where I can throw my visions into the ice-flecked water. At my age, eyes fail, it's the way of things. I've changed, I tell her, but I don't know how to tell her all the ways and all the means. We all want to, she says, and she opens the door a little bit wider.

End

Madeleine Thien, 34, a Canadian of Malaysian-Chinese descent, first studied dance before switching to literature. Her very first collection of stories, "Simple Recipes," won four Canadian literary awards. Her first novel, "Certainty," has also won several awards and has been translated into 15 languages. Madeleine Thien lives in Montreal.

Sydney

The Secret Heart

It came in an internal envelope, the kind that's scrawled with names and departments, everywhere it's been. Someone brought it from reception to my office on the top floor. This is the newest tower in the city, and one of the tallest: if I look out I can see the sparkling puzzle of the harbour, its bays and beaches, all the way to the Heads and the ocean beyond. But I'm not looking out. I'm looking at the note.

We have your wife. She is hidden deep in the city's most secret heart; you cannot find her. You have until dawn to come up with the money. Now, I'm not the kind of person you would expect to receive a ransom note. I have some money, but I didn't make it in any flashy way. I made it slowly and assiduously, month by month. I'm not prepared for this at all. And there are a number of things about the note that strike me as peculiar. It asks for money but not for any particular amount. It's worded very strangely. The city's most secret heart? It's almost poetic. I don't know who would write a ransom note like that. It threatens my wife, but I don't have a wife. I used to have one, but I haven't seen her or spoken to her in almost ten years. And the note's in her handwriting.

It's a shock to see her careful script after all this time, but there's no mistaking it. She copied it from a typewriter, you can tell by the 'g'. And it's eerie to read these threats that she's been forced to write about herself, as if she were someone else. The whole thing feels like a dream.

From up here I can see the currents in the harbour, marked by the reflections of the light. I can see where the surface has been smoothed by a tanker or a cruise ship. The sailboats scattered like breadcrumbs on the water, and the proud spires stretching skyward. This is a city that has risen from the landscape, its greens and blues, its sand fused to glass. It's a city without a secret heart. Aggie knew that better than anybody.

She was always trying to find out what the city was hiding. She wasn't happy with its dazzling surfaces, its natural and invented beauty: she wanted to go deeper. But beneath the surface there was only another surface. So she would have laughed when they made her write those words. Or she would have despaired, knowing they were holding her in a place that didn't exist. And it's the

thought of her despair that tightens my chest, even after all the years. I know I have to find her.

Sydney is a city of ancient unmarked pathways that became dusty tracks lined with canvas and jute and soon a confusion of lanes and alleys, passages and courtyards, easements and rights of way. But that was a long time ago. Government and commerce have taken every chance to align the city, to fill in its voids. Now instead of poky alleys we have great plazas and squares; instead of trenches, fountains; instead of darkness, air and light. I hurry from block to stretching block and pass only a handful of stubby lanes ending with skips and air conditioners. It's only in the oldest part of the city that the skyscrapers run out, you suddenly feel taller. Here are tiny terrace houses in brick and local sandstone, old churches and even older pubs. There are blind alleys between and behind the buildings, narrow lanes zagging through the stone. In the northwest corner of the headland, shadowed from the late-morning sun, is an empty park with swings and a slide.

Aggie and I used to explore this part of the city together, looking for places we didn't know, even though we'd lived here all our lives. The worn stone steps leading down to the old finger wharfs, the back rooms and cellars of the city's first hotels, even the cast-iron public conveniences used to delight us back then. We were married too young, and then we were divorced too young. We were hoping against all wisdom that two wrongs could make a right.

There's nobody here in the leeward side: not my ex-wife, not anyone. And so I turn and climb the observatory hill, I look up to the city's towers and down to its mighty foundations, and I descend towards its possible, its hopeful heart. The old lanes and alleys weren't really destroyed, they were sunk below the streets. Many of the towers and the underground stations are connected by tunnels that stretch for kilometres, north to south, east to west, lined with tiny shops of the kind that used to crowd the surface. Tobacconists and barbers, shoe shiners and key cutters, seamstresses and thread merchants and hawkers.

Aggie and I would meet down here for lunch, long ago; we were working in law offices at opposite ends of the tunnels, and it was always a thrill to take the lift to the basement and meet her in some hidden café halfway between our buildings. We were often the only ones there, we'd sit on mismatched chairs and stay much longer than our lunch hours.

It's strange to remember all these things. For so many years I've only been able to think of the way our relationship ended, the shouting and then the silence. But now as I hurry past the old sandwich shop, the vegetarian place that serves pork, I can feel something softening inside me. There are more takeaway chains than there used to be down here, but a surprising number of the old places are still the same. For a moment I've forgotten about the kidnappers and the ransom note. Every time I turn a corner I expect to see her, not bound and gagged but sitting at one of the wobbly tables, tapping her watch because I'm late. I feel a different, deeper kind of urgency as I stride and then run through the underground walkways, all but pushing people aside. I know there are more shafts and burrows than these. The whole city was built around a freshwater stream that still flows through conduits of steel and stone between the foundations and basement car parks. There are railway tunnels begun and never finished; over the years they've been used as air-raid shelters and war rooms, and in one of them a great subterranean lake has gathered from the city's runoffs and overflows.

Aggie and I used to talk about going down there, but we ran out of patience, we ran out of time. Is she there now, at last? I follow the course of the Tank Stream in the names of the streets and the marks on the pavement, but I can't find any way in. I poke around the train platforms, but they're all patrolled by cameras and security guards, nobody could have taken her there.

As night falls, the city empties of people and fills with shadows. I walk quickly but erratically, I don't have a plan. All I can think is that dawn will come and I'll never see her again. This morning I never wanted to, but now – well, now I'm not so sure. I buy a coffee from the all-night diner at Circular Quay. There's nobody around, just me and the moon and the moon's reflection. We used to catch the last ferries out and back, kissing on the top decks, singing into the wind. We told each other our most terrible secrets, our most wonderful secrets.

My legs ache from all my crossings, and I'm strung out on coffee and worry. But a kind of peace settles over me, it seems to rise from the rhythmic wash of the tide against the quay. It's a kind of peace and a kind of clarity. I know, for example, that there probably weren't any kidnappers, the ransom note was from Aggie alone. The secret heart was her idea. I don't think she wanted me to find her, she just wanted me to remember what we'd both forgotten. She wanted to teach me a lesson.

It's typical of her. She was always trying to educate me, to make me more suitable. And now she wants to show me what a waste it's all been, all these bitter years. As if I didn't know that already. As if I haven't known it all along. Now I'm angry all over again, and I can't stand the thought of never seeing her again. It's four in the morning and I don't know what to do with myself. I'll just get it over with as quickly as possible. The botanic gardens are locked up for the night but I can still follow the road along the eastern ridge of Mrs Macquarie's Point where it overlooks Woolloomooloo Bay, then the harbour, then the curving horizon. I sit under a fig tree and wait for the dawn like a doomed prisoner. I'm still wearing my second favourite suit.

The dawn is as beautiful as always. The night pales almost imperceptibly until the sun appears over the headlands to the east. The harbour glows a rosy pink; it looks like a rock garden freshly raked. I'll walk back to work, drink some more coffee and carry on as if none of this ever happened. I've been unhappy for ten years, I can keep it up a bit longer. At the very edge of the point is a seat carved into the sandstone for Elizabeth Macquarie, the second wife of the fifth governor of New South Wales. From here you can see the whole harbour, from the Bridge and the Opera House in the west to the island Ford Denison and the Heads in the east, glowing with the morning sun. It's one of Sydney's most famous attractions, with hundreds or thousands of visitors each day.

And Aggie is sitting there, tapping her watch because I'm late. For a moment I can't believe my eyes, and then I'm overcome by rage. "This isn't a secret!" I shout at her, crazily. "What the hell are you talking about?" I can't help noticing that she still looks beautiful, her sharp features slightly softened, her pixie haircut dyed a little brighter. She's changed about as much as I have, in some ways a lot, in others not at all.

"Don't you remember?" she says. "We sat here together, quite by accident, a few weeks before we met for the first time." Of course I remember, but I can't admit it to her. "Thousands of people come here every day," I insist. "It's in all the guidebooks. Everybody knows about it." "No, they don't," she says. "Not what we know." For the first time I notice how hopeful she looks. Her face looks like it's about to split into a smile of the most blinding sunshine.

I feel like I've been tricked, she's got me on a lawyer's technicality. I summon my objections, but I find I can't say anything. And now her face reveals its smile, and

it's as dazzling as the waking city behind her. "Do you want to get some breakfast?" she says. "I have to go to work," I say. "I've been missing almost twenty-four hours." Her face falls, and I know that something's about to happen. "But I'll meet you for lunch," I add.

My smile reflects hers, as the harbour reflects the sun and the city, its hidden surfaces, its famous secrets, its countless hearts.

End

Matt Rubinstein, 35, was born in Sydney and lives there again today. After years as an attorney, he decided to devote himself fully to writing. His debut, a novel in sonnet form, made him a celebrated writer in Australia overnight. A scriptwriter as well, Matt Rubinstein also writes short films and stage adaptations.

Cape Town

The Other Safari

First time in Cape Town? Ah, Madam, Sir – you're in for a treat. Business or pleasure?

Leave me alone, you say, pushing past impatiently – I've seen the sights, done the attractions: the golden beaches, the balmy Indian Ocean and the brisk Atlantic, all laid out under the flat-topped mountain; the taste of summer wine, the splash of a whale's tail … shark-diving, rock-climbing, township taverns, even Mandela's prison cell. Been there, got the T-shirt. But Sir, Madam – wait. You haven't seen it all! There's another Cape Town, one that exists inside, alongside the one in the brochures. It smells more of the south-easter wind than it does of sunscreen and martinis, and it's hard to fit on a postcard.

Fortunately for you, dear visitor, I do a tour – especially designed to meet your needs and requirements. There'll be no gorgeous sunsets over the silver bay, no lions hiding in the bush. But I'll point out the cloudscape behind your back; I'll coax a seagull to sit on your shoulder; I'll buy you a slightly battered arum lily, smuggled off the mountain and sold out of a plastic bucket by a woman at the side of the road. It's going to be great.

So roll up, roll up, as they say: join the other Cape Town tour. Let's call it a safari; but the creatures you meet won't be giraffes and elephants. We'll start in a random corner of the town and stroll through its less travelled streets, stopping to observe the changing light, the ground at our feet, the shapes disappearing in the shadows around the next corner. And we'll end up back where we started – under the shadow of the mountain, in sniffing distance of two seas, gazing at the sky. So, sightseers, are we all together? Try not to wander off.

Let us begin by casting our eyes to the heavens. It's customary to stare at Table Mountain. In fact, it's hard to get away from the thing; it's always on the horizon, trapping the gaze. And once you've looked, it's almost impossible to look away. But let's try. Drag your eyes away from those elegantly terraced cliffs and slopes, and move a little sideways, towards the less imposing Lion's Head – which is a lion only by a considerable stretch of the imagination, a sort of dachshund if truth be told.

We are not alone here. Let's greet the imam, crisp in flowing white, on his way up to the green-and-white kramat, the holy tomb that balances on the Lion's spine; and let's offer our water and energy bars to these brisk and sweaty hiking girls – German tourists, quite possibly – heading down from its cranium. So far, so good. Now let your eye drift upwards. Above the Lion's shoulders are some of the best skies in the city: dappled with puffs of frosty breath from the southern oceans, shifting from moody pearl to hot porcelain blue at the height of the day, softening to gold at sunset, and then distilling into clear aquamarine, most luminous just before the evening star. Careful, now. It's lovely, yes, but don't go too close, don't try to touch. If we climbed over the Lion's neck or drove under his muzzle … well, then we would lose the subtle delights of the sky, because – bam – we'd be hit by the spectacle of the sea on the other side. A gleaming bowl under the battlements of the mountain, cupping a garish sunset, rimmed by decadently long golden beaches scattered with the browning bodies of international models, etc, etc. And we're back in postcard land.

So you there – come away! Let's keep the group together, shall we? Turn around, turn away from the siren song of the cocktail bars and beach umbrellas, leave the dazzling light.

I see the sea has seduced you, though; so let's stick with the marine theme. But we'll head away from the foamy surf and down towards the grittier end of the city: the harbour. No no, not that way! Certainly we won't dawdle in the glittering aisles of the Waterfront Shopping Centre. You can go there on your own time. Right now we're entering the working docks, oil-stained and noisy and populated by sailors and gulls and other dubious characters. Breathe in deep the fishy air! And look at those great rusty trawlers that seem like they should never float at all, weighed down to the waterline with piled containers like gigantic kids' building blocks. Step aside folks, and let this tough-looking crowd pass: a boatload of Taiwanese fishermen, heading out to find a karaoke bar downtown.

Don't you love the way everything is giant-size? Chains with links as thick as thighs; propellers two storeys high; anchors like brutal sculptures; an amphitheatre of a dry dock. And the noises! Clanks, shouts, grinding, booms! Up close, the oil rigs are roaring, dripping beasts, rusty and monumental, like well-travelled spaceships that have somehow washed ashore in this 17th-century port city. Because this is how Cape Town is: a city of incongruities, its history rubbing up

against its future, full of people from somewhere else, passing through. Nothing is quite what it appears to be, or exactly where you expect it to be, or doing quite what it was designed to do. Boundaries shift, plans change. A fallen billboard gets pressed into service as the wall of someone's shack; a mountain sits smack in the city centre; spaceships dock in the harbour. Maybe it's the wind which muddles things up: the gusty south-easter, which features annually in a front-page photo in the Cape Times, lifting some poor citizen's skirts as she clings to a lamp-post.

Even the roads and bridges seem blown off course, ending up in odd places. Like scenic Chapman's Peak Drive, teetering on the very edge of the sea cliffs – every year raining down boulders, every year hopefully repaired. Or the railway line running next to the sea at Kalk Bay, where the waves sometimes spatter the train windows; as you ride you can wave at bare-chested surfers frolicking in the water, or seals looping their sleek bodies through the surf.

You might notice, in central Cape Town, the flyover arcing overhead. An impressive ramp of concrete, designed to slingshot cars right across the unsightly harbour-end of the city and on to the cosmopolitan delights of Sea Point. Except something's missing. There's two broken-ended halves of a swooping highway – and a great big gap of unused sky in between. If you tried to drive it, you'd swan-dive into the busy intersection below, a long way down.

Consider also the main taxi-rank, which is not on the ground as you might expect, but up in the sky, on top of the railway station, where once the trains and platforms were divided into White and Non-white. What used to be an austere concrete rooftop has been transformed into an African marketplace. Fancy a snack, a haircut, a pair of cheap sunglasses? Here, this lushly dreadlocked gentleman will provide you with obscure medicinal herbs, if you're feeling queasy; these tall, smooth-talking guys from up north will sell you knock-off Nigerian videos; this trio of voluble mamas have brought their bags of ten-cent sweets all the way from a distant township – for you! These sassy teens in skin-tight jeans will braid your hair or embellish you with extensions; and over there's an old man selling pots and pans – and machetes too, should you feel the need for personal protection.

The taxis congregate here from all over – gunning through the rush-hour traffic, skidding in and out of the fast lane, stopping at will, packed tight with bodies, shuddering with the bone-vibrating sounds of township house. Taxi? Mitchells Plain, Mowbray, Grassy Park? The spry little guy in the baseball cap

who's shouting at us now is the gaardjie, the taxi door-operator, money-collector, customer-wrangler, seat-packer and general driver's sidekick. Shall we grab a ride? Which taxi should we pick – "Mister Lover Man", "Funky Titanic", "Rock of Ages"? Jam in, jam in where you can, slide your grubby five-rand coins over to the gaardjie, let's move! We still have a few more sights to see ...

Seeing as this is billed as a safari, no doubt you will not be satisfied with your African Experience if we don't spot a few real live animals. But nothing as obvious, as mundane as rhino or cheetah. Roaring along the highway, face smeared against the glass of a speeding taxi, you can't help but note one of Cape Town's most delightful oddities. Even lifelong Capetonians shake their heads every now and then in disbelief at this pastoral scene. What are those creatures, gambolling on the grassy slope? Zebras? Not quite ... those are quaggas, fantastic experimental beasts from the past. They're hybrids, the products of a breeding project to recreate an extinct sub-species. In spitting distance of rush-hour traffic, they browse and twitch their pale rumps, coyly naked where one would expect conventional zebra stripes.

Less exotic, but to my mind more fully citizens of the city, are the birds: those specialists of antigravity and upside-down worlds, those connoisseurs of sudden reversals of wind. They thrive here. We have immigrant birds, refugees from up north, like the hadedas with their mad mocking haa-haaah cry; or the sweetly pair-bonded Egyptian geese that are everywhere now – in the forest, on the beach, on top of five-storey buildings, balancing their plump bodies on the tips of lamp-posts all over town. Like any city, we also have our disreputable street pigeons, scrapping on street-corners; as well as flocks of more elegant racing birds, circling above the old Malay quarter, with its bright little houses from another century. All mixed up, of course, with the raucous gulls, blown in from the bay like sailors on shore leave. And every now and then, high, high off the corner of Table Mountain, you'll spot the twin dots of a pair of black eagles, way up there.

Which brings us back, inevitably, to the mountain: the glorious tyrant of our skyline. All stories about Cape Town begin and end here, it seems. So too our tour.

So wave goodbye to the taxi-driver, check your possessions, and count up your souvenirs: a flake of rust from a tanker in the bay; a bedraggled gull feather; a twist of quagga hair; a fallen number-plate from a speeding taxi. Jumbled together, they don't look like much, and they probably won't get through security

at the airport. But put them all in a bag, shake them up with some drops of seawater and some mountain flowers, and take a sniff: that's what Cape Town smells of, my version of it anyway.

Then open the bag and let the south-easter steal your souvenirs; let them blow away. They won't be lost or go to waste. They'll end up lining a penguin nest, or part of a house, or in the foundations for a new road, or in the belly of a seal; some place you'd never expect. For a moment, you've held a city in your hand. Next second, it's scattered, never to occur in quite that combination again.

And now I'll release you from the tour and let you go. Shops close late at the Waterfront – you can still make it if you rush. Buy that postcard of a changeless beach, a motionless sea, and send it home. Then find me again tomorrow and we'll do it all again – don't forget your sunscreen and a packed lunch. It will be a different city tomorrow, I guarantee.

End

Henrietta Rose-Innes, 37, studied archaeology prior to earning her master's degree in creative writing under the guidance of J. M. Coetzee, literature professor and Nobel laureate. She has been awarded several honors in her homeland for her literary works. She teaches creative writing at the University of Cape Town, the city in which she was born and raised.

Vorsprung Charisma **www.audi.com/ar2008/charisma**

Illustrations: Matthew Cook

Audi Group Finances 2008

Corporate Governance

Code amended in 2008

On August 8, 2008, the German Federal Ministry of Justice promulgated the version of the German Corporate Governance Code dated June 6, 2008. The Board of Management and Supervisory Board of AUDI AG discussed the amendments at length during the past fiscal year and passed the appropriate resolutions.

Implementation of the recommendations and suggestions

The recommendations in the Code, as amended on June 14, 2007, had been largely complied with until the announcement of the new version on August 8, 2008.
Since the announcement of the version dated June 6, 2008, the recommendations in the Code have been conformed to with the following exceptions:
The recommendation in the Code to provide for a severance payment cap when concluding contracts with Board of Management members (Section 4.2.3, Para. 4 ff. of the Code) is not complied with. There are doubts in professional circles as to the validity of such contractual clauses, which restrict the Supervisory Board's scope of action without creating significant benefits under current law.
In addition, the Supervisory Board has not formed a nominating committee (Section 5.3.3 of the Code). In the opinion of the Board, such a committee would merely increase the number of committees without noticeably improving the work of the Supervisory Board.
The elections to the Supervisory Board do not take the form of elections of individuals (Section 5.4.3, Sentence 1 of the Code). Elections by list are a common practice in democratic elections.
AUDI AG moreover does not disclose the remuneration of members of the Supervisory Board individually, broken down by components (Section 5.4.6, Para. 3, Sentence 1 of the Code), in order not to infringe on privacy rights.
Four departures are made from the suggestions in the Code:
The Annual General Meeting will not be broadcast over the Internet (Section 2.3.4 of the Code) in order not to infringe on the privacy rights of individual stockholders. For this reason, the provision for absent stockholders to even be able to contact the Company's voting proxy (Section 2.3.3, Sentence 3, 2nd half of sentence of the Code) during the Annual General Meeting is superfluous.
AUDI AG continues to disregard the suggestion made by the Code to incorporate both one-off and annually recurring variable components based on business performance into the remuneration for members of the Board of Management (Section 4.2.3, Para. 2, Sentence 2 of the Code) and to incorporate components based on the Company's long-term performance into the remuneration for members of the Supervisory Board (Section 5.4.6, Para. 2, Sentence 2 of the Code). It will continue to follow the discussion in professional circles as to the specific form to be taken by such variable components before changing its stance on this matter.

Particulars pursuant to Section 6.6 of the Code

No reportable acquisition or sales transactions were conducted during the past fiscal year.

Stock option plans and similar securities-based incentive arrangements

AUDI AG does not offer any such plans or incentive arrangements.

System of remuneration

The basic principles of the remuneration system for the members of the Board of Management are detailed in the Notes to this Annual Report under "Details of the Supervisory Board and Board of Management." This information is also available on the Company's website (www.audi.com/notes).

Declaration relating to the Code on the Internet

The joint declaration of the Board of Management and Supervisory Board of AUDI AG on the recommendations of the German Corporate Governance Code was published on the Audi website (www.audi.com/cgk-declaration) on November 24, 2008.

Audi Share Performance

Stock market developments

The dramatic development of the U.S. real estate and financial crisis placed capital markets under severe pressure in the second half of 2008. Increasing liquidity bottlenecks moreover prompted the collapse of certain major international banks. State rescue packages and economic recovery programs, coupled with quantitative easing policies by major central banks, did little to halt the plummeting share prices on stock markets worldwide.
After starting the year on 8,046 points, the German Share Index (DAX) for example already showed a significant retreat to below 6,500 points within the first few weeks of the year. The lead index subsequently exhibited a weak downward trend until the end of September. Following a renewed sharp slump in trading prices at the start of the fourth quarter, the DAX reached its year-low of 4,127 points in November and closed the year at 4,810 points.

Audi trading price trend

The trading price of Audi shares broadly exhibited a sideways shift in the first half of the year, before yielding to the general market trend at the start of the third quarter. There then followed a further period of price movements within a narrow range of EUR 444 to 501. After suffering rapid, steep losses from the start of November, the trading price regained this level in the remaining weeks of the year to close 2008 at EUR 466. Audi shares thus ended the year 26 percent down on the opening price for the year, having performed well compared with the German Share Index, which lost 39 percent over the same period.

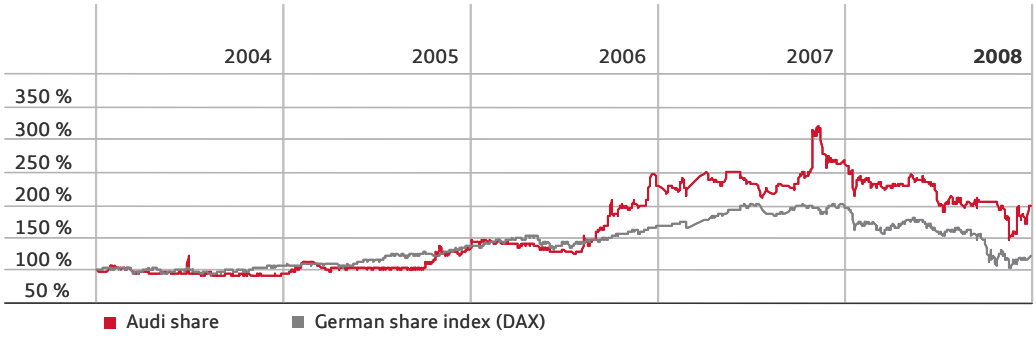
Takeover bid by Porsche Automobil Holding SE, Stuttgart

In connection with the increase in its interest in Volkswagen AG (Wolfsburg) to a total of 35.14 percent of ordinary shares and voting rights in Volkswagen AG, Porsche Automobil Holding SE (Stuttgart) submitted a mandatory offer to the remaining shareholders of AUDI AG on September 29, 2008 pursuant to Section 35, Para. 2 of the German Securities and Takeover Act (WpÜG). The Board of Management and Supervisory Board of AUDI AG submitted a reasoned opinion on the mandatory offer on October 16, 2008 pursuant to Section 27 of WpÜG. By the deadline for acceptance, the offer had been accepted for 0.41 percent of Audi shares. The shares taken up by Porsche Automobil Holding SE under the mandatory offer were acquired by Volkswagen AG from Porsche Automobil Holding SE, with the result that Volkswagen AG's interest in AUDI AG increased to 99.55 percent.

Profit transfer and compensatory payment to stockholders

A control and profit transfer agreement is in force between AUDI AG and Volkswagen AG, which controls 99.55 percent of the capital stock of the former. In lieu of a dividend payment, outside stockholders receive a compensatory payment. The level of this payment is calculated from the dividend distributed on one Volkswagen AG ordinary share for the same fiscal year, as determined by the Annual General Meeting on April 23, 2009.

INDEXED AUDI TRADING PRICE TREND
(ISIN: DE0006757008, WKN: 675700)



BUSINESS AND UNDERLYING SITUATION
THE GROUP

Company

With its two brands Audi and Lamborghini, the Audi Group is one of the most successful carmakers worldwide, active both in the premium and supercar segments.
At the core of the Company is the Audi brand, whose vehicles captivate customers around the world with their modern design, superb build quality and technological innovations. The focal point of all activities is the development of pioneering, sustainable automotive concepts aimed at fully satisfying customer demands for ever better solutions. This philosophy is manifested in the brand essence "Vorsprung durch Technik," which encompasses the brand values of sportiness, sophistication and progressiveness. Customers can experience this brand identity through an extensive and diverse range of models. Thanks to these strengths, the Audi brand succeeded in maintaining its growth on global auto markets last year, despite the dramatic slump that affected many areas of the market towards the end of the fiscal year due to the financial crisis. This helped it to build on its already strong competitive position. In fact, the past fiscal year saw the Company deliver over one million premium cars of the Audi brand for the first time in its history.

AUDI VEHICLE DELIVERIES BY REGION

	2008	Share in %
Germany	**258,111**	25.7
Europe excluding Germany	**451,566**	45.0
China (incl. Hong Kong)	**119,598**	11.9
USA	**87,760**	8.8
Other	**86,434**	8.6
Total	**1,003,469**	100.0

The Italian time-honored brand Lamborghini embodies fascinating, uncompromising, exclusive supercars and has been enjoying a steady increase in demand for some years now. In the 2008 fiscal year, 2,430 (2,406) sports cars with the mark of the bull were delivered to customers – a new all-time record in the Company's history, despite the difficult underlying situation.
In addition to models of the Audi and Lamborghini brands, the Audi Group supplied customers with 217,607 (234,144) vehicles of other Volkswagen Group brands in 2008 through its sales subsidiaries.

Group structure and principal group companies

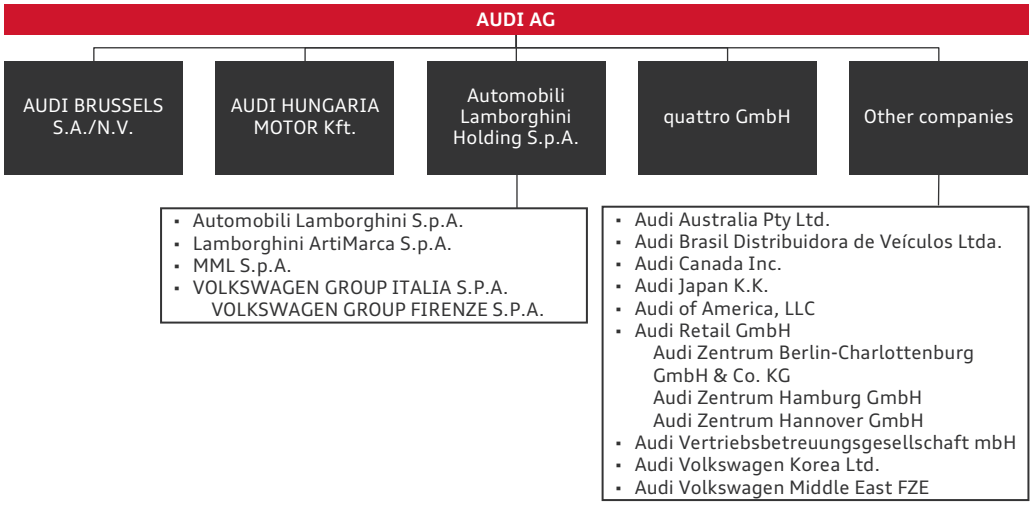
The Audi Group is headquartered in Ingolstadt. This is where Technical Development, Sales, Administration and substantial portions of the manufacturing operations are based. In addition to the A3, A3 Sportback, A4 Sedan, A4 Avant, A5 Coupé and Audi Q5, the ultra-sporty S3, S3 Sportback, S4 Sedan, S4 Avant and S5 Coupé versions are built there as well. The bodies of the A3 Cabriolet and TT series are also made in Ingolstadt.
The Company's second German location in Neckarsulm is where the A4 Sedan, A5 Cabriolet, A6 Sedan, A6 Avant, A6 allroad quattro and the A8 luxury sedan are built, together with the high-performance derivative models S5 Cabriolet, S6 Sedan, S6 Avant, S8 and A8 W12. quattro GmbH is also based in Neckarsulm. This company, a wholly owned subsidiary of AUDI AG, manufactures the high-performance vehicles RS 6 Sedan, RS 6 Avant and Audi Q7 V12 TDI quattro, and is also responsible for the exclusive, hand-crafted manufacture of the Audi R8 mid-engine sports car. quattro GmbH also supplies an extensive customization program for all Audi models (e.g. S line, Audi exclusive) and sells exclusive lifestyle articles that embody the spirit of the brand with the four rings.

AUDI BRUSSELS S.A./N.V. (Brussels, Belgium) builds the Audi A3 and, on behalf of Volkswagen AG (Wolfsburg), the VW Polo.
AUDI HUNGARIA MOTOR Kft. develops and builds engines for AUDI AG and other Volkswagen Group companies, as well as for third-party companies in Győr (Hungary). The TT and TTS models in both Coupé and Roadster body versions and, under contract from AUDI AG, the A3 Cabriolet are also built there in partnership with the Ingolstadt plant. Audi Hungaria is now one of the country's largest businesses and has become an important economic force.
The Bologna region of Italy is home to Automobili Lamborghini S.p.A., which builds the supercars Gallardo LP 560-4, Gallardo LP 560-4 Spyder, Murciélago LP 640 and Murciélago LP 640 Roadster.
VOLKSWAGEN GROUP ITALIA S.P.A., a subsidiary of Automobili Lamborghini Holding S.p.A. based in Verona (Italy), sells vehicles of the Audi brand and other Volkswagen Group brands in Italy.

Consolidated companies

AUDI AG's largest stockholder is Volkswagen AG (Wolfsburg), which holds around 99.55 percent of the capital stock. A control and profit transfer agreement is in effect between the two companies.
Volkswagen AG includes the consolidated financial statements of AUDI AG in its own consolidated financial statements.
Control and profit transfer agreements also exist between AUDI AG and its principal German subsidiaries.
The Audi Group has increased in scope since December 31, 2007 and now includes Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) as well as AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), which was consolidated in keeping with the conditions set forth in IAS 27.13, Sentence 2. Following its sale as of December 1, 2008 to Volkswagen do Brasil Indústria de Veículos Automotores Ltda. (São Bernardo do Campo, Brazil), AUDI DO BRASIL E CIA. (Curitiba, Brazil) no longer belongs to the Group.

FULLY CONSOLIDATED COMPANIES WITHIN THE AUDI GROUP



Disclosures required under takeover law

The following disclosures under takeover law are made pursuant to Section 289, Para. 4 and Section 315, Para. 4 of the German Commercial Code (HGB):

Capital structure

On December 31, 2008, the issued stock of AUDI AG remained unchanged at EUR 110,080,000 and comprised 43,000,000 no-par bearer shares. Each share represents a mathematical share of EUR 2.56 of the issued capital.

Stockholders' rights and obligations

Stockholders enjoy property and administrative rights.
The property rights include, above all, the right to a share in the profit (Section 58, Para. 4 of the German Stock Corporation Act [AktG]) and in the proceeds of liquidation (Section 271 of the German Stock Corporation Act), as well as a subscription right to shares in the event of capital increases (Section 186 of the German Stock Corporation Act).
The administrative rights include the right to participate in the Annual General Meeting and the right to speak, ask questions, table motions and exercise voting rights there. Stockholders may assert these rights, in particular, by means of a disclosure and avoidance action.
Each share carries an entitlement to one vote at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board to be appointed by it, as well as the auditors; it decides, in particular, on the ratification of the acts of members of the Board of Management and Supervisory Board, on amendments to the Articles of Incorporation and Bylaws, as well as on capital measures, on authorizations to acquire treasury shares and, if necessary, on the conduct of a special audit, the dismissal of members of the Supervisory Board within their term of office and on liquidation of the Company.
The Annual General Meeting normally adopts resolutions by a simple majority of votes cast, unless a qualified majority is specified by statute. A control and profit transfer agreement exists between AUDI AG and Volkswagen AG (Wolfsburg) as the controlling company. This agreement permits Volkswagen AG to issue instructions. The net profit of AUDI AG available for distribution is transferred to Volkswagen AG. Volkswagen AG is obliged to make good any loss. All Audi stockholders (with the exception of Volkswagen AG) receive a compensatory payment in lieu of a dividend. The amount of the compensatory payment corresponds to the dividend distributed in the same fiscal year to Volkswagen AG stockholders for each Volkswagen ordinary share.

Capital interests exceeding 10 percent of the voting rights

Volkswagen AG (Wolfsburg) holds around 99.55 percent of the voting rights in AUDI AG. For details of the voting rights held in Volkswagen AG, please refer to the Management Report of Volkswagen AG.

Composition of the Supervisory Board

The Supervisory Board comprises 20 members. Half of them are representatives of the stockholders, elected by the Annual General Meeting; the other half are employee representatives elected by the employees in accordance with the German Codetermination Act. A total of seven of these employee representatives are employees of the Company; the remaining three Supervisory Board members are representatives of the unions. The Chairman of the Supervisory Board, a stockholder representative elected by the members of the Supervisory Board, ultimately has two votes on the Supervisory Board in the event of a tie vote, pursuant to Section 13, Para. 3 of the Articles of Incorporation and Bylaws.

Statutory requirements and provisions under the Articles of Incorporation and Bylaws on the appointment and dismissal of members of the Board of Management and on the amendment of the Articles of Incorporation and Bylaws

The appointment and dismissal of members of the Board of Management are stipulated in Sections 84 and 85 of the German Stock Corporation Act. Members of the Board of Management are accordingly appointed by the Supervisory Board for a period of no more than five years. Reappointment or an extension of the term of office, in each case for no more than five years, is permitted. Section 6 of the Articles of Incorporation and Bylaws further stipulates that the number of members of the Board of Management is to be determined by the Supervisory Board and that the Board of Management must comprise at least two persons. Section 9, Para. 3 of the Articles of Incorporation and Bylaws stipulates that the term of office for a Supervisory Board member elected to replace a Supervisory Board member who has not fulfilled his term of office ends upon expiry of the term of office of the Supervisory Board member leaving.

Authorizations of the Board of Management in particular to issue new shares and to re-acquire treasury shares

According to stock corporation regulations, the Annual General Meeting may grant authorization to the Board of Management for a maximum of five years to issue new shares. The meeting may give it authorization, again for a maximum of five years, to issue convertible bonds on the basis of which new shares are to be issued. The extent to which the stockholders have an option on these new shares is likewise decided upon by the Annual General Meeting. The acquisition of treasury shares is regulated by Section 71 of the German Stock Corporation Act.

Key agreements by the parent company that are conditional on a change of control following a takeover bid

AUDI AG has not reached any agreements that are conditional on a change of control following a takeover bid. Nor has any compensation been agreed with members of the Board of Management or employees in the event of a takeover bid.

CORPORATE STEERING

Strategy

In the past fiscal year, the management and employees continued to work intensively on achieving the Company's strategic objectives. The important key points reflect four strategic dimensions:

THE AUDI GROUP'S "ROUTE 15" STRATEGY

In the wake of the increasingly acute financial crisis in the second half of last year and the negative consequences of this crisis on the entire automotive industry, the long-term objectives and the possibility of realizing them were discussed at length in the past fiscal year. Thanks to a fresh and attractive product range, a comfortable margin of financial resources, and the prompt and ongoing implementation of measures to improve costs, the management believes that the Company is well positioned to continue growing under its own momentum in the medium to long term in keeping with recent years, even if the economic environment should continue to deteriorate in the short term. In specific, a comprehensive and detailed package of measures spanning all four objectives has been approved and implemented:

Increasing market share

In the past fiscal year, the Audi brand celebrated its 13th record-breaking year in a row, delivering over one million premium cars in a year for the very first time. For the coming years, the Audi Group management has set itself the goal of further increasing its market share in all important markets.

The long-term model initiative is a key component of this strategy. In 2008 alone, the Company launched 17 new products, which met with great approval from customers, dealers and trade journalists around the world. Significant product launches included the Audi A3 Cabriolet, the Audi A4 Avant and the Audi Q5, which expanded the premium SUV segment by one more attractive model. In addition, the Company unveiled updated versions of the core car lines Audi A3 and Audi A6 with enhanced design and numerous new technological features. 2009 will see many more new additions to the fresh, sporty product family. For example, the new Audi A5 Cabriolet and S5 Cabriolet, and the particularly sporty Audi S4 and Audi S4 Avant versions will appear on the market in the first half of the year.

At the same time, the Audi Group is steadily increasing its engagement in car markets around the world. The high saturation of traditional sales markets means that relatively new, burgeoning markets like Russia, India and China are of particular importance for the future growth of the Audi brand. The Company is therefore gradually expanding its exclusive dealer and service network in these countries. Furthermore, AUDI AG added the new Audi A4 last year to its local CKD assembly operation in India. At the beginning of this year, the first long-wheelbase version in the upper midsize category went on sale in China, currently the leading export market. The new Audi A4 L satisfies the customer's desire for progressive mobility and excellent spaciousness, cementing the Audi brand's leading position in the Chinese premium segment. Furthermore, the brand with the four rings has announced its intention to launch diesel technology in the United States, the world's largest auto market. The aim is to convince future American customers of the high performance and efficiency of this modern propulsion method, adding further momentum to Audi's plans for growth over the medium term.

Customer enthusiasm and image leader in emotion and quality

At a time when competition is becoming increasingly fierce, a strong and desirable brand provides a sound basis for lasting success. The key focus of all Audi Group activities is therefore on further strengthening the current image positioning of the Audi brand and creating an emotional bond between customer and brand through captivating products. Alongside unique design and outstanding quality, the emphasis is on giving customers that proverbial "Vorsprung durch Technik."

Once again, the Audi brand underscores its prominent position in the field of technology through innovative and sustainable vehicle concepts that provide solutions today for tomorrow's mobility issues. One example of this is provided by its highly efficient e models, whose extremely good fuel efficiency and emissions are a compelling example of how sportiness does not have to be forfeited for efficiency.

The public's unstinting enthusiasm for the Audi brand and its vehicles was again expressed by numerous awards in the past fiscal year. For example, readers of the trade magazine Auto Zeitung voted the brand with the four rings top in its "Image Report 2008," giving it five wins in a row. In addition, the Audi A4, Audi A6 and Audi R8 won the same magazine's "Auto Trophy 2008" (issue 24/2008 and issue 25/2008) in their respective classes. In the important "Best Cars" reader poll sponsored by the trade publication auto motor und sport (issue 4/2008), four Audi models came out on top: the Audi A3, Audi A4, Audi A6 and Audi R8. The Audi R8 claimed a double victory at the World Car of the Year Awards 2008 (March 20, 2008) by capturing the titles "World Performance Car" and "World Car Design of the Year." Even before it arrived on the market, the new Audi Q5 carried off the "Golden Steering Wheel" sponsored by the newspaper Bild am Sonntag (issue 45/2008). The Audi brand also enjoyed widespread international acclaim. In China, it ranked first in the J.D. Power Asia Pacific 2008 China Sales Satisfaction Index (SSI) Study^{SM} (August 28, 2008), which gauges the satisfaction of new car owners. Furthermore, the Audi A6 L, Audi Q7 and Audi R8 earned the distinction of "Best Cars" in their class in a reader poll taken by the Chinese edition of the trade magazine auto motor und sport (issue 2/2008). Once again, Audi did justice to its brand attribute of sportiness with an array of motor-racing triumphs in the past year. The legendary Audi R10 TDI diesel-powered racing car, which features cutting-edge diesel technology, took victory in the 24 Hours of Le Mans for the third time in a row and won both the European and American Le Mans Series in the bargain. The competition version of the new Audi A4 won the internationally popular touring-car racing series, the German Touring Car Masters (DTM), on its very first time out, continuing the previous year's success. With four wins out of four, 2008 was thus the most successful year for motor sports in the Company's history. This serves to document the competitiveness of the Audi brand's technology.

High profitability

The Audi Group management's primary objective within the scope of its "Route 15" strategy is to achieve sustainable growth. As well as further increasing the market share in key markets, high profitability in particular is at the focus of all activities. Within the context of this value-oriented corporate management approach, growth also has to be profitable if it is to meet the premium standards of the Audi Group.
Sustainable, high profitability is encouraged in particular by continuously reassessing processes and structures in order to improve efficiency and realize cost-cutting potential, while also implementing wide-ranging measures to permanently optimize material costs and ensure systematic investment management.

Most attractive employer

If the Audi Group is to continue the impressive achievements of the past, it will have to continue to depend on committed and highly skilled employees. Therefore, one of the Company's core strategic goals is to enhance its attractiveness as an employer even further. The associated activities include creating a working environment that demands and encourages the ongoing development of the entire workforce. The Company acknowledges the great dedication of its employees not only through performance-based remuneration and profit sharing, but in particular by staging events like the Audi Family Day 2008. The wide range of measures aimed at boosting the Company's attractiveness as an employer also includes flexible working hour programs and comprehensive preventive health care.
The tremendous success of these measures can be gauged through regular internal employee surveys. However, external surveys like the one conducted by the renowned trendence Institute in Berlin ("The German Student Barometer – Business and Engineering Edition," 8/2008) also show the Audi Group as being one of the most popular employers of all in 2008. The Company took first place among engineers, a critical occupation group.

Internal steering system

One of the most important goals of the Audi Group is to consistently increase the Company's value. Internal steering is based on return on investment (RoI), which serves as a gauge of the return on capital employed for various types and scales of investment projects. RoI thus indicates the development of a company's profitability and is calculated according to the following formula:

$$\text{Return on investment (RoI)} = \frac{\text{Operating profit after tax}}{\text{Average invested assets}} \times 100$$

EUR million	2008	2007
Operating profit after tax	**1,940**	1,758
Average operating assets	**13,157**	12,100
– Average non-interest-bearing liabilities	**3,343**	2,639
= Average invested assets	**9,814**	9,461
Return on investment (in %)	**19.8**	18.6

In the 2008 fiscal year, the Audi Group improved its return on investment to 19.8 percent despite an environment dominated by increasingly difficult conditions. This makes the Audi Group one of the most profitable businesses in the international automotive industry and gives impressive proof of its remarkable competitiveness.

System of remuneration for the Supervisory Board and Board of Management

Information on the system of remuneration for the Supervisory Board and Board of Management is provided in the Notes to the Consolidated Financial Statements under Section 48 "Details relating to the Supervisory Board and Board of Management."

RESEARCH AND DEVELOPMENT

In developing and marketing innovative technical concepts, the Audi Group has played an instrumental role in shaping the modern automotive industry. The Company again brought numerous innovations to production maturity in the past fiscal year.
The total number of employees in the Research and Development area averaged 6,556 (6,230) over the year, comprising 6,293 (5,993) at AUDI AG, 116 (107) at AUDI HUNGARIA MOTOR Kft. (Győr, Hungary) and 147 (130) at Automobili Lamborghini S.p.A. (Sant'Agata Bolognese, Italy).

RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

EUR million	2008	2007
Research expense and non-capitalized development costs	**1,631**	1,570
Amortization and disposals of capitalized development costs	**530**	656
Total research and development expenditure recognized as an expense	**2,161**	2,226

Technical innovations

Efficient e model for the full-size category

With the launch of the first e models in 2007, the Audi brand was again able to demonstrate that sportiness and efficiency are not a contradiction in terms. This ultra-economical, low-emission vehicle concept is now also available in the full-size category.
The Audi A6 2.0 TDI e, with a power output of 100 kW (136 hp) and peak torque of 320 Nm, achieves an impressive average fuel consumption of 5.3 liters of diesel fuel per 100 kilometers. Its CO_2 emissions are a scant 139 g/km.

2.0-liter TFSI engine is the "International Engine of the Year"

Last year, for the fourth time in a row, a jury of 65 leading motor journalists from 32 countries voted the 2.0-liter TFSI engine the winner of the "International Engine of the Year" award (May 7, 2008). The engine was particularly commended for its high efficiency and its flexibility, which makes it suitable for use in the various vehicle models. The four-cylinder gasoline unit made its debut in summer 2004 in the Audi A3 Sportback. The Audi Group is currently offering its newest and most powerful version, which has 200 kW (272 hp), in the Audi TTS Coupé and Roadster. In these two ultra-sporty models, this power unit combines with the S tronic dual-clutch transmission to achieve a very good average fuel consumption of 7.9 and 8.0 liters of Super Plus gasoline per 100 kilometers respectively. This equates to CO_2 emissions of 184 and 187 g/km respectively.

Inventor of the Audi valvelift system (AVS) receives the "Hans List Award"

During the FISITA World Automotive Congress, AVL List GmbH (Graz, Austria) presented Audi engine developer Dr. Stefan Dengler with the "Hans List Award" (September 19, 2008), which is given to honor the achievements of innovative engineers. Dengler, a mechanical engineer, received EUR 50,000 in prize money for developing the Audi valvelift system (AVS). The system permits intelligent control of the intake and exhaust valves on gasoline engines, thereby increasing their power and torque while improving their fuel efficiency.
The Audi valvelift system demonstrates its strengths in the Audi A4 2.0 TFSI among others. With an output of 155 kW (211 hp) and peak torque of 350 Nm, this front-wheel drive sedan with manual transmission averages 6.6 liters of premium gasoline over 100 kilometers. It has CO_2 emissions of 154 g/km. This progressive engine technology is also used in many other models of the Audi brand.
The Audi Group believes the Audi valvelift system offers tremendous potential for further improvements to the efficiency of gasoline engines. Future versions could even conceivably shut off individual cylinders altogether.

Audi S tronic with seven speeds

In the past fiscal year, the Audi Group unveiled the newly developed seven-speed S tronic dual-clutch transmission. This concept, which is specially designed for the combination of longitudinally installed engines and quattro all-wheel drive, facilitates gear changes within a few hundredths of a second and virtually without any interruptions to the power flow.
This is all made possible by two permanently active subsidiary transmissions, one of which is connected to the engine at any given time. When the driver accelerates the car, for instance, the next-higher gear is already engaged in the other subsidiary transmission. To increase driving enjoyment even further, there is also the option of changing gear using shift paddles on the steering wheel.
Quite apart from its very sporty characteristics, the seven-speed S tronic is notably efficient. Its high efficiency and intelligent control function in automatic mode team up to maximize fuel efficiency. In addition, the maximum possible transmission spread of 8.0 : 1 offers a sporty, short transmission ratio for the first gear as well as a rev-reducing long ratio for the highest gear.
The new seven-speed S tronic is available in sporty models of the mid-range car lines.

New generation of the Multi Media Interface (MMI) with higher performance

The new-generation Multi Media Interface (MMI) made its debut last summer in the Audi A8 luxury sedan. Every aspect of this system has been further designed so that it now offers a combination of even better performance and, in particular, greater ease of operation.
The optionally available MMI navigation plus features a joystick on the central control knob for even easier navigation. In addition, a 7-inch, high-resolution (800 x 480 pixels) color monitor with LED backlighting provides a sharp, high-contrast picture even under difficult light conditions.
One technological highlight of the MMI navigation plus is its new navigation program. Besides having a conventional two-dimensional view, the driver can also select a three-dimensional map view. And, whenever appropriate, the navigation system suggests a route that will help the driver achieve maximum fuel efficiency.
Other important features of the new-generation system are an integrated drive for audio, video and navigation DVDs, and, in the case of MMI navigation plus, a 40 GB hard drive that can store up to 5,000 addresses and as many as 3,000 music tracks, which can be sorted as desired. The new generation of MMI is already available in a wide range of Audi models.

Audi Space Frame (ASF) honored with European Inventor of the Year Award 2008

In developing the Audi Space Frame (ASF), the Audi Group played a crucial role in lightweight automotive construction. The revolutionary concept, which first went into production in the Audi A8 in 1994, has been honored with the European Patent Office's European Inventor of the Year Award 2008 (May 6, 2008). The high-strength aluminum frame construction weighs much less than conventional steel bodied vehicles. The Audi Space Frame has paved the way for enhanced fuel efficiency, making a vital contribution towards cutting a vehicle's polluting emissions.
This pioneering aluminum technology currently features not only on the Audi A8, making it the only luxury sedan to combine an aluminum body with quattro drive, but also on the Audi TT, Audi R8 and Lamborghini Gallardo.

Innovations for safety

High-beam assistant for better illumination

The Audi brand has been supplying customers with a high-beam assistant in combination with xenon plus headlamps in virtually all car lines since last year. The driver can activate this function at twilight or when it gets dark by using the high-beam headlamp lever. Once activated, it monitors the traffic situation almost continuously by means of a camera system integrated into the interior rearview mirror. Depending on whether or not it detects other vehicles, the system either raises or dips the headlamp beams. Not only does it relieve the driver from having to

perform this routine task, the high-beam assistant ensures that the road ahead is better illuminated; it also helps avoid dazzling other motorists unintentionally.

10 years of accident research promoting road safety

In November 1998, AUDI AG launched the Audi Accident Research Unit (AARU), a research partnership with Regensburg University Hospital and the Bavarian Ministry of the Interior that investigates the events leading up to an accident. Since then, the goal of the project, which is entirely financed by AUDI AG, has been to improve overall traffic safety and to further develop the safety equipment of current and future Audi models. In addition to conducting technical and medical accident analyses, particular attention is paid to psychological aspects. This information is then used to shed light on a driver's responses and subjective perceptions in the pre-crash phase, and facilitate the development of efficient driver assistance systems all the way back in the project development phase.

Active safety systems to help prevent accidents

One example of how findings of the Audi Accident Research Unit (AARU) have filtered through to the latest models is the radar-supported Audi side assist system, which first appeared in the Audi Q7. Studies made by accident researchers established that when changing lanes, drivers not only tend to overlook vehicles in the blind spot but in particular fail to notice cars approaching from behind or underestimate how quickly these are traveling. Audi side assist was therefore conceived to not only detect vehicles in the blind spot, but also to detect those approaching from behind at high speeds. A signal lights up on the outside rearview mirror to warn the driver whenever the sensors identify such situations.
The Audi brand also offers a wide variety of other safety and convenience systems to support the driver in the task of driving. Certain systems are designed to tackle accidents at the source. For instance, Audi lane assist alerts the driver should his car inadvertently drift out of its lane. Another option available on Audi models is the adaptive cruise control (ACC) system, which regulates the distance to a preceding vehicle detected by the radar sensor by means of controlled braking and acceleration. If the vehicle in front brakes abruptly, Audi braking guard is activated. This system initially warns the driver by means of visible and audible signals and then, if need be, briefly but forcefully applies the brakes to prompt the driver to brake the car if necessary.

EMPLOYEE MATTERS

Workforce

	2008	2007
Audi Group, average for the year	**57,533**	53,347
of which:		
AUDI AG	**46,089**	44,698
Ingolstadt plant	**32,603**	31,369
Neckarsulm plant	**13,486**	13,329
AUDI BRUSSELS S.A./N.V.	**2,134**	–
AUDI HUNGARIA MOTOR Kft.	**5,925**	5,623
Lamborghini Group [1]	**989**	933
VOLKSWAGEN GROUP ITALIA S.P.A. [2]	**894**	900

1) excluding VOLKSWAGEN GROUP ITALIA S.P.A. and VOLKSWAGEN GROUP FIRENZE S.P.A.

2) excluding VOLKSWAGEN GROUP FIRENZE S.P.A.

The Audi Group employed an average of 57,533 (53,347) people in the 2008 fiscal year.

As a result of continuing corporate growth, the workforce of AUDI AG itself grew by 1,391 employees, a large proportion of them engineers. As of January 1, 2008, AUDI AG assumed management responsibility for AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), thereby consolidating it within the Audi Group. In the first year of its inclusion in the Group, on average 2,134 employees were employed. At the Hungarian subsidiary AUDI HUNGARIA MOTOR Kft., the 5.4 percent growth in human resources can first and foremost be attributed to higher vehicle manufacturing output. The number of employees at the Lamborghini Group (excluding VOLKSWAGEN GROUP ITALIA S.P.A. and VOLKSWAGEN GROUP FIRENZE S.P.A.) rose to 989 (933), again thanks to its increased business volume. The workforce of VOLKSWAGEN GROUP ITALIA S.P.A. (excluding VOLKSWAGEN GROUP FIRENZE S.P.A.) in the past fiscal year was slightly down year-on-year. The average age of employees at the Audi Group's manufacturing locations edged up slightly from 39.9 to 40.0 in 2008. At approximately 15.7 years, the average length of service also remained more or less unchanged. Women accounted for 11.7 (11.8) percent of the workforce at Audi Group production sites.

At the very beginning of 2008, AUDI AG announced plans to recruit new personnel, above all in the engineering professions. Around one-third of the AUDI AG workforce are now college graduates, an increase of 1.6 percentage points on the previous year.
The proportion of foreign nationals employed by AUDI AG fell slightly to 8.2 (8.5) percent.
The severely disabled continue to perform a meaningful role at AUDI AG, accounting for 5.3 (5.4) percent of the workforce in 2008. The volume of orders placed with workshops for the mentally disabled grew by over 20 percent to around EUR 4.5 million in the past fiscal year.
AUDI AG remains at the vanguard of German industrial enterprises in terms of industrial safety. The accident index shows a downward trend which has now lasted over 20 years. Again in 2008, both the frequency and severity of accidents were lower than in the prior-year period.
The attendance record for AUDI AG remained very high at 97.0 (97.0) percent. This outstanding result was made possible by continually improving the workplace organization and introducing numerous preventive health-care initiatives.
Over 33,000 ideas were submitted in 2008 as part of the AUDI AG suggestions scheme. Of these, 56.8 percent were acted upon. The Deutsches Institut für Betriebswirtschaft (dib) voted AUDI AG's suggestions award program as the best in the car industry for the fifth time in a row (March 13, 2008).

The Audi Group's human resources policy

The Audi Group's human resources policy is instrumental in helping the Company achieve its strategic goal of becoming the most attractive employer. The focus here is not only on getting positive image ratings in surveys among graduates and young professionals, but also on establishing good relationships with employees. Personnel development is therefore a key priority. Three conditions must be met in order to successfully develop a person's career: There must be opportunities to develop through learning and optimizing skills (competence development), opportunities to assume growing responsibility and autonomy (career development), and the individual must receive proper consideration for performance and commitment (pay development and profit sharing). Activities in these three areas must be so organized as to meet the challenges of intensifying competition.
The Company has therefore set the following priorities for its human resources policy over the next few years. One is to use extensive competence management in meeting the growing demand for specialist and cross-specialty competences, thus satisfying the requirement for lifelong learning. Next, personnel development for standard-wage employees is to be organized through the introduction of a new system of succession planning. The third priority area is handling demographic change, which the Human Resources area is tackling as part of a broader concept. This concept encompasses everything from the organization of working conditions to training and management measures. What is important here is not just that an employee's age is addressed, but that the whole process of aging itself is taken into consideration.

In this context, Audi Group Human Resources is both instigator and service provider. Its human resources objective is clearly to establish the workforce as the most important factor for success. Therefore, the aim is to demonstrate that the Company's success is actually the success of all its employees.

High appeal as employer among the 2008 class of engineers

In two of the major employer ratings surveys taken in 2008 of graduates and students nearing the end of their studies, AUDI AG captured first place among students in the engineering sciences – a key group. Both the survey conducted by the market research institute Universum ("The Universum German Student Survey," 5/2008) and the one taken of college graduates by the Berlin trendence Institute ("The German Student Barometer – Business and Engineering Edition," 8/2008) saw the Company pull clear of the leading group to take top spot. A similar picture emerged among economics students. The survey conducted by the market research institute Universum placed AUDI AG among the top five companies, while the trendence Institute ranked it as the third-best employer.
One of the Company's four strategic goals is attractiveness as an employer. In addition to offering a good working environment, factors such as inspiring products, interesting tasks and room for personal development play an important role. Thanks to its long-term model initiative, the Company is also creating a wide range of operational areas for engineering and economics graduates.

Vocational training

From a field of some 5,000 applicants, 682 were selected to enter the vocational training year beginning in September 2008: 453 for the Ingolstadt plant and 229 for the Neckarsulm plant. AUDI AG has thus kept the number of apprenticeships consistently high. New, attractive options have also been added to the overall scope of training programs. Young people entering the latest training intake can now complete a dual education in a choice of four vocations, qualifying them to enter a university of applied science. This program has already been available for toolmaking apprentices for several years; the new options are training to become an automotive mechatronics specialist, a mechatronics specialist or an electronics specialist for automation technology, combined with courses at the technical college in Ingolstadt. The company has a similar apprenticeship program at the Neckarsulm plant. All in all, AUDI AG offers training programs for more than 20 vocations at both German sites.
The Company places great emphasis on preventative health care even during vocational training. For example, the Audi Sports Days 2008, which took place at both German locations, used "Fitness and Fairness" as their slogan. 1,700 apprentices chose to take part in the sporting competition, held in July. The Health Care Department at AUDI AG was on hand to offer specific advisory and training services.
In April 2008, and in partnership with a vocational school in Ingolstadt, AUDI AG launched a pilot project called "Fit4u" aimed at preventing and reducing incidences of excess weight in youth. Some 13 classes at the vocational school – 300 students – are receiving special health tuition over a period of 18 months. Besides giving these young people expert qualification, the course is aimed at helping them develop as individuals. The various course units are prepared and taught by speakers from the vocational school's "Health" seminar, by health education students from the Catholic University of Eichstätt-Ingolstadt and by the AUDI AG Health Care Department. The main objective of the preventive program is to sensitize young people to the dangers of excessive weight from an early age upward, and to encourage them to eat healthily and keep fit. First-year apprentices, for instance, can take part in a free Nordic walking course at the Neckarsulm plant's training center.

Compatibility of job and family

In October 2008, representatives of both the employers and employees of AUDI AG concluded a company agreement that aims to improve the compatibility of work and family life. Even before this agreement was finalized, all employees on permanent contracts had enjoyed a guarantee of reemployment for up to seven years following the birth and rearing of a child.
Last fall, "Audi nursing leave" was added to these offerings. In a departure from the statutory requirements for nursing leave, employees may now have their employee status suspended for up to three years in order to care for sick relatives. Moreover, if three years proves insufficient, it is possible to resign from the Company entirely for up to a further four years and still have the guarantee of reemployment.
AUDI AG also offers an extensive range of options for part-time employment or teleworking as well as sabbaticals. The Company received two awards last year for its diverse activities aimed at reconciling work and family life. On October 6, 2008, the Bavarian State Minister of Labor and Social Welfare, Family Affairs and Women presented AUDI AG with the "Bavarian Equal Opportunity Award" in the category "Best Business Practice." On November 20, 2008, the Baden-Württemberg Minister of Commerce presented the Company with an award for winning the state competition "Equal Opportunities at Work for Women and Men."

Audi Family Day at the Ingolstadt plant

To show appreciation for its employees' impressive dedication, AUDI AG held an Audi Family Day on September 27, 2008. Over 130,000 visitors flocked to the festivities.
Some 1,000 helpers representing every division of the Company thought up and prepared over 120 informative and interactive attractions, many of them aimed specifically at children. Staff members from all divisions had the opportunity to take their families around and show them their workplaces while enjoying a diverse program of events. One of the highlights involved watching various car models, like the new Audi Q5, being driven up a 12-meter high ramp with a gradient of 30 degrees. Other main attractions were a demonstration of a victim being rescued by plant safety officers from a crashed car and the simulation of a car crashing into a wall at 60 kilometers per hour. But the real highlight of the event, drawing crowds of many tens of thousands, were motorsports demonstrations of the Audi DTM racing cars and the legendary Le Mans winning Audi R10 TDI on a two-kilometer circuit.

AUDI IN SOCIETY

Establishment of the "Regional Management Initiative for the Ingolstadt Region (IRMA)"

In early April last year, the "Regional Management Initiative for the Ingolstadt Region" proposed by the Board of Management of AUDI AG entered the official register of societies and associations. The goal of this public-private partnership between businesses and public-sector bodies is to develop the economy, education and quality of life in the region around Audi's Ingolstadt headquarters, and to raise its profile in the public's perception. The association is chaired by Dr. Werner Widuckel, Member of the Board of Management for Human Resources at AUDI AG. The first official acknowledgement of the initiative's merits came in October 2008 when Upper Bavaria's head of government presented the association with confirmation of funding worth more than EUR 0.5 million.
The creation of this regional management body stems from many years of preparatory work performed by AUDI AG at its Ingolstadt location to promote integration between the Company, the city and the surrounding districts. The overriding principle of bringing public and private sector activities together in and around Ingolstadt in order to enhance the appeal of the region located between Munich and Nuremberg was systematically implemented in IRMA's Articles of Incorporation and Bylaws.

Research partnerships

A fifth partnership between the Audi Group and a university was launched at the Ingolstadt site in 2008. Called INI.KU (Ingolstadt Institutes of the Catholic University of Eichstätt-Ingolstadt), it promotes research projects in the fields of humanities, social sciences and economics.
One result of the close partnership between the Company and the research world was the hosting of the fourth doctoral students conference "Pro.Motion" in June of last year, during which young researchers were able to present the current status of their projects. The research areas spanned such topics as lightweight construction, aerodynamics, suspension control systems, production and logistics, electronics and software, and vehicle safety. These conferences provide a vital forum not only for technical discussions among doctoral students but also for employees and management of the Audi Group.
Within the Audi Group, some 120 research students are currently preparing their doctoral theses. 80 of these doctoral projects are being carried out in partnership with universities. With a view to promoting young talent, the Company offers two different doctoral student programs, each running for three years.
Furthermore, the Audi Group promotes interaction between academia, schools and the public. Throughout the past year, some 300 students and teachers from high schools in Ingolstadt took part in a youth educational forum; a series of events staged in tandem with the Friedrich-Alexander University of Erlangen-Nuremberg (INI.FAU). Over the past year, around 1,500 guests have attended 13 public colloquiums of the research partnerships INI.TUM (Ingolstadt Institutes of the Technical University of Munich) and HIN (Neckarsulm University Institutes: Technical University of Karlsruhe and University of Stuttgart).

AUDI GROUP PARTNERSHIPS WITH UNIVERSITIES

Ingolstadt location

- INI.KU – Ingolstadt Institutes of the Catholic University of Eichstätt-Ingolstadt
  Since 2008; focus:
  Human Resources, Management, Procurement
- INI.LMU – Ingolstadt Institutes of Ludwig-Maximilian University of Munich
  Since 2008; focus:
  Human Resources, Marketing, Sales
- INI.FAU – Ingolstadt Institutes of Friedrich-Alexander University of Erlangen-Nuremberg
  Since 2006; focus:
  Information Technology and New Materials
- IAF – Institute for Applied Research, Ingolstadt University of Applied Science
  Since 2004; focus:
  Development and Production
- INI.TUM – Ingolstadt Institutes of the Technical University of Munich
  Since 2003; focus:
  Driving Analysis, Simulation

Neckarsulm location

- HIN – Neckarsulm University Institutes: Technical University of Karlsruhe and University of Stuttgart
  Since 2005; focus:
  Engines and Lightweight Construction

Győr location (AUDI HUNGARIA MOTOR Kft.)

- Audi Hungaria Chair of Internal Combustion Engines – SZE Győr
  Since 2008; focus:
  Engine Manufacturing and Technology
- AHI – Audi Hungaria Institutes: Technical University of Budapest and SZE Győr
  Since 2006; focus:
  Engines and Production

Other partner universities

- EBS – European Business School, Oestrich Winkel
  Since 2007; focus:
  Human Resources Management and Business Administration
- ALL - Audi Logistics Laboratory, Technical University of Dortmund
  Since 2007; focus:
  Logistics
- Audi Lab for Market Research – University of St. Gallen
  Since 2006; focus:
  Market Research

ENVIRONMENTAL ASPECTS

Environmental mission statement

As a globally operating company, the Audi Group actively embraces social responsibility. This includes, in particular, the principle of sustainable management, which forms an integral part of the Audi Group strategy. With its many technological innovations and efficient resource management, the Company is contributing to major advances in protecting the environment and proudly bears the European Union's symbol of environmental excellence (EMAS validation).
On the basis of these ongoing efforts to reconcile economics with ecology, customers can rest assured that environmental compatibility ranks right alongside safety, quality and durability as a core aspect in the development and production of every vehicle.

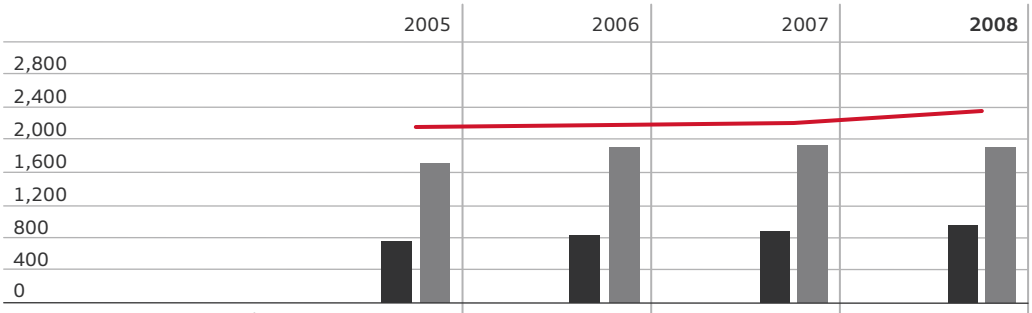
Location-based environmental protection

The Audi Group is a pioneer of location-based environmental protection in the automotive industry both in Germany and abroad.
In addition to organizational measures within its environmental management systems, pioneering technologies are being used to steadily reduce pollution at all its locations. Regular internal reviews and external auditing of all production facilities bear witness to these continuous efforts.
All AUDI AG locations have been accredited in accordance with the EU Eco-Management and Audit Scheme (EMAS). In 1995, the Company became the first premium-segment carmaker to be awarded this prestigious certification for its Neckarsulm location. Ingolstadt was accredited in 1997, with the Hungarian plant at Győr following suit two years later. The Belgian manufacturing plant in Brussels has been EMAS certified since 2002. In addition, the Ingolstadt and Győr manufacturing plants are certified according to the worldwide DIN EN ISO 14001 standard.

Resource efficiency and emissions reduction

Using resources efficiently is one of the main priorities of location-based environmental protection. Above all, this includes saving energy and therefore preventing emissions. As in previous years, the total energy consumption of the Audi Group was kept stable in 2008, despite the increase in vehicle production.

DEVELOPMENT IN OVERALL ENERGY CONSUMPTION, VEHICLE AND ENGINE MANUFACTURING BY THE AUDI GROUP [1)]



	2005	2006	2007	**2008**
Vehicle manufacturing [2)] (thousand units)	765	826	867	**953**
Engine manufacturing (thousand units)	1,695	1,896	1,916	**1,902**
Total energy consumption (GWh)	2,139	2,156	2,193	**2,337**

1) Ingolstadt, Neckarsulm, Brussels (from 2008), Győr and Sant'Agata Bolognese plants

2) excluding Audi A4 Cabriolet, Audi S4 Cabriolet, Audi RS 4 Cabriolet, Audi Q7, VW Polo

Whether for manufacturing plants and buildings, infrastructure measures or logistics arrangements, the energy savings potential is identified and exploited as early on as the planning phase. In doing so, it is very important to continue improving the efficiency of manufacturing facilities and utilities. Technological solutions like the use of district heating, heat recovery systems and a state-of-the-art cogeneration plant in Ingolstadt have already been in place within the Audi Group for many years now.
Another example of how resources can be preserved is the use of innovative spot welding, laser welding and bonding techniques to minimize the consumption of operating materials and energy. The changeover from pneumatic welding tongs to a version powered by electric motors has yielded a significant efficiency gain and improved the quality of weld points. For an identical process, the generated energy consumption – and therefore the level of CO_2 emissions – of the electric version is around 50 percent lower than for the version using pneumatic welding tongs. Encouraged by the positive findings to date on this progressive technology, the Audi Group has decided to adopt it for all new projects. The focus of all environmental protection efforts is to gradually reduce consumption of power, natural gas, compressed air and water through organizational and technical measures such as waste water treatment plants and modern engine test rigs with energy recovery.
2008 saw the beginning of Phase 2 of a pilot project between AUDI AG and the Technical University of Munich to recycle the raw material nickel used in a pretreatment stage of the painting process. The goal of the research partnership is to return this resource to the manufacturing process, thereby significantly reducing the amount of waste. Another pilot project within the Audi Group concerns the biological treatment of rinsing effluent from the paint shop, again with the aim of reducing the volume of waste. Potential studies that incorporate both economic and ecological aspects are also currently being conducted to assess the feasibility of further energy savings within the Audi Group. These studies include the more extensive use of district heating and the tapping of renewable energy sources such as geothermal energy.

Environmental protection programs and public relations work

One way in which the Audi Group exercises its social responsibility is through its extensive involvement in numerous environmental protection programs and initiatives.
One such major partnership is the Bavarian Environmental Pact between the State of Bavaria and the Bavarian industry. The aims of this collaboration are to promote innovation and achieve environmentally acceptable economic growth, bearing in mind the need for sustainability. As a founding member, the Audi Group has been playing an active role for many years now in the various working forums that meet to consider ideas like an Integrated Product Policy (IPP) or management systems. According to the IPP principle, the Audi Group adopts a holistic view of all phases of the product life cycle; from raw materials extraction to disposal. The Audi Group also routinely integrates suppliers into the sustainable manufacturing process.
Furthermore, through its participation in the joint ventures Gesellschaft zur Altlastensanierung in Bayern mbH (GAB mbH), Munich, and Sonderabfall-Entsorgung Bayern GmbH (GSB GmbH), Baar-Ebenhausen, the Audi Group has shown its solidarity in helping with the remediation of industrial legacy contamination at sites where owners can either no longer be called to account or are no longer solvent. In this way, the Company assumes active responsibility for the environmentally acceptable handling of toxic waste.
The Audi Group has also maintained close contact with universities and research establishments for many years. In this connection, it is running several environment-related projects and holds various fact-finding events for students. The Audi Group maintains a lively dialog with the public on the subject of environmental protection by conducting regular environmental discussions and neighborhood dialogs with representatives of government agencies, unions, federations, local politicians and the press. The Company offers all interested parties special tours on the theme of environmental protection and sustainability.

Emissions trading

Climate change and energy efficiency are the key environmental issues of our time. In introducing the CO_2 emissions trading scheme in 2005, the European Union assumed a pioneering role in matters of climate protection.

Following the expiration of the first trading period (2005 to 2007), the second trading period for the CO_2 emissions trading scheme (2008 to 2012) began last year. The Ingolstadt, Neckarsulm and Brussels manufacturing plants are participating. The emissions certificates were applied for punctually and have already been issued.

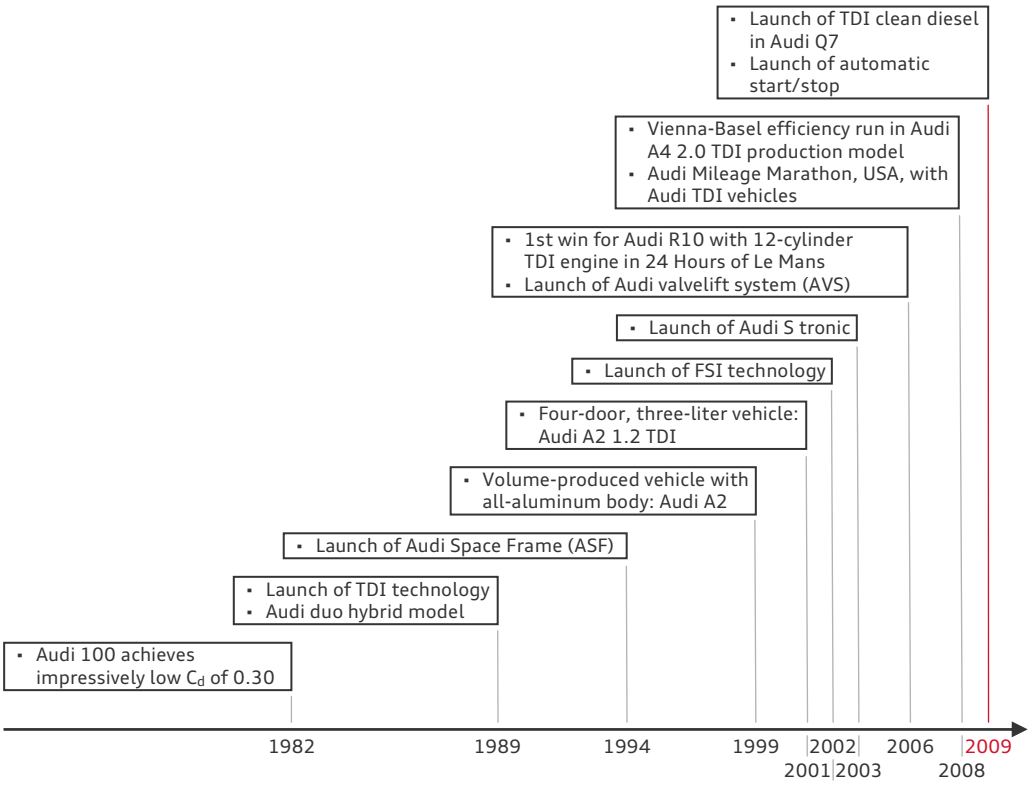
As it stands now, thanks to the early adoption of measures to improve energy efficiency and the targeted reduction of emissions, once again the Audi Group does not expect to incur any costs from emissions trading in the second trading period.

Product-based environmental protection

The Audi Group has been methodically using new technologies to boost vehicle efficiency ever since the early 1980s, thereby living up to its claim of technological leadership.

Many of its trailblazing innovations are now also being used by many other carmakers to improve fuel efficiency and cut CO_2 emissions by vehicles:

THE AUDI BRAND'S MILESTONES IN EFFICIENCY TECHNOLOGY



Audi design – timeless and aerodynamic

Aerodynamic bodies and the lower drag they produce have a major impact on a vehicle's fuel consumption. Audi Group developers have factored this in by coming up with strikingly sporty designs that also produce less drag. The Audi 100 and its drag coefficient of 0.30 caused quite a sensation as far back as 1982.

Today, all prototypes undergo more than 1,000 hours of testing in the wind tunnel. Since a vehicle's underbody contributes to as much as 40 percent of the total drag, an aerodynamic underbody – a system of aerodynamically effective underbody components – was designed. This is now used in all current Audi models, thereby reducing fuel consumption. The new Audi Q5's low drag coefficient of 0.33 is the latest example of just how valuable this important work is.

TDI and TFSI technology – powerful and economical

About 50 percent of the fuel's energy is lost in a vehicle's internal combustion engine. Developing powerful but economical engines is therefore one of the most obvious ways to enhance fuel efficiency and reduce emissions.

In 1989, the Audi Group's engineers made ground-breaking progress in this field. For the very first time, diesel direct injection featuring fully electronic control was combined with turbocharging in a production model – a move that paved the way for today's ultra-efficient diesel engines. The effectiveness of modern TDI technology was showcased to stunning effect in 2006 when the Audi R10 TDI became the first diesel racing car in the world to win the 24 Hours of Le Mans – and then repeated this feat in 2007 and 2008.

TDI clean diesel technology, which involves injecting an aqueous ammonia solution into the exhaust system, will go into production in 2009. Since this technology almost completely eliminates nitrogen oxides, the engine already meets limit values of both the Euro 6 standard, which doesn't come into effect until 2014, and the Californian ULEV II BIN 5 emission standard, currently the world's toughest.

The advent of evolutionary FSI technology in 2002 represented a major landmark in gasoline engine technology. In combination with turbocharging (TFSI) and controlled valve lift (Audi valvelift system) – two technologies that increase torque and output, and enhance fuel efficiency – today's modern gasoline engines have become synonymous with superlative pulling power and maximum efficiency.

Audi Space Frame (ASF) – safe and light

A prerequisite for a vehicle using fuel efficiently is reduced weight.

In 1994, the advent of the Audi Space Frame (ASF) revolutionized lightweight automotive construction. Thanks to the high-strength, all-aluminum body, it has a significant weight advantage over conventional steel bodies and therefore a built-in advantage when it comes to enhancing fuel efficiency and reducing emissions. For instance, the weight difference for the Audi A8 luxury sedan is in the order of 140 kilograms.

With the introduction of its sporty Audi TT in 2006, the Audi Group unveiled a further development in its progressive aluminum technology. Using state-of-the-art manufacturing methods, this vehicle body is a hybrid structure comprised of both steel and aluminum.

Audi S tronic – sporty and efficient

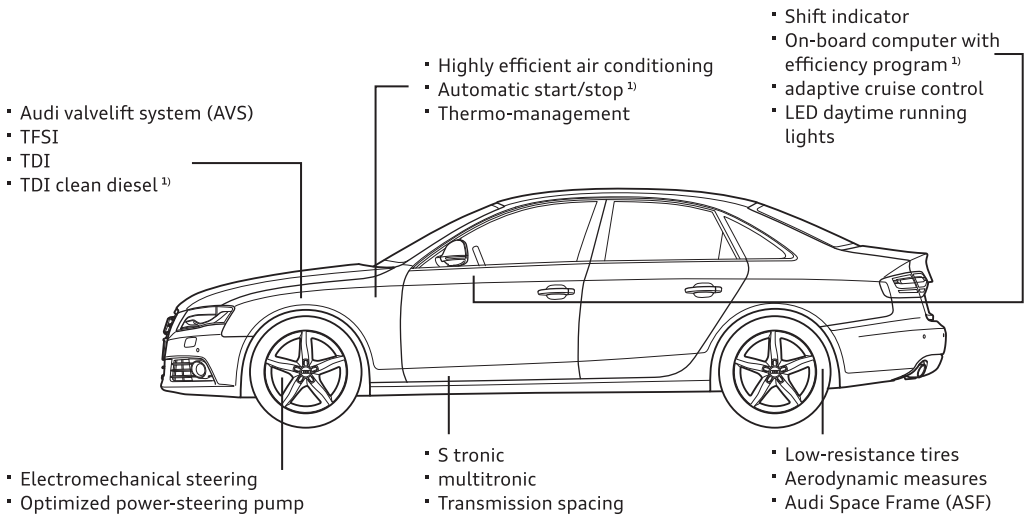
In order to more effectively exploit the fuel potential of its thrifty TDI and TFSI engines, the Audi Group has also broken new ground in transmission technology. 2003 was the year that saw the Audi S tronic dual-clutch transmission go into production. This enables gear changes to be performed with virtually no detectable interruption to the power flow, and the low engine speeds and shorter shifting times add up to exceptionally economical road performance. The new seven-speed S tronic dual-clutch transmission has been on the market since 2008. With its impressive efficiency and intelligent control function in automatic mode, it allies the accustomed sportiness of an Audi with even greater economy.

Efficiency – the sum of all parts

Trendsetting innovations such as those described above have helped the Audi Group produce impressively efficient vehicle concepts in the past. For example, the Company went into volume production as early as 2001 with the Audi A2 1.2 TDI, a four-door, three-liter (referring to fuel consumption per 100 kilometers) car.

The same holds true today. All efficiency technologies – both those already developed and those in the pipeline – are available to the Company's complete product portfolio through the modular efficiency program, thereby helping to improve fuel efficiency and cut CO_2 emissions in all Audi brand vehicles.

AUDI'S MODULAR EFFICIENCY PROGRAM



1) from 2009

The latest-generation Audi A4 is yet another example of how successfully all these measures can be combined. For instance, thanks to cutting-edge diesel technology used for its powerful 88 kW (120 hp) engine, the A4 2.0 TDI sedan achieves an average consumption of 5.1 liters of diesel fuel per 100 kilometers. The CO_2 emissions of this front-wheel-drive manual model are an excellent 134 g/km. Developments in the field of gasoline engines are no less impressive. The current Audi A4 2.0 TFSI with manual transmission and front-wheel drive has achieved a notable reduction in average CO_2 emissions by almost one quarter compared with the Audi A4 1.8 T from the year 2000 – even though its power output has been increased by up to 20 percent.

INCREASED EFFICIENCY AS ILLUSTRATED BY THE AUDI A4 SEDAN

	Audi A4 (B6) 1.8 T 2000	Audi A4 (B7) 1.8 T 2004	Audi A4 (B8) 1.8 TFSI 2007	Audi A4 (B8) 2.0 TFSI 2008	
Output	110 kW (150 hp)	120 kW (163 hp)	125 kW (170 hp)	132 kW (180 hp)	**+ 20 %**
Torque	210 Nm	225 Nm	250 Nm	320 Nm	**+ 52 %**
CO_2 emissions, combined	199 g/km	197 g/km	169 g/km	154 g/km	**- 23 %**

Such notable improvements in efficiency have also been achieved in other car lines as well. For example, improvements made to the Audi A3 and Audi A6 models last year have seen their average fuel efficiency enhanced by up to 15 percent compared with their respective predecessors.

Furthermore, with its e models, the Audi brand has been able to offer its customers a particularly attractive way to travel, which is not only dynamic but also easy on the environment. These include the 77 kW (105 hp) Audi A3 1.9 TDI e and the 100 kW (136 hp) Audi A6 2.0 TDI e. With an average consumption of 4.5 and 5.3 liters of diesel fuel over 100 kilometers respectively, these vehicles achieve impressively low CO_2 emissions of 119 and 139 g/km respectively. What's more, a large number of Audi models – from the Audi A3 1.4 TFSI to the sporty Audi TTS Roadster and the new Audi Q5 3.0 TDI – already comply with Euro 5 emissions legislation that will not come into effect until September 1, 2009.

The driver's crucial role

A person's individual driving style affects the fuel efficiency and emissions of a car by as much as 30 percent. That means that a driver is just as critical to the overall concept as the vehicle's technology. Innovative gearshift indicators, which already come as standard in the e models, indicate how overall fuel efficiency can be increased. These techniques will be refined in all of the Audi brand's car lines over the next few years in an effort to actively coach the driver. The efficiency runs held in summer 2008 were an impressive demonstration of what can be achieved with the existing technology already available as standard on every Audi brand vehicle. 11 teams completed the 1,650 kilometer circuit between Basel and Vienna in normal production versions of the Audi A4 2.0 TDI without having to stop to refuel. The winners achieved an average fuel consumption of 3.32 liters of diesel per 100 kilometers, easily undercutting these vehicles' standard consumption of 5.1 liters. That equates to outstandingly low CO_2 emissions of 88 g/km.

The prospects of the Audi brand for sustainable mobility

Diesel and gasoline engines will remain the bedrock of vehicle drive systems in the coming years. In order to further realize improvements in the fuel efficiency and emissions figures of cars in the short term, continued optimization of these drive concepts will be of key importance. For this purpose, the Audi Group systematically implements the technologies of its modular efficiency program. The Company vividly demonstrated its potential at the Paris Motor Show in the near-production efficiency study Audi A4 TDI concept e. Equipped with an 88 kW (120 hp) 2.0-liter TDI engine and a wide array of specific features, such as automatic start/stop and new thermo-management, this car covers 100 kilometers on an average of just 3.99 liters of diesel fuel. That represents CO_2 emissions of just 105 g/km.

Over the medium term, alternative fuels and drive systems will be developed to complement classic drive concepts. The Audi Group has already been using the ultra-pure diesel fuel GTL (gas-to-liquid) in the Audi R10 TDI diesel racing car for a number of years now, and is manufacturing this fuel jointly with a venture partner. The starting material is natural gas and the diesel fuel obtained not only generates much less pollution than conventional diesel, there is the added benefit that CO_2 emissions along the entire manufacturing chain are reduced by five percent. The Company and its partners are also working hard on BTL (biomass-to-liquid) technology, which is currently in a pilot phase. This harbors the potential of cutting CO_2 emissions by as much as 95 percent. Although such fuels will only be able to cover a small portion of the overall demand in the foreseeable future, they will help to unlock alternatives that do not compete with food production and meet all the performance requirements of modern engines.

The Audi Group already performed crucial pioneering work in alternative drive concepts back in 1989, when it developed the Audi Hybrid duo. The Company took the wraps off yet another version to incorporate innovative hybrid technology when it presented the Audi A1 Sportback concept study car last fall. Based on the ultra-efficient 1.4-liter, 110 kW (150 hp) TFSI engine, the result was a plug-in hybrid with lithium-ion energy accumulator sufficient for driving up to 100 kilometers exclusively in electric mode. For all its sporty performance and acceleration from 0 to 100 km/h in just 7.9 seconds, the concept vehicle on average needs only 3.9 liters of premium gasoline per 100 kilometers. That is equivalent to CO_2 emissions of 92 g/km.
The production launch of a hybrid model with lithium-ion battery is scheduled for late 2010: the Audi Q5 Hybrid. Using the Audi technology of the modular longitudinal platform, this concept will then be made available to other vehicles in the range and adopted as required.
Audi Group engineers are also developing other electrification concepts for plug-in hybrids, ranging from the fuel cell to the battery-only electric vehicle. The Company benefits in such activities from its close collaboration with the Volkswagen Group.

In order to make traffic flow as efficiently as possible in the future, the Company is also working intensively on advanced traffic guidance systems. The “Travolution” project, which is being implemented in conjunction with the City of Ingolstadt, aims to minimize congestion and frequent braking and accelerating in order to avoid unnecessary CO_2 emissions.

Further detailed information on the subject of the environment can be found on the Internet at www.audi.com/environmental-protection and on the Group portal at www.volkswagen-sustainability.com.

ECONOMIC ENVIRONMENT

Global economic situation

There was a noticeable slowdown in global economic growth during the course of 2008. With the troubles of the U.S. financial markets worsening during the latter half of the year, the banking industry worldwide fell into a serious crisis, which then spread to the real economy.
By the end of 2008, numerous industrial nations were already in recession and, after having initially enjoyed dynamic economic growth, emerging markets in Asia, Latin America and Central and Eastern Europe likewise found themselves sucked into the global economic downturn in late 2008. The high inflationary pressures eased significantly in the latter part of the year as a result of falling raw materials and energy prices.
Economic growth in the United States fell sharply in 2008 and the gross domestic product grew marginally by only 1.3 (2.0) percent. Particularly in the second half of 2008, the development of the economy was overshadowed by the financial crisis. Collapsing U.S. stock markets and the resulting loss of wealth colluded with the deteriorating state of the job market to turn the consumer climate sharply negative.
Economic activity in Western Europe experienced a downward phase in 2008. Growth in the gross domestic product fell away sharply in many countries, including Italy, Spain and Great Britain. Economic growth for the euro zone reached only 0.9 (2.7) percent.
With Germany’s economic growth increasingly dwindling from summer 2008, the economy entered into a recession by the end of the year. Economic growth declined from 2.5 percent in 2007 to just 1.3 percent in 2008. Exports were hit particularly badly as a result of the global economic downturn. Consumer spending remained subdued; at first due to the loss of purchasing power caused by inflation and then due to growing economic uncertainty.

Economic activity remained positive in most of the Central and Eastern European countries in 2008. However, economic development in Russia experienced an abrupt slowdown in the second half of the year as a result of the financial crisis and falling oil prices.
Latin America continued its upward economic trend in 2008, though it lost most of its economic momentum in the second half of the year.
Emerging markets in Asia helped to underpin global economic activity in 2008, though they were unable to fully escape the impact of the global downturn. The growth rate in China fell to 9.0 (13.0) percent. India continued to expand, albeit with rather less momentum, and saw growth reach 7.0 (9.0) percent. Economic growth in Japan on the other hand hit -0.4 (2.4) percent due to both a weakened export trade and low domestic demand.

International car market

On the back of slower growth in the first half of the year, the global demand for cars slipped considerably in the second half of 2008. The deteriorating underlying economic situation caused auto markets in many major industrial nations to experience a sharp downturn in sales. The rate of expansion in emerging markets also fell away noticeably during the course of the year and did not suffice to compensate for lost sales in the United States, Japan and Western Europe. As a result, vehicle sales fell worldwide by 5.8 percent to 55.7 million passenger cars.
In the United States, the development of the overall car market in 2008 was by and large dominated by the adverse effects of the financial crisis. The erosion of consumer confidence coupled with the squeeze on lending for vehicle financing prompted a sharp year-on-year downturn in unit sales by 18.0 percent to 13.2 million units.
The overall market for passenger cars in Western Europe (excluding Germany) experienced a substantial drop of 10.1 percent to 10.5 million vehicles. In particular, important high-volume markets tumbled year-on-year by as much as 50 percent during the final months of the year. Registrations of new cars were down in Great Britain by 11.3 percent in 2008 and by 13.4 percent in Italy. The Spanish market contracted particularly dramatically, shrinking by 28.1 percent by the end of the year. Only the French car market approached the prior-year level, falling by just 0.7 percent.
By contrast, the car market in Central and Eastern European countries remained buoyant, though there was a distinct loss of momentum towards the end of the year. Vehicle sales in Russia, the region's most significant car market, rose by 15.5 percent to 2.7 million units.
In South America, the upward trend in the Brazilian auto market continued and passenger car sales exceeded the previous year's record by 11.0 percent to reach 2.2 million vehicles. The overall car market in Argentina grew by 6.6 percent to 428,000 units.
The rate of growth in the Asia-Pacific region dwindled during 2008. With sales totaling 14.7 million passenger cars, the overall volume was only 2.3 percent up on the prior-year figure. The Chinese car market weakened, most particularly due to higher fuel prices, so that the high growth rates experienced in previous years could not be repeated. With sales of passenger cars reaching 5.5 million units, year-on-year market growth in China only reached 7.8 percent. The slowdown in India was more pronounced, where the car market grew by just 2.1 percent to around 1.2 million vehicles. In Japan, the car market remained as weak as it had been in the previous year. The volume of new car registrations fell by 3.9 percent to 4.2 million vehicles.

German car market

Expectations that the situation in the German auto market would improve were not met in 2008 and compared with the previous year's already low level, new car registrations declined by a further 1.8 percent to a total of 3.1 million units. The various factors serving to depress sales included, in particular, the at times highly inflated fuel prices and protracted consumer uncertainty due to the repeated postponement of the road tax reform. In the second half of the year, consumer reticence was exacerbated by the deepening financial crisis and concerns about the consequences of an economic downturn, which led to drastic falls in new registrations in the final months of the year.

The diesel share of total first-time registrations fell by 3.6 percentage points to 44.1 percent in the year under review.

Vehicle exports by German manufacturers in 2008 were considerably affected by downward market trends in key sales markets. Car exports fell by 4.0 percent to 4.1 million units. The principal export region of other Western European countries accounted for sales of 2.4 million passenger cars, 8.9 percent down from the previous year. The continuing crisis on the U.S. automobile market severely inhibited exports to the United States. The export volume of German manufacturers fell by 5.3 percent to 522,000 passenger cars.

On the back of lower demand for cars both domestically and abroad, manufacturing output by German carmakers fell by 3.2 percent to 5.5 million passenger cars in 2008. As a result, the previous year's record figure was not met. At 5.3 million units, the number of German-branded cars built abroad was down 0.6 percent on the previous year.

Management's overall assessment

The economic environment for the automotive industry deteriorated with unprecedented speed and by an unexpected degree in 2008. Whereas the cost pressure continued to rise in the first half due to escalating energy and raw materials prices, the financial crisis spread to the real economy in many major auto markets as the year progressed, prompting a massive slump in demand. Even in previously fast-growing emerging markets, such as China and Russia, the car boom for now was brought to a halt.

In recent years, the Audi Group has implemented extensive strategic measures to safeguard and further strengthen its long-term competitiveness. One area on which it has focused is permanently improving productivity by steadily refining its own product, process and cost management.

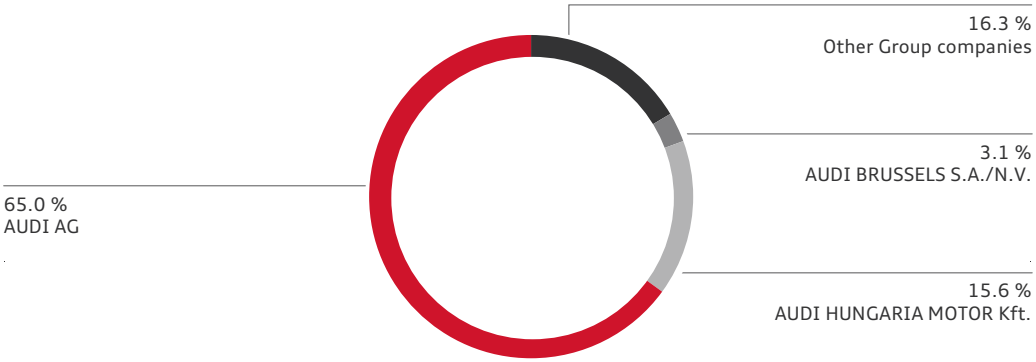
The systematic refinement of the Audi Production System has played an important role here. Another major pillar of Audi's strategy is the methodical, long-term expansion of its product portfolio. The fresh, attractive model range featuring modern engines is a vital ingredient to its market success.

The effectiveness of the measures taken by the Audi Group became fully apparent amid the difficult economic conditions of the year under review. As a whole, the 2008 fiscal year saw manufacturing output, deliveries, revenue and profit reach new record levels. Only as the economic crisis worsened in the fourth quarter of 2008 was the Audi Group no longer able to remain entirely immune to the negative trend in many sales markets.

Sourcing

Audi Group Purchasing has set itself the core target of establishing long-term partnerships with the world's top-performing suppliers. In addition to overall economic efficiency, the selection criteria of reliability, quality, innovativeness, service and price are particularly relevant. In order to make optimal use of any joint synergy potential, this process is handled in close consultation with Volkswagen Group Sourcing.
The cost of materials for the Audi Group in the past fiscal year amounted to EUR 23,430 (23,092) million. This includes all raw materials and consumables used, as well as purchased goods and services.

BREAKDOWN OF THE CONSOLIDATED COST OF MATERIALS BY GROUP COMPANY



Sourcing activities had to cope with persistently high price levels in the first half of 2008 and extremely volatile raw materials and energy markets in the second half of the year. Despite this adverse climate, Audi Group Purchasing was again able to counteract the financial impact of the past fiscal year thanks to its close cooperation with suppliers, its signing of long-term agreements, and its extensive implementation of hedging strategies.
Sourcing will continue to gain strategic importance in the future along with the growing trend towards derivatization in the Audi product portfolio. At the same time, partnerships with the supply industry have been further intensified, so that joint solutions for both conserving materials and for using alternative materials can be identified early on in the product development phase. Alongside purely economic considerations, ecological aspects in particular are taken into account. For example, the recyclability of components is investigated.
With a view to gradually strengthening existing ties with the supply industry, the Audi Group regularly holds a variety of events for suppliers. These events provide a platform for informal exchanges and intensive networking. Another important tool is the web-based B2B supplier platform shared with the Volkswagen Group. This platform assures swift communication and an efficient sourcing process to the benefit of both the Audi Group and its suppliers.
Audi Group Purchasing, in tandem with the Technical Development Division, provides potential partners with an opportunity to demonstrate how effective and innovative they are at various events such as "TechShows."

Production

In the past fiscal year, the Audi Group increased vehicle production by 4.9 percent to 1,029,041 (980,880) vehicles. This also marked a new all-time record for the Company. The total comprised 1,026,617 (978,300) vehicles of the Audi premium brand and 2,424 (2,580) supercars of the Lamborghini brand.

VEHICLE PRODUCTION BY MODEL

	2008	2007
Audi A3	**57,190**	70,744
Audi A3 Sportback	**146,436**	160,171
Audi A3 Cabriolet	**18,570**	216
Audi TT Coupé	**31,101**	40,417
Audi TT Roadster	**10,688**	16,349
Audi A4 Sedan	**210,288**	156,281
Audi A4 Avant	**150,990**	129,805
Audi A4 Cabriolet	**16,790**	23,641
Audi RS 4 Sedan	**320**	2,401
Audi RS 4 Avant	**330**	2,191
Audi RS 4 Cabriolet	**201**	700
Audi A5 Coupé	**57,324**	25,549
Audi A5 Cabriolet	**326**	5
Audi Q5	**20,324**	162
Audi A6 Sedan	**154,002**	157,645
Audi A6 Avant	**52,870**	71,945
Audi A6 allroad quattro	**10,283**	16,340
Audi RS 6 Sedan	**454**	5
Audi RS 6 Avant	**3,326**	30
Audi Q7	**59,008**	77,396
Audi A8	**20,140**	22,182
Audi R8	**5,656**	4,125
Total, Audi brand	**1,026,617**	978,300
Lamborghini Gallardo	**1,787**	1,951
Lamborghini Murciélago	**637**	629
Total, Lamborghini brand	**2,424**	2,580
Total, Group	**1,029,041**	980,880

531,200 (528,305) vehicles left the production line at the Ingolstadt Group headquarters last year. The highlight events were the production starts of the new Audi S3 Sportback, Audi A4 Avant and Audi Q5 models, together with the product improvement of the Audi A3 car line. Preparation for volume production of the Audi S4 Sedan and Avant was a further significant measure.

Production output at the second German manufacturing plant in Neckarsulm rose by 17.2 percent to 327,296 (279,189) units. Priority activities in the past fiscal year were the product improvement of the Audi A6 car line and the start of production of the new Audi A5 Cabriolet and S5 Cabriolet. In 2008, the plant, which possesses unique expertise in aluminum body manufacturing, celebrated 20 years of building luxury-class vehicles ranging from the Audi V8 to today's Audi A8 with its range-topping versions Audi A8 L, Audi S8 and Audi A8 W12.

In its first complete year within the Group, the Belgian plant in Brussels built 31,763 (12,087) models of the Audi A3 car line, as well as 53,177 VW Polos on behalf of Volkswagen AG (Wolfsburg). The plant is currently making intensive preparations to become the exclusive volume manufacturer of the new Audi A1 beginning in 2010.

The production halls at AUDI HUNGARIA MOTOR Kft. in the Hungarian city of Győr turned out a total of 60,359 (56,982) vehicles of the Audi brand in 2008. In its first full year of joint production with the Ingolstadt plant, 18,570 (216) units of the Audi A3 Cabriolet were built on behalf of AUDI AG. Production of the ultra-sporty TTS models also commenced last year.

ENGINE PRODUCTION

	2008	2007
Audi Group	**1,901,760**	1,915,633
of which AUDI HUNGARIA MOTOR Kft.	**1,900,333**	1,913,053
of which Automobili Lamborghini S.p.A.	**1,427**	2,580

Engine production by the Audi Group in the past fiscal year virtually matched the high tally of the previous year, reaching 1,901,760 (1,915,633) units. The share of diesel engines in the overall total was 47.3 (55.4) percent.
The Group subsidiary AUDI HUNGARIA MOTOR Kft. manufactured a total of 1,900,333 (1,913,053) engines in 2008. Of this total, 782,944 (692,521) units were supplied to Audi Group companies, 935,745 (1,073,097) to other Volkswagen Group companies and 119,757 (109,612) to third parties.
Along with the model changeover, the Lamborghini Gallardo car line now features modern FSI engine technology, which has already chalked up multiple wins in competition racing. Since it is now using FSI engines built by AUDI HUNGARIA MOTOR Kft., the total number of 10-cylinder engines manufactured by Automobili Lamborghini S.p.A. fell to 790 (1,951). The Italian sports car manufacturer built 637 (629) 12-cylinder engines for the Murciélago car line during the period under review.

AUDI HUNGARIA MOTOR Kft. – 15 years of success in Hungary

The 1993 purchase of a production hall in Győr (Hungary) led to the establishment of AUDI HUNGARIA MOTOR Kft., which paved the way for a unique success story that celebrated its 15th anniversary in spring of last year.
This wholly owned subsidiary of AUDI AG has since built more than 16 million engines and turns out almost two million units annually, making it one of the most important engine manufacturers in the world.
In addition, the range of tasks handled by the Audi Group's largest location outside Germany has been steadily diversified over the years. In 1998, for example, it branched out into vehicle manufacturing when it began producing the Audi TT Coupé and Roadster, and then broadened its range by adding the new Audi A3 Cabriolet in November 2007. Since the start of vehicle manufacturing operations there, over 400,000 automobiles have left the Hungarian plant. In 2001, an engine development center was added and, in 2004, it opened its own tool-making facilities.
AUDI HUNGARIA MOTOR Kft. now employs some 5,900 staff, making it one of Hungary's leading employers. Furthermore, the company is one of the country's largest exporters.

Audi Group celebrates 20 years in China

In 1988, the Audi Group embarked on a partnership with the present-day Chinese carmaker China FAW Group Corporation for the local manufacture of Audi vehicles in Changchun (China). Since that time, the brand with the four rings, which currently assembles the Audi A4 L and Audi A6 L models there, has emerged as the most successful premium brand in the Chinese market, delivering in excess of 100,000 vehicles each year.
In order to realize its ambitious growth target of delivering 200,000 vehicles a year by 2015, the cornerstone for a new assembly hall was laid as part of its anniversary festivities. What's more, the Company unveiled plans to build the new Audi Q5 at the Chinese plant.

New Audi A4 goes into production in India

In the fall of 2008, a second model was added to local assembly in India: the new Audi A4. Just like the Audi A6, the vehicle is shipped to India as sets of parts (CKD) and assembled in Aurangabad on the premises of ŠKODA AUTO INDIA PRIVATE LIMITED in an exclusive zone that conforms to AUDI AG quality standards.

The Audi brand is planning to build a total of over 18,000 cars in this important growth market by 2015, including around 11,000 Audi A4 models. In order to do so, the Company will invest over EUR 30 million in the location over the next few years. Around 50 workers are currently employed there on the Audi CKD assembly line.

Deliveries and distribution

In the wake of the financial crisis and its negative repercussions for the real economy, the demand for cars in many sales markets experienced a dramatic collapse towards the end of last year. Despite this extremely difficult environment, the Audi Group increased its deliveries worldwide by 1.9 percent in the past fiscal year to 1,223,506 (1,200,701) vehicles.

The Audi core brand performed particularly well. Thanks to a fresh, attractive product range and modern engines, deliveries reached 1,003,469 (964,151) vehicles, surpassing the prior-year tally by 4.1 percent. That made 2008 the 13th record-breaking year in a row for the brand with the four rings, which delivered over one million premium cars for the first time in its history.

AUDI VEHICLE DELIVERIES – LARGEST MARKETS

	Deliveries to customers 2008	Year-on-year percentage change	Year-on-year percentage change in overall market	**2008 market share, percent**
Audi worldwide	**1,003,469**	4.1		
Germany	**258,111**	1.6	– 1.8	**8.1**
China (incl. Hong Kong)	**119,598**	17.3	7.8	**2.2**
Great Britain	**101,522**	0.8	– 11.3	**4.7**
USA	**87,760**	– 6.1	– 18.0	**0.7**
Italy	**62,053**	5.0	– 13.4	**2.8**
Spain	**51,421**	– 12.6	– 28.1	**4.2**
France	**51,200**	7.7	– 0.7	**2.3**
Belgium	**30,000**	12.5	2.1	**5.1**
Netherlands	**18,234**	9.0	– 1.1	**3.4**
Austria	**17,370**	9.5	– 1.5	**5.6**
Switzerland	**17,137**	9.9	1.4	**5.9**
Russia	**17,076**	13.8	15.5	**0.6**
Japan	**15,800**	4.3	– 3.9	**0.4**
Sweden	**15,597**	0.8	– 17.3	**5.8**
South Africa	**9,525**	– 21.6	– 24.3	**2.9**

In its home market Germany, the Audi brand performed particularly well despite an overall market that contracted by 1.8 percent. The number of new vehicles delivered to customers during the period under review reached 258,111 (254,014), thereby actually improving upon the prior-year total by 1.6 percent. The Company achieved a market share of 8.1 (7.9) percent, its highest ever as a premium manufacturer. The most important growth drivers were most notably the Audi A4 car line, which saw the arrival of the new Audi A4 Avant in the early part of last year, and the Audi A5 Coupé.

Even in the Western European markets, some of which declined quite considerably, deliveries of the Audi brand increased by a total of 3.1 percent to 408,873 (396,393) premium cars. Though the brand with the four rings was unable to completely escape the devastating 28.1 percent slump in the Spanish car market, vehicle deliveries in the depressed car markets of France and Italy bucked the market trend with healthy growth rates of 7.7 and 5.0 percent respectively. And despite the 11.3 percent downturn in Great Britain as a whole, deliveries of 101,522 (100,712) vehicles held steady at the previous year's high level.

The Audi brand was able to maintain the growth of recent years in Eastern Europe. For example, in Russia – the region's key market – 17,076 (15,007) vehicles were handed over to customers, an increase of 13.8 percent.
The Audi brand also achieved high growth rates again in the Asia-Pacific region. In China (including Hong Kong), the largest foreign market, the 17.3 percent increase in deliveries to 119,598 (101,996) vehicles easily outstripped the performance of that market as a whole. Disregarding sales in Hong Kong, the Audi brand delivered 118,118 (100,888) cars. The brand with the four rings was thus able to cement its leading position in the Chinese premium segment once again last year.
The U.S. auto market was particularly hit by spillover from the financial crisis during the period under review. Even though overall demand tumbled by 18.0 percent, the Audi brand was very successful in keeping the downturn in deliveries disproportionately small to 6.1 percent, selling a total of 87,760 (93,506) units. The advent over the course of this year of the new Audi Q5 and the ultra-efficient diesel technology is expected to provide vital stimuli for demand in the United States.

DELIVERIES TO CUSTOMERS BY MODEL

	2008	2007
Audi A3	**59,183**	71,701
Audi A3 Sportback	**150,221**	159,148
Audi A3 Cabriolet	**13,678**	156
Audi TT Coupé	**32,003**	38,745
Audi TT Roadster	**11,817**	13,026
Audi A4 Sedan	**207,830**	157,258
Audi A4 Avant	**142,046**	136,135
Audi A4 Cabriolet	**16,399**	23,819
Audi RS 4 Sedan	**321**	2,408
Audi RS 4 Avant	**333**	2,193
Audi RS 4 Cabriolet	**201**	704
Audi A5 Coupé	**54,272**	18,553
Audi Q5	**9,034**	–
Audi A6 Sedan	**150,589**	149,026
Audi A6 Avant	**55,400**	69,567
Audi A6 allroad quattro	**11,289**	15,622
Audi RS 6 Sedan	**452**	–
Audi RS 6 Avant	**3,320**	–
Audi Q7	**59,458**	81,775
Audi A8	**20,159**	21,362
Audi R8	**5,016**	2,952
Internal vehicles before launch	**448**	1
Total, Audi brand	**1,003,469**	964,151
Lamborghini Gallardo	**1,844**	1,793
Lamborghini Murciélago	**586**	613
Total, Lamborghini brand	**2,430**	2,406
Other Volkswagen Group brands	**217,607**	234,144
Total, Group	**1,223,506**	1,200,701

A3 car line

The market launch of the new Audi A3 Cabriolet in the early part of last year marked the introduction of another attractive model to the Audi A3 car line. In addition, the ultra-sporty Audi S3 has for the first time been available in a Sportback version since July. Again in July, the Company unveiled the Audi A3 and A3 Sportback models featuring an even more expressive exterior design and numerous new technological features. Thanks to further improvements in engine technology, average fuel efficiency was improved by 15 percent compared with the previous model. Furthermore, the Audi A3 1.9 TDI e with powerful 77 kW (105 hp) engine offers customers particular efficiency. Its combined-cycle fuel consumption is an excellent 4.5 liters of diesel per 100 kilometers, which equates to CO_2 emissions of just 119 g/km. A total of 223,082

(231,005) vehicles from this popular premium compact model line were delivered to customers in the past fiscal year.

TT car line

The Audi TT car line was further expanded in the past year. In addition to the very high-performance versions Audi TTS Coupé and Audi TTS Roadster, both models are available with a 1.8 TFSI entry-level engine version. The four-cylinder gasoline engine with turbocharging and direct injection is rated at 118 kW (160 hp) and achieves an impressive combined-cycle fuel consumption of just 6.7 and 6.9 liters of premium fuel per 100 kilometers respectively in the Audi TT Coupé and Roadster. Its CO_2 emissions are 155 and 159 g/km respectively. The Audi brand has also made its ultra-efficient TDI technology available in a production sports car for the very first time in the guise of the 2.0-liter TDI engine. The average fuel consumption of the Audi TT Coupé 2.0 TDI quattro with 125 kW (170 hp) engine is an outstanding 5.3 liters of diesel fuel per 100 kilometers. This corresponds to CO_2 emissions of 139 g/km. In all, 43,820 (51,771) Audi TT models were delivered to customers in the reporting period.

A4 car line

The new Audi A4 Avant debuted on the market in April 2008. Like the new Audi A4 Sedan before it, this sporty midsize station wagon can be equipped with a comprehensive package of assistance systems adopted from the full-size category. Other impressive qualities are its unique design and new, efficient powertrain versions that achieve an average improvement in fuel efficiency of 14 percent compared with its predecessor model. The Audi brand presented a particularly impressive example of the fusion between performance and efficiency when it unveiled its two sporty versions Audi S4 and Audi S4 Avant, which will appear on markets this spring. Both models have a completely new three-liter V6 engine with gasoline direct injection. The 3.0-liter TFSI engine has an output of 245 kW (333 hp) and a peak torque of 440 Nm and, in combination with S tronic, achieves fuel consumption of 9.4 liters of premium fuel per 100 kilometers in the sedan version and 9.7 liters in the Avant version. Overall, the new Audi S4 outperforms the fuel efficiency of its predecessor model by an average of 26 percent and offers even more dynamic road performance. Its CO_2 emissions are 219 and 224 g/km respectively. In addition, a long-wheelbase version of the successful Audi A4 model has been available exclusively on the Chinese market since the end of 2008. This vehicle, which is built locally at the Changchun plant in China, is not only more spacious, but thanks to its special chassis settings that are adjusted to meet local road conditions, it offers superior suspension comfort, thereby meeting the demanding expectations of Chinese customers in the premium segment. This should help to spread the medium-term success of the new Audi A4 in the major growth market China. Deliveries of the successful Audi A4 car line (Sedan, Avant and Cabriolet) reached 366,275 (317,212) units in the past fiscal year, an improvement of 15.5 percent.

A5 car line

The Audi A5 Coupé, which acquired further attractive engine versions last year, also enjoyed a great deal of popularity in 2008. The new 2.0 TFSI developing 132 kW (180 hp) is now being offered as an entry-level engine. Thanks to its use of the latest in engine technology, such as the Audi valvelift system (AVS), it is an exceptionally powerful and efficient version. Deliveries of this emotionally charged vehicle, which will also become available as a Cabriolet this year, totaled 54,272 (18,553) in the year under review.

Audi Q5

The range of premium SUV models was expanded in November 2008 with the arrival of the new Audi Q5. Thanks to its ultra-sporty proportions, it maintains the style typical of the Audi brand vehicles and has a low drag coefficient of just 0.33. From its very launch, the new Audi Q5 came available with three powerful gasoline and diesel engines with progressive TFSI and TDI technology. Other technological highlights include the optional seven-speed S tronic dual-clutch transmission and the driving dynamics system Audi drive select. By year-end, the Audi Q5 already had 9,034 new owners.

A6 car line

The Audi A6 car line was further improved last fall. A refined design with striking accents such as the redesigned Audi single-frame grille and the optionally available LED daytime running lights better embodies the character of this successful full-size vehicle. Enhanced chassis characteristics and new high-tech assistance systems further add to the overall driving pleasure. In addition, new, powerful and efficient units have been added to the engine range, and the average fuel efficiency of the entire car line has been increased by around 15 percent overall. One particularly efficient version is the new Audi A6 2.0 TDI e, which achieves average consumption of 5.3 liters of diesel fuel over 100 kilometers and CO_2 emissions of 139 g/km. With deliveries of this model reaching 217,278 (234,215) units, the Audi A6 car line (Sedan, Avant and allroad quattro) was not far short of the previous year's high total.
The Audi RS 6 Sedan has been available alongside the Audi RS 6 Avant since fall of last year. This high-performance vehicle features a newly designed V10 engine with FSI gasoline direct injection and twin turbochargers that generates an output of 426 kW (580 hp), making it both uncompromisingly sporty and eminently suited to everyday use.

Audi Q7

The Audi brand delivered impressive proof last year of just how dynamic and efficient cutting-edge diesel technology can be in the shape of the Audi Q7 car line. The new Audi Q7 V12 TDI quattro is equipped with a six-liter V12 diesel engine rated at 368 kW (500 hp) with an outstanding peak torque of 1,000 Nm. This power unit propels the performance SUV to 100 km/h in 5.5 seconds and is convincingly fuel-efficient, averaging 11.3 liters of diesel per 100 kilometers. This corresponds to average CO_2 emissions of 298 g/km.

A8 car line

Demand for the Audi A8 luxury sedan over the past fiscal year was able to keep up to the previous year's excellent level with 20,159 (21,362) units delivered. In addition, the Audi brand offers its customers a combination of sportiness and impressive efficiency in the shape of the Audi A8 2.8 FSI e. With an output of 154 kW (210 hp) and average fuel consumption of 8.3 liters of premium fuel per 100 kilometers, this vehicle achieves excellent CO_2 emissions of only 199 g/km.

Audi R8

Halfway through last year, a further technological highlight was added to the equipment range of the thoroughbred Audi R8 mid-engine sports car. For the first time, this model comes available with all-LED headlamps. In addition to equipping the daytime running lights with 24 LEDs per headlamp, light-emitting diodes are now being used for turn indicators as well as for low-beam and high-beam headlamps. Major advantages of the new lighting technology, other than its lower power consumption, include colors akin to natural daylight, which are more agreeable to the human eye. Audi delivered 5,016 (2,952) of its sporty top-of-the-line model in the past fiscal year, making this vehicle one of the most popular in the sports car segment since its market launch in spring 2007.

Supercars of the Lamborghini brand

Despite the difficult conditions, the Italian supercar manufacturer Lamborghini also achieved notable success in the past fiscal year. The previous year's record was broken yet again with a total of 2,430 (2,406) cars delivered. The Gallardo sports car line sold a very satisfactory 1,844 (1,793) units in spite of the model changeover. And, during the same period, 586 (613) of the top-of-the-line Murciélago sports car were handed over to customers.

Other Volkswagen Group brands

During the fiscal year, 217,607 (234,144) vehicles of other Volkswagen Group brands were delivered to customers by the companies VOLKSWAGEN GROUP ITALIA S.P.A. (Verona, Italy), Audi Volkswagen Korea Ltd. (Seoul, South Korea) and Audi Volkswagen Middle East FZE (Dubai, United Arab Emirates).

Audi Mileage Marathon: diesel initiative gets under way in the United States

In the future, the Audi brand will be able to supply U.S. customers with the millionfold tried-and-tested, ultra-efficient TDI technology.

The Audi Mileage Marathon was held there last fall to publicize its launch. Over a 7,800-plus-kilometer stretch from New York to Los Angeles, participants were able to discover just how powerful and economical this modern drive technology really is. The Audi A3 Sportback 2.0 TDI, Audi A4 Sedan 3.0 TDI, Audi Q5 3.0 TDI and Audi Q7 3.0 TDI clean diesel competed in the efficiency run, and all 23 cars achieved excellent average fuel consumption. Most efficient of all were the Audi A3 and Audi A4, which averaged just 4.7 and 5.3 liters of diesel fuel per 100 kilometers respectively. The new Audi Q5 performance SUV and the Audi Q7 also turned in excellent performances, averaging 6.1 and 7.1 liters of diesel per 100 kilometers respectively.

The Audi Mileage Marathon provided a fitting opportunity for the Audi Q5 and the TDI clean diesel technology in the Audi Q7 to celebrate their debut on American roads. Currently the cleanest diesel technology in the world, TDI clean diesel cuts nitrogen oxide emissions by up to 90 percent, already meeting limit values of both the Euro 6 standard, which is not due to come into effect until 2014, and the Californian ULEV II BIN 5 emission standard, the toughest in the world. The edge that this advanced diesel technology gives over the established gasoline engines currently available in the United States should give that extra boost needed to achieve the kind of growth to which the Audi brand aspires.

FINANCIAL PERFORMANCE

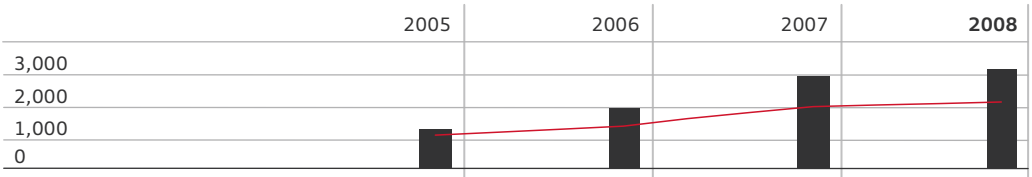
The Audi Group increased its revenue in the 2008 fiscal year by 1.7 percent to EUR 34,196 (33,617) million despite the appreciably more difficult economic environment in the second half of the year and adverse effect of exchange rates. At the same time, this represented the highest total ever in the Company's lengthy history.

Of the total revenue, EUR 25,534 (25,249) million was brought in by sales of vehicles of the Audi brand. As in the previous year, the revenue mainstay was the Audi A4 car line. In addition to the already very popular A4 Sedan, there was high demand particularly for the new A4 Avant, which was gradually introduced into the various markets starting in the spring. The Audi A5 Coupé and the Audi R8 mid-engine sports car continued to drive growth robustly. Revenue realized from sales of vehicles of the A3, TT, A6, Audi Q7 and A8 car lines was down on the previous year's high level due to their advanced life cycles. The hugely successful new Audi Q5, which only started to appear on the markets as of last November, surpassed all expectations. This vehicle has rapidly emerged as a key source of revenue.

The revenue achieved in the 2008 fiscal year by the Italian supercar brand Lamborghini also matched the previous year's excellent figures.

The Audi Group also sells vehicles of the Bentley, SEAT, Škoda, VW Passenger Car and VW Commercial Vehicle brands through the sales subsidiaries VOLKSWAGEN GROUP ITALIA S.P.A. (Verona, Italy), Audi Volkswagen Korea Ltd. (Seoul, South Korea) and Audi Volkswagen Middle East FZE (Dubai, United Arab Emirates). Revenue from sales of these vehicle brands in the past fiscal year was below that of the previous year's high level.
As a consequence of the increased business volume, the cost of sales for the Audi Group rose by 1.3 percent in the period under review to EUR 28,848 (28,478) million. Further productivity gains, improved processes and optimized material costs were the main reasons for the disproportionately low increase in cost of sales relative to revenue strained by an unfavorable exchange rate.
Overall, the Audi Group enjoyed a notable increase in gross profit of 4.1 percent to an excellent EUR 5,348 (5,139) million.
The rise in distribution costs to EUR 3,240 (2,737) million was mainly due to the activities necessitated by the large number of new products and product improvements appearing on the market, and to the increased cost related to covering sales risks. The rise in administrative expenses to EUR 302 (266) million was largely attributable to the first-time consolidation of the companies AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) in the 2008 fiscal year. The rise in the other operating result of EUR 966 (569) million stemmed predominantly from higher earnings from the settlement of currency hedging transactions.
The Audi Group thus improved its operating profit for the past fiscal year overall by 2.5 percent to EUR 2,772 (2,705) million. This highly pleasing development amid such difficult times serves as further proof that the Company is fundamentally sound and competitive. It also confirms the resounding success of its strategy of sustainable, profitable growth.
The financial result rose to EUR 405 (210) million in the period under review. This increase is attributable in the first instance to higher interest income and to an improved investment result.

DEVELOPMENT OF PROFIT BEFORE TAX AND RETURN ON SALES BEFORE TAX



	2005	2006	2007	**2008**
Profit before tax (EUR million)	1,310	1,946	2,915	**3,177**
Return on sales before tax (%)	4.9	6.2	8.7	**9.3**

Overall, the Audi Group was able to improve its profit before tax by an impressive 9.0 percent to EUR 3,177 (2,915) million. Its profit after tax was also noticeably up by 30.4 percent to EUR 2,207 (1,692) in the period under review.

KEY EARNINGS DATA

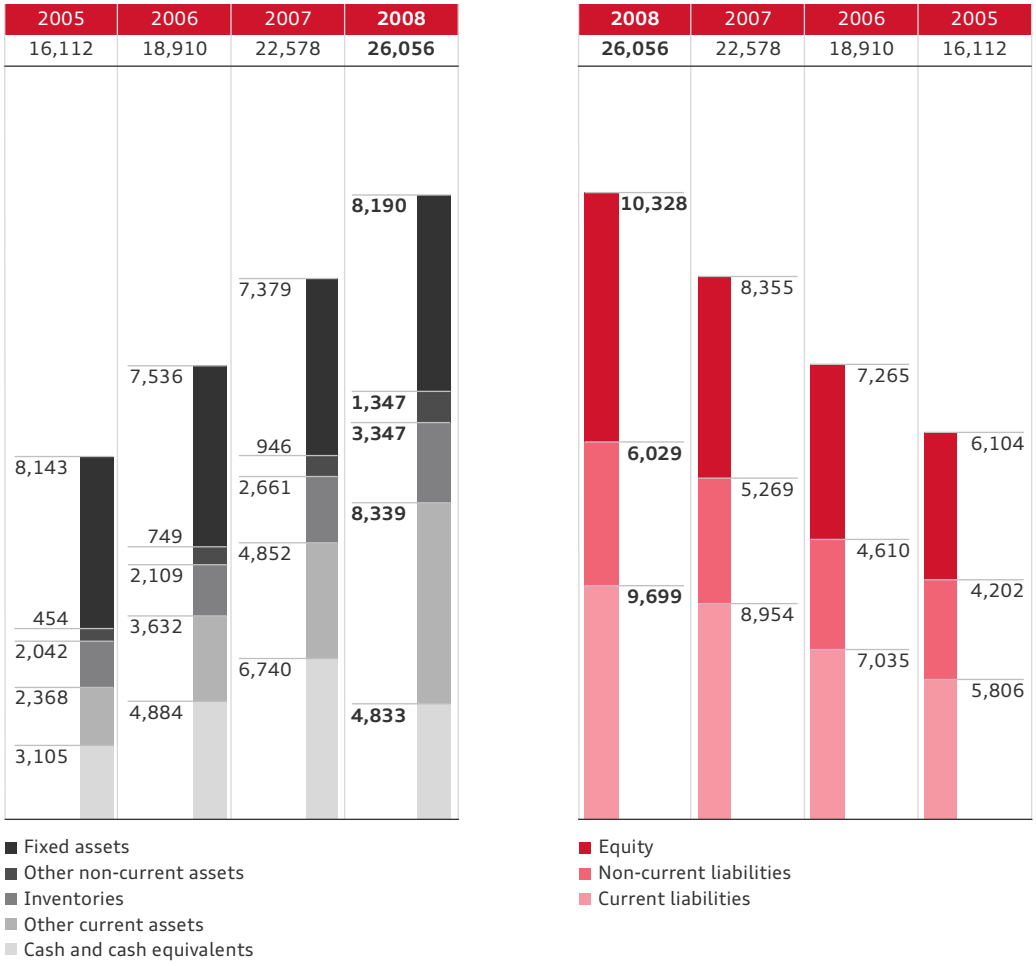
%	**2008**	2007
Operating return on sales	**8.1**	8.0
Return on sales before tax	**9.3**	8.7
Equity return after tax	**23.3**	21.7
Return on investment	**19.8**	18.6

The extremely successful business performance is also reflected in all key return ratios for the 2008 fiscal year. The operating return on sales improved from 8.0 percent to 8.1 percent and the return on sales before tax from 8.7 percent to 9.3 percent.

The return on investment rose from 18.6 percent to 19.8 percent, impressively underscoring the strong profitability of the Audi Group even in a difficult economic environment.

NET WORTH

BALANCE SHEET STRUCTURE



The Audi Group's balance sheet total grew by 15.4 percent over the past fiscal year to EUR 26,056 (22,578) million.

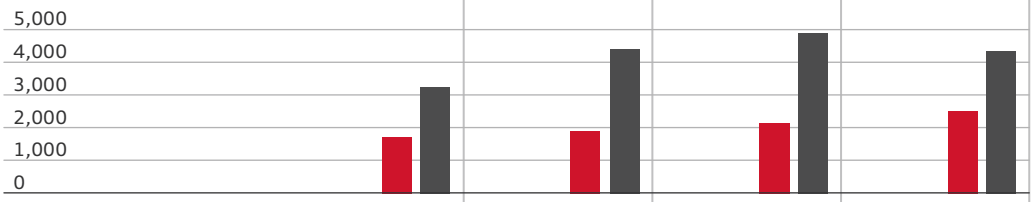
Non-current assets of EUR 9,537 (8,325) million showed a rise on the previous year's total. This change was prompted in particular by an increase in property, plant and equipment following increased investment activities for new products and the first-time consolidation of AUDI BRUSSELS S.A./N.V. (Brussels, Belgium) at the start of the fiscal year. In addition, higher market values for long-term currency hedging instruments prompted a rise in other financial assets.

The rise in current assets to EUR 16,519 (14,253) million is largely attributable to the higher inventories prompted by the downturn in economic activity, and to increased cash and cash equivalents. In the course of further optimizing the investment portfolio, financial resources previously held in the cash pool were converted to term money, resulting in a corresponding drop in cash and cash equivalents, and a rise in other current assets.

Total capital investments by the Audi Group were up on the previous year's high level at EUR 2,486 (2,115) million. Property, plant and equipment accounted for EUR 1,793 (1,527) million of this sum, representing a rise of 17.4 percent.

The equity of the Audi Group rose by 23.6 percent to EUR 10,328 (8,355) million. This change was attributable principally to the cash infusion of EUR 706 million by Volkswagen AG (Wolfsburg) to the capital reserve of AUDI AG, and allocation to other retained earnings of the balance remaining after the transfer of profit (EUR 948 million). In addition, equity was increased by EUR 289 million due to the first-time consolidation of AUDI BRUSSELS S.A./N.V. The equity ratio for the Audi Group rose thereby to 39.6 (37.0) percent overall.
Non-current liabilities amounting to EUR 6,029 (5,269) million rose year-on-year primarily as a result of increased other provisions, together with higher other liabilities.
Current liabilities rose to EUR 9,699 (8,954) million mainly as a result of increased provisions and sales-related growth in trade payables.

OVERALL CAPITAL INVESTMENTS AND CASH FLOW OF THE AUDI GROUP



	2005	2006	2007	**2008**
Total investments (EUR million)	1,708	1,925	2,115	**2,486**
Cash flow from operating activities (EUR million)	3,252	4,428	4,876	**4,338**

FINANCIAL POSITION

The cash flow from operating activities by the Audi Group amounted to EUR 4,338 (4,876) million in the past fiscal year.
The cash used in investing activities totaled EUR 5,916 (2,494) million in the year under review. The sharp rise is mainly due to the investment of term money with an investment horizon of more than three months. Investments in property, plant and equipment and other intangible assets in the amount of EUR 1,906 (1,578) million were up 20.8 percent from the previous year. The priority capital investments in 2008 were the ramp-ups for production of the new Audi Q5 and new Audi A5 Cabriolet, the product improvements of the Audi A3 and Audi A6 car lines, and the further derivatization of the Audi A4 car line. As in the previous year, cash flow from operating activities covered the investments in non-current assets in full, giving further evidence of the Company's consistently strong financial position.
Net liquidity as of December 31, 2008 was EUR 9,292 (7,860) million, an impressive increase of 18.2 percent over the previous year.
As of December 31, 2008, the Audi Group had other financial obligations amounting to EUR 1,501 (1,462) million, mainly in the form of ordering commitments.
An overview is provided in Section 39 of the Notes: "Other financial obligations."

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no events of material significance after the end of the fiscal year.

RISK REPORT

THE RISK MANAGEMENT SYSTEM WITHIN THE AUDI GROUP

The goal of the Audi Group's risk management strategy is to minimize or, if possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the Company against potential losses and against risks to it as a going concern.
To that end, a Company-wide risk management and early warning system is in place within the Audi Group. This covers AUDI AG and all its subsidiaries from which risks that could potentially threaten the Audi Group as a going concern could spread.
The integration of risk management tasks into the individual business processes is organized decentrally at the level of the individual corporate divisions and subsidiaries. All task areas as well as reporting and documenting obligations for risk management are clearly defined and regularly monitored to verify that they are up to date.
Potential risks are identified on the basis of predefined spheres of responsibility. Practical measures for steering and overseeing these risks are implemented by the respective officers, and the effectiveness of decisions taken is continually monitored. Probabilities are estimated for all individual risks. The anticipated potential losses from the risk are then quantified on the basis of the lost profit contribution or the costs incurred. In addition, all necessary measures and precautions are taken to prevent an identified risk from occurring.
The Board of Management and the Supervisory Board are regularly informed of all significant risks within the Audi Group.
Within the context of its business activities the Audi Group is confronted with various risk areas, which are explained in greater detail below. The individual risks described relate to the planning horizon of 2009 through 2011.

ECONOMIC RISKS

In view of the strong international emphasis of its operations, the Audi Group is highly dependent on international economic conditions. This is particularly true with respect to the important sales markets of Europe, China, the United States and Japan. Following the deepening financial crisis in the latter part of 2008 and its extensive spillover into the real economy, forecasts for global economic growth for the next few years have been scaled back drastically. Whereas economic momentum is expected to be greatly reduced in emerging markets, the two-year forecast for major industrial nations expects anything ranging from stagnation to deep recession. The automotive industry will also be substantially affected. This was already manifested in the second half of the past year in a significant downturn in global demand for cars.
Although the Audi Group has been notably successful in holding its ground in an extremely difficult economic environment so far, the Company will not be able to fend off the negative consequences of the anticipated economic downturn entirely. The as yet unforeseeable development of international auto markets represents a threat to the economic success of the Company. However, thanks to its fresh, attractive product range, the Audi Group believes it is well equipped to meet these challenges head on. In addition, the extensive and sustainable measures already implemented by the Company in the past to improve costs and processes will further reduce the risk. The Audi Group also keeps a watchful eye on the market with the aid of early indicators, which helps it anticipate fluctuations in sales so that it can respond by adjusting production accordingly. Being able to transfer production between the various locations under the production turntable principle and using timebanking provides additional flexibility.

The development of international raw materials markets presents a further risk. In addition to securing adequate supplies of production materials, priority is given to minimizing cost risks. The Audi Group implements comprehensive hedging strategies and permanently monitors relevant raw materials markets.
Of particular importance here is the development of oil prices. A renewed, permanent increase in the price of oil could lead not just to higher production and energy costs for the Company but also to rising fuel costs, which could make customers more reluctant to buy cars. The Audi Group has sought to pre-empt such problems by developing new, efficient drive concepts, alternative fuels and vehicle concepts that focus on changing customer requirements, such as the Audi brand's highly economical e models.
As a company with global operations, the Audi Group generates a significant portion of its revenue in foreign currency. As a result, it is exposed to risk from exchange rate fluctuations that cannot be anticipated, but which could adversely affect revenue and, therefore, consolidated net profit. Of particular note are exchange rate fluctuations between the euro and the U.S. dollar, the pound sterling and the Japanese yen. The Audi Group counters these risks by employing appropriate hedging instruments to an economically reasonable extent and in close, continuous consultation with the Volkswagen Group.
Other risk factors include unforeseeable political intervention in the economy, an escalation in political tensions, terrorist attacks and possible pandemics, all of which could also have a detrimental effect on the Audi Group's business performance by undermining economic activity or international capital markets.

INDUSTRY RISKS

The financial crisis and the associated squeeze in the credit markets poses a major challenge to the entire automotive industry. In addition to it being more difficult to access outside capital, borrowing costs have also gone up. Thanks to the Audi Group's successful business performance in recent years, it enjoys high liquidity and therefore considers itself to be in a good position to tackle future challenges.
One consequence of tighter lending practices is that a growing reluctance has been detected among customers to make purchases. Moreover, bad debts and the remeasurement of residual value risks are undermining the financial performance, net worth and financial position of many enterprises. Thanks to the Audi Group's cautious use of vehicle financing instruments within its profit-oriented growth strategy, it is exposed to only modest economic risk here. Its long-established conservative approach to the assessment of residual values when concluding vehicle financing is particularly effective in mitigating risks.
The increasingly difficult conditions in the automotive industry have engendered more predatory competition, characterized by the growing use of sales subsidies. This development may result in price erosion and higher marketing costs particularly in the Audi Group's key sales regions of Western Europe, the United States and China, which in turn would adversely affect the Company's revenue and earnings performance. Any trend among direct competitors towards reducing prices will likewise undermine revenue and earnings as the Company will be unable to entirely ignore such practices in the long term. In addition, potential state subsidies for individual manufacturers or vehicle categories could distort competition, thereby adversely affecting the financial position of the Audi Group.
A further major challenge for the entire automotive industry stems from the growing pressure to improve vehicles' fuel efficiency and reduce their emissions. In addition to the various legal requirements being discussed around the world, such as CO_2 limits, a protracted public debate could adversely affect the image of all manufacturers and so ultimately be to the detriment of

the Audi Group's financial performance. As in the past, the Audi Group is prepared to actively tackle this challenge. In keeping with the brand essence "Vorsprung durch Technik," it has been continuously improving the fuel efficiency of its vehicles over recent years through numerous technological innovations in the fields of lightweight construction, aerodynamics and energy efficiency. The Audi Group is also intensively researching alternative fuels and drive concepts.

RISKS FROM OPERATING ACTIVITIES

There are a number of potential risks associated with the Audi Group's operating activities that could lastingly affect its net worth, financial position and financial performance.
These include critical occurrences such as explosions or major fires that could destroy or damage the Group's assets and also cause consequential losses by hindering the production process. Major production problems could also be caused by disruptions to the energy supply and technical disruptions, in particular to information technology. Although such risks harbor considerable potential for losses, their probability is viewed as being relatively low. The Audi Group counteracts these risks in particular through adequate insurance coverage and preventive measures, such as fire protection systems. The high flexibility of the Audi production network also reduces risk.
Further disruption could be caused by supply delays or non-delivery as a result of tool breakage, losses from natural disasters and strikes at suppliers or in the transportation sector.
The current financial and economic crisis has also led to increasing financial problems at individual suppliers and dealers, in some cases leading to their insolvency. The Audi Group limits such risks by implementing detailed supplier selection, monitoring, steering and support processes.
The automotive industry's customary close ties between manufacturer and supplier bring both economic benefits and growing dependence, which is heightened by the international scale of suppliers' operations. The Audi Group counters the resulting risks, for example, by defining appropriate contractual terms and retaining title over tools used by third-party companies.
As an innovative carmaker, the Audi Group is gradually broadening its model range and entering diverse new product segments. Not only does it plan meticulously, it also commissions numerous market studies to underpin the decision-making process for new vehicle projects. In spite of these thorough preparations, a model's market success cannot always be predicted.
Furthermore, the development of new vehicles and components carries with it a number of other potential risks. In addition to delays and changes to the product at short notice, these primarily concern the loss of expertise to service providers outside the Group. The Audi Group protects itself against this risk by methodically safeguarding its intellectual proprietorship of core skills and consciously selecting reliable system partners.

LEGAL RISKS

All activities by the corporate bodies, management personnel and employees of the Audi Group must comply with the prevailing legal and regulatory framework. The Company takes all necessary measures to ensure that all such actions are lawful. In addition to preparing Group-wide codes of conduct, in particular it provides regular employee training on new legal requirements. Nevertheless, in light of the growing complexity of legal requirements, the expansion of business activities and the high international spread of the Audi Group, there is an increasing risk of unwittingly, and therefore unintentionally, acting unlawfully. In order to counter such risks, the Audi Group has installed an internal compliance organization.

The Audi Group's premium vehicles aspire to the customer's highest possible expectations of quality. Even so, potential product liability risks can never be entirely ruled out. As well as causing serious damage to the Company's image, this can have major financial consequences; particularly should they lead to lawsuits in the U.S. market. The Audi Group counteracts such risks through effective and systematic quality management, and by taking out insurance cover and creating provisions within an economically reasonable scope.
The Audi Group is not currently involved in any legal or arbitration proceedings that could have a lasting impact on the economic position of the Company.

PERSONNEL RISKS

As a manufacturer of technologically advanced, high-quality premium vehicles, the Audi Group will continue to depend on its well-qualified specialists and managers. Thanks to its reputation as an attractive employer, the Audi Group is in a very strong position to attract good personnel despite an intensely competitive job market. Furthermore, its broad training program facilitates the securing of junior personnel for specific tasks within the Company itself.
The Audi Group seeks to minimize the loss of expertise through fluctuation or partial retirement by implementing comprehensive, needs-based incentive systems and intensive competence management. These involve in particular the systematic transfer of knowledge from departing experts and managers to their successors.
Germany's aging, shrinking population poses a major challenge to all companies. The Audi Group identified this scenario long ago and promptly took initiatives to correctly counter this development. As well as adapting working conditions to suit an employee's age, it applies models for the individual's working life and makes special part-time arrangements. Other priority areas include preventive health care and strengthening employee awareness about taking responsibility for their own financial future.

INFORMATION AND IT RISKS

Efficient, cost-effective processes and information technologies that meet the business requirements of the Audi Group are a major success factor behind the realization of ongoing productivity gains. Moreover, the ready availability of data and information flows across all corporate locations is of prime importance in keeping procedures throughout the Company swift and efficient. The growing prevalence of electronic networks, however, does harbor potential information and IT risks, which could adversely affect financial performance. The principal risks are the failure of key IT systems within the value chain, unauthorized access to the system, and the creation of heterogeneous system landscapes. These risks are largely mitigated by stable IT infrastructures with high availability. In addition, Group-wide security standards have a hand in largely ensuring the continuity of internal processes and Company security.

FINANCIAL RISKS

The financial risks resulting from the Audi Group's business activities comprise market price risks (exchange rate, interest rate and commodity price risks), creditworthiness risks and liquidity risks.

As a company with global operations, foreign exchange risks, relating in particular to the U.S. dollar, the pound sterling and the Japanese yen are of particular relevance.
Detailed information on the hedging policy and risk management in the area of financial risks, in particular relating to the use of derivative financial instruments in hedging transactions, is presented in the Notes in “Additional disclosures” under Section 34 “Management of financial risks.”

OVERALL ASSESSMENT OF THE RISK POSITION

The currently unforeseeable consequences of the international financial and economic crisis on the further development of global auto markets represent a considerable risk to all businesses in the automotive industry.
However, on the basis of all known circumstances and facts, no risks currently exist that could significantly and lastingly undermine the net worth, financial performance and financial position of the Audi Group, let alone endanger the Company’s survival in the foreseeable future.

REPORT ON EXPECTED DEVELOPMENTS

ANTICIPATED DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

General economic situation

With the financial crisis having spilled over into the real economy in the second half of 2008, the global economy is experiencing an unexpectedly sharp downturn that had spread to all regions by the end of last year. In view of the lingering uncertainty, it is very difficult to deliver a reliable assessment of the prospects for the global economy for 2009 and indeed 2010. General predictions on the intensity and duration of the global downswing show a considerable margin of fluctuation.
The Audi Group’s assessment of the general economic situation is that the financial crisis and global recession will have serious repercussions in 2009, dampening both investment and consumption worldwide. The financial development of businesses around the world will suffer, which will likely have negative consequences on the job market.
Due to the global economic downturn and falling energy and raw materials prices, inflation will remain low in 2009. Fiscal and monetary policy worldwide will probably remain strongly expansionary.
The assessment of the Audi Group is that the global economy will contract in 2009 due to falling economic output in industrialized nations. A marked drop in growth rates is equally expected in developing and emerging markets. In view of the measures taken by governments and central banks to stabilize the financial sector and bolster economic activity, the Audi Group assumes that there is no risk of the global economy descending into a more protracted period of depression. Therefore, the Company expects the global economy to experience a mild recovery in 2010.
In the United States, 2009 will be dominated by a continuing recession, which the new U.S. government and the Federal Reserve have probably cushioned at least to some degree thanks to their swift action.
The economy of Western Europe will experience a phase of recession in 2009, with gross domestic product falling in all major national economies. The Audi Group equally expects the gross domestic product in Germany to slide. The level of export trade, particularly for capital goods and automobiles, will retreat noticeably. Consumer spending is not likely to bolster the economy to any significant degree. Although falling inflation and the German government’s economic recovery programs will noticeably relieve the burden on households, any benefits are likely to be offset by the expected rise in unemployment and the resulting losses of income.

The rate of economic expansion will fall sharply in Central and Eastern Europe. The performance of the Russian economy is likely to suffer in particular as a result of the sharp drop in prices for energy sources. The same applies to the raw materials exporting countries of Latin America. Falling demand from abroad is likely to have a stronger impact on Asia's emerging markets in 2009, slowing down their economic growth visibly. For example, economic growth in China will once again be slower than in the previous year despite the Chinese government's economic stimulus program. The Japanese economy is likely to slip deeper into recession in 2009.

The car industry

Due to the downturn in the global economy, the Audi Group anticipates that global demand for automobiles will drop significantly in 2009. Virtually all auto markets worldwide will be affected by the negative trend, including the previous growth hotspots China, Brazil and Russia.
In view of these economic prospects, the Audi Group expects the situation in the U.S. automotive market to deteriorate even further in the current fiscal year. The overall market volume will probably be down again on the low prior-year level, at considerably below 13 million units.
The Company likewise expects a further deterioration in the general market environment in Germany. The economic downturn expected in 2009 will clearly mute demand for cars from both private individuals and businesses. It currently remains to be seen to what extent the economic stimulus packages passed by the German government and the "environmental bonus" will positively impact demand for vehicles. This, incidentally, also applies to other countries in which corresponding economic measures are planned.
Car markets in Western Europe (excluding Germany) are also expected to experience a sharp downturn. The Audi Group expects the volume of new car registrations to tumble by a high double-digit percentage rate.
The countries of Central and Eastern Europe will also be caught up in the downward trend in 2009. Russia, the most important market in the region, is also likely to fall short of the 2008 sales volume.
The growth of recent years is likely to come to an end in the Asia-Pacific region. The previously high-growth Chinese passenger car market in particular will experience a fall in volume. In Japan, the previous year's negative trend will become even more acute. The Audi Group only expects the Indian car market to match the previous year's level in 2009.

ANTICIPATED DEVELOPMENT OF THE AUDI GROUP

2009 will likely be the most difficult year in the automotive industry's history. Nor will the Audi Group be able to resist the trend. Meanwhile, continuing volatility in the markets will make it impossible to plan reliably on the basis of secure assumptions. Instead, the best way to tackle developments promptly and comprehensively is to meet them with a flexible, forward-looking approach.

Anticipated development of deliveries

In view of the slump in international car markets – occasionally by quite dramatic levels – and with no current prospects of an improvement in demand, the Audi Group will likely not repeat the record deliveries of the past fiscal year. However, thanks to its fresh, attractive product range with powerful, efficient engines, the Audi core brand is confident that it will be able to achieve success even under these difficult conditions and in the face of increasingly intense competition. Further to the new vehicles successfully launched last year, a large number of additional models and derivatives should help to capture new customer segments and give the Audi brand's appeal a long-term boost in 2009. The Company therefore expects that deliveries of the Audi brand in major markets will outperform those markets as a whole, and that market shares will be increased.

The goal in Germany, the highest-volume market for Audi vehicles, is to build on the already strong market position in 2009. Alongside the very successful Audi A4 and Audi A5 car lines, this process will be aided by the new Audi Q5, which has been very well received by customers, the trade and journalists.
The Company also expects that these models will provide a vital stimulus for car markets in Western Europe. There too, however, the Audi brand will not entirely escape the variously sharp downturn that is forecast for some of these markets.
In Central and Eastern Europe, and most particularly in Russia, the growth in deliveries of recent years will be brought to a halt by the sharp fall in car demand. However, the Company is confident that it will be able to further strengthen the competitive position of the Audi brand.
In China, its most important foreign market, the Audi brand expects to consolidate its leading position in the premium segment. The Audi A4 L, which arrived on that market this year and is being built exclusively for China, should play a key role in comprehensively meeting customer requirements for modern mobility in a spacious, comfortable vehicle.
The positive trend of recent years is set to continue in the Indian car market, where assembly of the new Audi A4 began in the past fiscal year alongside local CKD assembly of the Audi A6.
The situation in the U.S. auto market will remain exceptionally difficult in 2009. The Company is seeking to capture increased market share with the launch of its ultra-efficient diesel technology and new models such as the Audi Q5.
Following the sharp drop in international demand for cars in 2009, the Audi Group expects markets to stabilize in 2010. This development is anticipated to lead to a rise in the Audi Group's deliveries.

Comprehensive measures within the context of business activities

The Audi Group will continue to monitor the development of the Company's major sales markets using early indicators so that it can respond accordingly by adjusting its production volume. Being able to transfer production between the various locations using the production turntable is just one of the options that give the Company a vital degree of flexibility. Moreover, working hour models, flexible shift systems and timebanking accounts have been agreed in recent years in close consultation with employee representatives, giving the Company leeway to cushion short-term fluctuations in production if needed. With regard to the impact of market fluctuations, the Company will use the options afforded by the framework of operating requirements, negotiated pay agreements and laws to stabilize the employment situation of its core workforce.
And over the next few months, measures already underway that seek to permanently improve processes and costs in all divisions will be pursued with unrelenting intensity.
In view of the difficult current economic environment, the Company is also paying particular attention to outside partners. At the sourcing end, its priority is to exclude any disruption to the production process from key suppliers going out of business. In close consultation with the Volkswagen Group, the Audi Group will further intensify its collaboration with key suppliers by way of comprehensive risk management. This equally applies to the sales end. A committee has been set up within the Company to work out jointly with dealers experiencing difficulties how potential financial bottlenecks can be overcome.

Anticipated financial performance

In view of the expected decrease in deliveries, revenue in 2009 will likewise not be able to match last year's figure. However, the ongoing productivity and process improvements already made in conjunction with disciplined cost management will lessen the expected impact a cyclical fall in demand will have on earnings.

Anticipated financial position

In the current fiscal year, the Audi Group will once again be able to finance outgoings internally. There remains no need for external sources of financing. All Group companies are assured the necessary liquidity through the Group's own cash pool. Cash used in investing activities will be slightly below the previous year's high level in spite of the continuing, long-term model initiative. The Audi Group's net liquidity will remain high.

Capital investments

Even in the extremely difficult current economic environment, the Audi Group will continue to press ahead with all necessary product and structural investments.
These plans focus on customer-driven additions to the model and engine range, on the expansion of development and production structures necessitated by these, on improving the productivity and quality of process chains, and on strengthening customer loyalty. All investment measures share the common objective of strengthening the Audi Group's market position sustainably through a forward-looking model and brand strategy.
Systematic investment management ensures that all investment projects are carried out to the Audi Group's high quality standards and according to schedule.

Anticipated development of the workforce

Compared to the past fiscal year, the size of the workforce will remain largely unchanged in 2009.

Opportunities for future development

Opportunities for the Audi Group's future development are offered by forward-looking strategies and measures designed to assure the Company's sustainable, profitable growth.
Systematic renewal and expansion of the product portfolio is of exceptional significance here. After 17 product launches in 2008 alone, the model initiative will continue seamlessly in the 2009 fiscal year with major market launches such as the Audi A5 Cabriolet and S5 Cabriolet, and the highly sporty versions Audi S4 Sedan and Audi S4 Avant.
Further increasing the Company's market share in key sales markets remains an important objective for 2009. Alongside launching diesel technology in the North American markets, the focus will be on extending the exclusive Audi dealer and service network, and more concertedly tailoring the range of vehicles available in burgeoning markets such as India, China and Russia to local requirements.

Overall assessment of anticipated future developments

As a result of having destabilized markets worldwide, the financial crisis has now spread to the real economy. 2009 will probably be the most difficult year in the history of the automotive industry. The Audi Group itself will not be able to resist the pull of this trend.
However, thanks to its strategy of sustained, profitable growth in recent years, the Audi Group has established a sound basis and, thanks to a fresh, attractive product range and a highly motivated workforce that identifies closely with the Company, it believes it is well equipped to tackle the challenges that lie ahead. Moreover, corrective action was taken promptly in an effort to lessen the anticipated impact of a cyclical downturn in demand on earnings.
The Audi Group expects that, following a marked downturn in the global economy in 2009, markets will stabilize in 2010. This development is also anticipated to have a positive effect on the Company's key performance indicators.

DISCLAIMER

The 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.

Consolidated Financial Statements of the Audi Group at December 31, 2008

Income Statement of the Audi Group

EUR million	Notes	2008	2007
Revenue	1	**34,196**	33,617
Cost of sales	2	**–28,848**	–28,478
Gross profit		**5,348**	5,139
Distribution costs	3	**–3,240**	–2,737
Administrative expenses	4	**–302**	–266
Other operating income	5	**1,588**	1,266
Other operating expenses	6	**–622**	–697
Operating profit		**2,772**	2,705
Result from investments accounted for using the equity method	7	**57**	47
Financing costs	8	**–293**	–237
Other financial results	9	**641**	400
Financial result		**405**	210
Profit before tax		**3,177**	2,915
Income tax expense	10	**–970**	–1,223
Profit after tax		**2,207**	1,692
of which profit share of minority interests		**29**	38
of which profit share of AUDI AG stockholders		**2,178**	1,654
Appropriation of profit share due to AUDI AG stockholders			
Profit transfer to Volkswagen AG	11	**–1,230**	–1,412
Transfer to retained earnings		**948**	242

EUR	Notes	2008	2007
Earnings per share	12	**50.66**	38.46
Diluted earnings per share	12	**50.66**	38.46

Balance Sheet of the Audi Group

ASSETS in EUR million	Notes	Dec. 31, 2008	Dec. 31, 2007
Non-current assets		**9,537**	8,325
Fixed assets		**8,190**	7,379
Intangible assets	14	**2,112**	2,022
Property, plant and equipment	15	**5,846**	5,178
Investment property	16	**5**	9
Investments accounted for using the equity method		**152**	121
Other long-term investments	17	**75**	49
Deferred tax assets	18	**691**	660
Other receivables and other financial assets	19	**656**	286
Current assets		**16,519**	14,253
Inventories	20	**3,347**	2,661
Trade receivables	21	**2,215**	2,149
Effective income tax	22	**17**	5
Other receivables and other financial assets	19	**5,318**	1,365
Securities	23	**789**	1,333
Cash and cash equivalents	23	**4,833**	6,740
Balance sheet total		**26,056**	22,578

LIABILITIES in EUR million	Notes	Dec. 31, 2008	Dec. 31, 2007
Equity		**10,328**	8,355
AUDI AG stockholders' interests	24	**9,960**	8,312
Issued capital	24	**110**	110
Capital reserve	24	**1,617**	911
Retained earnings	24	**8,233**	7,291
Minority interests	24	**368**	43
Liabilities		**15,728**	14,223
Non-current liabilities		**6,029**	5,269
Financial liabilities	25	**3**	4
Deferred tax liabilities	26	**78**	5
Other liabilities	27	**447**	288
Provisions for pensions	28	**1,946**	1,957
Effective income tax obligations	29	**853**	588
Other provisions	30	**2,702**	2,427
Current liabilities		**9,699**	8,954
Financial liabilities	25	**673**	527
Trade payables	31	**3,302**	2,794
Effective income tax obligations	29	**128**	375
Other liabilities	27	**3,094**	3,013
Other provisions	30	**2,502**	2,245
Balance sheet total		**26,056**	22,578

Cash Flow Statement of the Audi Group

from January 1 to December 31, 2008

EUR million	2008	2007
Profit before profit transfer and income taxes	**3,177**	2,915
Income tax payments	**–946**	–1,395
Amortization of capitalized development costs	**530**	656
Impairment losses (reversals) on property, plant and equipment and other intangible assets	**1,371**	1,433
Impairment losses (reversals) on financial assets and goodwill amortization	**–63**	198
Result from the disposal of assets	**–10**	1
Result from investments accounted for using the equity method	**–14**	2
Change in provisions	**494**	597
Change in inventories	**–600**	–157
Change in receivables	**–198**	–349
Change in liabilities	**562**	961
Other non-cash income and expenses	**35**	14
Cash flow from operating activities	**4,338**	4,876
Additions of capitalized development costs	**–547**	–497
Investments in property, plant and equipment and other intangible assets	**–1,906**	–1,578
Acquisition of affiliated companies and participating interests	**–58**	–44
Sale of shares	**101**	3
Other cash changes	**–2**	32
Change in securities	**487**	–308
Change in fixed deposits and loans extended	**–3,991**	–102
Cash flow from investing activities	**–5,916**	–2,494
Capital contributions	**706**	433
Transfer of profit	**–1,412**	–856
Change in financial liabilities	**111**	–82
Lease payments	**–1**	–2
Cash flow from financing activities	**–596**	–507
Change in cash and cash equivalents due to changes in group of consolidated companies	**250**	8
Change in cash and cash equivalents due to changes in exchange rates	**17**	–27
Change in cash and cash equivalents	**–1,907**	1,856
Cash and cash equivalents at beginning of period	**6,740**	4,884
Cash and cash equivalents at end of period	**4,833**	6,740

EUR million	2008	2007
Cash and cash equivalents	**4,833**	6,740
Fixed deposits, securities and loans extended	**5,134**	1,651
Gross liquidity	**9,967**	8,391
Credit outstanding	**–675**	–531
Net liquidity	**9,292**	7,860

The Cash Flow Statement is explained in Note 35.

Statement of Changes in Equity

EUR million	2008	2007
Financial assets available for sale		
Fair value changes recognized directly in equity without affecting income	**–130**	33
Included in the Income Statement	**114**	–50
Cash flow hedges		
Fair value changes recognized directly in equity without affecting income	**476**	819
Included in the Income Statement	**–553**	–298
Currency translation differences	**9**	4
Deferred tax items netted directly against equity	**11**	–161
Actuarial gains and losses from provisions for pensions	**57**	51
Income and expenditure after tax from equity-accounted investments recognized directly in equity	**17**	–14
Income and expense recognized directly in equity	**1**	384
Profit after tax	**2,207**	1,692
Total income and expense recognized in the fiscal year	**2,208**	2,076
Attributable to AUDI AG stockholders	**2,172**	2,038
Attributable to minority interests	**36**	38

Notes to the Consolidated Financial Statements

DEVELOPMENT OF FIXED ASSETS IN THE 2008 FISCAL YEAR

EUR million	Gross carrying amounts							
	Costs Jan. 1, 2008	Changes in group of consolidated companies	Currency changes	Additions	Changes from measurement at equity	Transfers	Disposals	Costs Dec. 31, 2008
Intangible assets	3,896	14	–	660	–	1	465	4,106
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	362	14	–	111	–	1	53	435
Capitalized development costs, products currently under development	612	–	–	369	–	–351	–	630
Capitalized development costs, products currently in use	2,922	–	–	178	–	351	412	3,039
Payments on account for intangible assets	–	–	–	2	–	–	–	2
Property, plant and equipment	17,279	693	6	1,793	–	4	524	19,251
Land, land rights and buildings, including buildings on land owned by others and leased buildings	3,457	288	6	174	–	57	47	3,935
Plant and machinery	4,181	143	–	184	–	142	132	4,518
Other plant and office equipment, as well as leased plant and office equipment	9,190	262	–	895	–	189	341	10,195
Payments on account and assets under construction	451	–	–	540	–	–384	4	603
Investment property	13	–	2	–	–	–5	–	10
Investments accounted for using the equity method	121	–	15	–	16	–	–	152
Other long-term investments	189	–123	1	33	–	–	–	100
Investments in affiliated companies	178	–123	1	31	–	–	–	87
Participating interests	11	–	–	–	–	–	–	11
Securities	–	–	–	2	–	–	–	2
Total fixed assets	**21,498**	**584**	**24**	**2,486**	**16**	**–**	**989**	**23,619**

					Value adjustments in gross carrying amounts				Carrying amounts	
Cumulative depreciation and amortization Jan. 1, 2008	Changes in group of consolidated companies	Currency changes	Additions, scheduled	Additions, unscheduled	Transfers	Disposals	Write-ups	Cumulative depreciation and amortization Dec. 31, 2008	**Dec. 31, 2008**	Dec. 31, 2007
1,874	6	–	556	23	–	465	–	1,994	**2,112**	2,022
263	6	–	42	7	–	53	–	265	**170**	99
140	–	–	–	2	–	–	–	142	**488**	472
1,471	–	–	514	14	–	412	–	1,587	**1,452**	1,451
–	–	–	–	–	–	–	–	–	**2**	–
12,101	485	2	1,247	75	–	505	–	13,405	**5,846**	5,178
1,709	140	2	127	–	–	42	–	1,936	**1,999**	1,748
2,945	125	–	364	1	–	128	–	3,307	**1,211**	1,236
7,447	220	–	756	74	–	335	–	8,162	**2,033**	1,743
–	–	–	–	–	–	–	–	–	**603**	451
4	–	1	–	–	–	–	–	5	**5**	9
–	–	–	–	–	–	–	–	–	**152**	121
140	–53	1	–	7	–	–	70	25	**75**	49
138	–53	1	–	7	–	–	70	23	**64**	40
2	–	–	–	–	–	–	–	2	**9**	9
–	–	–	–	–	–	–	–	–	**2**	–
14,119	**438**	**4**	**1,803**	**105**	**–**	**970**	**70**	**15,429**	**8,190**	**7,379**

DEVELOPMENT OF FIXED ASSETS IN THE 2007 FISCAL YEAR

EUR million	Gross carrying amounts							
	Costs Jan. 1, 2007	Changes in group of consolidated companies	Currency changes	Additions	Changes from measurement at equity	Transfers	Disposals	Costs Dec. 31, 2007
Intangible assets	4,334	8	–	552	–	2	1,000	3,896
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	321	3	–	55	–	4	21	362
Goodwill	172	5	–	–	–	–	177	–
Capitalized development costs, products currently under development	883	–	–	322	–	–562	31	612
Capitalized development costs, products currently in use	2,956	–	–	175	–	562	771	2,922
Payments on account for intangible assets	2	–	–	–	–	–2	–	–
Property, plant and equipment	16,200	58	–5	1,527	–	–2	499	17,279
Land, land rights and buildings, including buildings on land owned by others and leased buildings	3,331	41	–4	101	–	54	66	3,457
Plant and machinery	3,853	1	–	293	–	222	188	4,181
Other plant and office equipment, as well as leased plant and office equipment	8,438	16	–1	727	–	253	243	9,190
Payments on account and assets under construction	578	–	–	406	–	–531	2	451
Investment property	13	–	–	–	–	–	–	13
Investments accounted for using the equity method	128	3	–4	–	–3	–3	–	121
Other long-term investments	162	–	–	36	–	3	12	189
Investments in affiliated companies	151	–	–	36	–	3	12	178
Participating interests	11	–	–	–	–	–	–	11
Total fixed assets	20,837	69	–9	2,115	–3	–	1,511	21,498

					Value adjustments in gross carrying amounts				Carrying amounts	
Cumulative depreciation and amortization Jan. 1, 2007	Changes in group of consolidated companies	Currency changes	Additions, scheduled	Additions, unscheduled	Transfers	Disposals	Write-ups	Cumulative depreciation and amortization Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006
1,999	3	–	493	379	–	1,000	–	1,874	2,022	2,335
242	3	–	39	–	–	21	–	263	99	79
–	–	–	–	177	–	177	–	–	–	172
31	–	–	–	158	–18	31	–	140	472	852
1,726	–	–	454	44	18	771	–	1,471	1,451	1,230
–	–	–	–	–	–	–	–	–	–	2
11,177	11	–	1,169	225	–	481	–	12,101	5,178	5,023
1,639	2	1	128	–	–	61	–	1,709	1,748	1,692
2,799	1	–	331	–	–	186	–	2,945	1,236	1,054
6,739	8	–1	710	225	–	234	–	7,447	1,743	1,699
–	–	–	–	–	–	–	–	–	451	578
4	–	–	0	–	–	–	–	4	9	9
–	2	–	–	–	–2	–	–	–	121	128
121	–	–	–	21	2	4	–	140	49	41
119	–	–	–	21	2	4	–	138	40	32
2	–	–	–	–	–	–	–	2	9	9
13,301	16	–	1,662	625	–	1,485	–	14,119	7,379	7,536

GENERAL INFORMATION

AUDI AG has the legal form of a German stock corporation (Aktiengesellschaft). Its registered office is at Ettinger Strasse, Ingolstadt, and the company is recorded in the Commercial Register of Ingolstadt under HR B 1.
Around 99.55 percent of the issued capital of AUDI AG is held by Volkswagen AG (Wolfsburg), with which a control and profit transfer agreement is in force. The Consolidated Financial Statements of AUDI AG are included in the consolidated financial statements of Volkswagen AG, which are held on file at the Local Court of Wolfsburg. The purpose of the Company is the development, production and sale of motor vehicles, other vehicles and engines of all kinds, together with their accessories, as well as machinery, tools and other technical articles.

ACCOUNTING PRINCIPLES

AUDI AG prepares its Consolidated Financial Statements on the basis of the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All pronouncements of the International Accounting Standards Board (IASB) whose application is mandatory have been observed. The prior-year figures have been calculated according to the same principles.
The Income Statement is prepared according to the internationally practiced cost of sales method.
AUDI AG prepares its Consolidated Financial Statements in euros (EUR).
The Consolidated Financial Statements provide a true and fair view of the net worth, financial performance and financial position of the Audi Group.
The requirements pursuant to Section 315a of the German Commercial Code (HGB) regarding the preparation of consolidated financial statements in accordance with IFRS, as endorsed by the EU, are met.
All requirements that must be applied under German commercial law are additionally observed in preparing the Consolidated Financial Statements. The German Corporate Governance Code is also complied with and is permanently available on the Internet at www.audi.com/cgk-declaration.

Effects of new or revised standards

The following new or modified standards were applied in the Audi Group during the 2008 fiscal year:
– IAS 39: Reclassification of financial assets
– IFRS 7: Reclassification of financial assets

The first-time adoption of the standards has no effect on the presentation of the figures in the Consolidated Financial Statements.

New or revised standards not applied

The following new or amended accounting standards already approved by the IASB were not applied in the Consolidated Financial Statements for the 2008 fiscal year because their application was not yet mandatory:

Standard/ Interpretation		Mandatory effective [1]	Endorsed by EU	Anticipated effects
IFRS 1	First-time Adoption of International Financial Reporting Standards	Jan. 1, 2010	No	None
IFRS 1 / IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jan. 1, 2009	No	None
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations	Jan. 1, 2009	Yes	None
IFRS 3 / IAS 27	Business Combinations / Consolidated and Separate Financial Statements	Jan. 1, 2010	No	Changed presentation of corporate mergers
IFRS 8	Operating Segments	Jan. 1, 2009	Yes	Segment reporting
IAS 1	Presentation of Financial Statements	Jan. 1, 2009	Yes	Redefinition of the structure of financial statements
IAS 1 / IAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation	Jan. 1, 2009	No	None
IAS 23	Borrowing Costs	Jan. 1, 2009	Yes	Minor increase in carrying amount of qualifying assets
IAS 39 / IFRS 7	Reclassification of Financial Assets – Effective Date and Transition	Jan. 1, 2009	No	None
IAS 39	Exposures Qualifying for Hedge Accounting	Jan. 1, 2010	No	None
	Improvements to IFRSs [2]	Jan. 1, 2009 / Jan. 1, 2010	No	Not material
IFRIC 12	Service Concession Arrangements	Jan. 1, 2009	No	None
IFRIC 13	Customer Loyalty Programmes	Jan. 1, 2009	Yes	None
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Jan. 1, 2009	Yes	Insignificant
IFRIC 15	Agreements for the Construction of Real Estate	Jan. 1, 2009	No	None
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Jan. 1, 2009	No	None
IFRIC 17	Distributions of Non-cash Assets to Owners	Jan. 1, 2010	No	None

1) Mandatory first-time application from AUDI AG's perspective

2) Minor amendments to various standards (IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41)

GROUP OF CONSOLIDATED COMPANIES

In addition to AUDI AG, the Consolidated Financial Statements include all principal companies in which AUDI AG can directly or indirectly determine the financial and business policy in order to benefit from the activities of the companies (subsidiaries) in question. Consolidation begins at that point in time when AUDI AG acquires the opportunity for control; it ends when that opportunity ceases to be available.
Associated companies are accounted for using the equity method.
Non-consolidated subsidiaries as well as participating interests are always reported at amortized cost because no active market exists for the shares of these companies and no fair value can reliably be determined with a justifiable amount of effort. Where there is evidence that the fair value is lower, this fair value is recognized. These subsidiaries are principally companies with only limited business operations.
The group of consolidated companies has been extended since December 31, 2007 to include Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) in addition to AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), which must be consolidated in accordance with IAS 27.13, sentence 2 (c).
No longer included in the group of consolidated companies, with effect from December 1, 2008, is AUDI DO BRASIL E CIA. (Curitiba, Brazil), which was sold to Volkswagen do Brasil Indústria de Veículos Automotores Ltda. (São Bernardo do Campo, Brazil).
The following table shows the composition of the Audi Group:

Total	**2008**	2007
AUDI AG and fully consolidated subsidiaries		
Germany	**7**	5
Other countries	**15**	15
Investments accounted for using the equity method		
Other countries	**1**	1
Non-consolidated subsidiaries		
Germany	**14**	16
Other countries	**14**	12
Total	**51**	49

The principal companies within the Audi Group are listed following the Notes. The full list of companies in which shares are held is recorded in the Commercial Register of Ingolstadt under HR B 1 and is also available on the Audi website at www.audi.com/subsidiaries. This list can additionally be requested directly from AUDI AG, Financial Communication/Financial Analysis, I/FF-12, 85045 Ingolstadt, Germany.
Due to their inclusion in Audi's Consolidated Financial Statements, quattro GmbH (Neckarsulm), Audi Retail GmbH (Ingolstadt), Audi Vertriebsbetreuungsgesellschaft mbH (Ingolstadt) and Audi Zentrum Hamburg GmbH (Hamburg) satisfy the conditions of Section 264, Para. 3 of the German Commercial Code and make use of the exemption rule. Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin), which is fully consolidated, makes use of the exemption rule for commercial partnerships in Section 264b of the German Commercial Code.

Participating interests in associated companies

As of the balance sheet date, FAW-Volkswagen Automotive Company, Ltd. (Changchun, China), in which an interest of 10 percent is held, is accounted for using the equity method. The holding is accounted for in accordance with the requirements of IAS 28.7 (a).

On the basis of this interest, the following values are attributable to the Audi Group:

EUR million	2008	2007
Non-current assets	**158**	115
Current assets	**390**	194
Non-current liabilities	**29**	126
Current liabilities	**367**	183
Revenues	**886**	596
Net profit for the period	**57**	48

KEY EFFECTS OF CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES ON THE OPENING BALANCE SHEET FOR 2008

The initial consolidation of AUDI BRUSSELS S.A./N.V. (Brussels, Belgium) was carried out in accordance with the predecessor method. As a result of the company being consolidated for the first time, there were the following effects on the Audi Group's opening balance sheet as of January 1, 2008:

EUR million	
Non-current assets	207
Current assets	362
of which inventories	39
Equity	289
Non-current liabilities	43
Current liabilities	237
Balance sheet total	569

The effect on the opening balance sheet due to the inclusion of the other companies that were consolidated for the first time as of January 1, 2008 – Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) – amounts to EUR 54 million. The carrying amounts correspond to the fair values.
Revenue increased by EUR 525 million overall as a result of the first-time consolidations during the 2008 fiscal year. In terms of the Group's profit before tax, the inclusion of the companies in the consolidated figures had a positive impact of EUR 18 million.
The sale of AUDI DO BRASIL E CIA. (Curitiba, Brazil) to Volkswagen do Brasil Indústria de Veículos Automotores Ltda. (São Bernardo do Campo, Brazil) resulted in capital gains of EUR 103 million. As part of these selling activities, the following main groups of assets and liabilities were disposed of:

EUR million	
Non-current assets	70
Current assets	3
of which cash and cash equivalents	3
Non-current liabilities	1
Current liabilities	–

The carrying amount of the non-current assets that were sold also includes an investment in a Brazilian partnership in the amount of EUR 70 million.

CONSOLIDATION PRINCIPLES

The assets and liabilities of the domestic and foreign companies included in the Consolidated Financial Statements are recognized in accordance with the standard accounting and measurement policies of the Audi Group.
In the case of subsidiaries that are being consolidated for the first time, the assets and liabilities are to be measured at their fair value at the time of acquisition. Any realized hidden reserves and expenses are amortized, depreciated or reversed in accordance with the development of the corresponding assets and liabilities as part of the subsequent consolidation process. Where the acquisition values of the investments exceed the Group share in the equity of the relevant company as calculated in this manner, goodwill is created. Goodwill acquired in a business combination is tested for impairment regularly, at the balance sheet date, and an impairment loss is recognized if necessary.
Within the Audi Group, the predecessor method is applied in relation to common control transactions. Under this method, the assets and liabilities of the acquiree are measured at the gross carrying amounts of the previous parent company. The predecessor method thus means that no adjustment to the fair value of the acquired assets and liabilities is performed at the time of acquisition; any goodwill arising during initial consolidation is adjusted against equity, without affecting income.
The Consolidated Financial Statements also include securities funds whose assets are attributable in substance to the Group.
Receivables and liabilities between consolidated companies are netted, and expenses and income eliminated. Interim profits and losses are eliminated from Group inventories and fixed assets.
Consolidation processes affecting income are subject to deferrals of income taxes, with deferred tax assets and liabilities being offset where the term and tax creditor are the same.
The same accounting policies for determining the pro rata equity are applied to Audi Group companies accounted for using the equity method. The last set of audited financial statements of the company in question serves as the basis for this purpose.

FOREIGN CURRENCY TRANSLATION

The currency of the Audi Group is the euro (EUR).
Foreign currency transactions in the individual financial statements of AUDI AG and the subsidiaries are translated on the basis of the exchange rates at the time of the transaction. Monetary items in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Exchange differences are recognized in the current-period income statements of the respective Group companies.
The foreign companies belonging to the Audi Group are foreign entities and prepare their financial statements in their local currency. The only exceptions are AUDI HUNGARIA MOTOR Kft. (Győr, Hungary) and Audi Volkswagen Middle East FZE (Dubai, United Arab Emirates), which prepare their annual financial statements in euros and U.S. dollars, respectively, rather than in local currency. The concept of the “functional currency” is applied when translating financial statements prepared in foreign currency. Assets and liabilities, with the exception of equity, are translated at the year-end exchange rate. The effects of foreign currency translation on equity are reported in the currency exchange reserve with no effect on income. The items in the Income Statement are translated using weighted average monthly rates. Currency translation variances arising from the differing exchange rates used in the Balance Sheet and Income Statement are recognized in equity, without affecting income.
The development of the exchange rates serving as the basis for currency translation is shown below:

1 EUR in foreign currency		Dec. 31, 2008	Dec. 31, 2007	2008	2007
		Year-end exchange rate		Average exchange rate	
Australia	AUD	**2.0274**	1.6757	**1.7416**	1.6356
Brazil	BRL	**3.2436**	2.6145	**2.6743**	2.6632
Japan	JPY	**126.1400**	164.9300	**152.4541**	161.2406
Canada	CAD	**1.6998**	1.4449	**1.5594**	1.4690
South Korea	KRW	**1,839.1300**	1,377.9600	**1,606.0872**	1,273.3329
USA	USD	**1.3917**	1.4721	**1.4710**	1.3706
People's Republic of China	CNY	**9.4956**	10.7524	**10.2236**	10.4186

As all consolidated subsidiaries have their registered offices in countries in which there is currently no hyperinflation, IAS 29 does not apply.

RECOGNITION AND MEASUREMENT PRINCIPLES

RECOGNITION OF INCOME AND EXPENSES

Revenue, interest income and other operating income are always recorded when the services are rendered or the goods or products are delivered, in other words transfer of risk and reward to the customer.
Proceeds from the sale of vehicles for which buy-back agreements exist are not realized immediately, but on a straight-line basis over the period between sale and buy-back, on the basis of the difference between the selling price and the anticipated buy-back price. These vehicles are reported under inventories.
Operating expenses are recognized as income when the service is used or at the time they are economically incurred.

INTANGIBLE ASSETS

Intangible assets acquired for consideration are recognized at cost of purchase, taking into account ancillary costs and cost reductions, and are amortized on a scheduled straight-line basis over their useful life.
Concessions, rights and licenses relate to purchased computer software and subsidies paid.
Research costs are treated as current expenses in accordance with IAS 38. The development costs for products going into series production are capitalized, provided that production of these products is likely to bring economic benefit to the Audi Group. If the conditions stated in IAS 38 for capitalization are not met, the costs are expensed in the Income Statement in the year in which they occur.
Capitalized development costs encompass all direct and indirect costs that can be directly allocated to the development process. Financing costs are not capitalized. Amortization is performed on a straight-line basis from the start of production, over the anticipated model life of the developed products.
The amortization plan is based principally on the following useful lives:

	Useful life
Concessions, industrial property rights and similar rights and assets	3–15 years
of which software	3–5 years
Capitalized development costs	5–9 years

The amortization is allocated to the corresponding functional areas.
Goodwill created or acquired in a business combination is recognized and tested for impairment regularly, as of the balance sheet date, pursuant to IAS 36. If necessary, an unscheduled impairment loss resulting from this test is recognized.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition cost or cost of construction, with scheduled straight-line depreciation applied according to the pro rata temporis method.
The costs of purchase include the purchase price, ancillary costs and cost reductions.
In the case of self-constructed fixed assets, the cost of construction includes both the directly attributable cost of materials and cost of labor as well as indirect materials and indirect labor costs, which must be capitalized, including pro rata depreciation. Interest on borrowings is not included.
The depreciation plan is generally based on the following useful lives, which are reassessed yearly:

	Useful life
Buildings	14–50 years
Land improvements	10–33 years
Plant and machinery	6–12 years
Plant and office equipment including special tools	3–15 years

In accordance with IAS 17, property, plant and equipment used on the basis of lease agreements is capitalized in the Balance Sheet if the conditions of a finance lease are met; in other words if the significant risks and opportunities which result from its use have passed to the lessee. Capitalization is performed at the time of the agreement, at the lower of fair value or present value of the minimum lease payments. The straight-line depreciation method is based on the shorter of economic life or term of lease contract. The payment obligations resulting from the future lease installments are recognized as a liability at the present value of the leasing installments.
Where Group companies have entered into operating leases as the lessee, in other words if not all risks and opportunities associated with title have passed to them, leasing installments and rents are expensed directly in the Income Statement.

INVESTMENT PROPERTY

Investment property is measured at amortized cost. Buildings are depreciated on a straight-line basis over a useful life of 33 years.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Companies in which AUDI AG is directly or indirectly able to exercise significant influence on financial and operating policy decisions (associated companies) are accounted for using the equity method. The pro rata equity of these companies is regularly recorded under long-term investments and the share of earnings recorded as income under the financial result.

IMPAIRMENT TESTS

Fixed assets are tested regularly for impairment as of the balance sheet date. Impairment tests are carried out for development activities and property, plant and equipment on the basis of expected product life cycles, the respective revenue and cost situation, current market expectations and currency-specific factors.
Expected future cash flows to fixed assets are discounted with country-specific discount rates that adequately reflect the risk and amount to at least 9 percent before tax.
Impairment loss pursuant to IAS 36 is recognized where the recoverable amount, i.e. the higher amount from either the use or disposal of the asset in question, has declined below its carrying amount.

FINANCIAL INSTRUMENTS

Financial assets and liabilities (financial instruments) are recognized and measured in accordance with IAS 39.
On this basis, financial assets are divided into the following categories according to the purpose of their acquisition:
- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets.

No financial assets in the category of “held-to-maturity investments” are in use within the Audi Group.

Financial liabilities are allocated to the following categories depending on the reason for their acquisition:
- financial liabilities measured at fair value through profit or loss,
- financial liabilities measured at amortized cost.

Where financial instruments are purchased or sold in the customary manner, they are recognized using settlement date accounting, in other words at the value on the day on which the asset is delivered.
Initial measurement of financial assets and liabilities is carried out at fair value.
Subsequent measurement of financial instruments is dependent on the category assigned to the instrument in accordance with IAS 39 and is carried out either at amortized cost (using the effective interest method) or at fair value.
Financial instruments are abandoned if the rights to payments from the investment have expired or been transferred and the Audi Group has substantially transferred all risks and opportunities associated with their title.
Evidence of the need for reclassification, and objective indicators for the impairment of a financial asset or group of financial assets, are reviewed on each balance sheet date.
Financial assets include both originated and derivative claims or commitments, as detailed below.

Originated financial instruments

The “Loans and receivables” and “Financial liabilities measured at amortized cost” categories include originated financial instruments measured at amortized cost. These include, in particular:
- loans advanced,
- trade receivables and payables,
- other current assets and liabilities,
- financial liabilities.

The amortized cost of a financial asset or financial liability, using the effective interest method, is the amount at which a financial instrument was measured at initial recognition minus any principal repayments and any impairment losses. Receivables and liabilities denominated in foreign currencies are measured at the mean of the buying and selling rate on the balance sheet date. In the case of liabilities, amortized costs generally correspond to the nominal or settlement value.
In the case of current items, the fair values to be additionally indicated in the Notes correspond to the amortized cost. For non-current assets and liabilities with more than one year to maturity, fair values are determined by discounting future cash flows at market rates.
Liabilities from financial lease agreements are carried at the present value of the leasing installments.
Available-for-sale financial assets include originated financial instruments that are designated as such or that cannot be allocated to any other IAS 39 category, and are as a general rule carried at fair value. In the case of listed financial instruments – exclusively securities in the case of the Audi Group – this corresponds to the market value on the balance sheet date. If no active market exists, fair value is determined using investment mathematics methods, for example by discounting future cash flows at the market rate or applying established option pricing models. The fluctuations in value of available-for-sale securities are initially accounted for within a separate equity reserve with no effect on income, after taking deferred tax into account. Unless there is evidence of lasting impairment, the financial result includes only capital gains or losses realized through disposal. If there is evidence of a lasting decline in value, the cumulative loss is removed from the equity reserve and recognized in the Income Statement. However, impairments already recorded in the Income Statement – to the extent that the securities concerned are equity instruments – are not reversed with an effect on income. If, on the other hand, the securities concerned are debt instruments, impairment losses are reversed with an effect on income if the increase in the fair value, when viewed objectively, is based on an event that occurred after the impairment loss was recorded with an effect on income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used as a hedge against foreign exchange and commodity price risks for items on the Balance Sheet and for future cash flows. Futures, as well as options in the case of foreign exchange risks, are used for this purpose. A requirement of hedge accounting is that a clear hedging relationship between the underlying transaction and the hedge must be documented, and its effectiveness must be demonstrated.
Recognition of the fair value changes in hedges depends on the nature of the hedging relationship.
When hedging future cash flows, the fluctuations in the market value of the effective portion of a derivative financial instrument are initially reported in a special reserve within equity, with no effect on income, and are only recognized as income or expense once the hedged item is due. The ineffective portion of a hedge is recognized immediately in income.
Derivative financial instruments that are used to hedge market risks according to commercial criteria but that do not fully meet the requirements of IAS 39 with regard to effectiveness of hedging relationships are classified as “financial instruments measured at fair value through profit or loss.” Their fair values are calculated as already detailed under “Available-for-sale financial assets.” Measurement takes place at market value.

OTHER RECEIVABLES AND FINANCIAL ASSETS

Other receivables and financial assets (except for derivatives) are recognized at amortized cost. Provision is made for discernible non-recurring risks and general credit risks in the form of corresponding value adjustments.

DEFERRED TAX

Pursuant to IAS 12, deferred tax is determined according to the balance sheet-focused liability method. This method specifies that tax deferrals are to be created for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the Consolidated Balance Sheet (temporary concept). Deferred tax assets relating to carryforward of unused tax losses must also be recognized.
Deferrals amounting to the anticipated tax burden or tax relief in subsequent fiscal years are created on the basis of the anticipated tax rate at the time of realization. In accordance with IAS 12, the tax consequences of distributions of profit are not recognized until the resolution on the appropriation of profits is adopted.
Deferred tax assets include future tax relief resulting from temporary differences between the carrying amounts in the Consolidated Balance Sheet and the valuations in the Balance Sheet for tax purposes. Deferred tax assets for carrying forward unused tax losses that can be realized in the future and from tax relief must also be recognized.
Deferred tax assets and deferred tax liabilities are netted if the tax creditors and maturities are identical.
Pursuant to IAS 1.70, deferred tax is reported as non-current.
The carrying amount is reduced for deferred tax assets that are unlikely to be realized.

INVENTORIES

Raw materials and supplies are measured at the lower of average cost of acquisition or fair value (net realizable value). Generally, an average value or a value calculated on the basis of the FIFO (first in, first out) process is used. Other costs of purchase and purchase cost reductions are taken into account as appropriate.
Work in progress and finished goods are valued at the lower of cost of conversion or fair value. Cost of conversion includes direct materials and direct productive wages, as well as a directly attributable portion of the necessary indirect materials and indirect labor, production-related depreciation and expenses attributable to the products from the amortization of capitalized production development costs. Distribution costs, general administrative expenses and interest on borrowings are not capitalized.
Merchandise is valued at the lower of cost of purchase or fair value.
Provision has been made for all discernible storage and inventory risks in the form of appropriate reductions in the carrying amounts. Individual adjustments are made on all inventories as soon as the probable proceeds realizable from their sale or use are lower than the carrying amounts of the inventories. The fair value is deemed to be the estimated proceeds of sale less the estimated costs incurred up until the sale.

SECURITIES, CASH AND CASH EQUIVALENTS

Securities held as current assets are measured at market value, i.e. at the trading price on the balance sheet date.
Cash and cash equivalents are stated at their market value, which corresponds to the nominal value.

PROVISIONS FOR PENSIONS

Actuarial measurement of provisions for pensions is based on the Projected Unit Credit Method for defined retirement benefit plans as specified in IAS 19 (Employee Benefits). This method takes account of pensions and entitlements to future pensions known at the balance sheet date as well as anticipated future pay and pension increases.
Actuarial gains and losses are reported in a separate line item within equity, with no effect on income, after taking deferred tax into account.

OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized if an obligation existing toward third parties is likely to lead to cash outflows and where the amount of the obligation can reliably be estimated.
Pursuant to IAS 37, the other provisions for all discernible risks and uncertain liabilities are reported at their probable cost and are not offset against recourse entitlements.
Provisions with over one year to maturity are measured at their discounted settlement value as of the balance sheet date. Market rates are used as the discount rates. Since the settlement value pursuant to IAS 37 also includes the cost increases to be taken into account on the balance sheet date, a nominal interest rate of 5.0 percent was applied in Germany.

MANAGEMENT'S ESTIMATES AND ASSESSMENTS

To some degree, the preparation of the Consolidated Financial Statements entails assumptions and estimates with regard to the level and disclosure of the recognized assets and liabilities, income and expenditure, and contingent liabilities for the reporting period.
The assumptions and estimates relate principally to the reporting of intangible assets, the Group-wide determination of the useful life of property, plant and equipment and investment property, any impairment of fixed assets and inventories, the collectability of receivables and the recognition and measurement of provisions.
The assumptions and estimates are based on premises that reflect the facts as known at any given time. The currently unforeseeable consequences of the global financial and economic crisis present a considerable forecast risk, meaning that developments beyond the management's sphere of influence may result in differences between the actual amounts and the estimates originally anticipated. If the actual development varies from the anticipated development, the premises and, if necessary, the carrying amounts for the assets and liabilities in question are adjusted accordingly.

NOTES TO THE INCOME STATEMENT

1 Revenue

The composition of the revenue of the Group, by brand, is as follows:

EUR million	2008	2007
Audi brand	**25,534**	25,249
Lamborghini brand	**404**	404
Volkswagen brand	**2,705**	2,802
SEAT brand	**290**	369
Škoda brand	**223**	221
Bentley brand	**12**	15
Vehicle sales	**29,168**	29,060
Other sales	**5,028**	4,557
Revenue	**34,196**	33,617

Vehicle revenue includes proceeds from the Audi Group from the sale of vehicles of the Audi and Lamborghini brands as well as of other brands of the Volkswagen Group.
Revenue from other sales primarily includes proceeds from the sale of engines and genuine parts, and proceeds of AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), which was consolidated for the first time in the 2008 fiscal year, from the contract manufacture of VW Polo vehicles for Volkswagen AG.
Revenue is categorized by region for the purpose of segment reporting, analogously to the system used for internal Group steering and reporting.

2 Cost of sales

Amounting to EUR 28,848 (28,478) million, cost of sales comprises the costs incurred in generating revenue and purchase prices in trading transactions. This item also includes expenses resulting from the formation of provisions for warranty costs, for development costs that cannot be capitalized, for scheduled and unscheduled amortization of capitalized development costs, and for property, plant and equipment for manufacturing purposes.
The impairment losses were recorded on the basis of updated impairment tests and took particular account of market risks and exchange rate risks.

3 Distribution costs

The distribution costs of EUR 3,240 (2,737) million substantially comprise labor and materials costs for marketing and sales promotion, advertising, public relations activities and outward freight, as well as depreciation attributable to the sales organization.

4 Administrative expenses

Administrative expenses of EUR 302 (266) million include labor and materials costs, as well as depreciation attributable to administrative operations.

5 Other operating income

EUR million	2008	2007
Income from derivative hedging transactions	**642**	359
Income from rebilling	**304**	402
Income from the processing of payments in foreign currency	**171**	56
Income from the release of provisions and accruals	**163**	142
Income from ancillary business	**122**	107
Income from the disposal of assets	**5**	8
Income from the reversal of reductions for impairment on receivables and other assets	**2**	7
Miscellaneous operating income	**179**	185
Total other operating income	**1,588**	1,266

Income from derivative hedging transactions mainly results from the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 34.4, “Methods of monitoring the effectiveness of hedging relationships.”
Income from ancillary business includes rental income from investment property in the amount of EUR 2 (2) million.
Income from the processing of payments in foreign currency substantially comprises gains resulting from exchange-rate movements between the dates of output and payment, as well as exchange-rate gains resulting from measurement at the mean of the buying and selling rate on the closing date. Similarly, exchange rate losses are reported under other operating expenses.

6 Other operating expenses

EUR million	2008	2007
Expenses from the processing of payments in foreign currency	**190**	91
Expenses from derivative hedging transactions	**160**	230
Expenses from the allocation and recharging of costs	**47**	58
Impairment losses on receivables	**30**	14
Losses on the disposal of assets	**25**	11
Miscellaneous operating expenses	**170**	293
Total other operating expenses	**622**	697

Expenses from derivative hedging transactions mainly result from currency option premiums and the settlement of currency hedging instruments. The total position in relation to hedging transactions is presented under Note 34.4, “Methods of monitoring the effectiveness of hedging relationships.”

7 Result from investments accounted for using the equity method

EUR million	2008	2007
Income from investments accounted for using the equity method	**57**	48
Expenses from investments accounted for using the equity method	**–**	–1
Result from investments accounted for using the equity method	**57**	47

8 Financing costs

EUR million	2008	2007
Interest and similar expenses	**–132**	–153
of which to affiliated companies	**–130**	–152
Interest expense	**–132**	–153
Interest effect from the measurement of provisions for pensions	**–106**	–87
Interest effect from the measurement of other provisions	**–55**	3
Interest on provisions	**–161**	–84
Financing costs	**–293**	–237

Interest income and expense are attributed on an accrual basis.
The positive interest effect in the prior year from the measurement of other provisions was attributable to a rise in the discount rate following a rise in the domestic interest rate, and to changed maturities.

9 Other financial results

EUR million	2008	2007
Investment result	**123**	5
Income from investments	**39**	25
Income from profit transfer agreements	**4**	5
Income from reversal of impairment losses on investments	**70**	–
Income from the disposal of investments	**33**	3
Expenses from the transfer of losses	**–16**	–7
Expenses from investments	**–7**	–21
Net income from the sale of securities	**–24**	13
Impairments on securities	**–60**	–
Income and expense from fair value measurement of derivative financial instruments	**41**	36
Interest and similar income	**483**	346
of which from affiliated companies	**396**	268
Other income	**78**	–
of which from affiliated companies	**78**	–
Total other financial results	**641**	400

Income from investments primarily relates to a share in the profits of Volkswagen Logistics GmbH & Co. OHG (Wolfsburg).
Income from the reversal of impairment losses on investments and from the disposal of investments resulted from the sale of AUDI DO BRASIL E CIA. (Curitiba, Brazil). Following the removal of this company from the group of consolidated companies, all of the company's assets and liabilities were subject to remeasurement under the rules of IFRS 5. In this regard, value adjustments made in previous years on an investment held by AUDI DO BRASIL E CIA. in a Brazilian partnership were reversed. This reinstatement resulted in extraordinary income of EUR 70 million. Additionally, a gain of EUR 33 million was realized from the sale of the investment.
The income and expense from the fair value measurement of derivative financial instruments include the ineffective portions of cash flow hedges as well as fair value fluctuations in derivative financial instruments that do not fully meet the effectiveness criteria defined in IAS 39. The total position in relation to hedging instruments is presented under Note 34.4, "Methods of monitoring the effectiveness of hedging relationships."
Interest income is attributed on an accrual basis.

10 Income tax expense

Income tax expense includes taxes passed on by Volkswagen AG (Wolfsburg) on the basis of the single-entity relationship between the two companies for tax purposes, along with taxes owed by AUDI AG and its consolidated subsidiaries, as well as deferred taxes.
Tax expense consists of the following:

EUR million	2008	2007
Actual income tax expense	**983**	1,355
of which for Germany	**801**	1,194
of which for other countries	**182**	161
of which income from the reversal of tax provisions	**–1**	–1
Deferred tax income	**–13**	–132
of which for Germany	**52**	–99
of which for other countries	**–65**	–33
Income tax expense	**970**	1,223
of which non-periodic tax expenses/income	**1**	–1

EUR 799 (1,193) million of the actual income tax expense was passed on by Volkswagen AG.
The actual taxes in Germany are calculated at a tax rate of 29.5 (38.3) percent. This represents the sum of the corporation income tax rate of 15.0 percent, the solidarity surcharge of 5.5 percent and the average trade earnings tax rate for the Group. The deferred taxes of domestic companies are calculated at a rate of 29.5 (29.5) percent. The impact on deferred taxes of the reduction in the rate of company tax was already taken into account during the prior year.
The national income tax rates applicable for foreign companies range from 0 to 41 percent.
The effects arising as a result of the tax benefits on research and development expenditure in Hungary are reported under tax-exempt income in the reconciliation accounts.
The Audi Group has loss carryforwards totaling EUR 61 (61) million, of which the amount of EUR 57 (58) million can be used indefinitely. The realization of tax losses led to a reduction in current income tax expense of EUR 1 (19) million in the 2008 fiscal year. Deferred tax assets of EUR 149 (164) million were not reported due to impairment. Unused tax loss carryforwards accounted for EUR 2 (2) million of this amount, tax rebates for EUR 147 (162) million.
Of the deferred taxes reported in the Balance Sheet, a total of EUR 11 (–161) million was recorded with a resulting increase in equity, without impacting the Income Statement. The reporting of actuarial gains or losses without affecting income in accordance with IAS 19 led to a reduction in equity during the current fiscal year, due to the formation of deferred taxes in the amount of EUR 17 (–40) million. The change from deferred taxes to effects recognized in equity capital for derivative financial instruments led to an increase of EUR 28 (–121) million in equity.

The reporting and measurement differences in the individual Balance Sheet items can be attributed to the following deferred tax assets and liabilities carried in the Balance Sheet:

EUR million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
		Deferred tax assets		Deferred tax liabilities
Intangible assets	**101**	100	**459**	441
Property, plant and equipment	**200**	199	**217**	175
Long-term investments	**133**	109	**–**	–
Inventories	**80**	49	**40**	39
Receivables and other assets	**56**	43	**339**	281
Other current assets	**34**	50	**–**	–
Provisions for pensions	**81**	113	**3**	–
Other provisions	**910**	866	**49**	71
Liabilities	**89**	115	**15**	16
Loss carryforwards	**10**	10	**–**	–
Gross value	**1,694**	1,654	**1,122**	1,023
of which non-current	**1,145**	1,096	**596**	549
Offsetting measures	**–994**	–971	**–994**	–971
Consolidation measures	**–9**	–23	**–50**	–47
Carrying amount	**691**	660	**78**	5

Deferred taxes are explained in detail in the recognition and measurement principles.

Reconciliation of anticipated and reported income tax expense

The anticipated tax expense is lower than the reported tax expense. The reasons for the difference between the anticipated and the reported tax expense can be found in the reconciliation accounts as follows:

EUR million	2008	2007
Profit before tax	**3,177**	2,915
Anticipated income tax expense 29.5 % (38.3 %)	**937**	1,116
Reconciliation:		
Divergent foreign tax burden	**17**	–96
Tax portion for:		
tax-exempt income	**–127**	–87
expenses not deductible for tax purposes	**30**	89
temporary differences and losses for which no deferred tax has been recorded	**124**	114
Non-periodic tax income	**1**	–1
Effects of tax rate changes	**3**	142
Other tax effects	**–15**	–54
Income tax expense reported	**970**	1,223
Effective tax rate in %	**30.5**	42.0

11 Profit transfer to Volkswagen AG

The amount of EUR 1,230 (1,412) million will be transferred to Volkswagen AG (Wolfsburg) under the profit transfer agreement with AUDI AG.

12 Earnings per share

Basic earnings per share are calculated by dividing the share of profit due to AUDI AG stockholders by the weighted average number of shares in circulation during the fiscal year.
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 December 31, 2008 or December 31, 2007.

	2008	2007
Profit share of AUDI AG stockholders (EUR million)	**2,178**	1,654
Weighted average number of shares (basic and diluted totals are identical)	**43,000,000**	43,000,000
Earnings per share in EUR	**50.66**	38.46

Outside stockholders of AUDI AG will receive a compensatory payment for each no-par share in lieu of a dividend for the 2008 fiscal year. The level of this payment corresponds to the dividend that is paid on one ordinary share of Volkswagen AG (Wolfsburg). The dividend payment will be resolved by the Annual General Meeting of Volkswagen AG on April 23, 2009.

13 Additional disclosures on financial instruments in the Income Statement

Categories

Financial instruments are categorized as follows in accordance with IFRS 7:
- Measured at fair value,
- Measured at amortized cost,
- Not under scope of IFRS 7.

Those financial instruments not within the scope of IFRS 7 are investments accounted for using the equity method, which are neither financial instruments as defined in IAS 39 nor financial instruments as defined in IFRS 7.

Net results for financial instruments

The net results for financial instruments – as categorized under IAS 39 – are as follows:

EUR million	2008	2007
Financial instruments at fair value through profit or loss	**–30**	42
Loans and receivables	**–147**	–140
Available-for-sale financial assets	**448**	361
Measured at amortized cost	**–**	–

The net results for financial instruments include the net income or expense from interest, fair value measurements, foreign currency translation, reductions for impairment and disposal gains.
The "Financial instruments at fair value through profit or loss" category presents the results from the settlement and measurement of commodity futures. The "Loans and receivables" category essentially consists of factoring expenses. The net result for available-for-sale financial assets predominantly comprises income from financial investments and investments in securities.
The financial instruments are accounted for and measured in accordance with IAS 39 and are described in the recognition and measurement principles under "Financial instruments."

Interest income and expense for financial instruments not measured at fair value

EUR million	2008	2007
Interest income	**26**	28
Interest expense	**–94**	–153
Interest income and expense	**–68**	–125

Interest income and expense for financial instruments not measured at fair value constitute part of the net result for financial instruments, which come under the category of "Loans and receivables." Interest expense here largely comprises factoring expenses arising in connection with the loan asset sales to subsidiaries of Volkswagen AG (Wolfsburg) that do not belong to the Audi Group.

Impairment losses for financial assets by category

EUR million	2008	2007
Measured at fair value	**60**	–
Measured at amortized cost	**37**	35
Impairment losses	**97**	35

The impairment losses relate to value adjustments of financial assets, such as value adjustments of receivables, securities and non-consolidated subsidiaries.
No impairment was applied to financial instruments falling outside the scope of IFRS 7.

Gains and losses from hedging activities

From the cash flow hedge reserve the sum of EUR 553 (298) million was included under other operating expenses.

NOTES TO THE BALANCE SHEET

14 Intangible assets

EUR million	Dec. 31, 2008	Dec. 31, 2007
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	**170**	99
Capitalized development costs		
Products currently under development	**488**	472
Products currently in use	**1,452**	1,451
Payments on account for intangible assets	**2**	–
Total	**2,112**	2,022

Research and development expenditure recognized as an expense

EUR million	2008	2007
Research expense and non-capitalized development costs	**1,631**	1,570
Amortization and disposals of capitalized development costs	**530**	656
Total	**2,161**	2,226

A total of EUR 2,178 (2,067) million was spent on research and development in the 2008 fiscal year. Of this total, EUR 547 (497) million fulfilled the capitalization criteria set out in IAS 38.

15 Property, plant and equipment

EUR million	Dec. 31, 2008	Dec. 31, 2007
Land, land rights and buildings, including buildings on land owned by others	**1,999**	1,748
Plant and machinery	**1,211**	1,236
Other plant and office equipment	**2,033**	1,743
of which finance leases	**1**	3
Payments on account and assets under construction	**603**	451
Total	**5,846**	5,178

The carrying amounts in the case of finance leases correspond to the fair values.
Payments totaling EUR 83 (67) million for assets rented on the basis of operating lease agreements were recognized as an expense.
There are no significant restrictions on ownership and disposal for the reported property, plant and equipment.

16 Investment property

Land and buildings held for the purpose of generating rental income (investment property) are reported under investment property pursuant to IAS 40. The fair value of investment property, based on valuations, was EUR 7 (12) million.

17 Other long-term investments

EUR million	Dec. 31, 2008	Dec. 31, 2007
Investments in affiliated companies	**64**	40
Participating interests	**9**	9
Securities	**2**	–
Total	**75**	49

18 Deferred tax assets

The temporary differences between tax bases and carrying amounts in the Consolidated Financial Statements are explained under "Deferred tax" in the recognition and measurement principles, and under Note 10, "Income tax expense."
Pursuant to IAS 1, deferred tax assets are reported as non-current assets, irrespective of their maturities.

19 Other receivables and other financial assets

Non-current other receivables and other financial assets

EUR million	Dec. 31, 2008	Dec. 31, 2007
Loans advanced to affiliated companies	**58**	28
Other loans advanced	**1**	1
Other receivables from affiliated companies	**572**	240
of which from positive fair values of derivative financial instruments	**555**	222
Other tax assets	**2**	6
Other assets	**23**	11
Total	**656**	286

The loans advanced have a fair value of EUR 59 (28) million. The miscellaneous non-current assets have a fair value of EUR 590 (260) million.
Derivative financial instruments are measured at market value. The total position in relation to hedging instruments is presented under Note 34.4, "Methods of monitoring the effectiveness of hedging relationships."
The reported receivables and other assets are not subject to any significant restrictions on ownership or disposal.

Current other receivables and other financial assets

EUR million	Dec. 31, 2008	Dec. 31, 2007
Other receivables from affiliated companies	**4,975**	994
of which from positive fair values of derivative financial instruments	**569**	679
of which fixed-term deposits and loans extended	**4,285**	284
Other receivables from associated companies	**6**	–
Other tax assets	**75**	68
Positive fair values of derivative financial instruments	**10**	–
Other assets	**252**	303
Total	**5,318**	1,365

All current other receivables and financial assets are due within one year of the balance sheet date. The carrying amounts correspond to the fair values.
The other assets include EUR 8 (33) million in refund entitlements from the German Federal Employment Agency for the implementation of partial early retirement plans.

The positive fair values of derivative financial instruments are composed as follows:

EUR million	Dec. 31, 2008	Dec. 31, 2007
Transactions to hedge against		
currency risks from future payment streams (cash flow hedges)	**1,004**	849
commodity price risks from future payment streams (cash flow hedges)	**1**	–
Assets from hedge-ineffective derivatives	**129**	52
Positive fair values of derivative financial instruments	**1,134**	901

20 Inventories

EUR million	Dec. 31, 2008	Dec. 31, 2007
Raw materials and supplies	**364**	372
Work in progress	**332**	287
Finished goods and merchandise	**2,651**	2,002
Total	**3,347**	2,661

Inventories amounting to EUR 28,898 (28,450) million were recorded as cost of sales at the same time that revenue from them was realized.
The impairment resulting from the measurement of inventories on the basis of sales markets amounted to EUR 89 (30) million.
No reversal of write-downs was performed in the fiscal year.
Of the finished goods inventory, a portion of the company car fleet valued at EUR 94 (98) million has been pledged as collateral for commitments toward employees under the partial early retirement block model. The other reported inventories are not subject to any significant restrictions on ownership or disposal.

21 Trade receivables

EUR million	Dec. 31, 2008	Dec. 31, 2007
Trade receivables from		
third parties	**1,223**	1,148
affiliated companies	**757**	840
associated companies and participating interests	**235**	161
Total	**2,215**	2,149

The carrying amounts of the trade receivables correspond to the fair values due to their short-term nature.
Those trade receivables that will not be realized until more than 12 months subsequent to the balance sheet date amount to EUR 1 (3) million.
The value adjustments in relation to trade receivables are listed under Note 34.1, “Credit risks.”

22 Effective income tax

Entitlements to income tax rebates, predominantly for foreign Group companies, are reported under this item.

23 Securities, cash and cash equivalents

Securities include fixed or variable-interest securities and equities in the amount of EUR 789 (1,333) million.

Cash and cash equivalents essentially comprise credit balances with banks and affiliated companies amounting to EUR 4,833 (6,740) million. The credit balances with banks are held at various banks in various different currencies. As part of the cash pool arrangement, liquid assets were invested with affiliated companies.

EQUITY

24 Changes in equity

EUR million	Issued capital	Capital reserve	
Position as of Jan. 1, 2007	110	483	
Currency adjustments	–	–	
Transfer to retained earnings	–	–	
Changes in measurement not recognized in income	–	–	
Result from securities	–	–	
Result from settled cash flow hedges	–	–	
Deferred tax items netted directly against equity	–	–	
Minority interests	–	–	
Capital contributions	–	428	
Other changes	–	–	
Difference resulting from changes in the group of consolidated companies	–	–	
Position as of Dec. 31, 2007	110	911	
Position as of Jan. 1, 2008	110	911	
Currency adjustments	–	–	
Transfer to retained earnings	–	–	
Changes in measurement not recognized in income	–	–	
Result from securities	–	–	
Result from settled cash flow hedges	–	–	
Deferred tax items netted directly against equity	–	–	
Minority interests	–	–	
Capital contributions	–	706	
Other changes	–	–	
Difference resulting from changes in the group of consolidated companies	–	–	
Position as of Dec. 31, 2008	**110**	**1,617**	

Retained earnings						Equity		
Legal reserve and other retained earnings	Currency exchange reserve	Reserve for cash flow hedges	Reserve for remeasurement to fair value of securities	Provisions for pensions and similar obligations	Investments accounted for using the equity method	AUDI AG stockholders' interests	Minority interests	**Total**
6,682	–15	197	–1	–177	–14	7,265	–	**7,265**
–	4	–	–	–	–14	–10	–	**–10**
242	–	–	–	–	–	242	–	**242**
–	–	819	33	51	–	903	–	**903**
–	–	–	–50	–	–	–50	–	**–50**
–	–	–298	–	–	–	–298	–	**–298**
–	–	–126	5	–40	–	–161	–	**–161**
–	–	–	–	–	–	–	38	**38**
–	–	–	–	–	–	428	5	**433**
1	–	–	–	–	–	1	–	**1**
–8	–	–	–	–	–	–8	–	**–8**
6,917	–11	592	–13	–166	–28	8,312	43	**8,355**
6,917	–11	592	–13	–166	–28	8,312	43	**8,355**
–	5	–	–	–1	15	19	5	**24**
948	–	–	–	–	–	948	–	**948**
–	–	476	–130	54	–	400	3	**403**
–	–	–	114	–	–	114	–	**114**
–	–	–553	–	–	2	–551	–	**–551**
–	–	23	5	–16	–	12	–1	**11**
–	–	–	–	–	–	–	29	**29**
–	–	–	–	–	–	706	–	**706**
–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	289	**289**
7,865	**–6**	**538**	**–24**	**–129**	**–11**	**9,960**	**368**	**10,328**

The share capital of AUDI AG is EUR 110,080,000.00. One share grants an arithmetical share of EUR 2.56 in the company's capital. This capital is divided into 43,000,000 no-par bearer shares. The capital reserves contain premiums paid in connection with the issuance of shares of the Company. In the year under review, capital reserves rose to EUR 1,617 million as a result of a contribution in the amount of EUR 706 million by Volkswagen AG (Wolfsburg) to the capital reserve of AUDI AG.
The opportunities and risks under foreign exchange contracts, currency option transactions and commodity price hedging transactions serving as hedges for future cash flows are deferred in the reserve for cash flow hedges with no effect on the Income Statement. When the cash flow hedges become due, the results from the settlement of the exchange-rate hedging contracts are reported under other operating income or expenses.
Unrealized gains and losses from the measurement at fair value of financial assets available for sale are recognized in the reserve for the market-price measurement of securities. Upon disposal of the securities, share price gains and losses realized are reported under the financial result.
Adjustments to actuarial assumptions on retirement benefit obligations, with no effect on income, are recognized in the provisions for pensions and similar obligations.
Pursuant to IAS 28.39, foreign currency translation differences that do not affect income from the accounting of FAW-Volkswagen Automotive Company, Ltd. (Changchun, China) using the equity method were included in the reserve for investments accounted for using the equity method.
The shares held by minority interests in the equity capital can be broken down as follows, with each shareholder holding 100 percent of the shares in the listed companies and to whom the result achieved by the company is attributable:

Fully consolidated group company	Minority interests
AUDI BRUSSELS S.A./N.V., Brussels (Belgium)	Volkswagen AG, Wolfsburg
Audi of America, LLC, Herndon (USA)	VOLKSWAGEN GROUP OF AMERICA, INC., Herndon (USA)
Audi Canada Inc., Ajax (Canada)	Volkswagen Group Canada, Inc., Ajax (Canada)

The balance of EUR 948 (242) million remaining after the transfer of profit to Volkswagen AG is allocated to the other retained earnings.

Stock option plan

Under the stock option plan of Volkswagen AG (Wolfsburg), the members of the Board of Management and selected senior managers of the Audi Group were granted the right to acquire stock options for shares of Volkswagen AG by subscribing convertible bonds.
In the 1999 to 2006 fiscal years, a total of eight tranches of the stock option plan were issued. The stock option plan was not extended for the period beyond 2006.
Each convertible bond may be converted into ten ordinary shares. Conversion may take place for the first time after a qualifying period of 24 months and then until a period of five years from the date of issuance of the convertible bond has elapsed. For details relating to the terms of subscription and exercise, please refer to the notes on equity in the Annual Report of Volkswagen AG.
The convertible bonds are measured at fair value at the time of issue; in accordance with the transitional provisions of IFRS 2, only convertible bonds granted after publication of the draft standard on November 7, 2002, are affected. The fair value of the convertible bonds is determined using a binomial option pricing model, and reported as personnel costs on a pro rata basis over the 24-month qualifying period and under other changes in equity for AUDI AG. In conjunction with the eighth and final tranche of the stock option plan, expenses of EUR 0.2 million were incurred for the last time in 2008. The corresponding expense for the previous fiscal year was EUR 0.5 million.

The inventory as of January 1, 2008 amounted to 10,750 convertible bonds from the eighth tranche. In the 2008 fiscal year, all 10,750 convertible bonds were converted at a weighted average exercise price of EUR 2,073.00. The average weighted conversion price per convertible bond (conversion price per ten equities) was EUR 640.54. On December 31, 2008 no further convertible bonds from the stock option plan were held.

LIABILITIES

25 Financial liabilities

Non-current financial liabilities

EUR million	Dec. 31, 2008	Dec. 31, 2007
Liabilities to banks	**3**	3
Liabilities from financial lease agreements	**–**	1
Total	**3**	4

Non-current financial liabilities having a time to maturity of more than five years amount to EUR 1 (1) million. The carrying amounts correspond to the fair values.

Current financial liabilities

EUR million	Dec. 31, 2008	Dec. 31, 2007
Liabilities to affiliated factoring companies	**574**	479
Loans from affiliated companies	**62**	34
Liabilities to banks	**36**	12
Liabilities from financial lease agreements	**1**	2
Total	**673**	527

Measurement of the non-current and current financial lease agreements is based on market interest rates in each case.
The carrying amounts correspond to the fair values due to the short-term maturities.

26 Deferred tax liabilities

The temporary differences between tax bases and carrying amounts in the Consolidated Financial Statements are explained under “Deferred tax” in the recognition and measurement principles, and under Note 10, “Income tax expense.” Pursuant to IAS 1, deferred tax liabilities are reported as non-current liabilities, irrespective of their maturities.

27 Other liabilities

The derivative currency hedging instruments reported under other liabilities are measured at market values. The total item of currency hedging instruments is presented under Note 34, "Management of financial risks."

Non-current other liabilities

EUR million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
		Carrying amounts		Fair values
Liabilities to affiliated companies	**356**	191	**337**	173
of which from negative fair values of derivative financial instruments	**122**	23	**122**	23
Other liabilities	**91**	97	**89**	97
of which relating to social insurance	**28**	30	**28**	30
Total	**447**	288	**426**	270

Liabilities having a time to maturity of more than five years amount to EUR 168 (117) million.

Current other liabilities

EUR million	Dec. 31, 2008	Dec. 31, 2007
Liabilities to affiliated companies	**1,738**	1,754
of which from negative fair values of derivative financial instruments	**120**	25
Liabilities to associated companies	**6**	31
Advances received for orders from customers	**238**	238
Other liabilities	**1,112**	990
of which taxes	**147**	107
of which relating to social insurance	**109**	105
of which from negative fair values of derivative financial instruments	**–**	3
Total	**3,094**	3,013

The negative fair values of derivative financial instruments are composed as follows:

EUR million	Dec. 31, 2008	Dec. 31, 2007
Transactions to hedge against		
currency risks from future payment streams (cash flow hedges)	**125**	49
commodity price risks from future payment streams (cash flow hedges)	**70**	–
Assets from hedge-ineffective derivatives	**47**	2
Negative fair values of derivative financial instruments	**242**	51

28 Provisions for pensions

Provisions for pensions are created on the basis of plans to provide retirement, disability and surviving dependant benefits. The benefit amounts are generally contingent on the length of service and the remuneration of the employees.

Both defined contribution and defined benefit plans exist within the Audi Group for retirement benefit arrangements. In the case of defined contribution plans, the Company pays contributions to public or private-sector pension plans on the basis of statutory or contractual requirements, or on a voluntary basis. Payment of the contributions releases the Company from any other benefit obligations. Current contribution payments are reported as an expense for the year in question. With regard to the Audi Group they total EUR 258 (237) million. Of this, contributions of EUR 239 (220) million were paid in Germany towards statutory pension insurance.

The retirement benefit systems are based predominantly on defined benefit plans, with a distinction being made between systems based on provisions and externally financed benefit systems.

The domestic and foreign benefit claims of those with entitlement to a pension from the company pension scheme are calculated in accordance with IAS 19 (Employee Benefits) on the basis of the Projected Unit Credit Method. This measures future obligations on the basis of the pro rata benefit entitlements acquired as of the balance sheet date. For purposes of measurement, trend assumptions are used for the relevant variables affecting the level of benefits.

The retirement benefit scheme within the Audi Group was evolved into a pension fund model in Germany on January 1, 2001. The retirement benefit commitments for this model are also classified as defined benefits in accordance with the requirements of IAS 19. The remuneration-based annual cost of providing employee benefits is invested in mutual funds on a fiduciary basis by Volkswagen Pension Trust e.V. (Wolfsburg). This model offers employees the opportunity of increasing their pension entitlements, while providing full risk coverage. As the mutual fund units administered on a fiduciary basis satisfy the requirements of IAS 19 as plan assets, these funds were offset against the derived retirement benefit obligations.

The amounts recorded in the Balance Sheet for benefit commitments are presented in the following table:

EUR million	Dec. 31, 2008	Dec. 31, 2007
Present value of externally funded defined benefit obligations	**464**	368
Fair value of plan assets	**471**	368
Financing status (balance)	**–7**	**–**
Due to the limit on a defined benefit asset amount not capitalized under IAS 19	**7**	–
Present value of defined benefit obligations not externally funded	**1,946**	1,957
Provisions for pensions recognized in the Balance Sheet	**1,946**	1,957

The present value of the defined benefit commitments changed as follows:

EUR million	2008	2007
Present value on January 1	**2,325**	2,280
Changes in the group of consolidated companies and first-time adoption of IAS 19	**91**	8
Service cost	**64**	79
Interest cost	**129**	104
Actuarial gains (-) / losses (+)	**–111**	–70
Pension payments from company assets	**–72**	–69
Effects from transfers	**2**	–6
Pension payments from fund assets	**–19**	–
Currency differences	**1**	–1
Present value on December 31	**2,410**	2,325

The reconciliation for the fair value of the plan assets is as follows:

EUR million	2008	2007
Plan assets on January 1	**368**	306
Changes in the group of consolidated companies and first-time adoption of IAS 19	**86**	–
Expected return on plan assets	**23**	17
Actuarial gains (+) / losses (-)	**–47**	–19
Employer contributions	**59**	64
Benefits paid	**–19**	–
Effects of transfers	**1**	–
Plan assets on December 31	**471**	368

In the past fiscal year, actual losses from the plan assets amounted to EUR 26 million.
The long-term overall yield on the plan assets is determined on a uniform basis and depends on the actual long-term earnings of the portfolio, historical overall market yields and a forecast of the anticipated yields of the classes of security in the portfolio.
Employer contributions to the fund assets totaling EUR 60 (52) million are expected for the following fiscal year.
The composition of fund assets is as follows, by category:

% of fund assets	Dec. 31, 2008	Dec. 31, 2007
Shares	**13.9**	38.0
Fixed-income securities	**45.0**	53.8
Cash	**25.2**	8.2
Other	**15.9**	0.0
	100.0	100.0

Actuarial gains and losses result from changes in the entitlement base and from deviations in the actual trends (e.g. increases in pay or retirement benefits) from the figures assumed for calculation purposes. In accordance with the requirements of IAS 19, such gains and losses are recognized without affecting income under a separate line item within equity, taking deferred tax into account.

The following amounts were recognized in the Income Statement:

EUR million	2008	2007
Current service cost for services provided by the employees in the fiscal year	**–64**	–79
Interest cost	**–129**	–104
Expected return on plan assets	**23**	17
Total	**–170**	–166

The interest element in pension costs is shown under financing costs. The expected return on plan assets is also shown under this item.
The provisions for pensions recognized in the Balance Sheet are determined by offsetting the present value against the fund assets pursuant to IAS 19. The net liability recognized as provisions for pensions developed as follows:

EUR million	2008	2007
Provisions for pensions on January 1	**1,957**	1,974
Changes in the group of consolidated companies and first-time adoption of IAS 19	**5**	8
Employee benefit expenses	**170**	166
Actuarial gains (-) / losses (+)	**–57**	–51
Pension payments from company assets	**–72**	–69
Contributions paid to external pension funds	**–59**	–64
Transfers received from affiliated companies	**2**	1
Transfers made to affiliated companies	**–1**	–7
Currency differences	**1**	–1
Provisions for pensions on December 31	**1,946**	1,957
of which non-current	**1,880**	1,891

The experience-based adjustments, i.e. the effects of differences between actuarial assumptions and what has actually transpired, are presented in the following table:

%	2008	2007
Difference between anticipated and actual performance		
as % of the present value of the obligation	**0.17**	–1.46
as % of the fair value of the plan assets	**–9.88**	–5.26

In detail, the calculation of the retirement benefit obligations is based on the following actuarial assumptions (weighted average):

%	Dec. 31, 2008	Dec. 31, 2007
Remuneration trend	**2.50**	2.50
Retirement benefit trend	**1.60**	1.60
Discount rate	**5.75**	5.50
Staff turnover rate	**1.20**	1.40
Anticipated yield on plan assets	**5.00**	5.00

The “2005 G Reference Tables” published by HEUBECK-RICHTTAFELN-GmbH served as the biometric basis for calculation of retirement benefits.

29 Effective income tax obligations

Effective income tax obligations consist primarily of tax liabilities to Volkswagen AG (Wolfsburg) under allocation plans.

30 Other provisions

EUR million	Dec. 31, 2008		Dec. 31, 2007	
	Total	**Of which due within one year**	Total	Of which due within one year
Obligations from sales operations	**4,004**	**1,722**	3,630	1,647
Workforce-related provisions	**531**	**151**	511	107
Other provisions	**669**	**629**	531	491
Total	**5,204**	**2,502**	4,672	2,245

Obligations from sales operations primarily comprise warranty claims from the sale of vehicles, components and genuine parts, including the disposal of end-of-life vehicles. These are predominantly warranty claims that are determined on the basis of previous or estimated future loss experience. This item additionally includes rebates, bonuses and similar discounts due to be granted and arising subsequent to the balance sheet date but occasioned by revenue prior to the balance sheet date.
The workforce-related provisions are created for such purposes as service anniversary awards, partial early retirement arrangements, proposals for improvements and settlement payments. The refund claims against the German Federal Employment Agency as part of implementation of the partial early retirement model are reported under other assets (Note 19, “Other receivables and other financial assets”).
The other provisions relate to various one-off obligations.
The composition of other provisions by anticipated outflow date will be 48 percent in the following year, 46 percent in the years 2010 through 2013 and 6 percent thereafter.

The provisions developed as follows:

EUR million	Jan. 1, 2008	Changes in the group of consolidated companies	Utilization	Dissolution	Addition	Interest effect from measurement	**Dec. 31, 2008**
Obligations from sales operations	3,630	1	1,245	44	1,618	44	**4,004**
Workforce-related provisions	511	47	70	10	43	10	**531**
Other provisions	531	4	163	32	328	1	**669**
Total	4,672	52	1,478	86	1,989	55	**5,204**

31 Trade payables

EUR million	Dec. 31, 2008	Dec. 31, 2007
Trade payables to		
third parties	**2,820**	2,236
affiliated companies	**475**	550
associated companies	**7**	8
Total	**3,302**	2,794

The fair values of the trade payables correspond to the carrying amounts due to their short-term nature.
The customary retention of title applies to liabilities from deliveries of goods.

ADDITIONAL DISCLOSURES

32 Capital management

The primary goal of capital management within the Audi Group is to assure financial flexibility in order to achieve business and growth targets, and to enable continuous, steady growth in the value of the Company. The capital structure is steered specifically with this in mind, and the economic environment is kept under constant observation. The objectives, methods and procedures for optimizing capital management remained unchanged on December 31, 2008.
The equity and financial liabilities from the transfer of profit are summarized in the following table:

EUR million	Dec. 31, 2008	Dec. 31, 2007
Equity	**10,328**	8,355
as % of total capital	**84**	81
Financial liabilities from the transfer of profit	**1,906**	1,943
Current financial liabilities	**673**	527
Non-current financial liabilities	**3**	4
Liabilities from the transfer of profit	**1,230**	1,412
as % of total capital	**16**	19
Total capital	**12,234**	10,298

Around 99.55 percent of the issued capital is held by Volkswagen AG (Wolfsburg), with which a control and profit transfer agreement exists.
In the 2008 fiscal year, equity rose by 23.6 percent as compared to the prior year. This was substantially attributable to a cash injection to the capital reserve by Volkswagen AG and to the allocation to other retained earnings.

33 Additional disclosures on financial instruments in the Balance Sheet

Carrying amounts of financial instruments

The following table presents a reconciliation of the carrying amounts of the Balance Sheet items with the individual IFRS 7 categories:

EUR million	Carrying amount as per balance sheet as of Dec. 31, 2008	Measured at fair value through profit or loss	Available for sale	
ASSETS				
Non-current				
Other long-term investments	**75**	–	75	
Other receivables and assets	**656**	–	–	
of which from positive fair values of derivative financial instruments	**555**	–	–	
miscellaneous other receivables and assets	**101**	–	–	
Current				
Trade receivables	**2,215**	–	–	
Other receivables and assets	**5,318**	–	–	
of which from positive fair values of derivative financial instruments	**579**	129	–	
miscellaneous other receivables and assets	**4,739**	–	–	
Securities	**789**	–	789	
Cash and cash equivalents	**4,833**	–	4,833	
Total financial assets	**13,886**	129	5,697	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Non-current				
Financial liabilities	**3**	–	–	
Other liabilities	**447**	–	–	
of which from negative fair values of derivative financial instruments	**122**	17	–	
miscellaneous other liabilities	**325**	–	–	
Current				
Financial liabilities	**673**	–	–	
Trade payables	**3,302**	–	–	
Other liabilities	**3,094**	–	–	
of which from negative fair values of derivative financial instruments	**120**	30	–	
miscellaneous other liabilities	**2,974**	–	–	
Total financial liabilities	**7,519**	47	–	

Assignment to IAS 39 categories			Division into classes of IFRS 7		
Loans and receivables	Financial liabilities measured at amortized cost	Not classified under IAS 39	Measured at fair value	Measured at amortized cost	Not classified under IFRS 7
–	–	–	2	73	–
–	–	–	–	–	–
–	–	555	555	–	–
90	–	11	–	90	11
2,215	–	–	–	2,215	–
–	–	–	–	–	–
–	–	450	579	–	–
4,553	–	186	–	4,553	186
–	–	–	789	–	–
–	–	–	4,833	–	–
6,858	–	1,202	6,758	6,931	197
–	3	–	–	3	–
–	–	–	–	–	–
–	–	105	122	–	–
–	4	321	–	4	321
–	673	–	–	673	–
–	3,302	–	–	3,302	–
–	–	–	–	–	–
–	–	90	120	–	–
–	1,650	1,324	–	1,650	1,324
–	5,632	1,840	242	5,632	1,645

EUR million	Carrying amount as per balance sheet as of Dec. 31, 2007	Measured at fair value through profit or loss	Available for sale	
ASSETS				
Non-current				
Other long-term investments	49	–	49	
Other receivables and assets	286	–	–	
of which from positive fair values of derivative financial instruments	222	45	–	
miscellaneous other receivables and assets	64	–	–	
Current				
Trade receivables	2,149	–	–	
Other receivables and assets	1,365	–	–	
of which from positive fair values of derivative financial instruments	679	7	–	
miscellaneous other receivables and assets	686	–	–	
Securities	1,333	–	1,333	
Cash and cash equivalents	6,740	–	6,740	
Total financial assets	11,922	52	8,122	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Non-current				
Financial liabilities	4	–	–	
Other liabilities	288	–	–	
of which from negative fair values of derivative financial instruments	23	–	–	
miscellaneous other liabilities	265	–	–	
Current				
Financial liabilities	527	–	–	
Trade payables	2,794	–	–	
Other liabilities	3,013	–	–	
of which from negative fair values of derivative financial instruments	28	2	–	
miscellaneous other liabilities	2,985	–	–	
Total financial liabilities	6,626	2	–	

Assignment to IAS 39 categories			Division into classes of IFRS 7		
Loans and receivables	Financial liabilities measured at amortized cost	Not classified under IAS 39	Measured at fair value	Measured at amortized cost	Not classified under IFRS 7
–	–	–	–	49	–
–	–	–	–	–	–
–	–	177	222	–	–
58	–	6	–	58	6
2,149	–	–	–	2,149	–
–	–	–	–	–	–
–	–	672	679	–	–
435	–	251	–	435	251
–	–	–	1,333	–	–
–	–	–	6,740	–	–
2,642	–	1,106	8,974	2,691	257
–	4	–	–	4	–
–	–	–	–	–	–
–	–	23	23	–	–
–	9	256	–	9	256
–	527	–	–	527	–
–	2,794	–	–	2,794	–
–	–	–	–	–	–
–	–	26	28	–	–
–	1,695	1,290	–	1,695	1,290
–	5,029	1,595	51	5,029	1,546

The fair values of financial assets and liabilities within the “measured at amortized cost” category are indicated in the corresponding sections, under the Notes to the Balance Sheet.

34 Management of financial risks

34.1 Credit risks

Credit risks from financial assets comprise the risk of default by a contractual party and therefore do not exceed the positive fair values in respect of the contractual party in question. The risk from originated financial instruments is covered by value adjustments for loss of receivables. The contractual partners for cash and capital investments, as well as currency and raw materials hedging instruments, have impeccable credit standings. Over and above this, the risks are restricted by a limit system that is based on the credit ratings of international rating agencies and the equity base of the contractual parties.

The credit quality of financial assets valued at acquisition cost is shown in the following table:

EUR million	**Gross carrying amount as of Dec. 31, 2008**	Neither past due nor impaired	Past due and not impaired	Impaired	Gross carrying amount as of Dec. 31, 2007	Neither past due nor impaired	Past due and not impaired	Impaired
Measured at amortized cost								
Trade receivables	**2,247**	1,490	687	70	2,163	1,353	787	23
Other receivables	**5,793**	5,727	50	16	1,525	1,448	66	11
Loans	**4,344**	4,343	0	1	312	311	0	1
Other	**1,449**	1,384	50	15	1,213	1,137	66	10
Total	**8,040**	7,217	737	86	3,688	2,801	853	34

The Audi Group's trading partners, borrowers and debtors are regularly monitored under the risk management system. All receivables that are "neither past due nor impaired," amounting to EUR 7,217 (2,801) million, are allocable to risk category 1. Risk category 1 is the highest rating category within the Volkswagen Group; it exclusively includes "claims against contractual partners of high creditworthiness."

Within the Audi Group, there are absolutely no past due financial instruments measured at fair value. The fair values of these financial instruments are determined based on their market prices. Due to the fluctuations in market value precipitated by the financial crisis, individual bad debt allowances for the cost of purchase of EUR 83 million were made in fiscal 2008 for securities measured at fair value.

Financial assets that are past due and not impaired are presented in the following analysis by maturity dates of gross carrying amounts:

EUR million	Past due and not impaired	Past due		
	Dec. 31, 2008	Up to 30 days	30 to 90 days	More than 90 days
Measured at amortized cost				
Trade receivables	**687**	493	134	60
Other receivables	**50**	40	7	3
Loans	**0**	0	–	–
Other	**50**	40	7	3
Total	**737**	533	141	63

EUR million	Past due and not impaired	Past due		
	Dec. 31, 2007	Up to 30 days	30 to 90 days	More than 90 days
Measured at amortized cost				
Trade receivables	787	661	51	75
Other receivables	66	46	9	11
Loans	0	0	–	–
Other	66	46	9	11
Total	853	707	60	86

The credit risk is low overall, as the vast majority of the past due and not impaired financial assets are past due by only a short period – predominantly due to the customer's purchase invoice and payment processes. It was therefore not necessary to implement any contractual changes to prevent financial instruments from becoming past due.
In fiscal 2008, the Audi Group did not accept any collateral with the intention of selling it.

Value adjustments

Developments of value adjustments of claims that existed on the balance sheet date and that were measured at cost can be broken down as follows for the 2008 and 2007 fiscal years:

EUR million	**2008**	**Specific value adjustment**	2007	Specific value adjustment
Position as of January 1	**19**	**19**	19	19
Addition	**26**	**26**	9	9
Utilization	**–8**	**–8**	–2	–2
Dissolution	**–**	**–**	–7	–7
Position as of December 31	**37**	**37**	19	19

Portfolio-based write-downs are not used within the Audi Group.

Collateral

The Audi Group recorded financial assets as collateral for liabilities in the amount of EUR 82 (53) million.

34.2 Liquidity risks

A liquidity forecast based on a fixed planning horizon and available yet unused lines of credit assure adequate liquidity at all times.

Analysis by maturity date of undiscounted cash used for financial liabilities

The financial assets reported as of the balance sheet date are categorized separately by maturity date in the following table:

EUR million				Total
	Dec. 31, 2008	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities	**676**	673	2	1
Trade payables	**3,302**	3,302	–	–
Other financial liabilities	**1,602**	1,575	27	–
Derivatives used as hedges	**12,685**	5,243	7,442	–
Total	**18,265**	10,793	7,471	1

The cash used for derivatives where gross settlement has been agreed is offset by cash received. These cash receipts are not presented in the analysis by maturity date. Had the cash receipts also been taken into account, the cash used would have been significantly lower in the analysis by maturity date.

34.3 Market risks

Given the global nature of its operations, the Audi Group is exposed to various market risks, which are described below. The individual risk types and the respective risk management measures are also described. Additionally, these risks are quantified by means of sensitivity analyses.

Currency risks

The Audi Group is exposed to exchange rate fluctuations in view of its international business activities. The measures implemented to hedge against these currency risks are coordinated regularly between AUDI AG and the Group Treasury of Volkswagen AG (Wolfsburg) in accordance with Volkswagen's organizational guideline.

These risks are limited by concluding appropriate hedges for matching amounts and maturities. The hedging transactions are performed centrally for the Audi Group by Volkswagen AG on the basis of an agency agreement. The results from hedging contracts are credited or debited to the Audi Group each month on the basis of the proportionate share of the Volkswagen Group's overall hedging volume.

In accordance with the Volkswagen organizational guideline, AUDI AG additionally concludes hedging transactions of its own to a limited extent, where this helps to simplify current operations.

Marketable derivative financial instruments (foreign exchange contracts, currency option transactions and currency swaps) are used for this purpose. Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies.

For the purpose of managing currency risks, exchange rate hedging in the 2008 fiscal year focused on the U.S. dollar, the pound sterling, the Japanese yen, the Swedish krona, the Russian ruble and the Swiss franc.

Currency risks pursuant to IFRS 7 arise as a result of financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature. Exchange rate variances from the translation of financial statements into the Group currency (translation risk) are disregarded. Within the Audi Group, the principal originated monetary financial instruments (liquid assets, receivables, securities held and equity instruments held, interest-bearing liabilities, liabilities under finance lease arrangements, interest-free liabilities) are either denominated directly in the functional currency or substantially transferred to the functional currency through the use of derivatives. Above all, the generally short maturity of the instruments also means that potential exchange rate movements have only a very minor impact on profit or equity.

Currency risks are measured using sensitivity analyses, during which the impact on profit and equity of hypothetical changes to relevant risk variables is assessed. All non-functional currencies in which the Audi Group enters into financial instruments are fundamentally treated as relevant risk variables.

The periodic effects are determined by applying the hypothetical changes in the risk variables to the inventory of financial instruments on the reporting date. It is assumed for this purpose that the inventory on the reporting date is representative of the entire year. Movements in the exchange rate against the underlying currencies for the hedged transactions affect the hedging reserve in equity and the fair value of these hedging transactions.

Fund price risks

The special mutual funds created using surplus liquidity are exposed, in particular, to an equity and bond price risk that may arise from fluctuating stock market prices and indices, and market interest rates. The changes in bond prices resulting from a variation in market interest rates are quantified separately in the corresponding notes on “Currency risks” and on “Interest rate risks,” reflecting the evaluation of foreign exchange and other interest rate risks from the special mutual funds.

Risks from special mutual funds are generally countered by maintaining a broad mix of products, issuers and regional markets when investing funds, as stipulated in the investment guidelines. Where necessitated by the market situation, currency hedges in the form of futures contracts are also used. Such measures are coordinated by AUDI AG in agreement with the Group Treasury of Volkswagen AG (Wolfsburg) and implemented at operational level by the special mutual funds’ risk management teams.

Fund price risks are measured within the Audi Group in accordance with IFRS 7 using sensitivity analyses. The impact of hypothetical changes to risk variables on financial instrument prices is calculated. Market prices and indices are particularly relevant risk variables in the case of fund price risks.

Commodity price risks

Commodity price risks are avoided or limited by entering into commodity futures transactions. The hedging measures are coordinated regularly between AUDI AG and Volkswagen AG (Wolfsburg), in accordance with the existing Volkswagen organizational guideline. The hedging transactions are performed centrally for AUDI AG by Volkswagen AG on the basis of an agency agreement. The results from hedging contracts are credited or debited to the Audi Group on the basis of the proportionate share of the Volkswagen Group’s overall hedging volume.

Hedging measures relate principally to the supply of the following raw materials: aluminum, lead and copper. Contracts are concluded exclusively with first-rate national and international banks whose creditworthiness is regularly examined by leading rating agencies.

Commodity price risks are also calculated using sensitivity analyses. Hypothetical changes to the listed prices of the above commodities are studied to calculate their impact on the cost structure and thus on profit before tax.

Interest rate risks

Interest rate risks stem from changes in market rates, above all for medium- and long-term variable-rate receivables and liabilities.

The Audi Group is exposed to interest rate risks primarily in the euro zone, Great Britain, the United States and Asia. To minimize the impact of fluctuating rates in these regions, use is also made of interest rate derivatives.

The risks associated with changing interest rates are presented in accordance with IFRS 7 using sensitivity analyses. These involve presenting the effects of changes in market interest rates on interest payments, interest income and expenses, other components of the result and, where applicable, equity.

Quantifying currency risks by means of sensitivity analyses

If the functional currencies had in each case increased or decreased in value by 10 percent compared with the other currencies, the following major effects on the hedging provision in equity and on profit before tax would have resulted. There is no virtue in adding up the individual figures, as the results for each functional currency are based on differing scenarios. Owing to the change to a more informative form of presentation, the figures for December 31, 2007 are not comparable with the aggregated individual figures of the prior year. Nevertheless, the figures for the prior year have also been determined in the new form of presentation and stated below in order to make a comparison possible.

EUR million	Dec. 31, 2008		Dec. 31, 2007	
	+10%	–10%	+10%	–10%
Currency relation				
EUR / USD				
Hedging provision	**662**	**–421**	560	–512
Profit before tax	**–134**	**7**	–85	104
EUR / GBP				
Hedging provision	**288**	**–288**	170	–166
Profit before tax	**–7**	**17**	–2	1
EUR / JPY				
Hedging provision	**54**	**–54**	20	–20
Profit before tax	**2**	**–2**	–	2

Quantifying other market risks by means of sensitivity analyses

Within the Audi Group, other market risks are also measured using sensitivity analyses in accordance with IFRS 7. The impact of hypothetical changes to risk variables on the corresponding Balance Sheet items is calculated. Depending on the type of risk, there are various possible risk variables (primarily equity prices, commodity prices, market interest rates).
The sensitivity analyses carried out enabled the following other market risks to be quantified for the Audi Group:

	Data in	2008		2007	
Fund price risks					
Change in share prices	Percent	**+10**	**–10**	+10	–10
Effects on equity capital	EUR million	**+1**	**–1**	+6	–6
Commodity price risks					
Change in commodity prices	Percent	**+10**	**–10**	+10	–10
Effects on equity capital	EUR million	**+15**	**–15**	–	–
Effects on results	EUR million	**+9**	**–9**	+40	–40
Interest rate change risks					
Change in market interest rate	Basis points	**+100**	**–100**	+100	–100
Effects on equity capital	EUR million	**–15**	**+17**	–20	+22
Effects on results	EUR million	**–3**	**+3**	+4	–4

34.4 Methods of monitoring the effectiveness of hedging relationships

Within the Audi Group, the effectiveness of hedging relationships is evaluated prospectively using the critical terms match method, as well as by means of statistical methods in the form of a regression analysis. Retrospective evaluation of the effectiveness of hedges involves an effectiveness test in the form of the dollar offset method or in the form of a regression analysis.
In the case of the dollar offset method, the changes in value of the underlying transaction, expressed in monetary units, are compared with the changes in value of the hedge expressed in monetary units. All hedge relationships were effective within the range specified in IAS 39 (80 to 125 percent).
In the case of the regression analysis, the performance of the underlying transaction is viewed as an independent variable whilst that of the hedging transaction is regarded as a dependent variable. Classification as an effective hedging relationship is made with a coefficient of determination of $R^2 > 0.96$ and of $R^2 > 0.80$ for aluminum transactions. In both cases, the slope factor b must lie between –0.80 and –1.25. All of the hedging relationships verified using this statistical method proved to be effective on the year-end date.

Nominal volume of derivative financial instruments

The nominal volumes of the hedges presented represent the total of all buying and selling prices on which the transactions are based.

EUR million	Nominal volumes				Fair values	
	Dec. 31, 2008	Residual time to maturity up to 1 year	Dec. 31, 2007	Residual time to maturity up to 1 year	**Dec. 31, 2008**	Dec. 31, 2007
Cash flow hedges	**12,805**	5,266	9,222	4,464	**810**	800
Foreign exchange contracts	**7,588**	5,185	6,807	4,463	**570**	625
Currency option transactions	**4,980**	–	2,414	–	**309**	175
Currency swaps	**–**	–	1	1	**–**	–
Commodity futures	**237**	81	–	–	**–69**	–
Non-hedge derivatives	**147**	88	451	177	**82**	50
Total portfolio	**12,952**	5,354	9,673	4,641	**892**	850

The derivative financial instruments used exhibit a maximum hedging term of five years.

35 Cash Flow Statement

The Cash Flow Statement details the payment streams for both the 2008 fiscal year and the previous year, categorized according to cash used and received for operating, investing and financing activities. The effects of changes in the group of consolidated companies and to foreign exchange rates on cash flows are presented separately.

Cash flow from operating activities includes all payment streams in connection with ordinary activities and is presented using the indirect calculation method. Starting from the profit before profit transfer and tax, all income and expenses with no impact on cash flow (mainly write-downs) are excluded.

In 2008, cash flow from operating activities included payments for interest received amounting to EUR 400 (278) million and for interest paid amounting to EUR 95 (91) million. The Audi Group received dividends and profit transfers totaling EUR 71 (84) million in 2008. The income tax payments item substantially comprises payments made to Volkswagen AG (Wolfsburg) on the basis of the single-entity relationship for tax purposes in Germany, as well as payments to foreign tax authorities.

Cash flow from investing activities includes capitalized development costs as well as additions to other intangible assets, property, plant and equipment, long-term investments and non-current loans advanced. The change in investment property, the proceeds from the disposal of assets, the proceeds from the sale of investments and the change in securities effective as payment are similarly reported in cash flow from investing activities. The sale of AUDI DO BRASIL E CIA. (Curitiba, Brazil) produced an inflow of EUR 101 million. Furthermore, changes from fixed deposits with a residual maturity of more than three months and credit extended were transferred to cash flow from investing activities. The comparative figures for the previous year have been adjusted accordingly, resulting in a reduction of EUR 75 million in cash flow from investing activities, whilst cash flow from financing activities rose by EUR 75 million.

Cash flow from financing activities includes cash used for the transfer of profit, as well as changes in financial liabilities.

The changes in the Balance Sheet items that are presented in the Cash Flow Statement cannot be derived directly from the Balance Sheet because the effects of currency translation and of changes in the group of consolidated companies do not affect cash and are segregated.

The change in cash and cash equivalents due to changes in the group of consolidated companies relates to companies that have been consolidated for the first time.

36 Contingencies

Contingencies are unrecognized contingent liabilities whose amount corresponds to the maximum possible use as of the balance sheet date.

EUR million	Dec. 31, 2008	Dec. 31, 2007
Liabilities from guarantees	**62**	9
Furnishing of collateral for outside liabilities	**68**	53
Total	**130**	62

37 Litigation

Neither AUDI AG nor any of its Group companies are involved in ongoing or prospective legal or arbitration proceedings which could have a significant influence on their economic position. Appropriate provisions have been created within each Group company, or adequate insurance benefits are anticipated, for potential financial charges resulting from other legal or arbitrational proceedings.

38 Change of control agreements

Change of control clauses are contractual agreements between a company and third parties to provide for legal succession should there be a direct or indirect change in the ownership structure of any party to the contract.
The contractual agreements between the Audi Group and third parties do not contain any change of control clauses in the event of a change in the ownership structure of AUDI AG or its subsidiaries.

39 Other financial obligations

EUR million	Due Dec. 31, 2008				Due Dec. 31, 2007	
	Within 1 year	1 to 5 years	Over 5 years	Total	Over 1 year	Total
Ordering commitments for						
property, plant and equipment	**761**	**406**	**–**	**1,167**	332	1,203
intangible assets	**181**	**41**	**–**	**222**	47	220
Commitments from long-term rental and lease agreements	**57**	**39**	**16**	**112**	18	39
Total	**999**	**486**	**16**	**1,501**	397	1,462

40 Discontinued operations

There are no plans to discontinue or cease operations as defined by IFRS 5.

41 Cost of materials

EUR million	2008	2007
Raw materials and consumables used, as well as purchased goods	**21,804**	21,242
Purchased services	**1,626**	1,850
Total	**23,430**	23,092

42 Personnel costs

EUR million	2008	2007
Wages and salaries	**3,076**	2,836
Social insurance and expenses for retirement benefits and support payments	**633**	570
of which relating to retirement benefit plans	**65**	84
of which defined contribution pension plans	**258**	237
Total	**3,709**	3,406

43 Total average number of employees for the year

	2008	2007
Domestic Group companies	**47,063**	45,372
Foreign Group companies	**10,470**	7,975
Total	**57,533**	53,347
of which apprentices	**2,057**	2,002

44 Related party disclosures

Related parties as defined in IAS 24 are:

- the parent company, Volkswagen AG (Wolfsburg), and its subsidiaries outside the Audi Group
- Porsche Automobil Holding SE (Stuttgart), and its affiliated companies (the company's voting interest in Volkswagen AG was 42.6 percent on October 24, 2008. It appoints two members of the Supervisory Board of Volkswagen AG),
- other parties (individuals and companies) that could be affected by the reporting entity or that could influence the reporting entity, such as
  - the members of the Board of Management and Supervisory Board of AUDI AG,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associated companies,
  - non-consolidated subsidiaries.

The volume of transactions with the parent company, Volkswagen AG, and with other subsidiaries that do not belong to the Audi Group is presented in the following overview:

EUR million	2008	2007
Sales and services supplied to		
Volkswagen AG	**5,037**	4,443
Volkswagen AG subsidiaries not belonging to the Audi Group	**8,275**	8,870
Purchases and services received from		
Volkswagen AG	**5,252**	4,955
Volkswagen AG subsidiaries not belonging to the Audi Group	**3,093**	3,821
Receivables from		
Volkswagen AG	**7,632**	5,885
Volkswagen AG subsidiaries not belonging to the Audi Group	**3,253**	2,820
Liabilities to		
Volkswagen AG	**2,776**	2,722
Volkswagen AG subsidiaries not belonging to the Audi Group	**1,155**	1,166
Contingent liabilities to		
Volkswagen AG	**–**	–
Volkswagen AG subsidiaries not belonging to the Audi Group	**118**	86

As of December 31, 2008, sales of receivables to Volkswagen AG subsidiaries not belonging to the Audi Group amounted to EUR 1,569 (1,590) million.
The possibility of a claim arising from contingencies is not regarded as likely.

The extent of business relations between fully consolidated companies of the Audi Group and non-consolidated companies, associated companies and other related parties is presented in the following tables:

EUR million	2008	2007	2008	2007
	Goods and services supplied		Goods and services received	
Associated companies	**1,569**	1,453	**1**	1
Non-consolidated subsidiaries	**379**	238	**106**	14
Porsche companies	**982**	833	**15**	13

EUR million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
	Receivables from		Liabilities to	
Associated companies	**232**	149	**6**	31
Non-consolidated subsidiaries	**117**	26	**42**	10
Porsche companies	**6**	11	**2**	1

All business transactions with related parties have been conducted on the basis of internationally comparable uncontrolled price methods pursuant to IAS 24, according to the terms that customarily apply to outside third parties. The goods and services procured from related parties primarily include supplies for production, as well as development, transportation, financial and distribution services and, to a lesser extent, design, training and other services and supplies of genuine parts. Business transacted for related parties mainly comprises sales of new and used cars, engines and components, and allocation of cash and cash equivalents in the form of loans, fixed deposits and overnight deposits.
Members of the Boards of Management or Supervisory Boards of Volkswagen AG and AUDI AG also belong to the supervisory or management boards of other companies with which the Audi Group maintains business relations. All transactions with such companies are similarly conducted according to the terms that customarily apply to outside third parties. A full list of the supervisory board mandates of members of the Board of Management and Supervisory Board of AUDI AG is presented in the Financial Statements of AUDI AG.
In the same manner, the service relationships with the members of the Boards of Management and Supervisory Boards of Volkswagen AG and AUDI AG were conducted at arm's length. As in the previous year, the volume of transactions was low. Services having a total value of EUR 615 thousand were purchased from this group of persons during the year under review, and services with a total value of EUR 106 thousand were provided by the Audi Group. For details of the remuneration paid to the members of the Board of Management and Supervisory Board of AUDI AG, please refer to Note 48, "Details relating to the Supervisory Board and Board of Management."
AUDI AG and its Group companies primarily deposit their cash funds with the Volkswagen Group or take up cash funds from the Volkswagen Group. All transactions are processed under market conditions.

45 Auditor's fees

EUR thousand	2008	2007
Auditing of the financial statements	**707**	438
Other certification or valuation services	**113**	90
Tax consultancy services	**164**	8
Other services	**155**	246
Total	**1,139**	782

Based on the requirements of commercial law, the auditor's fees include auditing of the Consolidated Financial Statements and auditing of the annual financial statements of the domestic subsidiaries.

46 Segment reporting

The Audi Group primarily comprises only the “Cars” segment.

The secondary segment reporting structure is based on the Group’s internal steering and reporting arrangements. The Audi Group is structured into the segments of Germany, Rest of Europe and Rest of World on the basis of the regional locations of its assets.

Inter-segment transactions are fundamentally conducted at arm’s length, as is also customary for transactions with outside third parties.

EUR million	External revenue		Internal revenue		Total revenue	
	2008	2007	**2008**	2007	**2008**	2007
Germany	**21,217**	20,847	**6,137**	5,867	**27,354**	26,714
Rest of Europe	**8,380**	8,179	**3,986**	3,492	**12,366**	11,671
Rest of World	**4,599**	4,591	**1**	4	**4,600**	4,595
Consolidation measures	**–**	–	**–10,124**	–9,363	**–10,124**	–9,363
Audi Group	**34,196**	33,617	**–**	–	**34,196**	33,617

EUR million	Profit before tax		Segment assets		Segment liabilities	
	2008	2007	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Germany	**2,432**	2,371	**19,071**	17,580	**13,318**	12,272
Rest of Europe	**661**	465	**6,804**	5,568	**2,527**	1,387
Rest of World	**132**	87	**1,964**	1,515	**1,963**	1,664
Consolidation measures	**–48**	–8	**–2,473**	–2,745	**–2,171**	–1,140
Audi Group	**3,177**	2,915	**25,366**	21,918	**15,637**	14,183

EUR million	Investments in intangible assets and property, plant and equipment		Long-term investments	
	2008	2007	**2008**	2007
Germany	**1,990**	1,831	**57**	34
Rest of Europe	**440**	235	**1**	–
Rest of World	**23**	13	**1**	2
Consolidation measures	**–**	–	**–26**	–
Audi Group	**2,453**	2,079	**33**	36

EUR million	Depreciation and amortization		Other non-cash expenses	
	2008	2007	**2008**	2007
Germany	**1,507**	1,689	**786**	961
Rest of Europe	**394**	591	**328**	214
Rest of World	**7**	7	**316**	273
Consolidation measures	**–**	–	**24**	738
Audi Group	**1,908**	2,287	**1,454**	2,186

Sales revenues by region	**2008**		2007	
	EUR million	**%**	EUR million	%
Germany	**9,503**	**27.8%**	8,994	26.8%
Rest of Europe	**16,651**	**48.7%**	17,017	50.6%
Asia-Pacific	**4,250**	**12.4%**	3,641	10.8%
North America	**3,321**	**9.7%**	3,479	10.3%
Africa	**234**	**0.7%**	289	0.9%
South America	**237**	**0.7%**	197	0.6%
Total	**34,196**	**100.0%**	33,617	100.0%

47 German Corporate Governance Code

The Board of Management and Supervisory Board of AUDI AG submitted the declaration pursuant to Section 161 of the German Stock Corporation Act relating to the German Corporate Governance Code on November 24, 2008, and made it permanently accessible on the Internet at www.audi.com/cgk-declaration.

48 Details relating to the Supervisory Board and Board of Management

The remuneration paid to members of the Board of Management complies with the legal requirements of the German Stock Corporation Act as well as the recommendations and most of the suggestions of the German Corporate Governance Code.

The total short-term remuneration comprises fixed and variable components. The fixed components assure a base remuneration that enables the member of the Board of Management to execute his duties conscientiously and in the best interests of the company, without becoming dependent upon the attainment of short-term targets. Conversely, variable components that are contingent on the economic position of the Company reconcile the interests of the Board of Management with those of the other stakeholders.

The remuneration paid to members of the Board of Management for the 2008 fiscal year amounted to EUR 6,893 (4,614) thousand, of which variable components accounted for EUR 4,135 (2,309) thousand. Fixed components paid to the members of the Board of Management in the 2008 fiscal year totaled EUR 2,758 (2,305) thousand. Disclosure of the remuneration paid to each individual member of the Board of Management, by name, pursuant to Section 314, Para. 1, No. 6a), Sentences 5 to 9 of the German Commercial Code has not been effected, as the 2006 Annual General Meeting adopted a corresponding resolution that is valid for a period of five years.

In addition to fixed payments in cash, there are varying levels of contributions in kind, including, in particular, the use of company cars.

Each member of the Board of Management is paid a variable annual bonus. The variable bonus comprises annually recurring components that are linked to the Company's economic success. It is largely based on the earnings achieved by the Company and its economic position. There are no non-recurring variable components linked to business success in the remuneration paid to members of the Board of Management.

Stock options serve as variable remuneration components providing a long-term incentive. These options are based on the performance of Volkswagen ordinary shares. Since the stock option plan of Volkswagen AG (Wolfsburg) was not extended beyond 2006, no further convertible bonds were issued in the 2008 fiscal year.

The stock option plan is basically designed as follows: The basis for determining the conversion price (base conversion price) of a tranche consists of the average XETRA closing prices of Volkswagen ordinary shares on the five trading days preceding each decision to issue convertible bonds. Conversion may be effected for the first time following a qualifying period of 24 months and thereafter up until a period of five years has elapsed from the time the convertible bonds were issued. The conversion price is initially 110 percent of the base conversion price, rising by five percentage points in each subsequent year. Members of the Board of Management may exercise their conversion rights only three times a year, during four-week exercise periods, each of which commences on a public reporting date of Volkswagen AG. In the spirit of the German Corporate Governance Code, the stock option plan is thus based on demanding, relevant comparison parameters. Further details are presented in the Agenda to the Annual General Meeting of Volkswagen AG on April 16, 2002, which authorized the introduction of the stock option plan.

The purpose of the stock option plan's structure is to grant the members of the Board of Management a remuneration component that is based on appreciation of Volkswagen common shares. It is thus intended to contribute toward increasing value creation and toward enhancing the value of Volkswagen AG.

Moreover, stock option plans are a widely used instrument for recruiting and retaining board members.

The possibility of retrospectively adjusting the stock option plan's performance targets or comparative parameters is excluded.

In the 2008 fiscal year, 950 stock options were exercised by members of the Board of Management of AUDI AG. On December 31, the members of the Board of Management no longer held any convertible bonds.
Under certain circumstances, members of the Board of Management are entitled to retirement benefits and a disability pension. The amount of EUR 1,374 (2,064) thousand was allocated to the provisions for pensions for current members of the Board of Management during the 2008 fiscal year; the provisions for pensions on December 31, 2008 totaled EUR 7,624 (7,116) thousand.
Former members of the Board of Management and their surviving dependants received payments totaling EUR 3,353 (1,957) thousand. These included payments resulting from termination of office of EUR 1,342 (0) thousand. The provisions for pensions for this group of individuals amount to EUR 21,761 (21,083) thousand.
The members of the Board of Management, together with their seats on other supervisory boards and regulatory bodies – pursuant to Section 285, Sentence 1, No. 10 of the German Commercial Code and Section 125, Para. 1, Sentence 3 of the German Stock Corporation Act – are indicated in the Notes to the Financial Statements of AUDI AG.
The basic features of the remuneration paid to members of the Supervisory Board are stipulated in Section 16 of the Articles of Incorporation and Bylaws. The total short-term remuneration comprises fixed and variable components. The level of the variable remuneration components is based on the compensatory payment made for the 2008 fiscal year in accordance with the applicable provision in the Articles of Incorporation and Bylaws. The remuneration paid to members of the Supervisory Board of AUDI AG totaled EUR 600 (558) thousand, including EUR 193 (175) thousand in fixed remuneration components and EUR 407 (383) thousand in variable remuneration components.

Supervisory Board [1]

Position as of Dec. 31, 2008	
Prof. Dr. rer. nat. Martin Winterkorn	Chairman [2] Stockholder representative
Berthold Huber	Deputy Chairman [2] [6] Employee representative
Dr. rer. pol. h.c. Bruno Adelt	Stockholder representative
Senator h.c. Helmut Aurenz	Stockholder representative
Heinz Eyer	Employee representative [6]
Wolfgang Förster	Employee representative [5] [6]
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	Stockholder representative
Holger P. Härter	Stockholder representative [3]
Johann Horn	Employee representative [6]
Peter Mosch	Employee representative [2] [6]
Wolfgang Müller	Employee representative [6]
Dr. rer. pol. Horst Neumann	Stockholder representative
Dr.-Ing. Franz-Josef Paefgen	Stockholder representative
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch	Stockholder representative
Hans Dieter Pötsch	Stockholder representative [5]
Norbert Rank	Employee representative [4] [6]
Jörg Schlagbauer	Employee representative [6]
Max Wäcker	Employee representative [6]
Hubert Waltl	Employee representative
Dr.-Ing. Wendelin Wiedeking	Stockholder representative [2]
Dr. rer. pol. Carl H. Hahn	Honorary Chairman

1) The profession and company of the members of the Supervisory Board, together with other non-executive directorships, are presented in the Notes to the Financial Statements of AUDI AG.

2) Member of the Presiding Committee and the Negotiating Committee

3) Chairman of the Audit Committee

4) Deputy Chairman of the Audit Committee

5) Member of the Audit Committee

6) The employees' elected representatives have stated that their remuneration as Supervisory Board members shall be paid to the Hans Böckler Foundation, in accordance with the guidelines of the German Confederation of Trade Unions.

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

Porsche Automobil Holding SE (Stuttgart) and its stockholders whose voting rights are allocable to Volkswagen AG (Wolfsburg), pursuant to Section 22, Para. 1, Sentence 1, No. 1 of German Securities Trading Law (WpHG), declared in accordance with Section 21, Para. 1 of German Securities Trading Law that their share of voting rights in Volkswagen AG exceeded the threshold of 50 percent on January 5, 2009 and amounted on this day to 50.76 percent.

Statement of Interests held by the Audi Group

for the fiscal year ended December 31, 2008

PRINCIPAL GROUP COMPANIES

Name and registered office	Capital share in %
Fully consolidated companies	
AUDI AG, Ingolstadt	
Audi Retail GmbH, Ingolstadt	100.0
Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG, Berlin	100.0
Audi Zentrum Hamburg GmbH, Hamburg	100.0
Audi Zentrum Hannover GmbH, Hanover	100.0
Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt	100.0
quattro GmbH, Neckarsulm	100.0
Audi Australia Pty Ltd., Botany (Australia)	100.0
Audi Brasil Distribuidora de Veículos Ltda., São Paulo (Brazil)	100.0
AUDI HUNGARIA MOTOR Kft., Győr (Hungary)	100.0
Audi Japan K.K., Tokyo (Japan)	100.0
Audi Volkswagen Korea Ltd., Seoul (South Korea)	100.0
Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates)	100.0
Automobili Lamborghini Holding S.p.A., Sant´Agata Bolognese (Italy)	100.0
Automobili Lamborghini S.p.A., Sant´Agata Bolognese (Italy)	100.0
Lamborghini ArtiMarca S.p.A., Sant´Agata Bolognese (Italy)	100.0
MML S.p.A., Sant´Agata Bolognese (Italy)	100.0
VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy)	100.0
VOLKSWAGEN GROUP FIRENZE S.P.A., Florence (Italy)	100.0
AUDI BRUSSELS S.A./N.V., Brussels (Belgium)*	–
Audi Canada Inc., Ajax (Canada)*	–
Audi of America, LLC, Herndon, Virginia (USA)*	–
Companies accounted for using the equity method	
FAW-Volkswagen Automotive Company Ltd., Changchun (China)	10.0

* AUDI AG exercises control pursuant to IAS 27.13, Sentence 2 (c).

Responsibility Statement

“Responsibility Statement
To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.”

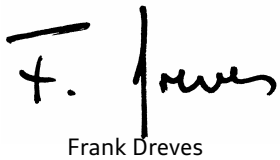
Ingolstadt, February 11, 2009

The Board of Management

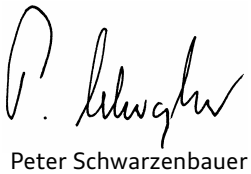
Rupert Stadler

Ulf Berkenhagen

Michael Dick



Frank Dreves



Peter Schwarzenbauer

Axel Strotbek

Dr. Werner Widuckel

Auditor's Report

This report was originally prepared in the German language. In case of ambiguities the German version shall prevail:

"Auditor's Report
We have audited the consolidated financial statements prepared by AUDI AG, Ingolstadt, comprising the balance sheet, the income statement, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, February 11, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

Declaration of the AUDI AG Board of Management

on the 2008 Consolidated Financial Statements

The Board of Management of AUDI AG is responsible for the preparation of the Consolidated Financial Statements and Group Management Report. Reporting is performed on the basis of the International Financial Reporting Standards (IFRS) as applicable within the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group Management Report is prepared in accordance with the requirements of the German Commercial Code. Under Section 315a of the German Commercial Code, AUDI AG is obliged to prepare its Consolidated Financial Statements in accordance with the requirements of the International Accounting Standards Board (IASB).

The regularity of the Consolidated Financial Statements and Group Management Report is assured by means of internal controlling systems, the implementation of uniform guidelines throughout the Group, and employee training and advancement measures. Compliance with the legal requirements and with internal Group guidelines, as well as the reliability and functioning of the systems of controlling, are checked on an ongoing basis throughout the Group. The early warning function required by law is achieved by means of a Group-wide risk management system that enables the Board of Management to identify potential risks at an early stage and initiate corrective action as necessary.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, has examined the Consolidated Financial Statements and Group Management Report in its capacity as independent auditor, in accordance with the resolution of the Annual General Meeting, and issued its unqualified certification as shown on the page opposite.

The Consolidated Financial Statements, the Group Management Report, the Audit Report and the measures to be taken by the Board of Management for the prompt identification of risks which could pose a threat to the Company’s survival were discussed at length by the Supervisory Board in the presence of the auditors. The findings of this examination are indicated in the Report of the Supervisory Board.

Fuel consumption and emission figures

As at: February 2009 (all data apply to features of the German market)

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
Audi A3							
A3 1.4 TFSI	92	6-speed	Premium	8.0	4.8	6.0	139
A3 1.4 TFSI	92	S tronic, 7-speed	Premium	7.4	4.7	5.7	133
A3 1.6	75	5-speed	Premium	9.5	5.3	6.8	162
A3 1.6	75	S tronic, 7-speed	Premium	9.4	5.1	6.7	159
A3 1.8 TFSI	118	6-speed	Premium	9.1	5.3	6.7	155
A3 1.8 TFSI	118	S tronic, 7-speed	Premium	8.9	5.3	6.6	153
A3 1.8 TFSI quattro	118	6-speed	Premium	10.0	6.1	7.5	174
A3 2.0 TFSI	147	6-speed	Premium	9.8	5.5	7.1	164
A3 2.0 TFSI	147	S tronic, 6-speed	Premium	9.8	5.7	7.2	166
A3 2.0 TFSI quattro	147	S tronic, 6-speed	Premium	9.9	6.1	7.5	174
A3 3.2 quattro	184	S tronic, 6-speed	Super Plus	13.0	7.3	9.4	224
A3 1.9 TDI e	77	5-speed	Diesel	5.8	3.8	4.5	119
A3 1.9 TDI	77	5-speed	Diesel	6.0	3.9	4.7	124
A3 1.9 TDI	77	S tronic, 6-speed	Diesel	7.2	4.5	5.5	144
A3 2.0 TDI	103	6-speed	Diesel	6.6	4.3	5.1	134
A3 2.0 TDI	103	S tronic, 6-speed	Diesel	7.2	4.4	5.4	143
A3 2.0 TDI quattro	103	6-speed	Diesel	7.3	4.6	5.6	146
A3 2.0 TDI	125	6-speed	Diesel	6.9	4.2	5.2	139
A3 2.0 TDI	125	S tronic, 6-speed	Diesel	7.2	4.6	5.6	147
A3 2.0 TDI quattro	125	6-speed	Diesel	7.2	4.7	5.6	148
S3 2.0 TFSI quattro	195	6-speed	Super Plus	11.8	6.6	8.5	198
S3 2.0 TFSI quattro	195	S tronic, 6-speed	Super Plus	11.1	6.7	8.3	193
Audi A3 Sportback							
A3 Sportback 1.4 TFSI	92	6-speed	Premium	8.2	4.9	6.1	143
A3 Sportback 1.4 TFSI	92	S tronic, 7-speed	Premium	7.6	4.9	5.9	137
A3 Sportback 1.6	75	5-speed	Premium	9.5	5.4	6.9	164
A3 Sportback 1.6	75	S tronic, 7-speed	Premium	9.4	5.1	6.7	159
A3 Sportback 1.8 TFSI	118	6-speed	Premium	9.1	5.4	6.7	157
A3 Sportback 1.8 TFSI	118	S tronic, 7-speed	Premium	9.0	5.3	6.6	154
A3 Sportback 1.8 TFSI quattro	118	6-speed	Premium	10.0	6.2	7.5	176
A3 Sportback 2.0 TFSI	147	6-speed	Premium	9.9	5.6	7.2	167
A3 Sportback 2.0 TFSI	147	S tronic, 6-speed	Premium	9.8	5.7	7.2	166
A3 Sportback 2.0 TFSI quattro	147	S tronic, 6-speed	Premium	10.0	6.2	7.6	176
A3 Sportback 3.2 quattro	184	S tronic, 6-speed	Super Plus	13.0	7.3	9.4	224
A3 Sportback 1.9 TDI e	77	5-speed	Diesel	5.8	3.8	4.5	119
A3 Sportback 1.9 TDI	77	5-speed	Diesel	6.1	4.0	4.8	127
A3 Sportback 1.9 TDI	77	S tronic, 6-speed	Diesel	7.2	4.5	5.5	144
A3 Sportback 2.0 TDI	103	6-speed	Diesel	6.6	4.3	5.1	134
A3 Sportback 2.0 TDI	103	S tronic, 6-speed	Diesel	7.2	4.4	5.4	143
A3 Sportback 2.0 TDI quattro	103	6-speed	Diesel	7.3	4.6	5.6	146
A3 Sportback 2.0 TDI	125	6-speed	Diesel	6.9	4.2	5.2	139
A3 Sportback 2.0 TDI	125	S tronic, 6-speed	Diesel	7.4	4.7	5.7	149
A3 Sportback 2.0 TDI quattro	125	6-speed	Diesel	7.2	4.7	5.6	148
S3 Sportback 2.0 TFSI quattro	195	6-speed	Super Plus	11.8	6.7	8.5	199
S3 Sportback 2.0 TFSI quattro	195	S tronic, 6-speed	Super Plus	11.2	6.8	8.4	195
Audi A3 Cabriolet							
A3 Cabriolet 1.6	75	5-speed	Premium	9.6	5.5	7.0	167
A3 Cabriolet 1.8 TFSI	118	6-speed	Premium	9.0	5.6	6.8	159
A3 Cabriolet 1.8 TFSI	118	S tronic, 7-speed	Premium	9.0	5.4	6.7	156
A3 Cabriolet 2.0 TFSI	147	6-speed	Premium	10.0	5.6	7.2	169
A3 Cabriolet 2.0 TFSI	147	S tronic, 6-speed	Premium	9.9	5.9	7.4	171
A3 Cabriolet 1.9 TDI	77	5-speed	Diesel	6.4	4.3	5.1	134
A3 Cabriolet 2.0 TDI	103	6-speed	Diesel	6.7	4.4	5.3	139
A3 Cabriolet 2.0 TDI	103	S tronic, 6-speed	Diesel	7.7	4.4	5.6	148
Audi TT Coupé							
TT Coupé 1.8 TFSI	118	6-speed	Premium	9.0	5.3	6.7	155
TT Coupé 2.0 TFSI	147	6-speed	Super Plus	10.7	6.0	7.7	183
TT Coupé 2.0 TFSI	147	S tronic, 6-speed	Super Plus	10.6	6.0	7.7	183
TT Coupé 2.0 TFSI quattro	147	S tronic, 6-speed	Premium	10.5	6.1	7.7	178
TT Coupé 3.2 quattro	184	6-speed	Super Plus	14.7	7.8	10.3	247
TT Coupé 3.2 quattro	184	S tronic, 6-speed	Super Plus	12.9	7.3	9.4	224
TT Coupé 2.0 TDI quattro	125	6-speed	Diesel	7.0	4.3	5.3	139
TTS Coupé 2.0 TFSI quattro	200	6-speed	Super Plus	11.0	6.4	8.1	188
TTS Coupé 2.0 TFSI quattro	200	S tronic, 6-speed	Super Plus	10.6	6.4	7.9	184
Audi TT Roadster							
TT Roadster 1.8 TFSI	118	6-speed	Premium	9.1	5.6	6.9	159
TT Roadster 2.0 TFSI	147	6-speed	Super Plus	10.7	6.2	7.8	186
TT Roadster 2.0 TFSI	147	S tronic, 6-speed	Super Plus	10.8	6.1	7.8	186
TT Roadster 2.0 TFSI quattro	147	S tronic, 6-speed	Premium	10.5	6.3	7.8	181
TT Roadster 3.2 quattro	184	6-speed	Super Plus	14.8	7.8	10.4	250
TT Roadster 3.2 quattro	184	S tronic, 6-speed	Super Plus	13.0	7.4	9.5	227
TT Roadster 2.0 TDI quattro	125	6-speed	Diesel	7.2	4.5	5.5	144
TTS Roadster 2.0 TFSI quattro	200	6-speed	Super Plus	11.1	6.7	8.3	193
TTS Roadster 2.0 TFSI quattro	200	S tronic, 6-speed	Super Plus	10.7	6.5	8.0	187
Audi A4 Sedan							
A4 1.8 TFSI	88	6-speed	Premium	9.5	5.6	7.1	164
A4 1.8 TFSI	88	multitronic, CVT	Premium	9.4	5.9	7.2	169
A4 1.8 TFSI	118	6-speed	Premium	9.5	5.6	7.1	164
A4 1.8 TFSI	118	multitronic, CVT	Premium	9.4	5.9	7.2	169
A4 1.8 TFSI quattro	118	6-speed	Premium	10.3	6.1	7.6	176
A4 2.0 TFSI	132	6-speed	Premium	9.0	5.2	6.6	154
A4 2.0 TFSI	132	multitronic, CVT	Premium	9.4	5.7	7.1	167
A4 2.0 TFSI	155	6-speed	Premium	9.0	5.2	6.6	154
A4 2.0 TFSI	155	multitronic, CVT	Premium	9.4	5.7	7.1	167
A4 2.0 TFSI quattro	155	6-speed	Premium	10.0	5.9	7.4	172

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
A4 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.3	6.3	7.4	172
A4 3.2 FSI	195	multitronic, CVT	Premium	11.2	6.4	8.2	194
A4 3.2 FSI quattro	195	6-speed	Premium	13.0	6.6	8.9	213
A4 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.0	6.7	9.0	215
A4 2.0 TDI	88	6-speed	Diesel	6.6	4.2	5.1	134
A4 2.0 TDI	105	6-speed	Diesel	6.9	4.4	5.3	139
A4 2.0 TDI	105	multitronic, CVT	Diesel	7.3	4.8	5.7	149
A4 2.0 TDI quattro	105	6-speed	Diesel	7.6	4.9	5.9	155
A4 2.0 TDI	125	6-speed	Diesel	7.1	4.2	5.3	139
A4 2.0 TDI quattro	125	6-speed	Diesel	7.6	4.9	5.9	155
A4 2.7 TDI	140	6-speed	Diesel	8.1	4.8	6.0	159
A4 2.7 TDI	140	multitronic, CVT	Diesel	7.9	5.5	6.4	167
A4 3.0 TDI quattro	176	6-speed	Diesel	8.8	5.3	6.6	173
A4 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	8.8	5.9	6.9	182
S4 3.0 TFSI quattro	245	6-speed	Premium	13.7	7.3	9.7	225
S4 3.0 TFSI quattro	245	S tronic, 7-speed	Premium	13.5	7.0	9.4	219
Audi A4 Avant							
A4 Avant 1.8 TFSI	88	6-speed	Premium	9.6	5.8	7.2	169
A4 Avant 1.8 TFSI	88	multitronic, CVT	Premium	9.6	6.3	7.5	174
A4 Avant 1.8 TFSI	118	6-speed	Premium	9.6	5.8	7.2	169
A4 Avant 1.8 TFSI	118	multitronic, CVT	Premium	9.6	6.3	7.5	174
A4 Avant 1.8 TFSI quattro	118	6-speed	Premium	10.3	6.2	7.7	179
A4 Avant 2.0 TFSI	132	6-speed	Premium	9.1	5.4	6.8	159
A4 Avant 2.0 TFSI	132	multitronic, CVT	Premium	9.8	5.9	7.3	172
A4 Avant 2.0 TFSI	155	6-speed	Premium	9.1	5.4	6.8	159
A4 Avant 2.0 TFSI	155	multitronic, CVT	Premium	9.8	5.9	7.3	172
A4 Avant 2.0 TFSI quattro	155	6-speed	Premium	10.1	6.2	7.6	176
A4 Avant 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.4	6.5	7.6	175
A4 Avant 3.2 FSI	195	multitronic, CVT	Premium	11.4	6.7	8.4	199
A4 Avant 3.2 FSI quattro	195	6-speed	Premium	13.0	6.8	9.1	216
A4 Avant 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.1	6.9	9.2	219
A4 Avant 2.0 TDI	88	6-speed	Diesel	6.8	4.4	5.3	140
A4 Avant 2.0 TDI	105	6-speed	Diesel	6.9	4.5	5.4	143
A4 Avant 2.0 TDI	105	multitronic, CVT	Diesel	7.5	5.2	5.9	155
A4 Avant 2.0 TDI quattro	105	6-speed	Diesel	7.9	5.2	6.2	162
A4 Avant 2.0 TDI	125	6-speed	Diesel	7.2	4.7	5.6	149
A4 Avant 2.0 TDI quattro	125	6-speed	Diesel	7.9	5.2	6.2	162
A4 Avant 2.7 TDI	140	6-speed	Diesel	8.1	5.2	6.2	164
A4 Avant 2.7 TDI	140	multitronic, CVT	Diesel	7.7	5.8	6.5	169
A4 Avant 3.0 TDI quattro	176	6-speed	Diesel	8.8	5.5	6.8	176
A4 Avant 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	9.0	6.1	7.2	186
S4 Avant 3.0 TFSI quattro	245	6-speed	Premium	13.8	7.5	9.9	229
S4 Avant 3.0 TFSI quattro	245	S tronic, 7-speed	Premium	13.8	7.3	9.7	224
Audi A4 allroad quattro							
A4 allroad quattro 2.0 TFSI	155	S tronic, 7-speed	Premium	10.2	6.8	8.1	189
A4 allroad quattro 2.0 TDI	125	6-speed	Diesel	7.7	5.7	6.4	169
A4 allroad quattro 3.0 TDI	176	6-speed	Diesel	9.6	5.8	7.2	189
A4 allroad quattro 3.0 TDI	176	S tronic, 7-speed	Diesel	8.7	6.1	7.1	189
Audi A5 Coupé							
A5 2.0 TFSI	132	6-speed	Premium	9.0	5.2	6.6	154
A5 2.0 TFSI	132	multitronic, CVT	Premium	9.4	5.7	7.1	167
A5 2.0 TFSI	155	6-speed	Premium	9.0	5.2	6.6	154
A5 2.0 TFSI	155	multitronic, CVT	Premium	9.4	5.7	7.1	167
A5 2.0 TFSI quattro	155	6-speed	Premium	10.0	5.9	7.4	172
A5 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.3	6.3	7.4	172
A5 3.2 FSI	195	multitronic, CVT	Premium	11.2	6.4	8.2	194
A5 3.2 FSI quattro	195	6-speed	Premium	13.0	6.6	8.9	213
A5 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.0	6.7	9.0	215
A5 2.0 TDI	125	6-speed	Diesel	7.1	4.2	5.3	139
A5 2.0 TDI quattro	125	6-speed	Diesel	7.6	4.9	5.9	155
A5 2.7 TDI	140	6-speed	Diesel	8.1	4.8	6.0	159
A5 2.7 TDI	140	multitronic, CVT	Diesel	7.9	5.5	6.4	167
A5 3.0 TDI quattro	176	6-speed	Diesel	8.8	5.3	6.6	173
A5 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	8.8	5.9	6.9	182
S5 4.2 quattro	260	6-speed	Super Plus	18.1	8.7	12.1	288
S5 4.2 quattro	260	tiptronic, 6-speed	Super Plus	15.7	7.9	10.8	256
Audi A5 Cabriolet							
A5 Cabriolet 2.0 TFSI	132	multitronic, CVT	Premium	9.9	6.0	7.4	174
A5 Cabriolet 2.0 TFSI	155	6-speed	Premium	9.1	5.4	6.8	159
A5 Cabriolet 2.0 TFSI	155	multitronic, CVT	Premium	9.9	6.0	7.4	174
A5 Cabriolet 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.5	6.6	7.7	177
A5 Cabriolet 3.2 FSI	195	multitronic, CVT	Premium	12.1	6.5	8.6	199
A5 Cabriolet 3.2 FSI quattro	195	S tronic, 7-speed	Premium	13.8	7.0	9.5	219
A5 Cabriolet 2.7 TDI	140	6-speed	Diesel	8.1	5.2	6.2	164
A5 Cabriolet 3.0 TDI quattro	176	S tronic, 7-speed	Diesel	8.5	5.8	6.8	179
S5 Cabriolet 3.0 TFSI quattro	245	S tronic, 7-speed	Premium	13.8	7.3	9.7	224
Audi Q5							
Audi Q5 2.0 TFSI quattro	155	6-speed	Premium	10.7	6.8	8.3	192
Audi Q5 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	10.4	7.3	8.5	197
Audi Q5 3.2 FSI quattro	199	S tronic, 7-speed	Premium	12.3	7.6	9.3	218
Audi Q5 2.0 TDI quattro	125	6-speed	Diesel	8.2	5.8	6.7	175
Audi Q5 2.0 TDI quattro	125	S tronic, 7-speed	Diesel	8.2	6.0	6.8	179
Audi Q5 3.0 TDI quattro	176	S tronic, 7-speed	Diesel	9.2	6.6	7.5	199
Audi A6 Sedan							
A6 2.0 TFSI	125	6-speed	Premium	10.2	5.9	7.5	174
A6 2.0 TFSI	125	multitronic, CVT	Premium	10.4	6.1	7.7	179

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
A6 2.8 FSI	140	6-speed	Premium	12.0	6.1	8.2	191
A6 2.8 FSI	140	multitronic, CVT	Premium	12.0	6.3	8.4	195
A6 2.8 FSI quattro	140	6-speed	Premium	12.4	6.5	8.7	204
A6 2.8 FSI	162	multitronic, CVT	Premium	11.8	6.4	8.4	196
A6 2.8 FSI quattro	162	tiptronic, 6-speed	Premium	12.7	6.9	9.0	212
A6 3.0 TFSI quattro	213	tiptronic, 6-speed	Premium	13.2	7.1	9.4	219
A6 4.2 FSI quattro	257	tiptronic, 6-speed	Super Plus	14.8	7.5	10.2	244
A6 2.0 TDI e	100	6-speed	Diesel	7.0	4.3	5.3	139
A6 2.0 TDI	100	multitronic, CVT	Diesel	7.3	4.9	5.8	151
A6 2.0 TDI	125	6-speed	Diesel	7.5	4.7	5.7	149
A6 2.0 TDI	125	multitronic, CVT	Diesel	7.3	5.0	5.8	153
A6 2.7 TDI	140	6-speed	Diesel	8.3	5.0	6.2	164
A6 2.7 TDI	140	multitronic, CVT	Diesel	8.0	5.5	6.4	169
A6 2.7 TDI quattro	140	tiptronic, 6-speed	Diesel	9.4	5.8	7.1	189
A6 3.0 TDI quattro	176	6-speed	Diesel	8.9	5.4	6.7	179
A6 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	9.3	5.8	7.1	189
S6 5.2 FSI quattro	320	tiptronic, 6-speed	Super Plus	18.5	9.1	12.6	299
Audi A6 Avant							
A6 Avant 2.0 TFSI	125	6-speed	Premium	10.2	5.9	7.5	174
A6 Avant 2.0 TFSI	125	multitronic, CVT	Premium	10.5	6.2	7.8	181
A6 Avant 2.8 FSI	140	6-speed	Premium	12.0	6.2	8.3	194
A6 Avant 2.8 FSI	140	multitronic, CVT	Premium	12.1	6.5	8.6	199
A6 Avant 2.8 quattro	140	6-speed	Premium	12.4	6.5	8.7	204
A6 Avant 2.8 FSI	162	multitronic, CVT	Premium	12.0	6.5	8.5	197
A6 Avant 2.8 FSI quattro	162	tiptronic, 6-speed	Premium	12.8	7.0	9.1	214
A6 Avant 3.0 TFSI quattro	213	tiptronic, 6-speed	Premium	13.3	7.2	9.5	223
A6 Avant 4.2 FSI quattro	257	tiptronic, 6-speed	Super Plus	14.8	7.5	10.2	244
A6 Avant 2.0 TDI e	100	6-speed	Diesel	7.0	4.3	5.3	139
A6 Avant 2.0 TDI	100	multitronic, CVT	Diesel	7.5	5.0	5.9	155
A6 Avant 2.0 TDI	125	6-speed	Diesel	7.5	4.8	5.8	152
A6 Avant 2.0 TDI	125	multitronic, CVT	Diesel	7.4	5.0	5.9	154
A6 Avant 2.7 TDI	140	6-speed	Diesel	8.3	5.0	6.2	164
A6 Avant 2.7 TDI	140	multitronic, CVT	Diesel	8.1	5.6	6.5	172
A6 Avant 2.7 TDI quattro	140	tiptronic, 6-speed	Diesel	9.4	5.8	7.1	189
A6 Avant 3.0 TDI quattro	176	6-speed	Diesel	8.9	5.4	6.7	179
A6 Avant 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	9.3	5.8	7.1	189
S6 Avant 5.2 FSI quattro	320	tiptronic, 6-speed	Super Plus	18.5	9.1	12.6	299
Audi RS 6 Sedan							
RS 6 5.0 TFSI quattro	426	tiptronic, 6-speed	Premium	20.3	10.2	13.9	331
Audi RS 6 Avant							
RS 6 Avant 5.0 TFSI quattro	426	tiptronic, 6-speed	Premium	20.4	10.3	14.0	333
Audi A6 allroad quattro							
A6 allroad quattro 3.0 TFSI	213	tiptronic, 6-speed	Premium	13.3	7.6	9.7	225
A6 allroad quattro 4.2 FSI	257	tiptronic, 6-speed	Super Plus	15.3	8.1	10.8	257
A6 allroad quattro 2.7 TDI	140	tiptronic, 6-speed	Diesel	9.9	6.2	7.5	199
A6 allroad quattro 3.0 TDI	176	6-speed	Diesel	9.4	5.9	7.2	189
A6 allroad quattro 3.0 TDI	176	tiptronic, 6-speed	Diesel	9.7	6.2	7.5	199
Audi Q7							
Audi Q7 3.6 FSI quattro	206	tiptronic, 6-speed	Super Plus	17.8	9.8	12.7	304
Audi Q7 4.2 FSI quattro	257	tiptronic, 6-speed	Super Plus	19.1	10.0	13.3	317
Audi Q7 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	11.3	7.8	9.1	239
Audi Q7 4.2 TDI quattro	240	tiptronic, 6-speed	Diesel	14.9	8.9	11.1	294
Audi Q7 V12 TDI quattro							
Audi Q7 V12 TDI quattro	368	tiptronic, 6-speed	Diesel	14.8	9.3	11.3	298
Audi A8							
A8 2.8 FSI e	154	multitronic, CVT	Premium	11.8	6.3	8.3	199
A8 3.2 FSI	191	multitronic, CVT	Premium	14.7	7.1	9.9	234
A8 3.2 FSI quattro	191	tiptronic, 6-speed	Premium	16.0	7.8	10.9	259
A8 3.2 FSI LWB	191	multitronic, CVT	Premium	14.7	7.1	9.9	234
A8 4.2 FSI quattro	257	tiptronic, 6-speed	Super Plus	15.7	8.2	10.9	259
A8 4.2 FSI quattro LWB	257	tiptronic, 6-speed	Super Plus	15.7	8.2	10.9	259
A8 3.0 TDI quattro	171	tiptronic, 6-speed	Diesel	12.0	6.4	8.4	224
A8 3.0 TDI quattro LWB	171	tiptronic, 6-speed	Diesel	12.0	6.4	8.4	224
A8 4.2 TDI quattro	240	tiptronic, 6-speed	Diesel	13.3	7.2	9.4	249
A8 4.2 TDI quattro LWB	240	tiptronic, 6-speed	Diesel	13.3	7.2	9.4	249
S8 5.2 FSI quattro	331	tiptronic, 6-speed	Super Plus	19.5	9.5	13.2	314
12-cylinder Audi A8							
A8 W12 quattro	331	tiptronic, 6-speed	Super Plus	21.4	10.8	14.7	350
A8 W12 quattro LWB	331	tiptronic, 6-speed	Super Plus	20.1	9.8	13.6	324
Audi R8							
R8 4.2 FSI quattro	309	6-speed	Super Plus	21.2	9.6	13.9	332
R8 4.2 FSI quattro	309	R tronic, 6-speed	Super Plus	19.9	9.5	13.3	318
R8 5.2 FSI quattro	386	6-speed	Super Plus	22.6	10.2	14.7	351
R8 5.2 FSI quattro	386	R tronic, 6-speed	Super Plus	20.7	9.6	13.7	327
Lamborghini Gallardo							
Lamborghini Gallardo LP 560-4	412	6-speed	Super Plus	22.6	10.2	14.7	351
Lamborghini Gallardo LP 560-4	412	e-gear, 6-speed	Super Plus	20.7	9.6	13.7	325
Lamborghini Gallardo LP 560-4 Spyder	412	6-speed	Super Plus	22.7	10.3	14.8	354
Lamborghini Gallardo LP 560-4 Spyder	412	e-gear, 6-speed	Super Plus	20.8	9.7	13.8	330
Lamborghini Murciélago							
Lamborghini Murciélago LP 640	471	6-speed	Super Plus	32.3	15.0	21.3	495
Lamborghini Murciélago LP 640	471	e-gear, 6-speed	Super Plus	32.3	15.0	21.3	495
Lamborghini Murciélago LP 640 Roadster	471	6-speed	Super Plus	32.3	15.0	21.3	495
Lamborghini Murciélago LP 640 Roadster	471	e-gear, 6-speed	Super Plus	32.3	15.0	21.3	495

AUDIO

The sound of the rings – eight landmark Audi models spanning the brand's 100-year history: 1911 Audi Type C (Alpine Victor) /// 1928 Audi Type R (Imperator) /// 1933 Audi Front /// 1970 Audi 100 Coupé S /// 1980 Audi quattro /// 1989 Audi 100 TDI /// 2008 Audi RS 6 /// 2009 Audi R8 V10

VIDEO

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100 years of Audi

ORIGINS From its very beginnings to the present day: the engine sounds of models that made history. A journey through time, culminating in the exciting world of Audi today.

Read the history of "100 years of Audi" starting on page 114.

10-Year Overview

		1999	2000	2001	2002	2003[1]	2004[1]	2005[1]	2006	2007	**2008**
		HGB	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Production	Cars	626,059	650,850	727,033	735,913	761,582	784,972	811,522	926,180	980,880	**1,029,041**
	Engines	1,266,896	1,187,666	1,225,448	1,284,488	1,342,883	1,485,536	1,695,045	1,895,695	1,915,633	**1,901,760**
Vehicle sales											
Audi Group	Cars	634,973	919,621	991,444	995,531	1,003,791	971,832	1,045,114	1,135,554	1,200,701	**1,223,506**
Audi brand	Cars	634,708	653,404	726,134	742,128	769,893	779,441	829,109	905,188	964,151	**1,003,469**
Germany	Cars	257,642	239,644	254,866	243,650	237,786	235,092	247,125	257,792	254,014	**258,111**
Outside Germany	Cars	377,066	413,760	471,268	498,478	532,107	544,349	581,984	647,396	710,137	**745,358**
Outside Germany	Percent	59.4	63.3	64.9	67.2	69.1	69.8	70.2	71.5	73.7	**74.3**
Market share, Germany	Percent	6.8	6.9	7.5	7.4	7.4	7.2	7.4	7.6	7.9	**8.1**
Lamborghini brand	Cars	265	296	297	424	1,305	1,592	1,600	2,087	2,406	**2,430**
Other Volkswagen Group brands	Cars	–	265,921	265,013	252,979	232,593	190,799	214,405	228,279	234,144	**217,607**
Employees	Average	45,800	49,396	51,141	51,198	52,689	53,144	52,412	52,297	53,347	**57,533**
From the Income Statement											
Revenue	EUR million	15,146	19,952	22,032	22,603	23,406	24,506	26,591	31,142	33,617	**34,196**
Cost of materials	EUR million	10,155	14,539	15,860	16,726	17,163	17,676	19,139	21,627	23,092	**23,430**
Personnel costs	EUR million	2,291	2,542	2,660	2,739	2,938	3,072	3,136	3,440	3,406	**3,709**
Personnel costs per employee	EUR	50,022	51,456	52,018	53,496	55,763	57,798	59,834	65,771	63,846	**64,467**
Depreciation and amortization	EUR million	945	1,179	1,412	1,614	1,833	1,852	1,930	2,515	2,287	**1,908**
Profit before tax	EUR million	839	971	1,286	1,219	1,101	1,143	1,310	1,946	2,915	**3,177**
Profit after tax	EUR million	324	725	747	752	811	871	824	1,343	1,692	**2,207**
Added value	EUR million	3,198	3,590	3,892	4,000	4,287	4,585	4,801	6,156	6,634	**7,072**
From the Balance Sheet											
Non-current assets	EUR million	3,679	7,039	7,685	8,308	8,588	8,970	8,597	8,285	8,325	**9,537**
Current assets	EUR million	3,024	3,219	3,437	4,342	5,475	5,934	7,515	10,625	14,253	**16,519**
Equity	EUR million	1,441	3,749	4,222	4,761	5,487	5,828	6,104	7,265	8,355	**10,328**
Liabilities	EUR million	5,262	6,509	6,900	7,889	8,576	9,076	10,008	11,645	14,223	**15,728**
Balance sheet total	EUR million	6,703	10,258	11,122	12,650	14,063	14,904	16,112	18,910	22,578	**26,056**
From the Cash Flow Statement											
Cash flow from operating activities	EUR million	1,163	2,058	2,393	2,440	2,786	2,690	3,252	4,428	4,876	**4,338**
Investing activities[2]	EUR million	–[3]	2,502	2,028	2,305	2,015	2,041	1,670	1,890	2,084	**2,412**
Net liquidity (Dec. 31)	EUR million	–[3]	827	1,093	877	1,530	2,033	3,391	5,720	7,860	**9,292**
Financial ratios											
Return on sales before tax	Percent	5.5	4.9	5.8	5.4	4.7	4.7	4.9	6.2	8.7	**9.3**
Equity ratio	Percent	21.5	36.5	38.0	37.6	39.0	39.1	37.9	38.4	37.0	**39.6**
Audi share											
Share price (year-end price)[4]	EUR	61.20	59.59	160.00	191.00	225.00	220.15	308.00	540.00	625.00	**466.49**
Compensatory payment	EUR	0.77	1.20	1.30	1.30	1.05	1.05	1.15	1.25	1.80	**X[5]**

1) Financial data adjusted to take account of amendments to IAS 19 and 38
2) Not including securities, fixed deposits and loans
3) HGB value not shown owing to lack of comparability
4) Year-end price on Munich Stock Exchange
5) In accordance with the resolution to be passed by the Annual General Meeting of Volkswagen AG on April 23, 2009

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Customer Center at Audi Forum Neckarsulm

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