

Audi

2009 ANNUAL REPORT

Audi
Vorsprung durch Technik



Rethinking luxury.
A changing system of values:
inspiration for a new lifestyle

Audi Group Key Figures

		2009	2008	Change in %
Production	Cars	932,260	1,029,041	-9.4
	Engines	1,384,240	1,901,760	-27.2
Deliveries to customers	Cars	1,145,360	1,223,506	-6.4
Audi brand		949,729	1,003,469	-5.4
Germany		228,844	258,111	-11.3
Outside Germany		720,885	745,358	-3.3
Lamborghini brand		1,515	2,430	-37.7
Other Volkswagen Group brands		194,116	217,607	-10.8
Workforce ¹⁾	Average	58,011	57,822	0.3
Revenue	EUR million	29,840	34,196	-12.7
EBITDA ²⁾	EUR million	3,379	4,610	-26.7
Operating profit	EUR million	1,604	2,772	-42.1
Profit before tax	EUR million	1,928	3,177	-39.3
Profit after tax	EUR million	1,347	2,207	-38.9
Operating return on sales	Percent	5.4	8.1	
Return on sales before tax	Percent	6.5	9.3	
Return on investment	Percent	11.5	19.8	
Total capital investments	EUR million	1,844	2,486	-25.8
Capitalized development costs		528	547	-3.4
Depreciation and amortization	EUR million	1,775	1,908	-7.0
Cash flow from operating activities	EUR million	4,119	4,338	-5.0
Balance sheet total (Dec. 31)	EUR million	26,550	26,056	1.9
Equity ratio (Dec. 31)	Percent	40.0	39.6	

1) Prior-year figure slightly adjusted

2) EBITDA = operating profit + balance from impairment losses (reversals) on property, plant and equipment, capitalized development costs, leased assets, goodwill and long-term investments as per the Cash Flow Statement

*Luxury to
me is ...*

*...being able to delight
my audience and seeing
the smiles on people's faces.*

OLEG POPOV,
RUSSIAN CLOWN

*...doing the things that allow you,
when you reach a ripe old age,
to recognize that you haven't wasted
your life.*

JESCO FREIHERR VON PUTTKAMER,
NASA ENGINEER AND NON-FICTION AUTHOR

...RECOGNIZING
THE TRUE
SIMPLICITY
AND HONESTY
OF THINGS.

MATTEO THUN,
ITALIAN ARCHITECT

Luxury to me is ...

*... being able to
sleep in now and again.*

MARIA WALDON,
A YOUNG MOTHER FROM BAD AIBLING, GERMANY

*... having nature
and mountains
right at
my front door.*

THOMAS HUBER,
EXTREME CLIMBER FROM BERCHTESGADEN, GERMANY

*... THE VIEW FROM THE
WORLD'S HIGHEST SKYSCRAPERS
INTO THE DEPTHS BELOW.*

ALAIN ROBERT,
FRENCH FACADE CLIMBER

*... finding my dream job,
because today the focus is
primarily on existential concerns.*

RIM BNOUSSINA,
MARKETING STUDENT FROM MOROCCO

*... still being
able to participate
in a marathon.*

JEAN-PIERRE IMHOOS,
SWISS ATTORNEY WHO AT 80 YEARS OLD WAS ONE OF THE OLDEST
PARTICIPANTS IN THE 2009 NEW YORK CITY MARATHON

... being able to play a game of chess with my son.

ZSOLT KOVÁCS,
EMPLOYEE AT THE SIX-CYLINDER TDI ENGINE MANUFACTURING
PLANT AT AUDI HUNGARIA MOTOR KFT.

*... each and every
moment with my wife
and my daughters.*

FRANCK RIBÉRY,
PROFESSIONAL SOCCER PLAYER

Luxury to me is ...

... BEING GIVEN SOMETHING I'VE
NEVER DREAMED OF BEFORE.

KEVIN JOHN ROBERTS,
CEO OF SAATCHI & SAATCHI ADVERTISING AGENCY

... hearing the rumble
of my new R8 the moment
I switch on the engine.

DIETER SIEBERS,
WHO PICKED UP HIS R8 FROM THE AUDI FORUM NECKARSULM

... something desirable that you don't
really need in day-to-day life.

ANTON WOLFGANG GRAF VON FABER-CASTELL,
CEO OF FABER-CASTELL AG

... intangible - often about time
and space. Time to slow down
and time to do new things,
space to breathe and space
to spread out.

TOM DIXON,
BRITISH ARTIST

PROLOGUE

Purely subjective: Listen to what various people understand
by luxury: www.audi.com/ar2009/quotes

*Dear Readers,
Dear Shareholders,*

2009 was a year we will remember for some very particular reasons: It was the year we celebrated the 100th anniversary of the Audi brand. But it was also a year of attempting to stave off the worst of a global economic crisis. All employees of the Audi Group pulled together in a concerted effort to ensure that the Company's stable foundation was not undermined. We can now declare with pride that we have come through this rough period with great success.

If the experience of recent months is anything to go by, those companies prioritizing values such as tradition, quality and a sense of responsibility have weathered the storm much better than those looking for rapid but equally fleeting success.

We have always viewed our work in the context of responsible social action. With this philosophy and our thrilling premium automobiles, our Company embodies a form of luxury that goes beyond opulence and harmonizes with clear, enduring values.

This year's Annual Report also serves to illustrate this point. Renowned authors portray life concepts that represent this new take on luxury: setting time aside for the truly important things in life. Pursuing your dreams. Creating the space to explore your individuality.

I wish you an entertaining and interesting read.

Kind regards,

R. Stadler

Rupert Stadler
Chairman of the Board of Management





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

*Ladies and Gentlemen,
Dear Shareholders,*

2009 was a true test of the Audi Group's resilience and competitiveness in the face of crisis. The global financial and economic crisis led to an unprecedented slump in demand on the automotive markets at the beginning of the year, especially in the western industrialized nations, the countries of central and eastern Europe, and Japan. This triggered a slew of government stimulus packages worldwide, although premium manufacturers such as the Audi brand only benefited from these to a limited extent. High refinancing costs, credit defaults and falling residual values in the used car market also weighed heavily on the entire sector.

In spite of this difficult environment, the Company further consolidated its strong competitive position, boosting demand for vehicles sporting the four rings above the premium car market average in several countries and enabling the Company to win important market shares. At the same time, the Audi Group recorded a very positive operating profit across all of the quarters under review and was thus one of the most profitable car manufacturers in the premium segment in 2009.

The Company could not have achieved these excellent results were it not for the tireless commitment showed by the management, the employees' elected representatives and the entire workforce. The Supervisory Board would like to take this opportunity to express its sincere thanks and recognition to everyone involved.

There were the following changes to the Company's Supervisory Board during the past fiscal year:

On the stockholder side, Dr. Wendelin Wiedeking and Holger Härter stepped down from their positions on the Supervisory Board of AUDI AG with effect from July 23, 2009. The Supervisory Board would like to thank both gentlemen for the sterling work they did while serving on the supervisory body. At the request of the Board of Management of AUDI AG, the Local Court of Ingolstadt appointed Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche to fill the vacant positions on the Supervisory Board with effect from November 19, 2009. Among the employees' elected representatives, Hubert Walzl left the Supervisory Board at his own request on September 30, 2009 to take over the role of Member of the Board for Production and Logistics for the Volkswagen Passenger Cars brand. The Supervisory Board would like to express its sincerest thanks and recognition to Hubert Walzl for his committed and successful work on the Supervisory Board. On October 6, 2009, the Local Court of Ingolstadt appointed Peter Kössler to replace Hubert Walzl on the Supervisory Board for the remainder of his term of office.

In the past fiscal year, the Board of Management continued to provide the Supervisory Board with regular, up-to-date and comprehensive accounts of its actions. As part of this process, all decisions fundamentally important to the Company were extensively discussed between the Board of Management and the Supervisory Board. The Supervisory Board monitored and held extensive discussions with the Board of Management on the economic situation of the Company, business performance, the business policy and risk management approach, together with the risk exposure of the Company, at quarterly meetings and also on the basis of regular, detailed oral and written reports from the Board of Management. All members of the Supervisory Board 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 of the Supervisory Board held extensive consultations before the joint meetings. The Negotiating Committee did not need to be convened during the past fiscal year.

The principal topics considered during the meetings of the Supervisory Board were the financial and economic crisis, and the direct repercussions of these events on the automotive industry in general and the Audi Group in particular. The Supervisory Board gathered detailed information on the measures initiated by the Board of Management to secure the

earnings strength and competitiveness of the Company and discussed these extensively. Other major issues for consultation included human resources work within AUDI AG as well as the Company's technological response to increasing customer demand for ever more efficient mobility concepts and electric mobility options, as well as in-depth discussions on the market opportunities and risks in Audi's core markets based on its current and future range of models. The Supervisory Board also dealt with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the resulting implications for the Audi Group. At the Supervisory Board meeting on February 22, 2010, the Supervisory Board approved a revised remuneration system for the Audi Board of Management.

Following intensive discussions within the Supervisory Board, the meeting on November 23, 2009 approved the financial, human resources and investment plans, as well as the content of the annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

“The Audi Group recorded a very positive operating profit and was thus one of the most profitable car manufacturers in the premium segment in 2009.”

Prof. Dr. rer. nat. Martin Winterkorn

The Audit Committee met as per schedule during the past fiscal year. At these meetings, the committee gave extensive consideration to the 2008 Annual and Consolidated Financial Statements, the accounting process, and the Company's internal control, risk management and auditing system, as well as the compliance organization set up by the Board of Management. Prior to publication, the Audit Committee met with the Board of Management to approve the content of the 2009 Interim Financial Report, together with the auditors. Other items discussed included the independence of the auditors and the additional services provided by them, and the current situation at year-end 2009. Furthermore, the Audit Committee analyzed the possible risks and burdens as a result of the financial and economic crisis as well as the continuing high volatility of international raw materials and currency markets.

On the recommendation of the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was appointed as the auditors for the 2009 fiscal year by the Annual General Meeting of AUDI AG on May 13, 2009. The Supervisory Board issued the audit assignment to the appointed auditors immediately after the vote. The auditors confirmed the Annual Financial Statements of AUDI AG and the Consolidated Financial Statements of the Audi Group, as

well as the 2009 Management Reports for AUDI AG and the Audi Group, and subsequently in each case issued their unqualified certification.

The members of the Audit Committee and the Supervisory Board were presented with the documentation relating to the Annual and Consolidated Financial Statements, together with the corresponding audit reports by the auditors, well in advance of the meeting on February 22, 2010. The auditors explained the key findings of their audit in detail at the meetings of the Audit Committee and the Supervisory Board. They also reported on the accounting-based internal control system and the services provided in addition to the annual audit. According to the information supplied by the auditors, there were no circumstances which might call into question their impartiality in conducting the annual audit. Following this, the members of the respective committees were available for follow-up questions and further information. Based on the audit documents received, the extensive discussions held with the auditors and its own conclusions, the Audit Committee recommended to the Supervisory Board that it sign off the Annual Financial Statements and Consolidated Financial Statements. After appropriate discussions, 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.

There were no changes in the composition of the Company's Board of Management during the past fiscal year.

The Board of Management expects the global economic recovery begun in 2009 to continue at a moderate pace in 2010. Global demand for cars will be only slightly higher than the sharply contracted levels seen the previous year as a result of the crisis. A renewed slump in demand is likely in some markets as the government stimulus packages run their course, although this should only have a limited impact on the premium car segment. The Board of Management took account of global economic conditions when laying its plans for the years ahead and adjusted its corporate strategy in line with future challenges. It will continue to work hard to expand the Company's strong competitive position, not only by seeking to continually improve the cost situation, but also by winning over customers with new, efficient mobility concepts. The Supervisory Board will continue to provide the Board of Management with active and constructive advice and support to help it realize this growth strategy.

Ingolstadt, February 22, 2010



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

The Board of Management



ULF BERKENHAGEN
Purchasing

FRANK DREYES
Production

PETER SCHWARZENBAUER
Marketing and Sales

DR. WERNER WIDUCKEL
Human Resources



311 311
74.1 72.2

262

A8 4.2 quattro

RUPERT STADLER
Chairman of the
Board of Management

MICHAEL DICK
Technical Development

AXEL STROTBK
Finance and Organization

More space

see further, think bigger, be freer



Right in the thick of things During the 24 Hours of Le Mans, racing fans from all over the world

camp right next to the race track and experience their heroes up close. **PAGE 16**



Let there be light

LED is the light technology of the future. Light-emitting diodes are revolutionizing function and design

in architecture, art and car manufacturing. **PAGE 22**



A class act Just winning was never enough

for him. Rally legend Walter Röhrl talks about his dream of becoming one with his racing car. **PAGE 30**



dress up your car Design pioneers together. Each inspired by an Audi model, four graduates of

London's famous Central Saint Martins College of Art and Design fashioned exciting creations. **PAGE 34**



Thinking in life cycles Audi Chairman Rupert Stadler meets the CEO of the fashion house Brioni,

Andrea Perrone, to talk about changing values. **PAGE 46**



Small retreats Sanctuaries of calm are to

be found even in hectic cities. Metropolises around the globe are granting themselves the luxury of large city parks.

PAGE 52



"Suddenly, space is luxury" Sonu Shivdasani, entrepreneur with Indian roots, on the

new definition of luxury. **PAGE 58**



Less is more The new gourmet chefs are concentrating on simple,

regional ingredients. Instead of truffles or lobster, the chefs are creating masterpieces from red beet and potatoes.

PAGE 62



What else is there? Opting out, self-fulfillment or simply the desire to do something

completely different: More and more people are looking to give their life a new meaning. Anthony Kennedy Shriver,

for instance, rejected a career in politics and dedicated himself to integrating the intellectually disabled in society.

And Hollywood photographer Sebastian Copeland took up the cause of environmental protection with expeditions to

the polar ice. **PAGE 67**

Authors & Artists PAGE 12

Time/Space Successes in auto racing PAGE 33 / Cultural highlights PAGE 107 / Prizes and awards PAGE 111 / Site news PAGE 121 / Celebrations and events to mark 100 years of Audi PAGE 125

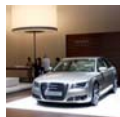
More time

enjoy more consciously, decide more confidently, live more intensely



Economic (r)evolution Evolutionary economists know how industry can learn from nature. The

non-profit making Audi Environmental Foundation is dedicated to protecting natural resources. **PAGE 78**



Leading-edge design as a new art form World premiere of the new Audi A8 at "Design Miami/."

PAGE 81



"Change is our mantra" Audi Group design chief Wolfgang Egger and design legend

Hartmut Esslinger on the future of design language. **PAGE 84**



Setting off for the world of

tomorrow At the e-performance project house, Audi developers are reinventing the electromobile from the

ground up. **PAGE 88**



High-voltage on the asphalt Electromobiles and dynamic driving enjoyment

are no contradiction. The Audi e-tron sports car concept is the best proof of this. **PAGE 92**



Greenhouse

for cleantech In the green technology mecca Silicon Valley, Audi is developing innovations for a low-emission

future. **PAGE 94**



Chasing the senses On the road in Galicia in northern Spain: The

Audi R8 Spyder* treats us to a whole new experience of what perception really means. **PAGE 96**



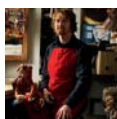
New

German Wave Talented young singers share their passion for music in the Audi Youth Choir Academy. **PAGE 108**



Dangerously addictive The new Lamborghini Gallardo LP 570-4 Superleggera* is even lighter and more

powerful than its predecessor. **PAGE 112**



Guardians of knowledge nearly lost Lofoten fishermen

and puppet makers have one thing in common: their commitment to craftsmanship rather than high tech. **PAGE 116**



"That's what I call luxury!" An imaginary conversation with August Horch, the founder of the Audi brand.

PAGE 122



"The time must be ripe for a product" Axel Strotbek, Member of the Board of Management

for Finance and Organization at AUDI AG, meets globalization expert Professor Franz Josef Radermacher. **PAGE 126**

The Audi Board of Management: Luxury to me is ... **PAGE 130**

Audi Group Finances 2009 **PAGE 131**

Fuel consumption and emission figures **PAGE 242**



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fascinating audio and video formats:
www.audi.com/ar2009



1

1/GRÉGOIRE ALEXANDRE, JEAN-MICHEL BERTIN

Adhesive tape, cords or cardboard – that's all photographer Grégoire Alexandre (right) and set designer Jean-Michel Bertin needed to create artistic, almost poetic spaces. These spaces serve as stages for a special kind of fashion shoot: cars meet haute couture. Four young clothing designers crafted extravagant outfits to coordinate with four Audi models. The idea was to present them in combination. Yet while the materials used were simple, the preparations were elaborate: It took nearly five hours to transform the photo studio into a city skyline for the shots of the A5 Sportback*. Nothing was left to chance. Alexandre had prepared precise drawings for placing each bit of adhesive tape, and every single one was checked for accuracy. The pair created the perfect backdrop for each setting, transforming cords into a landscape, and cardboard into a mountain range. The proper lighting was then added, completing the illusion. **Page 34**



2/GEORG RÜSCHEMEYER

As a science journalist, Georg Rüschemeyer regularly meets inventors and other visionaries. For his report on the future of LED technology, he traveled to Ingolstadt. Once there, he was immediately caught up in the infectious enthusiasm shared by Dr. Wolfgang Huhn, Head of Light and Visibility at Audi, and lighting designer André Georgi. The 39-year-old writer was particularly fascinated by the design possibilities offered by the LED lamps, and their energy efficiency. Rüschemeyer views the lamps as “a trend-setting technology from an ecological perspective.” [Page 22](#)

3/JULIA PFALLER

Julia Pfaller, an illustrator from Munich, just loves traveling. She presents her large-scale wall works and paper installations at exhibitions all over the world. Her passion for travel is due among other things to her fascination for city maps. The 34-year-old designed maps of three city sanctuaries for the Audi Annual Report: Munich’s English Garden, New York City’s Central Park and Kyoto’s Ryoan-ji Garden. Pfaller combined elements such as cardboard, felt, photos and drawings to make small, artistic travel guides. [Page 52](#)

4/PETER WAGNER

Because he wanted to avoid doing the dishes at parties, Peter Wagner began with cookery when he was 16. Today he works as a gourmet journalist in Hamburg, runs a food portal for men and writes about food in all its facets. For the Audi Annual Report the 49-year-old introduces a new form of gourmet cuisine in which top chefs use regional products rather than prestige ingredients like caviar, and even in certain cases give up their Michelin stars in the process. Wagner is well aware that “making top-class dishes from simple ingredients is a serious challenge of the chef’s craft.” [Page 62](#)

5/TOBIAS MOORSTEDT

Halfway through researching his story for the Audi Annual Report, Tobias Moorstedt briefly considered canceling the job and redirecting his life. The reason? To compile the story, the



32-year-old writer met people who were living their dreams. “They went for broke and won big,” the Munich-based writer reports. None of the people he talked to regretted leaving their old lives behind. He was especially inspired by a nun who took a sabbatical so that she could attend an art school. In the end, though, Moorstedt completed the portraits, and he intends to stay true to his profession. “It’s a privilege, as a journalist, to be able to meet people like these.” [Page 67](#)

6/SJOERD TEN KATE

Sports cars are his passion, and at home, photographer Sjoerd ten Kate collects every issue of Lamborghini Magazine. So it was a dream come true for the Dutchman when he got the chance to photograph the Lamborghini Gallardo Superleggera* in Sant’Agata Bolognese, Italy. “Lamborghini builds extreme cars that immediately awaken emotions,” the 26-year-old said. In the factory halls, ten Kate portrayed the new supercar as a mysterious star caught in the spotlight. [Page 112](#)

7/ENNO KAPITZA

Photographer Enno Kapitza earns trust through his professionalism. “When the protagonists arrive, the set has to be perfectly finished,” the 41-year-old explains. This allowed Axel Strotbek, Member of the Board of Management for Finance and Organization at AUDI AG, and Professor Franz Josef Radermacher, an expert on globalization, to focus completely on their discussion of sustainability. “They both hit it off right away and were immediately absorbed in the discussion,” Kapitza said. [Page 126](#)

8/SVEN SCHULTE-RUMMEL, SORIN MORAR

A rumbling engine in their ears, sea salt on their lips and stars in their eyes. In pursuit of the senses, car journalist Sven Schulte-Rummel, 32, and photographer Sorin Morar, 37, drove an Audi R8 Spyder* through Galicia, Spain. Morar even managed to capture the sense of smell with his camera. “When I see a forest, my nose immediately picks up the scent of moss, wood and leaves,” the photographer said, explaining his very personal way of selecting his subjects. [Page 96](#)



We are rethinking luxury.
What does that have to do with
space? Racing fans camping out
experience motor racing close up
at Le Mans. LEDs offer a wealth
of new prospects. Young fashion
designers interpret the current
Audi models for us, thus creating
a quite unique world.

MORE
SPACE:
SEE FURTHER,
THINK
BIGGER,
BE FREER.

More space

Right in the thick of things





A campsite directly at the race track is everything a true fan could wish for on a visit to the 24 Hours of Le Mans. Racing enthusiasts even come from overseas to experience the intense fairground atmosphere of parties, campfires and the roar of the engines.

COPY/DAVID MAYER
PHOTOS/JEAN-LIONEL DIAS

Like English lords they swagger through the rows of tents in the gray light of dawn, the field still wet with dew. Ankle-high leather shoes, knee socks in classic Scottish tartan, brown breeches, dark green vests and tweed caps – every last detail of the clothing of the five racing fans is “very British.” The tradition-minded Britons chat as they head off to the race track to secure the best spots along the fence. And with that, any farther thoughts of sleep are banished from the Karting Nord campground at the Le Mans circuit.

It is Saturday morning. The 77th edition of the legendary 24-hour race begins this afternoon, and Brian Booth slips out of his sleeping bag. The manager from Liverpool jauntily unzips the entrance to his igloo tent and smiles at the sight of his Audi R8, which he parked directly adjacent to his one-man quarters. Booth set out from northern England three days ago, steering his sports car past London and onto the train through the Eurotunnel to France, then drove roughly 450 kilometers southward directly to his customary camping site close to the home straight, just like every June. →

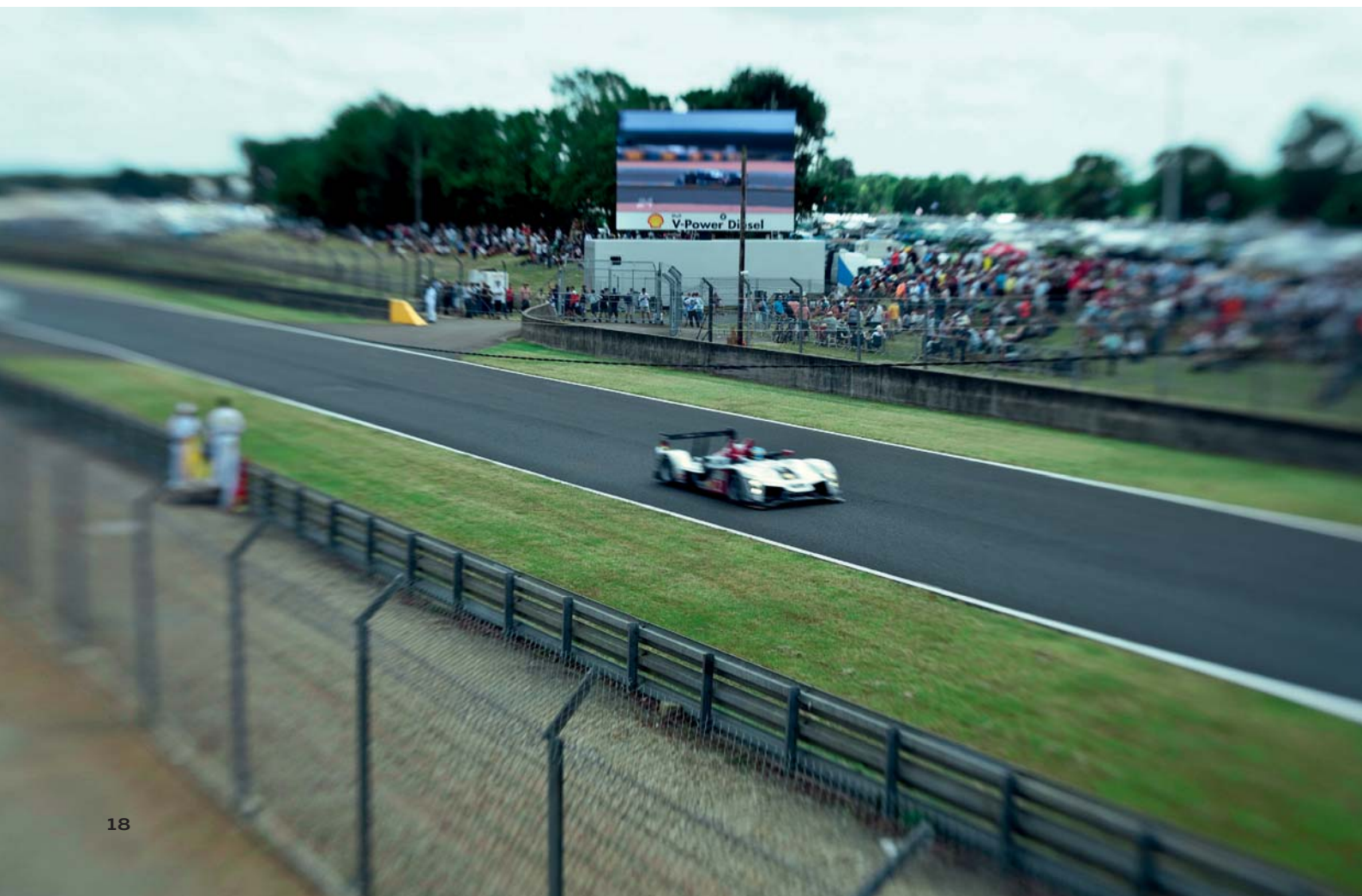
Break from the business world: Brian Booth, a manager from Liverpool, enjoys the days far from a hotel suite and fine dining restaurant. His R8 is a popular photo subject at the campground.

More space



↑ Le Mans fever: Danielle Booth (right) and her friend Sophie cheer on the Audi pilots. Underscored by the roar of the engines, the short race night was very much to their liking.

↓ The number one topic of discussion: The newly developed Audi R15 TDI with a ten-cylinder diesel engine producing over 600 hp is sure to quicken the pulse of race fans.





↑ Birds of a feather: The tent cities begin taking shape days before race weekend, with groups of fans – often acquainted from the previous year – setting up camp everywhere.

↓ Aficionado: James Blackhall used to spend his free time traveling the world. Today he's going camping with his friends at the Le Mans race track.



More space

“This long weekend is a timeout. I enjoy the days outdoors, right in the countryside.”

Brian Booth, manager from Liverpool

In his professional life, Booth spends a lot of time in high-class hotels. He considers camping at Le Mans to be a down-to-earth luxury which he treats himself to once a year. Joining him are roughly 30,000 guests spread out over 14 campgrounds. “This long weekend is a timeout. I enjoy the days outdoors, right in the countryside,” gushes Booth as he slowly rubs the soles of his feet across the dewy grass. “I work enough at home. Here I relax and fool around.” Wherever he goes at the campground, the tall Briton meets like-minded people with whom he can talk shop about the progress of the race, breakdowns, drivers and the latest diesel racecars.

Two spots down, Danielle, Booth’s 21-year-old daughter, now crawls from her flowered tent. She and her friend Sophie are here for the first time and have already caught Le Mans fever. “Everyone here is really friendly, and I love the cars,” says the architecture student enthusiastically as she gets a second folding chair from her car.

The pulse of the Le Mans weekend resonates through the campsites surrounding the track. The first racing aficionados wander in days before the race. Small groups of fans set up camp everywhere; they barbeque, listen to music, laugh. “It’s a family atmosphere,” says Daniel Bargh, who has traveled here with a few friends. Numerous Le Mans stickers adorn his A4 Cabriolet throughout the weekend. Besides a British flag, the door sports his name and that of his co-driver, just like on the professionals’ cars. The men want to take an up-close look at them in a few minutes. Bargh closes the top of his convertible and joins the others as they head out on the roughly ten-minute walk to the home straight.

By this time the race on the 13.6 kilometer long track is well under way. Flags bearing the four rings of the Audi logo flutter in the wind over numerous tents. A particularly large number of Audi fans have made the trip from Denmark to cheer on their idol, Tom Kristensen. The “King of Le Mans” has already won the race eight times. The Dane has driven for Audi

since 2000. Joining him for the first time at the wheel of the newly developed Audi R15 TDI in 2009 are his teammates Dindo Capello of Italy and Allan McNish of Scotland. The ten-cylinder turbodiesel with over 600 horsepower and the sophisticated aerodynamics ensure that the latest star racecar from Ingolstadt is the number one topic of discussion at the campgrounds.

Kristensen’s countrymen reside in a sea of hundreds of red tents set up by a Northern European tour operator. Danish Village also includes a medical services tent, a big screen, plus sausage and beer stands that also accept Danish kroner. Claus Petersen even flew in specially from Brazil. The 31-year-old moved to South America for professional reasons, but is not willing to give up the weekend in Le Mans. An Audi flag the size of a front yard lies over his tent, completely enclosing it. “What can be better than seeing all the cars on and around the track?” asks the Scandinavian, who has to shout out the second half of his sentence over the crescendo of the engines roaring in the background. One car after the other races past his campsite. A stone’s throw from the pits, a cowboy hat seems to float through the rows of tents. It’s Brian Booth on his way back to his tent. Rounding the corner, he gives a friendly nod to a young man slinking around his R8 with a camera. His Audi makes Booth one of the stars of the campground. Le Mans is also about seeing and being seen, with high-performance racers, classic cars and convertibles parked everywhere you look. A walk through the extensive campgrounds to look at the cars is every bit a part of the weekend as the race itself. Booth also knows exactly where the must-see cars can be found this year. It has now been hours since the starting gun was sounded. The headlights and the glow of the red-hot brakes of the racecars light up the asphalt. The Audi R15 TDI models are particularly easy to spot thanks to their LED lights. The Ingolstadt company now has just two cars remaining in the race after their third





✚ **Passionate fan:** Danish fan Claus Petersen keeps his fingers crossed for his countryman, Tom Kristensen. The Audi driver secured a top-three finish.

↑ **Box seats:** Undaunted, some campers make it through until dawn. From their elevated viewpoint, they scan the horizon for the lights of the next racecar.

car was forced to retire shortly before 10 pm. Kristensen and his team continue to fight for one of the top positions.

The lights of a Ferris wheel shine from behind the grandstand. Spectators stroll along the track, passing amusement rides and stands with fan merchandise, crêpes and refreshments. At night, candlelight flickers in front of many of the tents, and fireworks streak heavenward again and again. Visiting strangers are welcomed warmly and given a cool drink. Rupert Bullock and James Blackhall, who made the trip in his Audi RS 6, sit next to their red-and-white-striped pavilion tent. Together with their four friends, the two are drinking red Burgundy and eating baguette with camembert. Like many campers, the group is from England. After completing school, they spent their youth traveling the world together; today most are over 40 and travel together once a year to Le Mans. Blackhall is the CEO of a valve manufacturing company and father of five. His friend Rupert works on the stock exchange. “No schedules, no deadlines, no pres-

sure – Le Mans offers us the luxury of freedom,” says Bullock. The men are more than willing to give up the luxury of their business travel in exchange. “It is simply an unbelievable experience. We’re right up close to the race.”

Close to the race means directly at the track. Although the campers are

“**What can be better than seeing all of the cars on and around the track?”**

Claus Petersen, who traveled from Brazil

in the middle of nature, they don’t hear the chirping of the birds but rather squealing tires and screaming engines – 24 hours long. Sleep is possible only with ear plugs, if at all. Yet the maxim for most is: “The closer to the track, the better.” Some pitch their tents just a few meters from the next guardrail.

All night long, fans wander back and forth to the track. The fans experience the race up close and personal on the grandstands and grassy knolls directly next to the track. They stare mesmerized into the distance and

wait for the next car. First all that can be heard is the buzz of the engine, which slowly develops into a hum. Headlights suddenly flicker far down the track and begin to draw nearer, seemingly slowly at first, and then ever faster. At night, the cars have to approach to within roughly 200 meters to be truly recognizable before flying past the spectators. Many are still in their seats as the sun comes up. At the campground, three brave fans in lounge chairs sit atop their camper trailer directly at the track.

“I think it’s great to be woken up by the roar of the engines,” grins Danielle Booth after a short night. The Booths have grandstand tickets for the finish in the afternoon. From there they will cheer on the Audi drivers one last time and watch Tom Kristensen and his teammates claim one of the spots on the podium. ●

Sports journalist David Mayer camped with the fans right next to the track.

THE LE MANS LEGEND

Dive into a world packed with emotion and passion:

www.audi.com/ar2009/lemans

More space

Let there be light

Can luxury be measured with a luxmeter?

It certainly can in the case of LEDs. Light-emitting diodes shine wherever design enters the realm of the futuristic. The tiny crystal lamps open up completely new and interactive design possibilities, and that's with a fraction of the energy consumption of conventional lighting.



DEXIA TOWER, BRUSSELS

More than 150,000 colored LEDs create lighting effects based on the weather forecast for Brussels. Blue means that tomorrow will be cooler than the average for the month (above). Green means that the temperature is average for the month. Red: It is going to get warmer. A pattern sweeping across the facade announces wind or rain (right).







TORRE AGBAR, BARCELONA

The office complex modeled on a geyser changes its face at night. Dynamic patterns of colors running over the outer skin symbolize the elements fire and water.



ARS ELECTRONICA CENTER, LINZ
LEDs for a digital spectacle: The interactive installation "Lights On!" creates impressive color spaces where spherical computer-generated music is coupled with pulses of light.



ECO-INNOVATION

LED lighting as in the Audi Sportback concept uses nearly two-thirds less energy than conventional halogen lights.

What is the weather going to be like tomorrow in Brussels? A glance at the 145-meter-high Dexia Tower in the city center provides the answer. If the building is lit up in red at night, temperatures well above the average for the month can be expected the next day, while blue means below-average temperatures. The forecast of the Belgian Royal Meteorological Institute for wind, cloud cover and precipitation also sweeps across the facade of the highrise in the form of changing patterns and colors. The “Weather Tower” as an XXL weather map is just one of multiple interactive lighting installations by the artist group LAB[au] on the building’s facade. “Chrono Tower” uses color to represent the passage of time throughout the day; “Touch” allowed passers-by on the street to create their own colors and patterns on the building using a touchscreen connected to the control computer. Making this oversized, dynamic screen possible are more than 150,000 green, blue and red LEDs in the windows of the building. Whether interactive art or targeted lighting design, a veritable quantum leap in light-emitting diode technology (see technical information on page 28) has enabled the tiny semiconductor-based light sources to become a driver for sophisticated lighting archi-

only a fraction of the energy required by conventional lighting. This makes even the transformation of entire buildings into spectacular light installations an acceptable luxury with respect to energy. It’s no wonder that star architects the world over are incorporating the nearly endless possibilities of LEDs into their designs. The New York-based architectural office Asymptote Architecture used a mesh of some 5,800 glass panels to cover the YAS hotel which sits astride the new Formula 1 racetrack in Abu Dhabi. At night it is transformed into a spectacular lighting display made up of thousands of LEDs shining in all directions. These little light-emitting diodes also accentuate the Torre Agbar in Barcelona, which is modeled on a geyser. The 32-story office complex by the French builder Jean Nouvel has highlighted the center of the Spanish metropolis since 2005. The patterns of colors moving dynamically over the building’s surface symbolize the elements of fire and water associated with a geyser and appear to free the building from gravity’s grasp at night.

Internal illumination also characterizes the new Ars Electronica Center that opened in Linz, Austria, in early 2009. “I was striving for a sculptural building whose structure could be walked on and thus experienced sensually,” says its creator, the Viennese

a transparent light sculpture with high recognition value.”

The New York media artist Zach Liebermann demonstrated what possibilities this opens up with his “Lights On!” audio-visual performance at the opening of the center. Liebermann’s interactive installation coupled flashes of light running over the entire building with spherical computer-generated music broadcast on loudspeakers surrounding the building.

Artists like Liebermann are pioneers of an interactive lighting design for which LEDs are predestined because of their flexibility in terms of color and intensity. However, the trend in practical lighting design for interior spaces is also moving in the direction of interactive illumination concepts that combine natural and artificial light to adjust dynamically to people’s requirements. At workplaces, for instance, which in keeping with the latest findings in perception psychology are bathed in indirect, non-glare light whose intensity and color changes over the course of the day.

“This supports the natural cycle of the wake and sleep hormones, for instance by using intense white light in the morning to stimulate the production of serotonin, whereas, for example, a room bathed in warmer tones in the evening tends to signal the brain to relax,” says Christian Bartenbach, founder of the world-renowned Bartenbach Light Laboratory outside of Innsbruck and a pioneer of modern lighting planning.

Bartenbach prefers to leave lighting during the day to the natural dynamics of sunlight and uses natural daylight whenever possible to light interiors, even in large projects such as the new construction of the Grand Egyptian Museum in Cairo. But what do you do when night falls? “All of these projects use LEDs whose intensity and color spectrum most closely resembles daylight,” says Bartenbach. The small dimensions of the LEDs are also important to the senior ambassador of lighting planning, →

“LEDs allow the individual light sources to be decentralized; the construction material itself shines.”

Christian Bartenbach, pioneer of modern lighting planning

tecture the world over in recent years, particularly when it comes to lighting concepts that stray from the beaten path.

The wide color palette of LEDs allows for extraordinary color accents; their small size and low maintenance requirements open up new possibilities in design. The latest generation of LEDs stand out for their durability and, for the same light output, use

architect Andreas Treusch, when explaining the idea behind the design. This concept is also reflected in the double-shell facade, which can be illuminated in a number of colors using LEDs and joins the new building and the existing festival building to form a complex cube of steel and glass. “This turns the building as a whole into an over 5,000-square-meter projection and image surface,

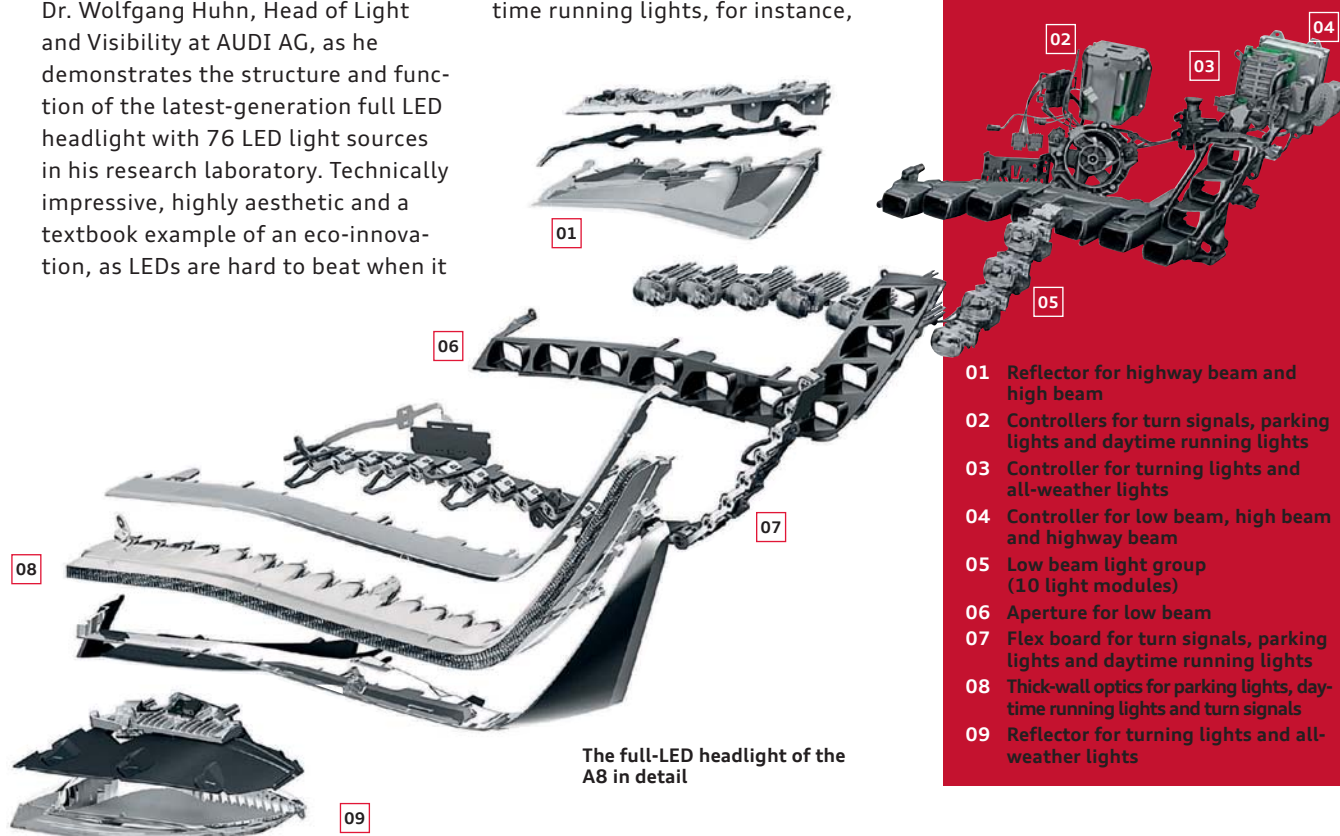
More space

however. "Until now I always had to consider how to conceal large lamps or how to integrate them into the architecture. LEDs allow the individual light sources to be decentralized; the construction material itself shines."

The new LEDs appeal not only to architects, but also to the designers at Audi, for whom the subject of light has always been a part of their core business. "We certainly draw ideas and inspiration from the intelligent lighting concepts of modern architecture," says André Georgi, the designer responsible for lighting systems at Audi. The Ingolstadt carmaker was also the first in the industry to recognize the enormous potential of LED lighting technology. Audi introduced LED daytime running lights in 2004, which have since become a brand trademark. The R8 has been available with headlights based exclusively on light-emitting diodes since spring 2008, and the flagship of the Audi fleet, the recently introduced new A8, can also be ordered with full LED lighting. "That gives us a four to five-year head start on innovation," says Dr. Wolfgang Huhn, Head of Light and Visibility at AUDI AG, as he demonstrates the structure and function of the latest-generation full LED headlight with 76 LED light sources in his research laboratory. Technically impressive, highly aesthetic and a textbook example of an eco-innovation, as LEDs are hard to beat when it

comes to energy efficiency. A car equipped with conventional halogen lights uses an average of 130 watts of energy. This energy is provided by the alternator and thus is reflected in higher fuel consumption. The systematic use of LED lighting reduces this value to roughly one third. "The difference corresponds to nearly a quarter liter of gasoline per 100 kilometers. That doesn't sound like much until you extrapolate it out to many millions of cars and kilometers driven," says Huhn. The difference is particularly dramatic with daytime running lights, which will be mandatory throughout Europe starting in 2011. A conventional low beam headlight consumes 10 to 20 times as much energy as the LED daytime running light on an Audi.

But low power consumption is far from the only advantage of LEDs. The future belongs to headlights that think with the driver. "An intelligent, active exterior lighting system plays an important part in the prevention of accidents which occur at dusk and after dark," explains Huhn. As daytime running lights, for instance,

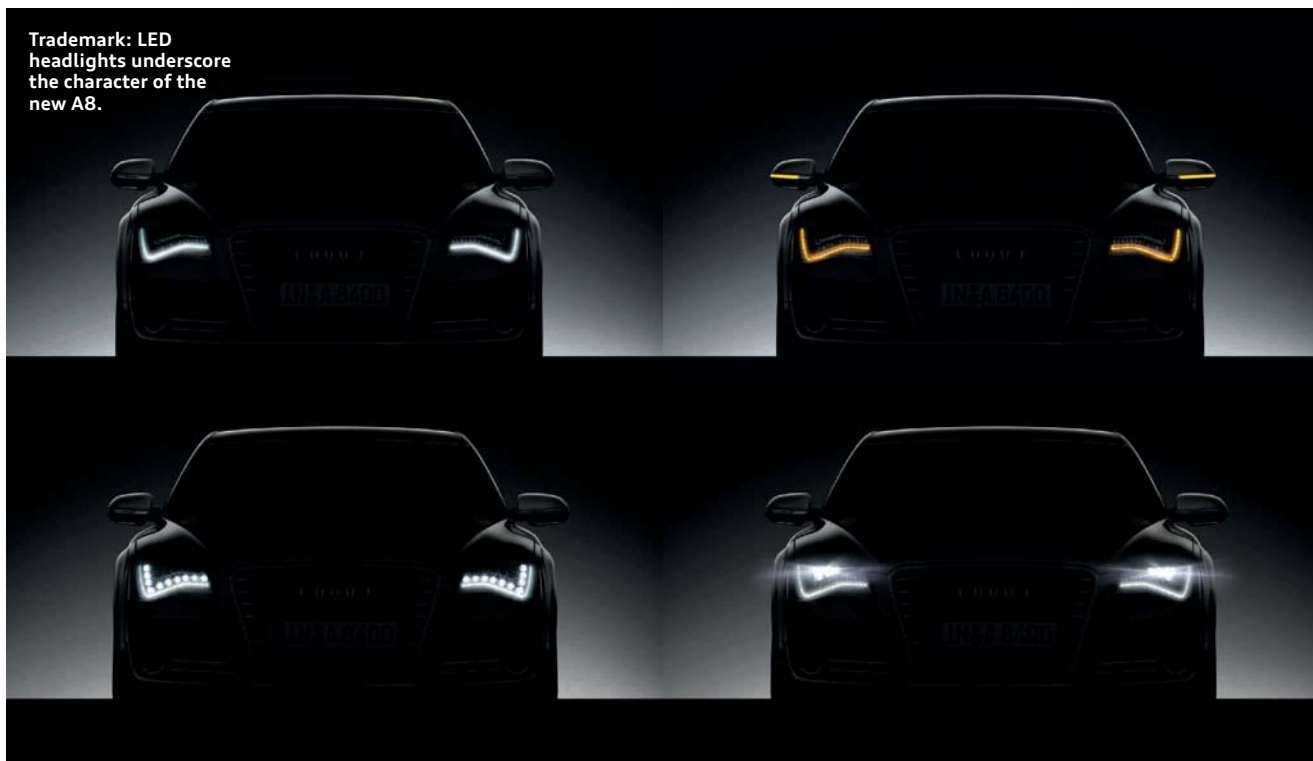


The full-LED headlight of the A8 in detail

TECHNICAL INFORMATION

LEDs, standing for light-emitting diodes, are tiny semiconducting crystals that convert electricity directly into light. LEDs enable the temperature and the color spectrum of the light to be changed. The light's color is determined by the choice of the semiconductor material and targeted contamination with foreign atoms such as phosphorus or gallium. For decades LEDs led a niche existence as red flashing lights in electronic devices, but in the meantime there are high-efficiency LEDs ranging from infrared to ultraviolet. Furthermore, LEDs can be embedded in other materials. The latest generation of LEDs, such as those found in current Audi models, have a service life of up to 50,000 hours and are practically non-wearing. They now yield 50 lumens of light power per watt of electricity applied. In comparison, an incandescent bulb achieves less than half of this value. There is still plenty of untapped potential in LEDs, however. It is only at around 350 lumens per watt that all of the electrical energy is converted into light.

Trademark: LED headlights underscore the character of the new A8.



“An intelligent, active exterior lighting system plays an important part in the prevention of accidents which occur at dusk and after dark.”

Dr. Wolfgang Huhn, Head of Light and Visibility at AUDI AG

LEDs help to increase visibility to other drivers. LED brake lights facilitate a faster response. “Here, too, we are talking about the seemingly insignificant difference of a few fractions of a second. But at high speeds, that can mean a difference of several meters in stopping distance,” adds Huhn.

Their small size also makes LEDs particularly well suited for use in adaptive front lighting systems such as the dynamic headlight range adjustment or cornering lights because they also enable complex lighting functions in the tightest of spaces.

The Audi brand taps into the potential of the new, increasingly powerful LEDs to turn its vision of intelligent light into reality. Currently in development is the “MatrixBeam” virtually no-glare high beam, whose cone of light is produced by a multiplicity of LEDs. When the system’s onboard camera detects an oncoming automobile, those modules that could blind the driver of the other car are dimmed automatically.

André Georgi also appreciates the new freedoms when developing a dis-

tinctive lighting design. “Just like every person’s eyes are unique, so too are the headlights an unmistakable characteristic feature of a car,” says the Audi designer. “A glance in the mirror at night should be enough to tell you: That’s an Audi coming!”

The special color of the light modeled on the spectrum of the sun and the shape of the daytime running lights, which emphasize the contours of the headlights with individual light-emitting diodes – just as eyeliner does for the human eye – make an unforgettable impression. “And each Audi model features the lighting design that best suits it,” adds Georgi. The daytime running lights of the R8, for instance, were inspired by the horns of a bull as a symbol of the dominant character of the model. The LED strips of the A3 model series, on the other hand, symbolize determination and elegance. LEDs also set accents and ensure an outstanding lighting environment at the driver’s “workstation.” “When entering the vehicle, you are first wel-

comed by warm, bright light from the interior of the vehicle,” says Stephan Berlitz, Head of Innovations/Lighting Electronics at Audi, when asked to explain the optionally available interior lighting concept of the new A8. The color and distribution of the light can be adjusted to taste using the vehicle’s multimedia interface.

“In the end, our job is hardly different from that of a lighting planner in architecture. Everything revolves around the person, whose needs for functional and at the same time appealing and stimulating light must be met,” adds Berlitz. With the LED, architects and carmakers are now banking on the same technology as the light source of the future. It’s no wonder, since no other form of lighting appeals equally to the head and the emotions, and makes something so practical seem so sensually luxurious. ●

LIGHTING THE WAY

How Audi sets standards with LED technology – a glance at the lighting laboratory:

www.audi.com/ar2009/led



A class act

Winning by a hair really isn't his thing. He wants to win by a ten-minute lead: Rally legend Walter Röhrl about an iron will and the good fortune of having turned his passion into his career.



HOT WHEELS

Rally icon meets car legend – join Walter Röhrl in the

Audi Sport quattro S1 at: www.audi.com/ar2009/roehrl

The motivation of wanting to achieve something in my life has been spurring me on ever since I was a small boy. A deeply ingrained drive toward perfection, combined with an almost obsessive ambition. I've never considered this perpetual lust for life, the fascination with anything new, and my readiness to fight for things as a burden. Quite the contrary. I have often asked myself what might have made me that way. And I really believe that the cause is related to my red hair. I had my feelings hurt many times as a child because of my hair color. As a little boy I'd fight anybody who'd tease me about my red hair. It didn't matter if the

“Absolutely the only thing I care about is total control. I want to be in command of my cars as though they're a part of my body.”

Walter Röhrl, rally legend

guy was six feet tall – I'd have a go at him. This defensive stance, not letting anyone get away with putdowns, had a formative influence on my character. I became unusually proactive in facing challenges head-on. I should make one thing clear though: I've not gotten into any tussles since I was 12. But even when I'm out cycling with a bunch of athletes 20 years younger, I won't accept that they're in better physical shape than I am. So I'm usually also the first to reach the top of the hill. Simply because I've absolutely made up my mind to do it. As a rally driver I never intended to win a race by just a one-second margin. Those blink-of-the-eye decisions which many in the sport find so thrilling just don't do it for me. I want to win by a ten-minute lead. Because only a big lead shows you've really got class.

Actually, the thrill of speed doesn't move me either. Nor does collecting titles and awards. Absolutely the only thing I care about is total control. I want to be in command of my cars as though they're a part of my body. I want to become one with my car. Unfortunately, the satisfaction when this happens doesn't compare with the dissatisfaction that troubles me when it doesn't. Even the earlier successes in auto racing haven't endowed me with lasting self-esteem. What it comes down to is that I am constantly fluctuating between self-doubts and delusions

of grandeur. What has spurred me on throughout my life is the fact that I have never, not even in my most triumphant periods, believed that I was the best. Even having reached my highest goal as a racer, winning the celebrated Monte Carlo Rally, failed to quench my ambition. That's the only way I was able to win it four times, with four different car brands. The fourth victory in 1984 in an Audi ranks among the absolute highlights of my career.

I was always a bit intimidated by conventional circuit races. For one thing, because there were so many people there. They actually made me nervous. What I'd have liked best would have been driving through the woods at night. Because I basically just wanted to know in my own head whether I was really good. Another reason was that the winner in a circuit race is usually the driver who uses his elbows. But I'd much rather run a clean race, always searching for the racing line.

The most fascinating race against the clock was “Pikes Peak Race to the Clouds” in Colorado, in 1987. A crazy hillclimb race covering 19.9 kilometers with 156 curves. 1,500 vertical meters separate the start from the finish. Until just before the start I felt uncertain and nervous. We weren't sure whether we had succeeded in perfecting the technical condition of the Audi Sport quattro S1 with its 500-plus hp engine. But even after the first few meters I felt the car was zooming up the hill as if on rails. With a driving time of 10 minutes and 47.85 seconds I set a new course record. I enjoyed every fraction of a second of this hillclimb race. I've rarely been so totally happy as in these not quite 11 minutes. Though when I'm watching the video footage today that was shot from a helicopter, how the mountain drops away sharply from the road right and left, in places for hundreds of meters – like off the edge of a table – and how half of one front wheel or the other sticks out over the abyss in every turn, I have to say: Today I'd have doubts. Back then I felt infallible.

What always excited me was the adventure, anything new. That's what ultimately motivated me in 1984 to switch to Audi. Up to that time I had driven cars with rear-wheel drive for 20 years. Then I succumbed to the fascination of all-wheel drive. Converting the enormous propulsive forces into motion, that was the special quattro feeling. Just a small touch on the gas pedal sufficed to get more than 500 horsepower to rage on the road, perfectly coordinated and under control.

What sets Audi apart is that the quality of its rally cars is always reflected in the high standards of its production vehicles. In the early years of our relationship, we →

🚩 On his very first drive for Audi, Walter Röhrl succumbed to the fascination of quattro all-wheel drive.

⬅️ Steep, steeper, Pikes Peak: In 1987, Walter Röhrl was the first person to surmount the 1,500 vertical meters and 156 curves of Colorado's famous hillclimb race in less than 11 minutes.

More space



↑ In a triumphant mood: Walter Röhrl owed his fourth victory in the legendary Monte Carlo Rally – in 1984 in an Audi – to his iron will to always be the best.

↓ Like in the old days: For Audi's 100th anniversary, Walter Röhrl got back behind the wheel for the Four Rings and drove "his" Audi Sport quattro S1 at the Goodwood Festival of Speed in July 2009.



worked together very closely. As a case in point, a test engineer was assigned to me whose responsibility was entirely dedicated to product improvements. It also helped that our communication paths were very short. I was living in Regensburg, barely an hour's drive from the plant in Ingolstadt. An ideal setup. That's when the foundation was laid for what makes Audi stand out today. It's a great achievement by the company to have accomplished such a radical change in its corporate image and

“Whenever possible I ride my bicycle or I just walk. If you want to save CO₂, you might as well do it right.”

Walter Röhrl, rally legend

to continually set new quality standards. At Audi, “Vorsprung durch Technik” is much more than just an advertising slogan – it's a philosophy.

Auto racing has triggered many engineering developments that were subsequently used in production cars, thus making a lasting contribution to increasing efficiency. From the carburetor to the injection system. From aerodynamics to efficiency technology. Fuel-efficient driving has become almost an obsession for me. After all, there is also a challenge in driving as far as possible on just a tankful. In a high-powered sports car I start out by stepping on the gas pedal pretty hard just to feel the thrust. But then I increasingly strive to drive as intelligently as possible. When I approach a traffic light, I try to guess as early as possible whether I can make it through on green. If that looks unlikely, I let up on the gas and just let the car coast toward the intersection without stepping on the brake.

The motivation to be thrifty and conservative in the use of resources persists through all aspects of my life. For example, I can't stand it that my wife lets the water run all the time while she's brushing her teeth. Friends who know me well also know that I'm very attached to nature. Whenever possible I ride my bicycle or I just walk. If you want to save CO₂, you might as well do it right.

I fully realize how very lucky I've been to have had the opportunity of turning my greatest passion into my career. Even though I have driven cars for nearly nine million kilometers – mostly in competition – I still enjoy pushing a sports car to its limits. ●

Reported by Oliver Wurm. In preparing for this interview, the sports journalist once again watched Röhrl's legendary record drive in the Pikes Peak 1987 – after that, he didn't really have any further questions.

Time/Space

Dimensions of luxury: taking time, creating space



02/LE MANS R15 TDI RACECAR



03/GT3 NEWCOMER R8 LMS



01/Audi pulls off DTM hat-trick In 2009 Audi became the first car manufacturer to win the German Touring Car Masters (DTM) three times in a row.

As in the previous season, Audi driver Timo Scheider left all the other challengers in the dust. "What better way for Audi Sport to mark the centennial year of the Audi brand," remarked Board of Management Chairman Rupert Stadler. The hat-trick added yet another impressive feat to Audi's long list of achievements in the racing series. The brand has now notched up seven DTM titles in all. And Audi drivers made a clean sweep of the honors on four occasions in 2009. **02/On the**

rostrum at Le Mans Audi entered a futuristic racing car in the 77th 24 Hours of Le Mans. Drivers Dindo Capello, Tom Kristensen and Allan McNish captured third place on the winner's rostrum in June 2009 in the R15 TDI prototype's first race. The developers of the Audi R15 TDI broke new ground in the areas of lightweight construction, efficiency and aerodynamics. Key new features included the compact V10 TDI engine and an electrical system powered by a lithium-ion bat-

tery. Having previously won this race three times in a row, the brand with the four rings is planning to pull out all the stops in order to win back the trophy in 2010. **03/R8 LMS a racing**

sensation The Audi R8 LMS exceeded all expectations in its first racing season. The GT3 sports car chalked up one victory after another, earning three championship titles and 23 race wins. The high

points were the victories in the FIA GT3 European Championship and the ADAC GT Masters in Germany. Findings gleaned from competing in 76 races were channeled directly into the development of the final version of the Audi R8 LMS.

Beginning at the end of March 2010, Audi Sport will be supplying a limited number of this model to customer teams.

01/DTM DOMINATION
With Timo Scheider behind the wheel, Audi completed a hat-trick of DTM wins in 2009.

More space

*** Marie Hill
Rita Grave
Viktor Smedinge
Daniel Lee**

**** A1
A8
A5 Sportback*
A3 Cabriolet***

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

dress up* your car***

They own the catwalks of the future, he is a master of staging. Graduates of London's famous Central Saint Martins College of Art and Design have interpreted the character of the latest Audi models. French photographer Grégoire Alexandre adds a further dimension to both autos and outfits.

A1

dressed up by Marie Hill /

Futuristic metro look: the birth of a new simplicity.







A8

dressed up by Rita Grave /
The ultimate drive: lightness and
elegance are in the air.





A5 Sportback*

dressed up by Viktor Smedinge /
Street couture: clean lines and contours
give direction.



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

A3 Cabriolet*

dressed up by Daniel Lee /

The principle of passion: looking ahead with self-confidence, esprit, style and flowing forms.





Four designers,



“The A1 is surprisingly bold. My fashion should be as well.”



Marie Hill The 27-year-old garnered a name for herself among young designers long ago. In 2009, she won the “L’Oréal Professional Young Designer of the Year” award, among others. Audi in In-

golstadt introduced the young Dane, who doesn’t even have a driver’s license, to a completely new world. Therein lies the appeal of her interpretation of the A1. Her look is impartial, pure. The Dane selected pure silk as her material because it is comfortable to wear. Her flesh-colored outfit hugs the body like a second skin. Decorations formed out of simple safety pins aren’t immediately apparent. “I wanted to create a simple, no-frills gown, but one that is highly complex in detail,” says Marie Hill. That meant playing around with light-absorbing (silk) and light-reflecting material (metal). Grégoire Alexandre takes up this idea to conjure an urban world of nothing but small mirrors.



“The A8 is all about craftsmanship.”



Rita Grave She considers the A8 a work of art. It’s no wonder. The 34-year-old Latvian studied art history and worked in an art gallery before switching to fashion design. Fascinated by the shape of

the A8, Rita Grave focused first on the silhouette of her outfit. “It should be elegant, supple, linear. And I wanted to emphasize the shoulders,” she explains. The Latvian rejected unnecessary trimmings. But her eye for detail is reflected in the asymmetric hem of her dress and the unusual leather belt – which pay homage to the four rings. And the matt crepe fabric captures the lightness of the new A8. Photographer Grégoire Alexandre and set designer Jean-Michel Bertin fashioned the perfect landscape out of simple cords to match both the car and the fashion.

four cars



“The accentuated seams are reminiscent of the lines of the A5 Sportback.”



Viktor Smedinge During his training, he learned all the different sewing techniques. “I didn’t want to restrict myself just because there was something I can’t do or don’t know,” says the

25-year-old Swede. He usually seeks inspiration for his unusual designs from details found in architecture or film. However, he has never used a car as a “pattern.” The young designer likes to work with contrasting textures, for example setting transparency against thick materials. He has remained true to this style in his latest creation. Dark gray organza over a slightly pink-colored silk slip. “The accentuated seams are reminiscent of the lines of the A5 Sportback*,” says the Stockholm-born designer. The skyline in which both models are embedded also seems to be very graphic. In fact, it is fashioned out of simple adhesive tape.



“I wanted my outfit to capture the motion of the A3 Cabriolet.”



Daniel Lee The 24-year-old Brit has a very artistic approach to fashion. And he loves to work with surfaces. That’s why he also learned to knit at Central Saint Martins because knitting can be

worked especially well into different forms, explains Lee. For his stunning outfit to match the A3 Cabriolet* he chose sophisticated duchesse satin. He gives his dress a special look by using relatively heavy fabric to create elaborate folds and creases. “I wanted to get the feel of the fabric roof while capturing the motion of the A3 Cabriolet,” says the experimental Brit. The emotion of driving a convertible is reflected in the bright red color. Grégoire Alexandre had his set designer stage the catwalk for convertible and model using torn rolls of paper.

More space



Thinking in life cycles

Audi and fashion house Brioni share a clear commitment to quality, style and tradition as well as openness to new ideas. The bosses of these companies – Rupert Stadler and Andrea Perrone – met to talk about shifting values, leadership and redefining luxury.

COPY/RALF GRAUEL
PHOTOS/SANDRO MICHAELLES

Some customers try on a Brioni suit once – and never wear anything else after that,” says Andrea Perrone, chairman and CEO of Brioni. As he is greeting his guest, he admits that he feels much the same way about Audi. “Did you know that I’m very familiar with your brand?” he asks Rupert Stadler, who then takes a seat on the VIP level at Brioni headquarters. More precisely: in the converted attic of an urban palazzo in Milan’s Old Town – the hub of Italian luxury. Outside: patina, fog and posh indifference. Milan’s rooftops, old tiles, terraces, palms and rusty iron railings. Inside, Brioni’s boss is talking about his first Audi. “An Audi 80 Avant,” recounts Perrone, “a present from my father for earning my law degree. That was in 1992; I’ve driven an Audi ever since.” “And no doubt your Audi 80 was a dark blue metallic color?” inquires Stadler. Perrone nods. “I had one just like that,” replies the Audi boss.

This get-together is a dream come true. The Chairman of the Board of Management of AUDI AG wanted to get to know Perrone and Brioni. This renowned suitmaker, outfitter to nearly every head of state in the world, home to the best tailors, 100 percent Italian, a third-generation family business, the perfect blend of luxury and craft. Both brands, Audi and Brioni alike, produce objects of desire. Modern classics, strokes of genius. So it’s hardly surprising that Andrea Perrone and Rupert Stadler get along so well from the word go. Both men belong to a new breed of



↑ Receptive: Andrea Perrone (left) and Rupert Stadler on the VIP level.
← Tailored precision: tailor’s workshop at Palazzo Brioni in Milan.

managers: young, approachable, open-minded. A 39-year-old law graduate, Andrea Perrone has headed the family business alone since the summer of 2009. Rupert Stadler, 46 and a business management graduate, has for three years been at the helm of the successful Audi company, which he likes to describe as a “rough diamond.” Both assumed control of valuable yet complicated legacies. The financial crisis, globalization, shifting values and climate change are altering just about every rule in every industry; the clothing industry and the automotive industry are no exception. There are, of course, contrasts. On the one hand: a family business which

has 1,800 employees, 65 shops of its own worldwide and hundreds of sales partners, and which generates revenue of some 200 million euros annually. On the other hand: a corporation which employs over 58,000 people worldwide and makes around 30 billion euros in revenue. Nevertheless – after having swapped these statistics with polite interest as though they were business cards – both emphasize after just moments of chatting that the similarities are obvious. Audi and Brioni alike assert a claim to leadership in their markets. Along with increasing affluence and problems, their customers’ expectations are subject to the same processes of change. Luxury currently faces the →

More space



matter of efficiency. Customers still want pleasure, innovation and performance, but without social injustice or the emission of pollutants. Both companies and brands manage to grow and thrive under these circumstances. And they succeed at reinterpreting and redefining that which today constitutes performance, leadership and luxury. In the past 30 years, the industry which Brioni calls home experienced astronomical rates of growth and

ket after another with new line extensions and fashion brands. Market bubbles formed and “luxury came to be equated with glamour. That’s why products could be sold which were unworthy of the term,” explains Andrea Perrone. Naturally, Brioni was courted as well. Yet the families which own the company rejected every purchase offer. “This genuineness is our strength today,” says Perrone. “We produce for people who have money and enjoy

↖ **One-of-a-kind items:** even the new collection of umbrellas by Brioni is handmade.

↑ **Modern classics:** showroom for VIP customers at company headquarters.

→ **Tour:** Andrea Perrone accompanies the Audi boss to the showrooms.

dous pressure to act. From competitors and lawmakers, but also from customers who have high expectations of our brand with regard to innovations and social responsibility. Because that is precisely what a driver of a brand of vehicle hopes to identify with.”

To make the situation even more complex, doing business globally entails defining luxury in different ways. “Luxury is perceived entirely differently in Europe than in, for example, China, where people are proud of their success and want others to see it,” describes Stadler. Andrea Perrone agrees. China and Southwest Asia are top-priority growth markets for Brioni, as well. “We have shops in Baku in Azerbaijan and Almaty in →

“We no longer speak of luxury at Brioni, but rather excellence. Excellence focuses inward.”

Andrea Perrone, CEO of Brioni

amazing profit margins. While the newly wealthy in the Far and Middle East purchased handbags, shoes, suits and accessories made in Europe with increasing enthusiasm, hedge funds and corporations first gobbled up those same companies before expanding production and sales channels to conquer one new global mar-

spending it, yet increasingly want to know what they’re truly getting in return – which quality, which values, which pledge,” explains Brioni’s head. “Luxury, in our eyes, means uniqueness and exclusiveness.” Rupert Stadler nods. “Automotive manufacturers, and especially those in the premium segment, are under tremen-





Kazakhstan,” explains Perrone. “Naturally, we must increasingly acquaint these customers with our brand and the quality of our products. Learning is becoming a major matter. One of our best young tailors will soon spend six months in Shanghai as an ambassador of sorts to share our philosophy – with customers but also our business partners.”

The transmission of knowledge is also a key factor for Audi. But the car-maker also listens. Rupert Stadler: “We truly get to know our new customers and then respond quickly. In China, for example, the A6 and the A4 are available with a long wheel-base and the seats offer optimum comfort in the local climate. People there who can afford these vehicles have a chauffeur to drive them around.”

**GET-TOGETHER AT
BRIONI HEADQUARTERS**

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at: www.audi.com/ar2009/stadler**

The remarkable dynamics of Asia’s new markets present Audi and Brioni alike with challenges. “Just three or four years ago, we were selling 60,000 vehicles a year in China. We’re now up to 160,000 annually; every sixth Audi is sold in the Middle Kingdom. In order to keep up with this growth, which nobody in the industry foresaw, we’d have to open a new dealership every week. Along with all the implications in terms of architecture, corporate design, communications, training, and quality of sales and service.

Perrone nods, as he also knows the challenges engendered by success: “There is such a thing as growing too quickly,” the Brioni CEO says. “Exactly,” says Stadler. “As soon as you expand too quickly, you run the risk of not maintaining quality and failing to communicate your own corporate culture, and customers will suffer from this.” Particularly for manufacturers producing at the upper limits of quality in their industry, upholding a con-

↑ **Guaranteed exclusivity:** Brioni’s master tailor Simone Laudi explains what goes into a Brioni suit.

→ **Lively discussion in the showroom.**

sistently high level of performance is “an extraordinarily complex topic,” says Stadler.

Yet the matter of top-notch quality is now fundamental to participating in the best markets. “That is the basis,” says Stadler. “Beyond that, though, every discerning customer now demands that the company gives its clear commitment to social responsibility and provides solutions to today’s complex issues. How will we address the mobility problems of tomorrow? Where do we stand on recycling matters? When will we launch the first electric vehicle, the Audi e-tron?” enumerates Stadler. Due to the progressive concerns of this segment’s consumers, luxury is fertile ground for innovations and state-of-the-art technologies which might involve major investments, yet also make the

world that little bit better. Luxury today is always green. For Perrone as well: “Of course, we use only the best raw materials. And we stand by our responsibility as an employer which has never outsourced even a fraction of its production.”

Perrone and Stadler are now on the second floor. Here, buyers from all over the world are ordering Brioni’s Fall/Winter Men’s Collection 2010/11. Exceptionally well-attired men and women in dark clothes are having lively conversations at large, black tables among fabrics, laptops and coffee mugs. A group of five men standing in a corner are intently handling a piece of black fabric. “An umbrella cover; take a look,” says the Brioni CEO, removing a men’s umbrella from a rack. “We’ll launch these in the fall. Each one made by hand; the handles are made of silver and no two are alike. That’s why we’ll put serial numbers on the umbrellas.”

These additions to Brioni’s collection are quite new. The company added accessories, shoes and perfumes only relatively recently. “It’s part of our philosophy,” explains Andrea Perrone. “We always prioritize craft, quality and leadership. We may arrive later, but everything we do, we do well!” That is why Brioni only produces in Italy. It also explains the company’s very own tailoring school in Penne, in the Abruzzi region of Italy. This is home to the brand’s production facilities and family.

New luxury and global markets

notwithstanding, “we no longer speak of luxury at Brioni,” says Andrea Perrone, “but rather excellence. Luxury is simply an outward display, nothing more. Excellence, conversely, focuses inward. Excellence is a matter of inner qualities, historic values and current performance. Excellence affects your staff – very directly. Your tailors, your store managers, your designers and even your accountants.” Rupert Stadler agrees: “If you make this outlook a cornerstone of your organization, you will become

successful. It doesn’t matter if you make cars or suits. Because this excellence aims at the customer’s emotional experience with regard to a product or service, and because in this day and age, we should cater to customers their whole lives, i.e. not in product cycles but in so-called customer life cycles, it is increasingly becoming a crucial element in all sectors and for all successful companies to understand, enthuse and retain customers,” explains Rupert Stadler. Stadler and Perrone are now on the ground floor, in the Bespoke Studio, where the measurements of our world’s leaders and great minds are

wishes.” Stadler asks Brioni whether he uses lasers to take measurements. Perrone says no and laughs. “Simone Laudi is our laser,” he says, referring to his tailor, who cannot help but grin. “Signore Laudi was one of the first graduates of our school for master tailors. He knows how to operate a Smartphone and knows how close he is allowed to get to a king or Arab sheik. Some technologies merely make fabrics and suits more precise, but not better,” explains Perrone. “Because all of our production is performed by hand, we can use the most delicate fabrics – which would be far too stressed by the competition’s

“It is increasingly becoming a crucial element for all successful companies to understand, delight and retain customers.”

Rupert Stadler, Chairman of the Board of Management of AUDI AG



taken. At this moment, Brioni’s master tailor Simone Laudi is calmly sewing the seam of a pair of suit pants. The Audi boss gazes across the studio. The shelves are full of cuttings and fabrics. There are names on most boxes. “Our stores stock between 300 and 400 different articles of clothing every season,” explains Perrone. “Every one of those is available in standard sizes as ready-to-wear items. Or you can have any one of them tailored to fit and altered completely in accordance with your

automated production processes and would ultimately tear. Every customer can feel this difference on their skin.” “How often must measurements be taken?” asks Stadler.

“A made-to-measure suit generally needs to be fitted three or four times,” replies Perrone, as the studio’s door opens and another tailor enters. Perrone introduces Luigi Atzeni, who manages a store in Sardinia, on the Costa Smeralda – where Europe’s business elite, Formula One VIPs and royalty spend their vacations. Atzeni’s store is closed from October through Easter. He fills his winters with fittings. He tells us that he is to fly to Berlin the next day – there in the morning and back that evening. While in Berlin, he will meet with board members and a government official.

“We’ll open a store in Düsseldorf this fall. You’ll visit us then at the latest to get fitted, right?” says Andrea Perrone. Stadler smiles and replies: “And next week I’ll make sure you get an R8 for a few days to test drive.” ●

Business journalist Ralf Grauel was the founding editor of brand eins; he is now freelance.



COPY/STEFAN NINK
ILLUSTRATION/JULIA PFALLER

Small retreats

From New York to Munich to Kyoto, major cities around the globe grant themselves the luxury of maintaining gigantic parks right in the middle of the city. The green sanctuaries help satisfy the yearnings of urban dwellers for nature and calm.

The report recently released by the venerable Central Park Conservancy offered welcome news for those who prefer not to sit on the grass in their business clothes: There are now more than 9,000 park benches in Central Park. Again: more than 9,000 – in a single park! This is more than major cities like Vancouver have in all of their parks, and likely more than Hamburg, Cologne and Frankfurt combined. If two business people share a bench at lunchtime in New York, there is enough room for 18,000 people to sit comfortably in Central Park. They can take out their sandwiches and grab a soft drink from a beverage cart, feel the sun on their faces and let the breeze blow their everyday office cares from their minds. Lean your head back and you can see the clouds in the skies above the city – and watch that breeze move and shape them.

In New York, the report about the benches didn't raise many eyebrows. Residents along the Hudson River are used to records, especially when they come from Central Park. After all, it's anything but a typical city park. The rectangle lined by streets and avenues in the middle of Manhattan is the most famous stretch of greenery on the planet. With 350 hectares of bushes and grassland, it's larger than the principality of Monaco, and is home to 26,000 trees and 275 bird species. Those are just cold











numbers, though, and they don't say anything about the relationship between New Yorkers and their park. New Yorkers love it – and how! – because the park offers a peaceful sanctuary in the midst of the bustling metropolis. A retreat. A place to breathe deeply. A piece of down-to-earth nature in the center of a man-made world reaching up into the heavens. And for anyone who works long hours every day in a crowded midtown office (and often

If Broadway is New York's main artery, then the green core of the Big Apple, Central Park, is its soul.

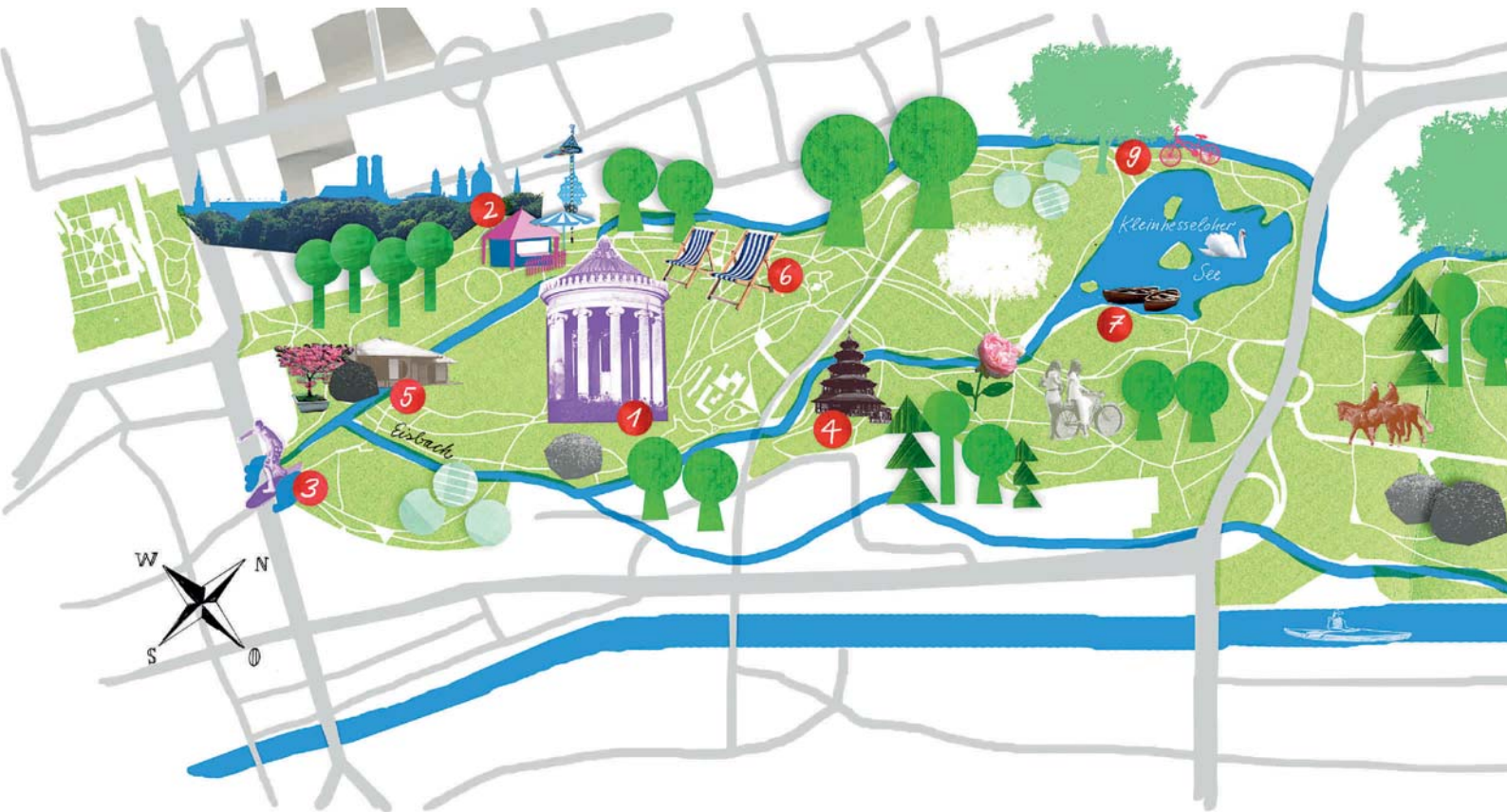
enough spends additional hours on public transport before and after), it's the best place in the world for taking a time-out. There are said to be New Yorkers – and there are, in fact, New Yorkers – who have never laid eyes on any piece of nature other than Central Park. These are people who can tell that it's spring because the park has turned green, and that winter is coming because the trees are losing their leaves. If Broadway is New York's main artery, then this green core of the Big Apple is its soul. Ringing Central Park are some of the most expensive →

Central Park

NEW YORK

- | | | |
|----|---|--|
| 1 |  | Carousel |
| 2 |  | Sheep Meadow |
| 3 |  | Zoo |
| 4 |  | John Lennon Memorial Strawberry Fields |
| 5 |  | Shakespeare Garden |
| 6 |  | Summit Rock |
| 7 |  | Great Lawn |
| 8 |  | Metropolitan Museum of Art |
| 9 |  | Public tennis courts |
| 10 |  | East Meadow with soccer field |
| 11 |  | North Meadow with baseball field |
| 12 |  | Conservatory Garden |

More space



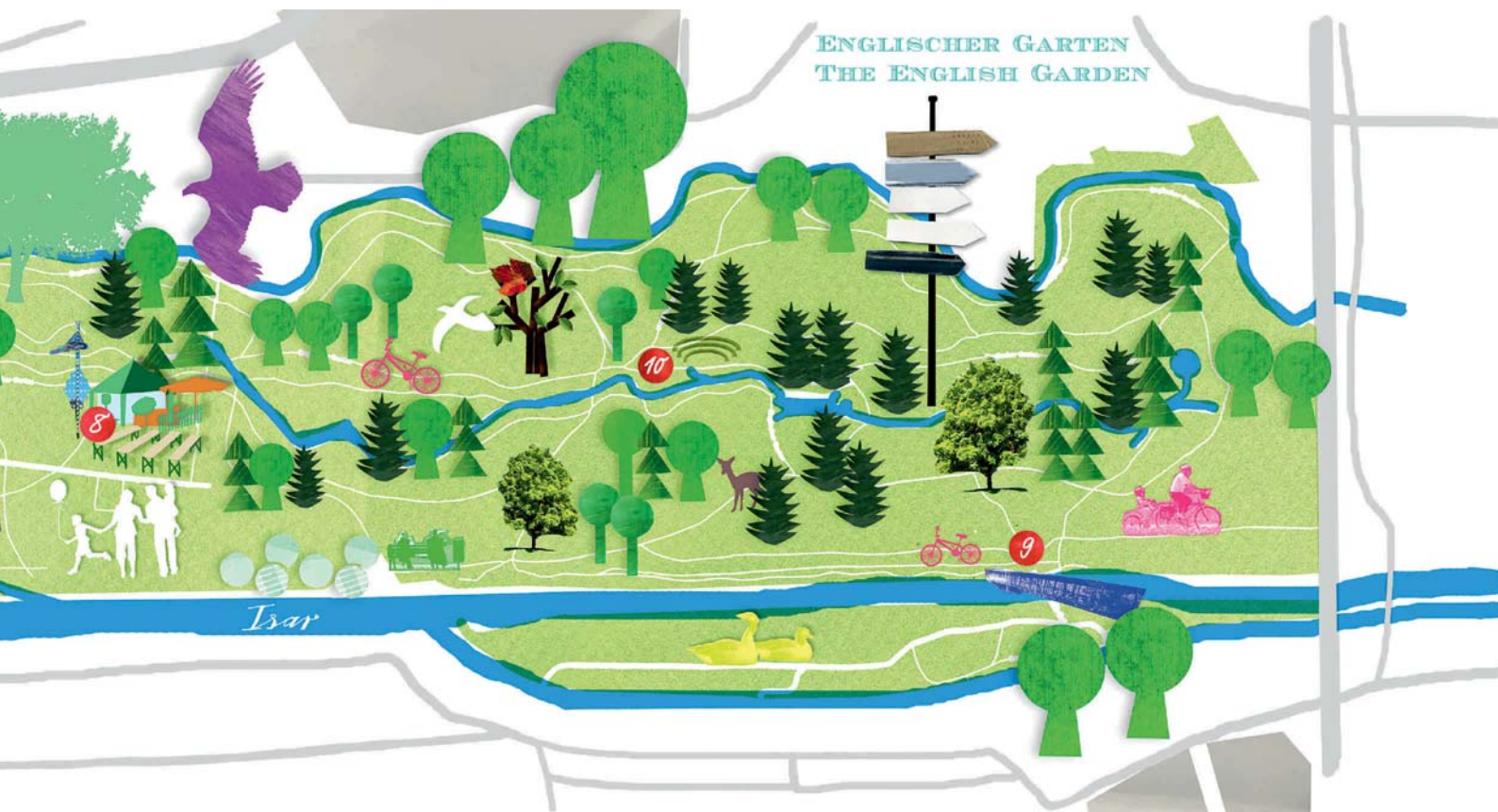
English Garden

MUNICH

- | | | |
|----|--|--------------------------------|
| 1 | | Monopterus viewpoint |
| 2 | | "Milchhäusl" organic kiosk |
| 3 | | Surfer's wave on Eisbach river |
| 4 | | Chinese Tower beer garden |
| 5 | | Japanese teahouse |
| 6 | | Lawn |
| 7 | | Kleinhesseloher lake |
| 8 | | Mini-Hofbräuhaus beer garden |
| 9 | | Bike path |
| 10 | | Amphitheater |

houses and rental apartments in the western world. Because of this, a few years ago someone calculated its worth based on their own property value and came up with the mind-boggling sum of USD 528,783,552,000 (if you find all those commas confusing, that's about USD 530 billion). But, naturally, the true value of a park in the middle of a major city ultimately cannot be determined. A park in the midst of a metropolis is one of the things that can't be bought. They are priceless, and in fact, an outrageous luxury – just like every minute you can manage to steal away from a 12-hour workday. To sit on a bench in front of a fountain and slow the world down to normal speed. To break away from the hectic pace of meetings, video conferences and text messages long enough to enjoy a cup of cappuccino. To meditate. To tune out.

Other major cities also afford themselves a green sanctuary like Central Park, in order to do something good for their citizens. Bangkok has its Lumpini Park, Dublin the Phoenix, London has Hyde Park, and when Hong Kong's business people want to see a bit of green during lunchtime, they go over to Kowloon Park. For anyone living in Hong Kong, or any other Asian metropolis, the idea of an undeveloped piece of land the size of a football field in the middle of the city is practically unimaginable. And if board games or Tai Chi exercises are offered



under blooming fruit trees, visitors could hardly ask for more. In the end, it always seems to be this very longing for a little nature within the megalopolis that makes these “green lungs” such coveted places, and why business people are unable to resist going there between meetings, even if it’s only for a couple of minutes.

In the late 18th century, Munich’s English Garden was one of the first city gardens in the world to be opened to the general public.

This is the way it is all over the world, including Sydney, Australia. For their lunch breaks, the city’s business people have several piers and highly stylish harbor cafés to choose from. But they prefer to lie on a picnic blanket in Hyde Park and watch the cockatoos as they scurry through the tops of the trees, swooping daringly like remote-controlled model planes.

How very different Ryoan-ji Garden in Kyoto is! It’s not a city park in the western sense, but rather a Zen garden about which books are written and philosophers ponder. You don’t have to know anything about the art of Zen to

enjoy it – a 20-minute lunch break is enough. Business people and ordinary Kyoto residents stroll through its finely raked gravel paths and gaze at its pruned shrubs or the famous gravel bed with stones that symbolize either the universe or vast emptiness – all or nothing. Zen gardens are places that have escaped from the world’s hustle and bustle. They have managed to thwart today’s hectic pace and get away from everyday commotion and the noise of machinery.

Interestingly, these sanctuaries of calm are often the very scene of turbulent activity. Places where the noise of the outside world has vanished – but the disquiet of the mind remains. You can observe this very well on a warm, late-summer’s day – on the grass of Munich’s English Garden, for example. This is also one of the world’s famous city gardens, and moreover was one of the first to be opened to the public at the end of the 18th century. Its popularity has continued to this day, with thousands of Munich residents taking advantage on beautiful late-summer days. Sitting there, with shoes and socks off and your toes in the grass, it is quiet, peaceful, and yet thoughts are running riot in your mind. They collide against each other, voices clatter, whisper, purr, scream and shriek. Those who seek quiet often only hear themselves to start with. But even this noise becomes muffled; it just takes a bit longer sometimes. Often we’re not even aware of it →



Ryoan-ji Garden

KYOTO

-   Wabisuke camellia trees
-   Stone water basin
-   Zorokuan teahouse
-   West Garden
-   Buddha Hall

-   Hojo (abbot's quarters)
-   Zen rock garden
-   Kuri (priest's quarters)
-   Chokushi-Mon Gate
-   Kyoyochi pond
-   Sanmon (main gate)

You don't have to know anything about the art of Zen to enjoy Ryoan-ji Garden in Kyoto – a 20-minute lunch break is enough.

until we suddenly feel something is amiss, when in fact it's only the quiet. This is another thing that makes parks so important: the calming effect of the smell of grass, the sight of a flower or the quiet babbling of a distant brook. The fact that your own office building might be located right behind the trees doesn't bother anyone at all – it may as well be in another world.

The visible proximity to the working world, the skyline of skyscrapers behind and above the treetops and the feeling of being in a kind of bubble – this is also part of the magic of a visit to Central Park. You notice how the city presses in around the park, but rest assured that it can't be harmed. It's actually a miracle that Central Park still exists, given that inventive speculators have tried ever since it opened to use the green lawns for all manner of profitable projects. But New Yorkers love their park so

JOURNEY OF DISCOVERY

Where can you go bathing in Central Park? Find the city sanctuary highlights at: www.audi.com/ar2009/cityparks

much that over the years they have prevented the construction of a horseracing track as well as that of an enormous theater. And when an online magazine recently published a satirical item about a planned city airport in the heart of Manhattan, a storm of protest followed. That says a lot about the love that people feel for their park. It should remain just the way it is, their Central Park – that's something New Yorkers are uncharacteristically unanimous on. And if another couple of benches are installed, all the better. ●

Stefan Nink has won the Columbus prize for travel writers five times. The world is his home.

“Being cosmopolitan to me is ...



... not only having a tolerant attitude – naturally – toward other cultures and perspectives; it's also a fundamental value of our society. For a company, being cosmopolitan is also a crucial economic factor.

Internationalization and globalization are aspects of great importance to Audi – especially for the purchasing division. And one of our strengths lies in being able to act within the framework of a worldwide group of companies.

Because a global manufacturing network also requires a global supplier environment, we want to acquire the world's best and strongest suppliers for ourselves. Audi is also a company that feels and exhibits a strong sense of responsibility toward both its German home and its employees. 'German engineering' continues to be highly valued around the world. But 'made in Germany'

alone would lead us into a dead end. We have to ensure that profitable production will continue to be possible in our country.

This makes it essential to continue promoting our internationalization. Even so, outsourcing abroad is not an end in itself, but rather is subject to the same clear economic and quality requirements as purchasing in this country.

We must succeed in combining the potential of the German location with that in production plants all over the world. In sum, this enables us to bring attractive, top-quality products onto the market at competitive cost. And that can be one result of being cosmopolitan.”

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

SONU SHIVDASANI

The entrepreneur with Indian roots, who grew up in Europe and Africa, today lives mostly in the Maldives and in Thailand.



“Suddenly, space is luxury”

With his hotel resorts, Sonu Shivdasani redefines pleasure. His guests look for a consumption experience not based on golden faucets. No longer is superexpensive wine the ultimate luxury, but salad that one harvests oneself.

INTERVIEW/ALEXANDER GUTZMER
PHOTOS/MICHAEL CLEMENT

Mr. Shivdasani, you come from an international background, your family is wealthy. So the topic of luxury is not new to you. What does luxury mean for you personally?

Sonu Shivdasani: My current definition of luxury is different from what it was 15 years ago. The idea I have in mind today is that of intelligent luxury. Luxury is that which is rare to us. It is different from one person to another. It is influenced, for instance, by childhood memories and the culture you come from. For people living in Asia, it has always been a luxury to visit European cities like Lisbon, Barcelona, Florence – very old cities that reflect, through their unique cultural history, high civilization.

Art as luxury?

S: Yes, this cultural depth is what people are looking for today. In general, it is the small things that count, and that form a certain contrast to normal life. This is the way in which I think of intelligent luxury.

What exactly do you mean by intelligent luxury?

S: I mean a kind of sensitive, sustainable consumption, preserving resources and the environment. That's what I call intelligent. The idea of what is luxurious depends on an individual's circumstances. In the 21st century, many people live in cities,



leading a rather stressful life in a fast-changing world. In this situation, new things matter: Suddenly, space is luxury. Or let's stick with the topic of environment and pollution: The reliable availability of fresh and high-quality produce is a real challenge and therefore a luxury. There is a desire to be

more sensitive to the environment. People want to buy intelligently. This is what the hotel business has to respond to.

What consequences do you draw from that?

S: We try to offer our guests a great choice, a great holiday experience and great

“Walking barefoot is very luxurious, because you can't do that easily in metropolises.”

Sonu Shivdasani, entrepreneur

quality. But we achieve all this in a sustainable way.

What about the old ideas of luxury?

S: The traditional concept of luxury was defined in the 19th century. People then had more time, and most of them lived in the countryside. For them, fresh

organic salad for instance was not rare. Today it is. When you live in Paris, New York or Shanghai, getting an organic salad picked fresh from the garden can be more difficult than getting a 1982 Mouton Rothschild.

Expensive wine is no longer a luxury?

S: We offer fine wines, too and the 1982 Mouton Rothschild incidentally is available. But fresh rocket salad from our own garden is more rare to our guests. It is also “true” – in other words something that they can cherish. People want to buy intelligently. This is why we do not fly our products in, but produce them locally. In our resorts, the branches from trees are used as compost.

And your guests cherish that?

S: Some of our guests argue that the salad from this soil is the best salad they ever had. People want to feel the product, rather than just consuming it. This is why direct contact →



“Human beings today are searching for a greater truth. They do not want to consume for the sake of consumption only.”

Sonu Shivdasani, entrepreneur

with our customers is very important to me.

You come from India. Does that influence your idea of luxury?

S: In fact, my background is both Indian and highly international. My parents are both Indian. They come from an area that today belongs to Pakistan, and

had to migrate. I was brought up in England, in a very English establishment, and spent three years in Switzerland. In this time, I learned to live as a cosmopolitan. Now I mainly live in the Maldives and in Thailand. So my wife and I have always been exposed to different cultures. This openness to

different cultures influenced me a lot.

Still, let me ask again: Are the ideas Indians have of luxury different from those of Western customers?

S: I think the idea people have of luxury mainly depends on the economic development of their home country. When you come from a rural background and suddenly become wealthy, you want to travel to different cities, maybe even show off your wealth. In this situation, you might prefer ostentatious, ornate environments. After a while, this changes. You then want the complete opposite; you prefer to be exposed to local cultures, to local people. You want a fine dining concept but also a local influence. You want purity.

And you satisfy this desire?

S: One of our catch phrases at Soneva is: no news, no shoes. When our guests arrive at our resorts, their shoes are taken away. Walking barefoot is very luxurious, because you can't do that easily in metropolises like London. It's relaxing and has a therapeutic effect. This is what we understand by luxury today.

Do the newly rich from the BRIC countries follow you in that?

S: There are people in India who have been rich for sev-

eral generations. Now they have become the country's super rich. They mostly like our ideas. But certainly, some entrepreneurs don't understand what we do. Consequently, some of our competitors offer the more traditional luxury: polished bathrooms, gold and marble everywhere, air conditioning and so on. Our resorts in the Maldives don't have air conditioning in the restaurants. People from cities want one thing more than anything else: fresh air. Take Toronto in winter: People there spend all their time inside, so they have no exposure to fresh air at all. Therefore, space is important for them. Business people in China or India live in crowded cities. And you know what our guests from India appreciate most? A clear view of the sky. Due to pollution, you cannot see the stars in India any more. This makes looking at the sky the ultimate luxury. So we built an observatory with an extremely powerful telescope.

So your Russian or Indian guests today have a different understanding of luxury than in earlier days?

S: Both Russia and India have changed a lot. Today, it is the people who make intelligent decisions that achieve success. And these are precisely the people who are open to intelligent luxury.

IDEAS OF A MODERN HOTELIER

Listen to the interview at:

www.audi.com/ar2009/shivdasani

Your resorts mostly cater for wealthy people. Is intelligent luxury also a concept for the middle class?

S: Absolutely. A lot of what we do is not terribly expensive, it just requires some initial thinking. Sand on the floor, for instance, is not expensive. Our philosophy SLOW LIFE is universal. SLOW LIFE stands for “sustainable, local, organic, wholesome”; and then

“learning, inspiring, fun and experience.” This is increasingly attractive also for less affluent people. Human beings today are searching for a greater truth. They do not want to consume for the sake of consumption only.

Is this the new corporate responsibility?

S: Definitely. We entrepreneurs have to be able to give

answers to our clients. People are not going to give up the idea of luxury, so we have to change the perception of what luxury is.

And you act on this responsibility?

S: One example: We have made our resorts carbon-neutral. We built a windmill in India that is supported by the money our guests pay. But we want more, we want to become a zero-carbon company. By early 2011 at the latest, the Soneva Fushi resort will rely completely on renewable energy.

Where does this new responsible thinking on the part of companies and customers come from?

S: From necessity. There aren't enough resources in

the world, we can't go on like this. 90 percent of predatory fish are said to have been fished already; we have to start restoring our oceans to the state they were once in.

This rethinking is essential especially for the tourism industry.

S: True. The environment is changing, and this has an impact on the travel industry. The Mediterranean Sea might at some point become unswimmable, being so full of jellyfish and algae.

Apparently, there is a whole philosophy behind your business idea.

Can that philosophy have an impact beyond the resort business?

S: Yes, we have such plans. We want to distribute the system that we have to produce Six Senses Water; and we would also like to supply the Maldives government with the solar panels that we use at Soneva Fushi. Also, we have designed a luxury boat with a diesel engine. Why not offer such boats for sale?

We talked a lot about wishes in this interview.

What is your last big wish?

S: I would be happy if our philosophy had a real impact, and if we could show the world what the SLOW LIFE concept can do. ●



SONU SHIVDASANI

is founder and CEO of the hotel management company “Six Senses Resorts & Spas.” His company develops, builds and manages luxury resorts and spas primarily in Asia. Shivdasani is the son of Indian parents. He studied English Literature at Oxford, and he also spent some of his early childhood in Nigeria and Switzerland.

More space



A reflection of his culinary philosophy: Michelin-starred chef René Redzepi focuses on the essentials both in and away from "Noma," his eatery in Copenhagen.



Less is more

More and more top chefs are developing an appetite for a new, down-to-earth form of cooking – and are elevating simplicity to an art form. Instead of lobster, foie gras and truffles, they are putting pumpkin soup on the menu.

COPY/PETER WAGNER
PHOTOS/DITTE ISAGER

He came up with the storyline for the international animated hit film “Ratatouille” and is a major role model for chefs all over the world. But anyone who manages to reserve a highly coveted table at one of top U.S. chef Thomas Keller’s restaurants needs to steel themselves before studying the menu. Instead of the usual prestige dishes of a classic three-star restaurant, they might find mussel stew with bacon being served, or even coffee and donuts. Keller, who runs two of the six top-rated gastronomic establishments in the United States, New York’s “Per Se” and the “French Laundry” in California, likes to transform typical everyday American fare such as macaroni and cheese or cashew butter and jam into an exquisite culinary experience.

Until recently, such escapades would have been unthinkable in Europe. Previously, the typical menu of a star-rated restaurant had to feature lobster, caviar or foie gras. The reason? “Because the Michelin Guide expects us to use French gourmet products.” That was the blunt explanation offered by leading chef Dieter Müller as recently as 2007 to explain why, apart from the Königsberger Klopse meat balls with deep-fried capers on his renowned amuse-bouche menu at Schlosshotel Lerbach in Bergisch Gladbach, “unfortunately there aren’t many regional specialties that work in a three-star restaurant.”

Quite a lot has changed in the meantime. More and more top chefs all over Europe are overturning the established canon of prestige ingredients. And in their vanguard are Germany’s elite chefs, who are developing a repertoire of home-style cooking capable at the very least of holding its own alongside the inevitable lobster, truffle and foie gras – and prepared with superb craftsmanship: Joachim Wissler from Bergisch Gladbach puts a new slant on lobscouse stew and cheesecake; at “Sonnora” Helmut Thieltge serves a variation on calf’s liver Berlin-style as an amuse-gueule, while Sven Elverfeld from Wolfsburg’s “Aqua” dares to put cod with mixed pickles, sauté potatoes and bacon on the menu.

It is important to point out that all these dishes bear little resemblance to the rib-sticking fare on which they are based, and in the hands of these top chefs they are certainly on a par with the haute cuisine old favorites such as lobster thermidor and glazed blood-stewed pigeon with foie gras and Alba truffles. Even though their ingredients seem simpler, they demand at least as much concentration, culinary expertise, and dedication to prepare. Assembling them sometimes even demands much more creativity than simply shaving a

stars in November 2008, closing down “Les Maisons de Bricourt” in Cancale, France, held by many to be the best fish restaurant in the world, so that he could prepare similar dishes without all the fuss at his second restaurant, “Le Coquillage.” His fellow chef Alain Alexanian sold his star-winning “L’Alexandrin” in Lyon, France, in 2007 and has since been touring regional producers to research old recipes and methods of preparation. He is using this lost and now rediscovered knowledge in his capacity as gastro advisor with an organic

“Whoever dines in my restaurant should know that they’ll only find such food in Copenhagen.”

René Redzepi, Michelin-starred chef in Copenhagen

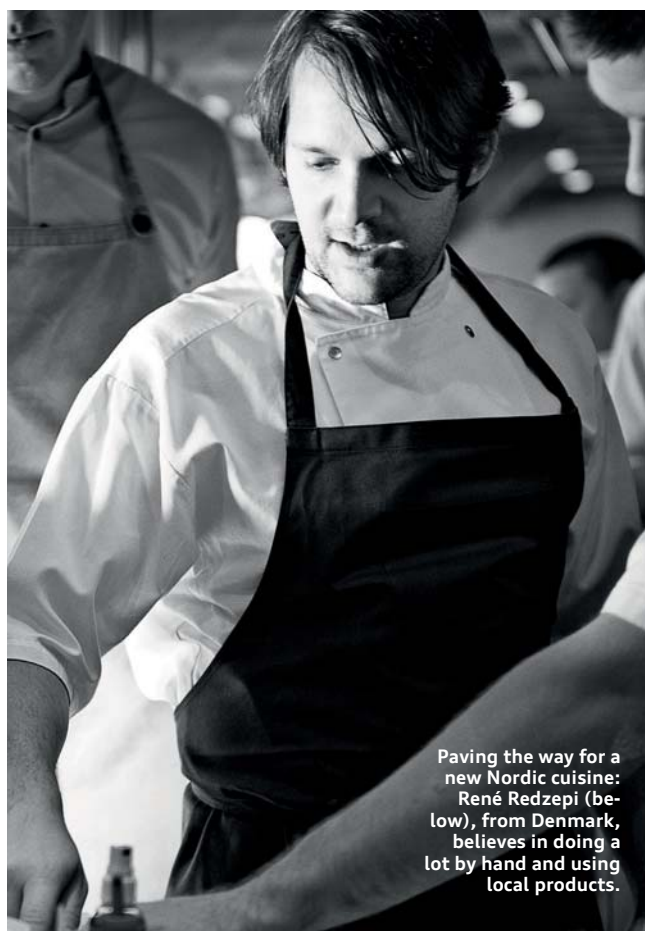
100-euro truffle onto a plate – as Holger Stromberg, chef of the German soccer team, well knows: “Unfortunately, most young chefs coming to work for me still assume that quality means a high price tag. But the more costly the produce they are let loose on, the sloppier they get.”

The main reason is the tradition of chasing Michelin stars. The Michelin Guide is an esteemed French institution that focuses squarely on the cuisine and luxury produce of its home country. The gourmet branch of the tire manufacturer has been awarding its legendary stars since 1926, according to the same time-honored model, as a guide to motorists with a penchant for fine food: Three stars means a restaurant is “worth the trip,” two stars means “worth a detour,” and one star rates as “interesting.”

But even in the home of the connoisseur, more and more gastronomes are becoming “gastrosophes” and rejecting all the toil and anguish of pursuing three stars in favor of rediscovering the pearls of traditional cuisine. Some of them have even gone so far as to close down a starred restaurant so that they can start cooking precisely what they want elsewhere, without the pressure. The Breton master of fish and spices Olivier Roellinger gave up his three

slant – for such clients as the “Hi Hotel” in Nice, on the French Riviera, and the public cafeteria of the St. Joseph Clinic in Lyon, which uses exclusively organic produce. “I want to offer the young generation a new, healthy form of cuisine that is in harmony with the environment and affordable.” The latter motive also prompted Alain Senderens to close his gourmet paradise, “Lucas Carton,” after 28 years and to reposition himself with the “Senderens” bistro: “I’ve lost my faith in a system that leaves diners with a bill of 400 euros. From now on I want to do simple cooking, without all the frills. I want a restaurant that is in keeping with the times but which still offers very good quality and has a few surprising innovations.”

There is much more to this new desire for simple cuisine than just a resurgence of what the Germans call “luxe,” that modish blend of luxury and asceticism that culminated in tawdry concoctions such as curry wurst with gold leaf and champagne. Rather, the latest penchant for new luxury is more likely to focus on transforming regional products into delicacies using haute cuisine skills: chops instead of Kobe beef, and calf’s head instead of foie gras. For all the differences between their dishes and tastes, one belief above all unites leading gourmands →



Paving the way for a new Nordic cuisine: René Redzepi (below), from Denmark, believes in doing a lot by hand and using local products.

VISIT TO A MICHELIN-STARRED CHEF

Take a look over René Redzepi's
shoulder in the kitchen:

www.audl.com/ar2009/topchefs

from North Cape to Sicily: Any chef aiming to achieve the very best will need to demonstrate profound background knowledge spanning product qualities, preparation techniques, cooking styles, and flavors in order to create dishes that can easily hold their own against the luxury specialties of the connoisseur's Mecca, by using honest, ecologically healthy ingredients, which are primarily local produce.

One such chef is at work in the Danish capital of Copenhagen. Despite his outright rejection of prestige ingredients, a radical focus on Scandinavian produce and the casual, relaxed decor of the restaurant, devoid of tablecloths or silverware, he has just been awarded two stars: René Redzepi's "Noma," voted one of the best eateries in the world in 2009 by the British magazine *Restaurant*, is one of the hottest tips on the planet for gourmets. This Danish chef, of Macedonian descent, views himself as a pioneer of "new Nordic cuisine" – wild cloudberries instead of tomatoes, rapeseed oil instead of olive oil, truffles

Berlin. Only in Copenhagen. Top-class cooking is entering a new phase. I like to call it the eco phase. Prior to that, it was all about opulent luxury: truffle pâtés, caviar with champagne sauce – all very heavy, and all very French." It should be said that for all its rigor, among its one-star restaurants the Michelin Guide has always demonstrated somewhat more latitude towards those choosing to do things their own way. The Hamburg-based Sicilian Anna Sgroi, for instance, earned a Michelin star for her "Anna e Sebastiano" restaurant in 1990 – the first Italian restaurant in Germany to receive that accolade. She now cooks with incomparably fearless purism and authentic produce at her current restaurant "Sgroi." Lentils, sardines, pumpkins – all ingredients from Italian peasant cooking that Sgroi prepares to sheer perfection and serves with sophisticated but unpretentious style. "In the end, I think I was awarded the star for what you taste with your tongue, and not for fancy arrangements of foams, dabs of sauce, towers and so on. I don't confuse flavor with pretty looks. For me, luxury is about bringing together three perfect ingredients on a plate." She has kindred spirits in Annie Féolde, legendary three-star chef at Enoteca

barren as the landscapes in northern Germany. Very little game is hunted, and the vegetables grown there are too rarely of a quality befitting a starred restaurant. Sgroi would love to obtain the meat for her signature dish, oven-roast kid, from the dyke farms along the North Sea coast, but they prefer to freeze the meat after slaughter for the most part. And "the Germans often let things grow too big. They grow their zucchini huge, by which time they don't have much taste, and if they rear a kid they let it get too big, and that makes the meat tough."

Sgroi's soulmate down in Swabia, Vincent Klink at Stuttgart's "Wielandshöhe," has been battling with the same problem for over 30 years. That is what prompted him to create a network of certified organic farmers, and he buys meat from producers such as the "Herrmannsdorfer Landwerkstätten" – among other reasons because they slaughter calves when they reach 80 kilograms, not the usual 120 (see page 71). Klink uses every part of the animal: "I'm not averse to serving up melts as a blanquette of veal. A lot of people still have some notion that there are 'inferior cuts of meat'. But if an animal is reared in a manner appropriate to its species, every part of it is of high quality. I even have sworn vegetarians coming to me to eat meat once a year." Klink, like Sgroi, rejects the primacy of the visual: "We are not a temple of gastronomy – in fact, the very expression turns me off. I avoid any ornamentation or artificiality. You always know exactly what product you have on your plate." Individuals such as Klink, Sgroi and Redzepi would therefore have no reason whatsoever to relinquish their stars. Strictly speaking, they cannot do so anyway. When Alain Senderens wanted to surrender his three-star status, the otherwise rather evasive Michelin Guide editors were moved to comment: "No, Michelin stars cannot be handed back because they belong to Michelin, not the person being honored." It then promptly admonished the chef in its own inimitable way: Just half a year after opening, the "Senderens" bistro was awarded ... two stars. ●

"For me, luxury is about bringing together three perfect ingredients on a plate."

Anna Sgroi, Michelin-starred Italian chef in Hamburg

from Gotland instead of Périgord, apple vinegar instead of balsamic, reindeer instead of Ibérico pork, served with musk oxen tartar on a bed of moss, or sheep's milk mousse with sorrel gratin. Writing in the weekly newspaper *DIE ZEIT*, Germany's most famous restaurant critic, Wolfram Siebeck, was blown away by the "incredibly painstaking cooking that is as impressive for the handiwork it requires as for its underlying vision of the future of cuisine." Redzepi discovered his self-imposed restrictions to be the key to a new concept of luxury: "I found out that there are 150 different types of horseradish here in Denmark. Whoever dines here should know that they'll only find such food here. Not in Paris, Amsterdam or

Pinchiorri in Florence, and the South Tyrol chef Herbert Hintner, who has held a star for 15 years in the northern Italian village of St. Michael/Eppan "by bringing tradition up to date" – and if that means using bacon, flat bread, and smoked meats as key ingredients, then so be it. Hintner knows full well that "it is illusory to believe we can cover all our requirements just by buying produce from the nearest farm." The "quest for a soul in our globalized society" that he perceives in his guests also reflects his own yearning for provenance and regionality – in products and recipes alike. While some colleagues are blessed with a bounty of ingredients at their disposal, Sgroi's local sources are as

What else is there?

TEXTS AND INTERVIEWS / **TOBIAS MOORSTEDT**

An ever greater number of people are taking time out from the hustle and bustle of everyday life and work. Some even choose to leave their old life behind them forever. With great personal commitment they make use of the new found freedom to make the world that little bit better. Others focus on self-fulfillment or a complete lifestyle change. Here we present ten people who have realized their personal dreams. →



SEBASTIAN COPELAND

Star photographer turns environmentalist

It's a long way from Los Angeles to the polar ice. What takes a photographer from the capital of the stars and beach life to the North and South Poles?

Sebastian Copeland: I have been involved with the ecological movement for quite some time now, though most of the time in a passive capacity, fundraising in Hollywood. Then in 2003, more or less by chance, I was aboard a ship heading for Greenland, from which I was able to witness the

endangered ecosystem with my own eyes and through my own lens. A few weeks later I was in a production meeting for a cigarette ad, talking about lighting and backdrop design. And suddenly it dawned on me: I can't go on like this any longer. I have dedicated almost 100 percent of my time to protecting the environment ever since. Photography is now just a hobby.

Your photographs in the illustrated book *Antarctica: The Global Warning* are breathtakingly beautiful.

C: Antarctica is a foreign, exotic place. Anyone can take awesome photos there. The landscape takes its own picture. The iceberg drifting towards the sun is a powerful metaphor – the beholder senses that this enchanted world is in danger. I believe that in order to raise people's awareness of a problem as complex and long term as this, we need to connect to their emotions and higher spirit, and say: Look! This is how beautiful planet Earth is. And you are a small part of it.

In December 2009, you attended the Copenhagen climate summit. Is mankind doing enough to stop climate change?

C: Of course not. In early 2009 I was on an expedition to the geographic North Pole. We walked across the ice for 700 kilometers, on the legendary route taken by the North Pole explorer Robert Peary exactly 100 years ago. In another 100 years it will no longer be possible to take this route. The ice will have disappeared by then.

What makes a guy from California want to travel to the (perhaps no longer so) eternal ice?

C: I like places that cannot be reached by scheduled flight. I like expeditions, the preparation, the confrontation with antagonistic nature. At the North Pole you are so far removed from Earth you might as well be walking on the moon. Thousands of square kilometers of white void. Below me the deep sea. It is both the most magnificent and the worst moment you can experience.

ARMIN DIECKMANN

How I sold tea instead of cockpit modules

Taking time out in the midst of the 2009 crisis? As a development aid worker? I am a manager in the automotive industry, and in my opinion a crisis is perhaps the best moment to take a step back and reconsider what you are doing and how the system works. Until I turned 40 I had a pretty streamlined career as an industrial engineer, selling interior electronic systems and cockpit modules in Europe, China and the United States. But at some point I began to ask myself: What else is there? Faster, higher, further? Or alternatively: How can I let other people share in my knowledge? So I applied to “Managers Without Borders” and worked in Nepal for four months assisting a small social company that exports organic herbs to Europe to build up the business. The change from a global player’s headquarters to a small apartment in Kathmandu was obviously a shock to the

“In the Himalayas I learned to take a bird’s eye view from time to time. Seen from above, problems tend to seem so small and easy to solve.”

Armin Dieckmann, manager and temporary drop-out

system. The language. The deprivation. The chaos. I was lost. There was electricity for just four hours a day and no mobile phone network. But you learn from every experience: You don’t have to write 100 e-mails every day. The company runs a training farm and works with a small population of extremely poor forest nomads with superb knowledge of medicinal herbs and ancient trees. The young entrepreneurs help them harvest the forest plants in a sustainable way and market them internationally in order to secure their long-term livelihood. My tasks included visiting the village elders in the remote mountain regions, and developing a sales structure and a kind of quality management system to ensure that the products meet European standards. But just as important as the business meetings were the chats over tea with the natives and local staff. My reason for visiting Nepal was to give something to others, but I received so much more in return. In the Himalayan mountains I learned to take a bird’s eye view from time to time. Seen from above, problems tend to seem so small and easy to solve.



ERICH STEKOVICS

Savior of threatened tomato varieties

Do you actually have a favorite tomato?

Erich Stekovics: Oh, that is difficult to say. After all, we have some 3,200 different seeds in store. I do like the “Yellow Currants,” however: small, yellow balls, very sweet, with a hint of hazelnut. The plant is originally from Peru and is over 1,400 years old.

On your farm you grow all shapes and sizes of peppers, tomatoes and chilies. Are you building a kind of Noah’s Ark for vegetables?

S: In recent decades, 80 percent of well-known tomato varieties have disappeared from cultivation. Future generations would be very reproachful if we were to lose this genetic resource. Many of the old varieties not only taste better, they are also easier and cheaper to cultivate as they need neither fertilizers nor pesticides.

How did you discover your passion for collecting?

S: When I was doing my community service I worked with cancer patients who kept telling me they wished they had time to do the things they loved. It was my wake-up call. I wanted to see a large variety of plants growing. Each year I could cultivate the best 50 varieties of tomatoes. But that is not enough. I want to grow something different on my land each year. I often travel to America or Eastern Europe to do research, to look for old varieties on farmers’ markets.

You also run tasting events?

S: Yes, I do. And many people actually have tears in their eyes when they experience the flavor of a tomato that seems to have come straight out of grandma’s garden.



ANTHONY KENNEDY SHRIVER

Working with the intellectually disabled instead of politics

From his desk, Anthony Kennedy Shriver can see his very own “Wall of Fame.” Photographs, newspaper clippings and election campaign posters featuring his famous relatives make up a collage of grand politics, human tragedies and modern myths. However, the souvenirs are not there to impress visitors but to remind him “that I come from a family in which public service forms an integral part of our upbringing.” Unusually for a Kennedy, the 44-year-old is not pursuing a career in politics. Since 1989 he has, instead, been running “Best Buddies,” whose aim is to integrate people with intellectual and developmental disabilities into society through one-to-one friendship matches and integrated employment

“I established Best Buddies to make it possible for people with intellectual and developmental disabilities to live at the heart of our community.”

Anthony Kennedy Shriver, founder and chairman of Best Buddies

Like everything the Kennedys set their minds to, Best Buddies also made it big, now has more than 200 employees in 46 countries and an annual turnover of 30 million US dollars. Kennedy Shriver himself regularly attends football games with his buddy, for whom he arranged a job in a hotel 15 years ago. “He earns his own money and uses it to buy the

tickets,” says Kennedy Shriver. “This independence is incredibly important for him.” Naturally, people often want to know why he did not become governor or at least a senator. His answer is simple: “It does not take a political office to change the world.” Even as a child, he tells us, he realized that people with an intellectual or developmental disability are people like you and me, with the same dreams and ambitions. “Each time we took our disabled aunt along with us to church there would be whispering and we would get nasty looks,” he remembers. He founded Best Buddies to enable people like his aunt “to live in the midst of our society.” It doesn’t matter to him that his old college friends have long since got jobs in prestigious law firms and corporate headquarters, earning big money. “There is nothing more rewarding than the feeling of having a positive influence on the life of a fellow human being,” he says.

Kennedy Shriver is founder, Chairman and central figurehead of Best Buddies. The organization’s growth plans are ambitious. By the year 2020, he intends to triple the number of members receiving support from 500,000 to 1.5 million and operate in 120 countries. Yet his real objective is rather different: “Ideally, I would wish for a society in which there was simply no need for an organization like Best Buddies. We are working towards a society in which people with special needs are able simply to lead ordinary lives. Once we have achieved this goal, we will happily retire.”

KARL LUDWIG SCHWEISFURTH

Industrialist meat producer turned organic farmer

Stooping over the model of the farm, Karl Ludwig Schweisfurth glances at the fields with their small hedgerows, the red-brick barns and the enclosure housing plastic pigs and cows side by side. “Isn’t this beautiful?” asks the 79-year-old, who for 25 years now has been working at the Herrmannsdorfer Landwerkstätten on the ideal farm that “cares for the soil, appreciates hand crafts and respects the animals.” The agricultural shops supply bread, meat, cheese and sausages of the highest taste and health quality standards primarily to organic stores and supermarkets in Bavaria. Until 1980 the model organic farmer, who even turns up at his foundation’s Munich headquarters in the traditional Bavarian attire of Janker jacket and check shirt, was Germany’s meat king, employing 5,000 people in ten factories.

After World War II the trained butcher and business graduate experienced industrial meat production first hand in Chicago’s slaughterhouses. “It was brilliant and exciting,” he remembers. “There were conveyor belts, machines and fleets of trucks. Totally modern.” Schweisfurth brought the cutting-edge technology to Germany and transformed his parents’ butcher’s shop into a giant sausage producer. However, from time to time, when he became aware of the noise in his factories and of the stench and animal masses in the sheds, he had a “funny feeling that something is not

quite right.” When in the mid-1980s his children, who were supposed to take over the business, told him they wanted nothing to do with the meat factory, it finally got him thinking: “In rejecting my lifetime achievements, they relentlessly held up the mirror to me.”

Schweisfurth sold the company, established a foundation and set up the concept for the agricultural workshops. In the 1980s many consumers had no idea what ecological farming was. “People gave me odd looks,” Schweisfurth remembers. This was partially due to the fact that on the estate in Glonn he not only experimented with animal-friendly husbandry and ecological agricultural methods, but also lent his employees a hand and lived together with them, propagating a different way of working together. His children, by the way, were happy to take over their father’s fast-growing second business after all. Now retired, Schweisfurth has “no interest in playing golf or going on one cruise after another,” but is committed tirelessly to a responsible attitude towards the use of food and resources. He still spends several days a week in Herrmannsdorf, observing his animals, among other things. He is stubbornly dedicated to further improving the forms of husbandry. One idea is symbiosis, keeping pigs together on a pasture with other animals. “There is no more fulfilling way of living life,” he says.



BRITA KLAS

My summer on a mountain farm



Those who imagine life on an alpine farm as an idyll are unfortunately wrong. The ascent from the valley up to a height of 1,800 meters was for me, training to be a teacher, like a journey back in time. Not only because there is no cell phone reception, central heating or TV. At this altitude you are part of nature and live in rhythm with it. The work has to be done, day in, day out, no matter if it's dark outside, warm or cold, if the sun's shining or if it happens to be raining again. The farm I worked on as a dairymaid in 2007 has been run by a family for several decades. It's no surprise that people's values of discipline and hierarchy are very different up there. At least we have milking machines and electric fences now, which is more than can be said for 50 years ago. But the work is still hard: You get up at quarter to four every morning to milk the cows, muck out the sheds and make the cheese. During one summer, we turned 80,000 liters of milk from our 90 cows into 7.8 tons of cheese and 700 kilograms of butter. Although the farm is so far from the fast-moving, overcrowded city, you are never alone. You have to share the limited space there is with the other workers and hardly have any privacy at all. It's not easy, but the unity and sense of togetherness can certainly be a help when times get hard. I learned so much on the farm – and I don't just mean how to make cheese and mend fences. Above all I have become a good team leader and organizer. I have now spent my third season in the mountains.

PATRICIA PETAPERMAL

Broker starts over again

The attic of an Art Nouveau style building located on Munich's east side conceals Patricia Petapermal's treasure. On a shelf there is a small box bearing an inscription that reads "Gold." However, the sparkling metal platelets, tubes of paint and threads are not part of the 46-year-old's pension fund, but are the raw materials for her paintings. The attic functions as the artist's storage space and studio. The real

she remembers. However, in 1993, she spent six months in hospital after being hit by a car in London. "The accident caused me to rethink my life," she says. Patricia Petapermal was fed up of categorizing life into debit and credit and as a result enrolled at an art school. Today, she often spends entire

nights working on her colorful, multi-layered paintings. Oil paint is not the only material applied to the canvas – she also uses photographs, newspaper clippings, rose petals and silver threads. "I remix the material of life. Each picture is a window into a world of its own."

"The accident caused me to rethink my life."

Patricia Petapermal, painter

treasure for Patricia Petapermal is not her gold leaf supplies or the artworks that now fetch several thousand euros at auctions, but the fact that she is alive and able to paint. Born in 1963 of French and Indian parents, the artist studied economics and later worked at the Paris Stock Exchange. "I had a good life, a nice apartment,"





CONQUERING AMERICA

14,000 kilometers, 13 punctures – join Dirk

Rohrbach on a tour across the United States at:

www.audi.com/ar2009/lifedreams

DIRK ROHRBACH

My cycling tour across the United States

My journey began 30 years ago. I was eight years old and fascinated by the strange sounds and voices on the radio known as rock 'n' roll, as I was to find out later. In my adult life, I have paid numerous visits to the States: traveling by car, flying across the prairie and deserts by plane, taking in the beautiful scenery from above, and going to see the last of the Sioux Indians in their reservations several times. However, I only truly got to know America when I explored the country by bicycle – a mode of transport entirely untypical for Americans. For six months I traveled from Tampa to Seattle, saw the Pacific Ocean, turned around and cycled back to the East Coast.

To the Americans I was a nutcase, a hermit in cycling shorts. However, as soon as I had convinced people in Tennessee or Montana that I was harmless, they wanted to know more about my journey. I was overwhelmed by people's hospitality, many a time strangers offered me a couch or guestroom to stay, and a primary school in Texas even invited me to talk about my trip. The days on the Pacific coast and in the Great Plains were the toughest. The road cuts through the landscape for more than

100 kilometers – it is dead straight, there is no house, no tree, no bend, you are all alone, battling against the wind. You really need a good deal of inner balance to be able to brush off the sweat and the pain in your legs. But then I saw the desert and the horizon – space, nothing but vast empty space. My goal no longer mattered: I was at one with myself.

“I only truly got to know America when I explored the country by bicycle.”

Dirk Rohrbach, radio presenter, photographer and medic

Ever since, I have been organizing slide shows to try and share my experiences with other people and perhaps give them some inspiration. To start living your dreams is so important. For many years, I worked as a medic and radio journalist, telling myself: “I can't right now, my job is going so well. Maybe next year!” And before I knew it, ten years had gone by. I think differently today. Which is one of the reasons why in 2010 I will be going on my next adventure, a tour down the River Yukon in Alaska in a self-built birchbark canoe.



MONICA JAMIESON

My sabbatical after living in a convent for 51 years

In 1956, I left the Glasgow School of Art to join Stanbrook Benedictine Monastery in Worcestershire. I never once doubted my decision to devote my life to God, even if initially convent life seemed very gloomy. We wore veils, were silent for most of the day and were only allowed to speak to visitors through metal grilles.

Throughout the years art remained a great passion of mine. However, because of community duties I was unable to spend much time in the studio. In 2007, after 24 years, I resigned as the abbess of Stanbrook. It is customary for the former abbess to leave the convent for a year to give her successor some time to settle in. This period is usually spent in a different convent; however, I knew this was my chance. So I asked for a sabbatical and enrolled

at a school of art and drawing in London. This plan took everyone by surprise. I spent a year working at the school, during which I lived in a small convent in Shoreditch. The culture shock was greater than expected.

“The year spent at art school was an unexpected gift in my life.”

Monica Jamieson, nun

London city life is very different from convent life. Every bus journey, every walk was an adventure for me. But after three months I had grown accustomed to my new way of living. I got up early and said my prayers, but obviously I could not practice the

monastic discipline of silence. Of course there was considerable interest in my lifestyle from staff and young fellow students. But that is only natural; for my part I was fascinated by the fast and cosmopolitan city life. My work as an artist was always the primary focus. It felt good. Soon I was able to enjoy what London had to offer. There were regular classes at the National Gallery and I visited many other galleries and several museums. I have been back at the convent for over a year now and I miss all the opportunities that I had in London: I miss being in touch with other artists. And I miss drawing: people, donkeys, parrots. Most importantly, however, I am today in a position to put what I learned into practice. Right now, I am working on a mural for another English abbey.

DOUGLAS TOMPKINS

The fashion mogul's second life

Douglas Tompkins is wearing a beret and dark rubber boots. At 66 years old, he no longer fits the image of the fashion market superstar he once was, but then again the southern Patagonian wilderness is not exactly the right kind of backdrop for fashion and short-lived trends. Tompkins has long since swapped his executive office at textile groups The North Face and Esprit for a civilizing outpost in South America. From his window he no longer looks out at big city skyscrapers “but the snow-covered peak of a volcano situated at the end of our valley.”

In his youth Tompkins, who hails from the United States, was an excellent mountaineer and a world-class skier. Later he founded a climbing school in California, the equipment company The North Face and ultimately, together with his then wife, the lifestyle brand Esprit. Annual sales soon exceeded the one billion dollar mark, he was flying around the world opening one store after another. Until the turning point in the late 1980s, when Tompkins was angered by anything that was destroying the world. “I felt I was partly responsible for the socio-ecological crisis,” he says. Which is how his escape into real life began, as he refers to it. Having sold his stakes in the textile groups, he has since been trying to save the world – by buy-

ing part of it. He was primarily driven by the idea to purchase primeval forest in order to make it inaccessible for timber groups. He initially considered Canada, the United States and Norway, but then opted for Chile and Argentina. “I want to put a stop to this horrendous destruction of the countryside.” Since 1991 he has purchased more than 800,000 hectares of land in Patagonia and Northeast Argentina through a system of foundations – primeval forests, steppes, lakes, rivers, volcanoes, rugged coastal areas – and combined them to form several nature reserves. Parque Pumalín alone spans an area larger than the German federal state of Saarland. One of the biggest private landowners in the world, Tompkins does not use the area to grow raw materials or develop real estate projects. Rather, he prefers to leave nature to itself.

Today he lives in a modest house located on the edge of Parque Pumalín. “Luxury to me means being able to live in the rugged, unspoiled countryside,” he says. “As far as I am concerned there is nothing as poor as city life.” His first life as a businessman and fashion mogul now strikes him “as being somewhat surreal and long since past. In fact, that period of my life has become so remote that I sometimes wonder if that was really me.”



We are rethinking luxury.
What does that have to do with time?
Anyone who leaves time for their
senses will 'see' the world through
new eyes. For a doll carver in Prague,
every second spent at work is a
moment of self-fulfillment. In the
Audi Youth Choir Academy, young
people discover their voices.

MORE
TIME:
ENJOY MORE
CONSCIOUSLY,
DECIDE MORE
CONFIDENTLY,
LIVE MORE
INTENSELY.

The background of the entire page is a photograph of a forest. Sunlight is streaming through the trees at the top, creating a warm, hazy atmosphere. In the foreground, there is a field of young saplings, each marked with a red tag. The ground is covered with dry leaves and grass.

Economic (r)evolution

An environmental foundation established by Audi is working to protect the resources needed for the survival of humans, animals and plants. As evolutionary economists know, industry can also learn from nature.

COPY/ERICH SCHNEIDER

When the Audi Environmental Foundation was established, the occasion was marked by the planting of 36,000 oak trees northeast of Ingolstadt. Storms and drought had destroyed a forest of spruce trees there; now broadleaf trees are growing to replace them. In the course of the reforestation, AUDI AG will work together with scientists to determine the most favorable density of plants with regard to storing carbon and biological diversity. With projects like this, the Audi Environmental Foundation uses its five million euro endowment to promote development of environmentally sound strategies and technologies outside the realm of automobiles.

We can salvage our natural resources – and achieve much more – by using innovation to protect the environment. Over millions of years, nature has developed survival strategies that companies can also profit from. Professor Carsten Herrmann-Pillath performs research in evolutionary economics at the Frankfurt School of Finance and Management. Psychologist Dr. Klaus-Stephan Otto developed the concept of evolution management, and offers consulting services to companies and organizations. These two experts explain here how nature can act as a guide for economic systems.

1 Diversity sparks the imagination

When many different organisms live together in nature, they produce both more and better innovations than do populations with low diversity. Hardly any ecosystem contains as many animals as the forest – with the tropical rainforest being an extreme example. Rich resources enable an enormous variety of species here. Crossbreeding between organisms constantly produces new prototypes, with only the best-adapted ones able to survive.

Diversity also promotes innovation in economic systems. The application of evolutionary economics is known as diversity management. “The more diverse the members of a group are,

the more effectively they can tackle a challenge,” says Herrmann-Pillath. For this reason, teams should consist of experts with different cultural backgrounds, specialty areas and personalities. The experts exchange ideas in a group and combine the individual aspects of their proposed approaches until they find the optimal solution. Nature produces innovations according to the same principle. If two organisms crossbreed, parts of their chromosomes, and the chromosomes themselves, are reconfigured. Only the best assimilated organisms survive – resulting in a continuous optimization process.

2 Crisis as an opportunity

A crisis can occur in nature, just as it does within an economic system. “During an ice age, many species die out; afterward, the rate of development for new species skyrockets,” Otto says. Nature reacts to a crisis with new construction plans, and organisms develop innovative ways to handle resources. Similarly, a crisis both sends shockwaves through an economic system and presents it with opportunities. Those that adapt quickly to changing conditions can also experience swift growth.

The potential in a crisis lies in its disorder. One example of this is seen in how metals form crystals. “Heat causes the structures to jumble together. New arrangements are created from this disarray during the cooling process, and at some point, crystal is produced,” Herrmann-Pillath explains. In an economic system, good things also often emerge from disorder. A crisis knocks markets out of their routines – creating an opportunity to leave old paths, seek new approaches and reshape the future.

3 Strength through partnership

Evolution means a merciless fight for survival. But the idea that only individual fighters are involved is misguided. Often, the successful organisms are those that enter into partnerships. One example from



↑ Green offspring: These seedlings will grow into robust oak trees.

← The Environmental Foundation supervises the reforestation of a forest near Ingolstadt.

nature is the bird that cleans the skin of hippos. Both sides profit, with the bird receiving nourishment and the hippo maintaining good hygiene. The sum of this symbiosis is the production of an ecosystem. Symbiosis can also lead to success in economic systems such as networks. This has been seen in California’s flourishing Silicon Valley (see page 94), a loose network of high-tech companies. “On the one hand, the companies compete with each other, but on the other, they are also networked through things like research projects,” Herrmann-Pillath says. As in nature, a healthy balance between competition and cooperation determines the stability of an economic system.

4 Courage to fill a niche

Evolution is the mother of invention. “Plants and organisms continuously reinvent their environments. In this way, they create niches where they can grow,” Herrmann-Pillath says. Darwin’s finches are a famous example of the development of new niches. To survive on the barren Galapagos Islands off the coast of Ecuador, these songbirds divided themselves into subspecies with different eating habits. Each type of finch has a different beak so that it can →

THINKING GREEN

How Audi integrates climate protection long term into its processes. Find out for yourself:

www.audi.com/ar2009/environment

focus on a certain kind of food. Specialization in a niche segment is also a proven strategy for success in an economic system. "A company needs to consider whether it should wear itself down in cut-throat competition, or create new niches," Otto says. However, there has never been a guarantee for successful innovation. For this reason, nature's strategy primarily demands one thing: courage.

5 Success through adaptation

As the environment changes, so do its inhabitants. When white dunes emerged out of the loamy ground of the Chihuahuan Desert some 6,000 years ago, the indigenous lizards wasted no time in shedding their dark skin in favor of a paler tone, thus camouflaging themselves from birds of prey. This holds true for an economic system as well: Those that adapt quickly and intelligently to conditions can not only survive, but can also outpace

their competition. Companies that ignored the Internet as a sales channel, for example, began to stumble in comparison with those that deployed online sales from the start. "If the environment changes, this creates selection pressure," explains Herrmann-Pillath. Two strategies are possible: Businesses may develop new technologies, or optimize existing ones. Usually, a combination of both strategies leads to success. Electric engines are not the only way to reduce CO₂; optimization of combustion engines is another option.

6 Sustainable use of materials

Even before a dying leaf has fallen from the branch, a tree begins withdrawing the nutritional elements contained therein. Once it falls to the ground, fungi, bacteria and worms break down the foliage, thus releasing valuable nutrients. Thanks to this perfect recycling process, one of

the oldest and biggest ecosystems of all – the forest – is able to maintain itself almost exclusively on its own. "In nature, there are many circular-flow economies of this type. A business can orient itself on that in order to conserve resources," Otto says. Recycling and reuse have long been a tradition at Audi as well, with most production waste being reintroduced for reutilization.

In sum, evolution means continuous progress – in nature and economic systems alike. A company that creates room for diversity, relies on partners, develops niches through innovation, reacts flexibly to change and conserves resources – such a company can not only survive, but can grow and flourish. Toward this end, the non-profit making company Audi Stiftung für Umwelt GmbH (Audi Environmental Foundation) actively works for the protection of our natural resources for survival. ●

"Sophistication to me is ...



... synonymous with: no compromising. And this is exactly how we manufacture each of our cars: in an unconditional pursuit of perfection.

This philosophy guides the processes of all of our production units; from toolmaking via the press and body shops to assembly, we focus on maximum precision. This is what accounts for the singular beauty that distinguishes every Audi. It's the result of the focused work and passion for automotive construction shared by each one of our employees.

Sophistication also refers to luxurious, exclusive materials that are precision-crafted to the highest technical standards. Our flagship, the new Audi A8, embodies our great passion for the finest details: unsurpassed handcrafting. We dedicate utmost care to even the smallest component.

For the wood inlay work, for example, the grains harmonize extremely well with each other – each edge is touched up once more by hand. The switches are fitted precisely and are free-moving; their quiet 'click' is the sound of technical perfection, as is the solid sound made when a door is closed. After all, sophistication is precision that you can experience with all of the senses – that you can see, hear, feel and smell.

To me, sophistication is emotion. Not empty words, but a true mindset. We at Audi build cars with utmost precision for people who experience them with all of their senses – without compromise."

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

More time

DESIGN ART

Designer Tom Dixon created the "Light Light" installation exclusively for the world premiere of the A8.

Leading-edge design as a new art form

Audi presented its flagship, the new Audi A8, at the very heart of the "Art of Progress" exhibition in Miami Beach. The brand thus forged a link to art and architecture.

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



Glamour and style: Audi boss Rupert Stadler and U.S. actress Lucy Liu present the new Audi A8*.

TEXT/VOLKER RACHOW

Miami is the pearl of Florida, the “Sunshine State.” And ever since Samuel Keller, at that time director of the renowned “Art Basel” fair, invented the “Art Basel Miami” in 2002, not only has the trade fair itself really taken off. The annual festival of art and design has made Miami a hub of the art world. Be it established artists or young design talents – they all flock to the American Riviera. To enjoy the platform afforded by the “Adrienne Arsht Center for the Performing Arts.” And with a little good fortune they may kindle enthusiasm for their work among the Rubell family, who in the Wynwood Arts District owns one of the world’s most important private collections of contemporary art. If trends get set anywhere, then here in Miami – and the art world could hardly have chosen a more pleasant spot. What better place to chat about art than between the 15 km sandy beach and the world-famous Design District north of

ILLUSTRIOUS GUEST LIST

The world premiere of the new A8* attracted many famous faces to Miami Beach.



Downtown. Americans, Europeans, and Asians love this leisurely atmosphere.

In December 2009, a very special building suddenly appeared in the midst of this melting pot of art and design. Audi erected an extravagant black pavilion directly next to the promenade on South Beach. It was ‘wrapped’ in white strips that fluttered gently in the wind and imbued the building with a real sense of lightness in the evening light. Hardly anyone could guess that inside, about 4,000 square meters of exhibition area were being created. The work of Munich-based architectural office “Design Company,” the edifice formed the exquisite backdrop for some 20 exhibits from the “Beg Borrow and Steal” exhibition of the Rubell Family Collection. Moreover, the 12-meter-high hall provided masses of space for the 850 or so international VIP guests. And placed the brand’s flagship, the new Audi A8, firmly in the limelight. The auto’s world premiere took place the evening before the “Design Miami/” and “Art Basel Miami” exhibitions opened. Five vehicles stood bathed in light in the white exhibition area. They included the aluminum space frame, the backbone of the new sedan – and an artwork in its own right. “Since leading-edge design has long since been acknowledged as being an art form, we see the link to art and architecture as a logical step towards the refinement of our brand,” said Audi Chairman Rupert Stadler, when welcoming guests to the evening. The motto of the private view: “The Art of Progress” – progress as an expression of art.

The evening was anchored by Lucy Liu, known for her role in the movie “Charlie’s Angels.” She welcomed on-stage among others Craig Robins, who has made a name for himself as the savior of many a historic building in Miami Beach’s Art Déco district. And countless Hollywood stars wandered about the show, such as Chris Noth (known for his role as Mr. Big in “Sex and the City”) and Christina Ricci (“Sleepy Hollow,” “Casper”). Needless to say, the Rubells were present.

As was Tom Dixon. The London-based designer created an impressive structure for Audi consisting of 159 aluminum lights and silver liquid lame fabric with weighted helium and hanging air balloons inside.

“Light Light” is, as it were, the lightweight version of light, gleaming expansively in the Audi Pavilion and dusting a series of fluoro-colored Dixon tables and benches as well as the neighboring A8 in a tender aura of lux and lumen. A few meters further and, peering over Mao Zedong’s shoulder, Joseph Beuys welcomed the guests. Life-size, made of synthetic resin. Part of an installation named “History Observed” by Li Zhanyang from Chongqing in China. And the real magnet among the works on loan from the Rubell Collection. Alluding to the exhibition title of “Beg Borrow and Steal,” the Audi brand borrows selected artworks and places them in a new context outside the world of art. And that functions both ways. “If our homes and apartments were only big enough, I imagine we would have cars all over the place as design objects,” declared renowned design professor Paolo Tumminelli. ●

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

THE FOCUS OF THE ART WORLD

Art Basel Miami is now widely considered one of the high-points of cultural life around the globe. The exhibitors include all the world's leading art dealers representing established artists and emerging talent alike. Design Miami/, which took place for the fifth time in 2009, is held parallel to the art fair. Audi is the exclusive auto sponsor of both trade fairs and also an exhibitor. The Audi Pavilion with the special exhibition on "The Art of Progress" – staged together with the Rubell Family Collection and Tom Dixon – was a satellite of Design Miami/ and Art Basel Miami.



Perfectly staged in the Audi Lounge: Audi also presented its new flagship at Design Miami/ itself.*

“Change is our mantra”

Audi Group design chief Wolfgang Egger speaks with design legend Hartmut Esslinger about the genius of simplicity, the crisis as an opportunity, the role of prototypes as test objects, and the stroke of luck to design a piano.

INTERVIEW / SUSANNE HOFBAUER
PHOTOS / DOMINIK GIGLER

The importance of design as a factor for the market success of innovative technology has been no secret ever since the triumph of Apple. The Californian computer maker first caused a stir in the mid-1980s with its Snow White design language. This design strategy was the brainchild of Hartmut Esslinger, who established the “frog design” agency in Germany in 1969. At the time computers were unattractive professional devices, their use by the masses nothing more than a vision. Today Apple is considered an example of how revolutionary product concepts implemented with uncompromising style can lead to sustainable social change. The Audi brand has also used design expertise to channel its powers of technological innovation in new directions. Socially, driving an Audi has become a synonym for style-consciousness and an affinity for technology. Design prizes and awards further underscore this success. Wolfgang Egger has been responsible for design at the Audi Group since May 2007. Showcars such as the Audi A1 project quattro, the Audi Sportback Concept and the Audi e-tron electric car study were created under his supervision.

Wolfgang Egger: We follow two approaches with our design work: First, we strive for a logical continuation of the product portfolio. Second, we regard design as provocation and as a vision of how a team contemplates innovations and explores all aspects of the car that can suggest changing use or a

changing environment. We want to provide answers to questions of mobility in the cities of the future, to questions of fuel consumption and potential drive systems. New drive systems, for example, lead to changes in vehicle architecture which we can explore in design experiments.

Hartmut Esslinger: The design processes differ relatively little from one area of technology to the next – leaving aside specific fields of expertise. Technology is often much more evolutionary than one thinks. Software systems, for example, are nearly eternal. The basic technology behind the Macintosh operating system has been continuously improved since 1984, but in principle has not changed fundamentally. It is therefore imperative that designers have the ability to imagine multiple options that could come to fruition in the future – more specifically, five to ten years ahead of their time – and nevertheless remain flexible in their creative strategies. Change is the mantra of the designer.

Egger: We Audi designers are also interested in creating dreams by making a car into an extremely emotional experience. In a sports car, it is the archaic experience of feeling speed and controlling lateral and linear acceleration. Because the engine makes this experience possible, we went to extreme detail with the engine of the R8, for example, to best maximize this potential for emotion. At the same time, we think about how we can also refine this deep emotionality for →

More time



Two creative minds on the same wavelength: Audi Group design chief Wolfgang Egger (left) and Hartmut Esslinger, the founder of "frog design," share an enthusiasm for simple and authentic designs.



concepts to save fuel and, as in the case of the Audi e-tron, how we can represent this with electrical energy.

Esslinger: The most important thing is to create something that people find to be fun. By the way, you can find out whether you have succeeded in doing so as early as the development phase by using children as test persons: Children are ruthlessly honest.

“Sometimes the return to simplicity and logic is the right step.”

Hartmut Esslinger, design legend

Hartmut Esslinger, 65, has shaped the modern world of consumer goods like no other. His more than 40 years of experience as a designer flowed into the 2009 book “A Fine Line: How Design Strategies Are Shaping the Future of Business.” The most important theses: To be successful as an innovative brand, design must be an integral component of corporate strategy. Creative strategies must be prepared thoroughly and well in advance. It is also necessary to form strategic reserves in case an idea doesn’t work out. Generally speaking, you should learn from setbacks, and adaptation can prove to be a clever move. In addition, only the best is good enough. Being content with mediocrity is the beginning of the end. Design has nothing

to do with democracy, and everything to do with quality.

Esslinger: As a rule, every new company starts out innovative – for example with a new idea or a new business model. As the company becomes more successful, there is the danger that it will go on the defensive and try to preserve what it has achieved instead of continuing its pioneering work. The worst-case scenario is that the company ends up being all about figures and is run purely by controllers. As far as luxury is concerned, I also consider it an illusion that there can be luxury for everyone. In my opinion, something is not luxury unless the buyer has to make a certain sacrifice in order to afford the product – but can then take pleasure in an exclusive and exceptional object.

Egger: I feel that the premium concept is best embodied by plainness and simplicity. The authenticity of the materials also plays an important role. Customers are willing to spend money for natural leather tanned with rhubarb, for example, because it allows them to take a bit of their quality of life into the car with them.

Esslinger: Sometimes the return to absolute simplicity and logic is the right step. A keyboard on which you could type had long been considered essential for a telephone. Yet people are so much more skilled with their hands and are capable of playing the piano and creating sculptures. So we devel-

Audi Group design chief Wolfgang Egger met with design legend Hartmut Esslinger in a Munich loft to discuss the future of design language and creative strategies. Both agree: Less is often more, and only the best is good enough.

oped a telephone that reacts to gestures and specific hand and finger movements. At first our customer thought we were crazy, but in tests people thought it was great. If you are always making compromises, ultimately no one will believe you. And sometimes you just have to risk going for broke. To do this, you need courage and expertise.

Egger: The Audi A1 is a fantastic example of this. Looking back in time: Three years ago, we had a very advanced design study in the pipeline that we still didn’t find to be very emotionally satisfying, so we presented an entirely different concept car at the 2007 Tokyo Motor Show: the “Audi A1 project quattro.” As we always do with showcars, we observed how people reacted to the model. This gave us feedback as to which design aspects we should continue to pursue in the future. In any case, the public’s reaction to the concept car was overwhelming. Immediately after returning from Tokyo, we held an emergency meeting at which we completely revised the project and converted it into the new model that is familiar today. This change in course enabled us to develop a sense of future requirements before there was any talk



of a crisis, and today we are in a position to introduce a car to the market that is in step with the times.

Speaking of the crisis: Crisis is generally understood to mean a difficult and dangerous time. The Greek word krisis also means "decision or decisive turn." In other words, you can look at a crisis as a turning point at which a new course is set and a new idea can be accepted that would otherwise not have had a chance. The Audi A2, for example, showed the way of the future with its economical and ecological radicality: technically sophisticated lightweight design, a true five-door car with fuel consumption of three liters per 100 kilometers and a coefficient of drag of only 0.28. The Audi A2 was far ahead of its time, and production was stopped in 2005 after 170,000 units had been sold.

Egger: For me the Audi A2 is a vision whose sustainability is only now becoming apparent. In this respect I consider the crisis to be an enrichment, because we are now again focusing more closely on the true values of life. It is important to use energy prudently. That applies equally to our daily lives and to the car. However, this doesn't mean a change of direction at Audi. Lightweight design, driveability,

authentic materials – these all belong to our brand values. The A8 allows us today to look back on decades of experience with all-aluminum Audi Space Frame bodies.

Esslinger: One unintended positive effect of the crisis is the interruption of several completely senseless consumption cycles. Instead of simply buying "something new," people expect "something better and more sensible." Many companies are finally seeing the opportunity of extensive innovation, for example making digital products more user-friendly. It is also important to redefine the emotional quality of the products. We have to change our thinking and identify usage patterns that may initially appear unorthodox. We have a great chance to generate enthusiasm among our customers with a better and more cultured design.

Egger: Precisely. We are therefore essentially open to anything and are full of ideas. We believe that urban mobility in particular, allied with the necessarily compact vehicle architectures, and also micromobility are the important topics of the future. We observe how our customers' personal values and therefore their needs change. As part of the process of devising a concept for our vehicles, we conduct so-called "home stays" which enable us to get to know customers in their own surroundings. In this way we find out about their wishes, aesthetic preferences and – most importantly – their dreams.

We then translate this knowledge into actual mobility concepts and draw conclusions for our premium brand. Audi maintains an "external" design studio in the Schwabing district of Munich, where Egger and his people work

"We Audi designers are interested in creating dreams by making cars an extremely emotional experience."

Wolfgang Egger, Audi Group design chief

on innovative vehicle concepts as well as projects that have nothing to do with the car business. The Audi design team has designed skis, watches, sailboats and a concert piano, of which Egger is particularly proud. He pulls drawings out of a black portfolio, spreads them out on the table, points to the distinctive black cover that extends seamlessly to the floor on the left side of the grand piano. This wall reflects the bass toward the listeners.

Egger: When Lang Lang played this grand piano for the first time at our 100-year anniversary, a shiver ran down my spine. That was a new and entirely different dimension of the emotional experience associated with the Audi brand. ●

Susanne Hofbauer is an editor for *Autorevue* in Vienna. She is particularly interested in car design.

DESIGN SUMMIT

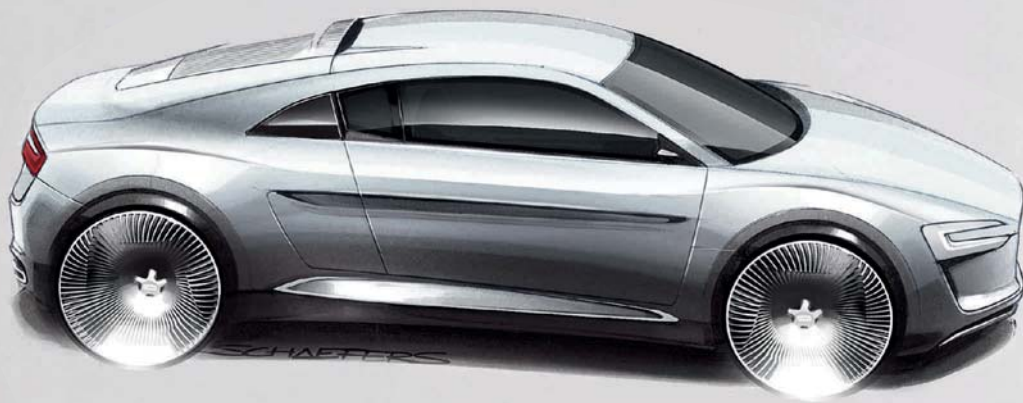
See Wolfgang Egger and Hartmut

Esslinger on video at:

www.audi.com/ar2009/design

Setting off for the world of tomorrow

The road to an electric vehicle suitable for everyday use remains a long one. Audi engineers, technicians, designers and economists are working on the subject at the e-performance project house. Suppliers are also involved. The e-tron sports car concept marks the first step.



Attention: Side mirrors are death to aerodynamics.
Suggestion: Install LED monitors in the A-pillars instead – because of viewing habits!



Their day normally revolves around gaps, aerodynamics and revs. But carmakers sometimes also have to contend with philosophical issues. One existential question is of particular concern to Stefan Sielaff, chief designer of the Audi brand: "Do we want to make an ecological statement with the electric vehicle, or do we want to follow the accustomed automobile aesthetic?" Not even Sielaff knows the final answer yet, but one thing is certain: "We are standing at the threshold of a paradigm shift," he says. "Times haven't been this exciting since the first cars replaced the carriage. We have the opportunity to make design history and engineering history at the same time."

This feeling that the time is ripe for groundbreaking ideas can be found everywhere throughout the Audi Group. Take Franciscus van Meel, for instance. The head of Project Steering/Strategy for Vehicle Electrification regularly withdraws at the end of the work day into a "secret war room" with other managers. The room is so secret that only the participants know if they have to leave the plant to get there. Once there they get down to the serious business: electrically powered cars.

Electricity has been a powerful topic for years at Audi. The e-performance project house was established in January 2009. Ricky Hudi, head of Electrics and Electronics Development, describes it as a "cross-unit pooling of expertise in order to address the essential themes of electromobility in project structures in an extremely short period of time." The project house's interdisciplinary groundwork includes launching in 2012 a small series of the e-tron electric sports car introduced at the 2009 Frankfurt Motor Show (IAA). Or the development of a plug-in hybrid – a drive system that combines a combustion engine with an electric motor, whose battery can also be charged through an electrical outlet.

"While other companies completely isolate the specialists for a certain period of time for such projects, our group constantly maintains a very strong connection with the company," adds vehicle concept chief Roman Schindlmaister. But it's about more than just the technology. "It's also a matter of changing something in the minds of the employees." Audi is taking a holistic approach and reinventing the electromobile from the ground up rather than simply retrofitting conventional vehicles. "And that means starting almost from scratch," says van Meel. Taking leave of the combustion engine, fuel tank, transmission and other

components provides more creative scope for the engineers. However, the core competence of lightweight construction remains crucial for efficient use of the available energy.

Everyone is forced to change their thinking, and that requires new forms of cooperation. Audi is using the project house to tap into the ideas and expertise of experienced supplier employees who are familiar with the peculiarities of batteries, for example, because they have been working for years at their companies on storage capacity. Also in demand is the expertise of telecommunications experts, who are pondering how to optimally integrate car-2-car communication.

Since October 2009, the e-performance project house has also enjoyed the support of a three-

"We try to put ourselves into the position of people who will drive an electric vehicle."

Franciscus van Meel: head of Project Steering/Strategy for Vehicle Electrification, AUDI AG

year, publicly funded project of the same name in which Audi is networking with scientists and industry partners. According to van Meel, "No one needs to be able to serve a finished meal to the others, but everyone should be able to cook." To make sure that no outsider oversalts the power-packed soup while seasoning it, the project house location is a completely secured area.

Even if Audi quickly manages to win the employees over to the idea of a new era, there still remains some rethinking to be done. More is required: It is not enough to simply drive an electric car. With respect to the CO₂ balance, the electricity used as fuel must also be generated in an eco-friendly manner. The holistic Audi approach therefore addresses not only the further development of all the systems associated with the vehicle, the Group is also working with energy suppliers and is analyzing investments in solar energy farms in the Sahara and wind farms in northern Germany. In short, the team appreciates any and all free and creative thinkers. Of course, zero emission does not mean zero emotion. "You have to possess the ability to fly off into orbit every once in a while," say Schindlmaister in explanation of the project house philosophy. Van Meel, who is ultimately responsible for putting the project house results into series production, sums it up: "We have to try to put ourselves into the position of people →



who will drive an electric vehicle so that we can identify what we need to do from a technical standpoint so that they feel good while driving it." Even the originators of electric vehicles, which have been on the streets since Thomas Davenport invented the electric motor in 1834, had to contend with battery problems: reliability, weight and of course range. Electronics enable today's batteries to last for roughly ten years, and new lightweight construction materials can offset the weight of the batteries, but range? The battery of a typical compact electric car can easily store the energy required for a trip of around 100 kilometers, and the

"A break with viewing habits needs time before it is accepted by the customer, of course."

Stefan Sielaff, chief designer of the Audi brand

average driver in Germany does not drive more than 70 per day – roughly equivalent to four liters of gasoline in a conventional gas tank. However: "Drivers get nervous with only four liters of fuel in the tank and immediately go to the nearest gas station. But suddenly they don't have more than that available to them when they set out in a fully charged electric vehicle," explains van Meel. Stefan Sielaff as a designer is also concerned with breaking conventions. "We are in the process of inventing a separate electric design language with the aim of completely breaking previous patterns. You have to imagine it like the change from the Renaissance to Baroque. Such a quantum leap needs time before it is accepted, of course." An important step on the road to acceptance and everyday practicality is that the electric vehicle must become a reliable partner. It must communicate the driving style and the route that will make

it possible to cover the entire distance out and back. It has to record locations where an electrical outlet might be available. It must signal if the driver forgets to hook it up to the electrical network in the evening. Why not by text message to the driver's cell phone? When charging, it must indicate when the electrical system is too weak and the charging process will take twice as long as planned – the requirement specification is long.

There is one thing that Audi customers will not have to give up: the accustomed level of comfort. At Audi an electric drive system does not automatically equate with austerity, although every additional kilogram of vehicle weight has a noticeable and adverse effect on the supply of energy on board and thus reduces the range. After all, the Group has a long tradition of lightweight construction with the aluminum Audi Space Frame, and this tradition is being carried on by the Audi Lightweight Design Center in Neckarsulm, where the engineers are also developing expertise with carbon fiber. Each part of the new electric vehicle is being developed specifically, all the way through to the optional extras. Innovation has priority over sacrifice. "The electric vehicle will become a status symbol," predicts Dr. Michael Korte, who heads the project house. Take the air conditioning system, for example. The Audi technicians developed something entirely new: a heat pump for the car that uses the waste heat of the electric engines to heat and warm up the interior. The e-tron also demonstrates that Audi will tolerate no compromises when it comes to dynamics. "Today your car is an expression of your position in society," says Sielaff knowingly. "Our sporty positioning plays right into the hands of the 'forever young' social megatrend."

As solid as some of the technical solutions already are, the specialists have to look into their crystal ball to see if demand for them exists and how the future will look. "If you believe the oil industry forecasts, the oil supply will be running low by the year 2050. We'll presumably be traveling under electric power by then, particularly in the megacities. Traffic will certainly be much quieter, and also safer due to advanced driver assistance systems and sophisticated car-2-car communication," says van Meel. By that time the e-tron will long have achieved cult status. But there will still be the secret war room – just like today. Because research never ends. ●

Roland Löwisch writes for Auto Bild, Ramp, brand eins, Focus, Playboy and Die Welt, among others.



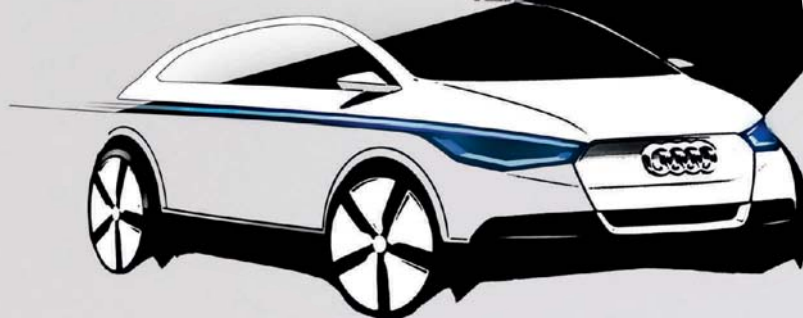
↑ Farewell to the engine block, transmission and fuel tank: Stefan Sielaff, chief designer of the Audi brand, is developing the first ideas for an electric design language.

← Discovery phase: Stefan Sielaff sees the opportunity for a design revolution.

LOOKING AHEAD
Rethinking the car –
more design sketches at:
[www.audi.com/ar2009/
e-performance](http://www.audi.com/ar2009/e-performance)

More time

Important: Electrical energy can best be visualized as light. What solutions do the technicians still have in the pipeline?



“Lightness to me is ...



... essential. It has been more than 15 years since we developed the first Audi A8. Its aluminum body based on the Audi Space Frame (ASF) was a revolutionary project. We took the long route of the pioneers, but we reached our destination. Audi is the leading brand worldwide in lightweight automotive construction. To date we have produced roughly 600,000 cars based on the ASF, far more than any other manufacturer. These bodies are up to 40 percent lighter than a comparable body made of steel, allowing us to reverse the weight spiral. Audi currently produces five models whose bodies are made entirely or primarily of aluminum: the R8, the R8 Spyder, the TT, the TT Roadster and naturally our flagship, the new A8.* Lightweight construction plays an important role in the efficiency of these cars. We reduced the fuel consumption of the soon-to-be-available 3.0 TDI with front-wheel drive to an average of only six liters of diesel fuel per 100 kilometers –

a sensational value for a sporty sedan that impresses with its exceptional quality and craftsmanship. Lightweight construction remains a comprehensive task and a strategic project for Audi. Even though our efficient TDI and TFSI engines will continue to play a major role for a long time to come, we are trusting in electrification in the long term. For instance, we are currently hard at work on hybrid versions of the A8 and Q5, and also our fully electric Audi e-tron. However, an electric drive system comes at the cost of substantial additional weight. In order to nevertheless provide the dynamics and efficiency typical of Audi, we cut this weight from other areas. Our expertise in lightweight construction already gives us a huge lead today, and we will continue to extend this lead.”

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

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

A CAR FOR THE ROAD
Come along on the maiden outing on the Pacific Coast Highway near Los Angeles:

www.audi.com/ar2009/e-tron

Explosive acceleration, an amazing 4,500 newton meters of torque – and all you hear is a light humming.

High-voltage on the asphalt

The Audi e-tron concept car gives you a foretaste of the sports-oriented future of electromobility. A test drive with watts, volts and emotions.

COPY/MICHAEL KIRCHBERGER

A delicate hum fills the air. The selector lever clicks into the "Forward" position and a gentle jolt causes the body to tremble. And then the pressure on the accelerator in the footwell dials up the thrust that quickly brings the car up to speed from a standing start. The high-tech drive system accelerates the car, which weighs around 1,600 kilograms, from 0 to 100 kilometers per hour in 4.8 seconds. The pressure pushing your upper body back into the contoured seat must be similar to that in a supersonic jet. Yet all you can hear is the mumbling of the passenger. Isolated words like "unbelievable" or "amazing" can be plainly heard because

the drive keeps the noise down to a subdued whistle hardly louder than when a computer fan is switched on. At higher speeds the only sounds are the rolling noise of the tires or the tempestuous rush of the slipstream. There's no multi-cylinder V engine screaming under the sloping rear hatch of the vehicle – the heart of this car is a battery. The drivetrain puts out 230 kW (313 hp) and 4,500 newton meters of torque. For comparison: Among the ranks of the supercars and muscle engines, torque values greater than 1,000 newton meters are considered to be physically difficult to contain. Audi therefore drew upon long-standing virtues. The wheels are powered directly by elec-

tric motors. The short distances that the torque has to travel between its generation and meeting the asphalt reduce friction losses. Hardly a newton meter is left behind. As much as the acceleration promotes the rush of adrenaline, the innovative drive system does just as much to bring the pulse back down. Depending on the driving situation, the assembly supports, brakes or corrects. The intelligent electronics direct power to the wheels to always ensure the best possible dynamics and safety. This also provides maximum enjoyment for the driver when they discover how delivering more torque to the outside wheels while accelerating out of a corner pulls the car around the corners as if it were on rails. The e-tron is glued to the road and pulls through corners as if the gods of driving physics had braced their hands against the flanks of the tires in support. The electronics already begin monitoring traction while accelerating from rest because "there isn't a mass-produced tire available today that could withstand it if the motors delivered their maximum torque unfettered," explains an Audi engineer. The controller therefore monitors the steering angle of the wheels – to prevent damage to the suspension mountings, for example – and measures wheel slip, from which it derives the grip on the road surface.

The suspension plays along charmingly. Taut, but not uncomfortable. Very few prototypes exhibit such balance – and even more can be expected of the production vehicle. The brakes bite hard and powerfully, yet their calipers are applied with great precision to the four lightweight composite disks. The disks shimmer with a delicate gray through the spokes of the high-performance wheels developed specifically for the e-tron. They are however only used for severe braking. As soon as the driver backs off the thrust, the polarity of the electric motors is reversed and they act as generators. The recuperated energy is fed back into the batteries as electric current. This is good for a few more kilometers of range.

The Audi e-tron electric supercar is based on the lightweight aluminum body of the R8, which is ideally suited as the platform for the innovative electric technology. Lightweight construction and sophisticated aerodynamics are important properties that reduce energy consumption and thus increase range. The e-tron has to lug around a heavy load, which is located directly behind the

tailored seats covered in soft, exquisite leather. The lithium ion battery weighs in at 470 kilograms (a powerful V8 engine weighs barely half that), has an electrical capacity of 42.2 kilowatt hours at a voltage of 400 volts and is good for a range of 248 kilometers. The placement of the battery is excellent in terms of driving dynamics and is also safe in the event of a crash, as already computed by the developers in countless computer simulations.

But the charged battery has another entirely different set of requirements and exhibits almost human traits. Its capacity decreases if it gets too hot or too cold. 25 degrees Celsius is optimal. The battery therefore has its own water-filled cooling loop. Three additional loops provide thermal management for the motors and the power electronics. A series of flaps in the single-frame grille and in the flanks, as well as extensible cooling ribs above the rear of the 4.26-meter-long and only 1.23-meter-tall electromobile direct cooling air from the slipstream to the motors. Side mirrors are death to aerodynamics, which is why the designers have done away with them on the e-tron. Instead, tiny cameras snuggle tightly against the outside of the A-pillars and project their images into the cabin. The small four-inch displays sit at the exact point to which the driver's eyes move while changing lanes: to the front window frame of the driver's and the passenger's door. The break with our viewing habits shouldn't be too sharp.

A heat pump system regulates the cabin temperature to relieve some of the burden on the energy system. Lightweight, quiet and very responsive, the heat pump helps e-tron drivers to keep a cool head, while an LED charge status indicator mounted on the center console (which no longer houses a cardan shaft but gives the body greater torsional rigidity) keeps them informed at all times. The charge status of the battery is represented by either a flashing red light or a steady green light.

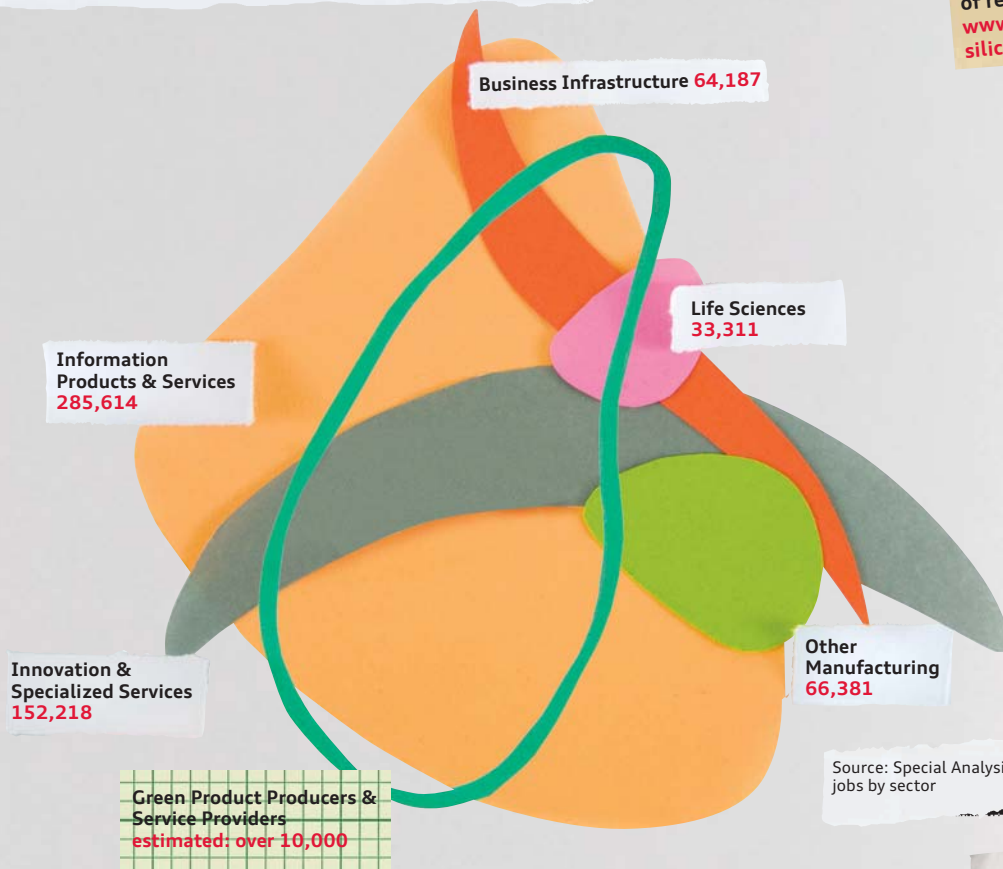
Although the e-tron units in existence already have a decidedly sporty character, the developers still have a long way to go. The car is scheduled to go into series production in 2012. ●

Automotive journalist Michael Kirchberger enjoyed the test drive in the Audi e-tron along the Pacific coast of California.

JOBS IN SILICON VALLEY BROKEN DOWN BY SECTOR

Green business is also taking advantage of the high degree of network integration: According to current estimates, more than 10,000 jobs in the green tech sector (represented by the green line) have already been created at almost 700 companies and startups across all sectors.

POWER FROM SUGAR CANE
The future belongs to alternative fuels. Find out about the current state of research:
www.audi.com/ar2009/siliconvalley



Source: Special Analysis 2009, Silicon Valley Index, jobs by sector



Greenhouse for cleantech

Silicon Valley is transforming from an IT hotbed to a worldwide mecca for environmental and energy technology. Amidst all the green idea foundries, Audi is conducting research into the long-term future of efficient mobility.

COPY/STEFFAN HEUER

The new building on the campus of the elite Stanford University in California appears at first glance to be a simple car workshop. Roughly 800 square meters of workspace, seven spots with pits and jacks, and a few meeting rooms in between. But looks can be deceiving. The green future is being assembled here bolt by bolt and line by line of code: autonomous vehicles, artificial intelligence for low-emissions navigation and other exciting cleantech ideas. Stanford's CarLab brings sociologists together with software engineers and solar technicians; robotics experts with engine developers. The think tank demonstrates how closely academics, pioneers and corporations work together in Silicon Valley. "Everyone knows everybody else and is curious – it's a constant cycle," says Valley expert Paul Saffo. CarLab, established with the support of Audi, is a symbol of the green evolution in Silicon Valley.

The conurbation between San Francisco and San Jose has been considered an IT hotbed for decades. However, bold ideas for new environmental and energy technologies have been ripening in the shade of the computer and Internet industry. Projects range from computer-designed microbes for new biofuels to ultra-thin solar cells and software to make the power grid or the flow of traffic more efficient.

In the middle of this green technology mecca, the Volkswagen Group operates an internal think tank dedicated to the interdisciplinary study of the mobility of tomorrow. The Electronics Research Lab (ERL) in Palo Alto employs around 50 engineers and researchers searching for new ideas and innovation partners for Audi and the other Group companies. "The people here invest in ideas, not finished business plans, even if the chances of success are only 1:20. The willingness to take risks leads to astonishing innovations," says the lab's director, Dr. Burkhard Huhnke. "We want to get in on this cycle as soon as possible and drive it forward." One important project at the lab located in the immediate vicinity of Stanford is the "Audi Clean Air" research program that was established in 2007 as a multi-year collaboration with Stanford University and the University of California (UC) campuses at Berkeley and Riverside. A team under Riverside professor Matthew Barth is working together with the ERL on navigation systems which aim to reduce emissions and fuel consumption without significantly extending

driving time. Barth has developed an algorithm that processes consumption data from 15 years of laboratory tests with current road information. The program can suggest an appropriate "green route" in just a few seconds.

Coupled with this is the project for intelligent engines at UC Berkeley under the direction of Professor Karl Hedrick. The software can look three kilometers ahead and uses information about the route, change in elevation, the current flow of traffic to set the optimal torque and best speed using the vehicle's adaptive cruise control. Both innovations can each reduce fuel consumption by between five and seven percent, and according to Hedrick are just the first of a number of efficiency improvements still to come. The two academics next want to address green navigation and engine control on smaller streets. In contrast to expressways, there is little real-time data available for urban and interurban roads, but these routes also harbor substantial savings potential once vehicles can communicate with each other and traffic signals, for example. Just as important, if not more so, is the development of new, more powerful batteries and the corresponding software for the

"The people in Silicon Valley invest in ideas, not finished business plans."

Dr. Burkhard Huhnke, director of the Electronics Research Lab

electric vehicles of the future. Silicon Valley is very fertile ground for innovation in this field thanks to prominent startups and the existing technical expertise from the PC industry. An internal ERL team has been working since early 2009 on the development of a new battery pack for the Audi e-tron concept car, for example.

Besides green technology, the engineers in Palo Alto who develop for Audi are also very interested in the people behind the wheel. Together with Stanford, they have developed a self-steering Audi TTS with which they hope to fully exploit the potential of the driver assistance systems. It is hoped that the technology will later be able to accept route instructions, such as to drive into a parking garage. ●

Steffan Heuer is the U.S. correspondent of the business magazine brand eins. He lives in San Francisco.

A photograph of a dense forest. The scene is filled with tall, slender trees whose trunks are heavily covered in green moss. The forest floor is a lush carpet of green ferns and other low-lying vegetation. Sunlight filters through the dense canopy of leaves, creating a dappled light effect. The overall atmosphere is serene and natural.

smell

A forest in which we smell: oxygen, wood, resin, leaves, moss. Over all this hovers the fine scent of fresh leather – impressive.

Chasing the senses

Seeing, smelling, hearing, feeling, tasting – above and beyond ecology and economy, driving a car is primarily a sensual pleasure. Test driving the new R8 Spyder* we set out for Galicia in northern Spain.



hearing

In the tunnel, the 343 meters per second of the speed of sound battle it out against the 313 km per hour of the R8 Spyder*. We listen closely. Is there a winner? One reason for trying to beat it.



taste

**Blurred becomes clear. Salty kisses
from mermaids, even though the bay is
20 meters below us. We taste the
waves, our mouths dry with amazement.**





More time

touch

The feeling of security and acceleration
as if touching the world for the very first time.
With your hands and whole body. Unobtrusive
power mixed with a powerful lightness.



sight

Seeing time as if it were the reflections of stars in the paintwork. Glances fall like theater curtains on the design of the R8 Spyder*. Fixed gazes, not fleeting.

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



SENSE AND SENSIBILITY

When winding roads send a tingle down your spine. For a multimedia experience of the R8 Spyder visit: www.audi.com/ar2009/senses

COPY / SVEN SCHULTE-RUMMEL
PHOTOS / SORIN MORAR

Our senses precede us like our shadow when the sun shines from behind. We use our eyes, for example, to permanently look towards the future, calculating what to do in the next second. Carefully turn the steering wheel a little further? Our eardrums work faster than our pupils, warning us to pay attention as the sound of a horn approaches. With our skin sensors, which react to vibration, we sense the hairpin bend and decide whether our foot should overcome the resistance of the accelerator. But how close can we get to our senses if they are constantly preceding us?

Sight, smell, hearing, touch and taste. It is primarily through the classic five senses that we perceive the outside world. Our sense organs long for information. They grasp anything in their vicinity, drawing it in like children drawing their parents to a carousel. Rods and cones in the eyes, receptors in the nose, the taste buds on the tongue, the sensitive eardrum, the network of nerves in the skin which are sensitive to warmth and touch, with which we taste, feel and sense ourselves. When our senses perceive weather conditions they use data-nerve highways to send electrical impulses to the brain, where, following an initial selection process, we become aware of the information. We make use of our wealth of experience – and then make a decision. Our grip firmly on the steering wheel: Can I squeeze another 20 horsepower out of the ten-cylinder engine in the Audi R8 Spyder* – after all, 525 stallions (386 kW) are waiting in the stalls, just raring to go?

Stop. Imagine that for just a moment your powers of perception were doubly intensive. Taste, smell, noise, colors and touch.

The senses no longer have a chance to look forward, they exist in the here

and now. They huddle against the experience like the leather of the R8 sport seats around the receptors in the shoulder region. A new dimension emerges from which there is no way back. Only a return to a normal life that is duller. Having been bombarded with fresh sensual impressions, nothing is the same, as a new climax of intensity has branded itself on our consciousness. An experience which leaves its mark, like holding hands with your first true love. This is the moment we captured our senses, and now you are close to your first trip in the R8 Spyder. Driving a car is a sensual experience – in virtually no other everyday situation are our senses called on more forcibly: Through the seat our tense body feels at one with the car, perceiving the slightest of changes, its roadholding and lateral acceleration as the four wheels dance across the asphalt. Together with our eyes and muscles a tiny organ in the inner ear is responsible for our equilibrium and right now is working full out so that we remain in control of the road. Depth sensitivity checks that everything is still in the right place.

Through our hearing we can check how fast the engine is running and whether the wheels are holding the road in tight bends. And decide whether it is time to shift up a gear with a tiny movement of the second and third fingers at the shift paddle on the steering wheel. When the comforting sound of the V10 engine reaches our eardrums, our nervous system injects adrenaline into the bloodstream, goose bumps cover the length of our arms, whereupon we reach out a hand and start feeling our way forward. Despite wanting to open our mouth in amazement, it remains firmly closed to preserve our sense of taste; our lips pressed together as if to protect them from

the slight tang of the sea air. Our nose monitors the surroundings, testing air for the smell of hot brake pads and fresh leather. We take a deep breath and even if the wind does not hit us directly in the Spyder, the scent of the world wafts its way past the tiny hair cells to the 30 million olfactory cells. Just as well our sense of smell is sharper when sitting than when lying. We keep to the road using our eyes, even when the road markings become blurred at twilight, like footprints in the sand in a rising tide.

But the ride in an R8 Spyder is just the first sensual dimension. Few other means of transport make it so easy to reach classically “sensory” destinations in such a short space of time. Leave the loud, garish city with its permanent sense overkill, head for the even, rhythmical sound of the ocean, through dark forests to the shimmering green heartland, past rusty red cliffs on the way to deceptive silent peaks. Stop. Switch off the engine.

The open-roof R8 succeeds in bridging the supposed gap between technology and nature. Supposed, because it is not about evaluating the antithesis of machine and environment, but about the intensity of our perception using all the senses. And beyond any evaluation, perception requires contrasts. The R8 Spyder and nature are not on different scales, but at different ends of one and the same scale. There is no light without darkness, no heat without cold, no sour without bitter and no hard without soft. Whispering can only become loud if the pleasantly sonorous sound of the V10 engine fades. The lack of wind is only perceived as intensively warm after your face has been whipped by the fresh sea air, when the convertible roof quietly closes over driver and passenger. ●

Time/Space

Dimensions of luxury: taking time, creating space



01/20th Audi Summer Concerts The Audi Summer Concerts celebrated their 20th season in 2009. The title itself, “A Feast of Music,” promised the best musical offerings, with international stars and famous orchestras and ensembles heading for the city on the Danube – including a first visit by Kent Nagano and the Bavarian State Orchestra. As a birthday treat the Summer Concerts series also included two free concerts held in Ingolstadt’s Klenze Park. Last summer, the 20 performances attracted a total audience of more than 25,000. The concert series has therefore enchanted over a quarter of a million people since its inception. **02/The giant of Ingolstadt** More than ten meters long, four and a half meters wide and a good three meters tall: These are the dimensions of the Audi TT sculpture. The ten ton structure, built upon a steel frame, has adorned the center of the Audi roundabout, a road junction very close to the Ingolstadt plant, since July 2009, where it aptly symbolizes the company’s strong ties to the city and the region. The over-sized design icon was first shown at Berlin’s Brandenburg Gate in 2006, before visiting Beijing and Hong Kong. **03/Bayreuth Festival** The Bayreuth Festival is a major event in the international cultural calendar. Audi has been principal sponsor of the music festival since the 2009 season. Alongside classics like “Tristan and Isolde,” the season’s highlights included the premiere of a children’s version of the opera “The Flying Dutchman.” In forging this partnership AUDI AG has extended its long tradition of cultural involvement. The Company for instance has already been principal sponsor of the Salzburg Festival since 1995.

01/STAR-STUDED SUMMER
Kent Nagano with the Bavarian State Orchestra opened the Audi Summer Concerts.



02/HANDOVER OF TT SCULPTURE



New German Wave

The Web 2.0 generation hits the right note. Anyone who makes it into the Audi Youth Choir Academy is given artistic polish. Preconditions are natural talent, a love for classical music and the willingness to work hard.

COPY/JAKOB SCHRENK
PHOTOS/URBAN ZINTEL

70 voices become one. While rehearsing for the Berlin Fairy Tale Days festival, the Audi youth choir grows close, with many new friendships formed.

There are some things that are even more important than chatting about boys or the best disco in Berlin. Clara Horbach, 19, who studies music and mathematics in Munich, pushes away her half-eaten portion of schnitzel, gets up from the table, says “see you later” to her friends, with whom she has been talking animatedly, and steals out from the dining room as unobtrusively as possible. Outside, Clara crosses the lobby of the Berlin-Wannsee Youth Hostel, opens the heavy wooden door of the re-

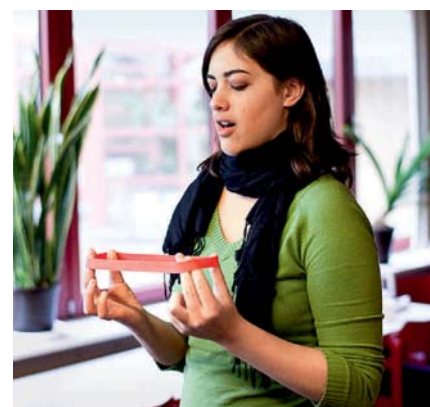
hearsal room, sits down behind a grand piano, takes out her music and starts to play Bach’s “English Suite No. 3 in G minor.” From the start of the opening bars, Clara closes her eyes, lowers her head, and gently bends her back as if she were a diver preparing to jump into a sea of music that accompanies her, into the deep where she can be alone. Just her and the music.

Choir director Martin Steidler claps his hands loudly to bring Clara back from the depths of her musical bliss. Gone unnoticed by Clara, he has been stand-

ing in the doorway, listening for quite some time. He now forces himself to say in a stern voice, “We told you that you should relax for at least two hours to prepare yourself for the concert tomorrow.” “But I’ve hardly had a chance to play the piano this week,” Clara pleads. “Please. Just another ten minutes.” The corners of Steidler’s mouth twitch as he tries very hard not to smile.

Any choir director who is unable to stop his students from practicing for even two hours can count himself a happy man. “It is incredibly fun working here,” says Steidler. A professor at the University for Music and Performing Arts in Munich, he has been conducting the Audi Youth Choir Academy since its inception in the fall of 2007. Twice a year, gifted students aged 16 to 26 are given the opportunity to rehearse and perform under intensive professional supervision. During the week of rehearsal in Berlin, during which Clara hasn’t been able to forget Johann Sebastian Bach for even a moment during her lunch break, the choir is studying the “Creation” by Joseph Haydn, which will then be performed as part of the Berlin Fairy Tale Days.

Singers for the youth choir audition shortly before the week of rehearsals begin, and are selected by Martin Steidler, Sebastian Wieser (a cultural studies graduate working at Audi) and the pianist Jean-Pierre Faber, who among other things teaches at the Mozarteum university in Salzburg. It is the type of audition known so well from TV casting shows where the members of the jury try to upstage each other in pure rudeness. Steidler, on the other hand, always remains friendly. Even so, it doesn’t make his verdict sting any less. He often likes to interrupt, sometimes singing one of the passages himself. “Now do it again, and make it better this time.” Steidler can be both hard and fair at the same time. That’s because – unlike pop music – classical music has a clear set of criteria, which have nothing to do with such vague terms as



Exercises for the vocal cords: Clara Horbach works with voice teacher Barbara Bübl on her singing technique and trains her vocal cords.

“charisma” or “star appeal,” but rather with intonation and musical interpretation. A soprano can either hit a note or not. A bass is able to reach the D below middle C, or only a G. Quirin Würfl can even go down to the second D below middle C. The 19-year-old studies history and Latin in Regensburg. With his brown locks, open smile and strong shoulders, he looks like he has just stepped out of the pages of Heidi. As his deep, mellifluous voice fills the room – “The heavens declare the glory of God” – Steidler leans back in his chair for the first time that day and folds his hands over across his lap. For just one moment, he is no longer a

member of the jury, but a fan who does not know what he should admire most: Quirin’s talent or his pure love of music.

The Youth Choir Academy has 70 members, including Quirin and Clara. 70 music fanatics. 70 arguments against the conventional wisdom that choral singing and classical music have run their course and that TV casting shows are all the rage with young people. The Youth Choir Academy is the complete antithesis of the pop universe. “I would never do that,” says Quirin. The things that matter in these casting programs are show, appearance, and how crazy a person is. The youth choir, on the →

BEHIND THE SCENES

Experience the young choir singers at rehearsals of Haydn’s *Creation*:

www.audi.com/ar2009/youthchoir



Cool not crazy: Choir director Martin Steidler is enthralled by 19-year-old Quirin Würfl's deep, mellifluous voice and love of music.

other hand, is about “a willingness to work hard,” says Steidler, as well as talent and a deep passion for music. The choir director’s ambition is not to shape soloists. He is looking to take individual voices, as perfect as they may be, and mold them into a larger whole that is greater than the sum of its parts. “Many young people are beginning to take an interest in choral singing again,” he says. “A broad public is beginning to rediscover the value of classical music.” While in Berlin, Clara, Quirin and the other choir members rehearse for up to eight hours a day. Either with the choir as a whole, with their individual sections – soprano, alto, tenor and bass –

or on their own in private singing lessons, where Clara is now, balancing on a rubber teeter-board while vocalizing through her scales. Balancing is going well enough. From the way Clara moves, it is clear that she often likes to dance the salsa, sometimes several times in a week. But as for singing, there is still room for improvement. “Clara is like a diamond in the rough. She has a wonderful voice quality, but she needs to hone her technique. That’s where I come in,” says voice teacher Barbara Bübl. Clara has brought along the alto aria “Prepare yourself, Zion” which they are working on together from Bach’s Christmas Oratorio. Clara is

not allowed to sing through the consonants. She is only allowed to vocalize using e-ei-e-i-o. “So that you learn how the ‘i’ is formed right at the front of the mouth and nose area in the mask, and how with the ‘o’ the tone should remain the same and only the articulation changes,” explains Bübl. She goes on to say that a singer has to train their vocal chords just like a 100-meter runner has to train their quadriceps. “Learning to sing is like going to the gym.”

During the few breaks, the singers stand together in small groups outside the rehearsal room. Almost all of them have a water bottle in hand, like soccer players after a game or a model between photo shoots.

And almost all the choir members are wearing the typical uniform of the Web 2.0 generation: skinny jeans, XXL sneakers and piercings. One boy, in baggy pants, opens up his silver laptop as carefully as if it were a treasure chest, and loads up a couple of pictures from the rehearsals. Clara is also sitting at a computer, updating her profile on a social network. She answers a few friend requests, mostly from other choir members. The singers will keep in contact. They are bound together not just by Web 2.0, but also by the experiences they have had during this long week of rehearsals.

And the sense of achievement from the concert. The choir has just finished singing the last note of Haydn’s Creation in the Berlin Cathedral. Their audience is made up of over 1,000 Berlin schoolchildren who are clapping, screaming and stamping their feet. Just like at a pop concert. Clara’s cheeks are flushed with excitement and pride. She took note of the alto’s clear and beautiful resonance, noticed how precise each and every entrance of the bass had been, and was thrilled by the soprano’s shimmering joyfulness, just as they had rehearsed time and time again. Quirin just cannot stop laughing. Like a high-jumper who knows the bar has been set very high and has cleared it anyway. He revels in the magic of the moment. ●

Jakob Schrenk is working as an editor at Neon while he completes his doctoral thesis in sociology.

Time/Space

Dimensions of luxury: taking time, creating space

01/“Design Oscar” for A5 Coupé Audi remains the design pioneer in the automotive sector. The A5 Coupé* became the fourth Audi model to win the coveted “Design Award of the Federal Republic of Germany 2010” (October 23, 2009). Few awards are more difficult to win. The German Design Council only considers candidates that have already won another award and have been nominated by the Ministry of Economic Affairs of one of the federal states. “This award comes as emphatic proof of the Audi brand’s design expertise,” declared Stefan Sielaff, Head of Audi Design.

02/Number One among engineers Audi remains a favorite employer among specialists. In both the trendence 2009 study (published August 21, 2009) and the Universum 2009 Study (published May 18, 2009), future engineering graduates again voted Audi Germany’s most popular employer. Among economists, AUDI AG has climbed from third to second in the trendence study. “We are on course to become the most attractive employer in the automotive industry,” remarked Dr. Werner Widuckel, Member of the Board of Management for Human Resources at AUDI AG. In 2009 the Company created 400 jobs for experts as well as a further 100 apprenticeships, in each case mainly in the area of electrification.

03/Awards far and wide Voted the winner over 100 times: The Audi brand again received numerous awards in 2009. The A4 car line was a particularly frequent recipient of accolades, winning over 25 awards, including the title “Best Car” for the A4 Sedan* in the reader poll staged by the trade publication *auto motor und sport* (issue 4/2009, page 135). The weekly newspaper *Bild am Sonntag* awarded the A5 Sportback* a “Golden Steering Wheel” (issue 45/2009, page 16). In the new, tougher Euro-NCAP safety test the assessors concluded that the A4 and Q5* both merited the top score of five stars out of five.

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



03/ONE OF MANY AWARDS

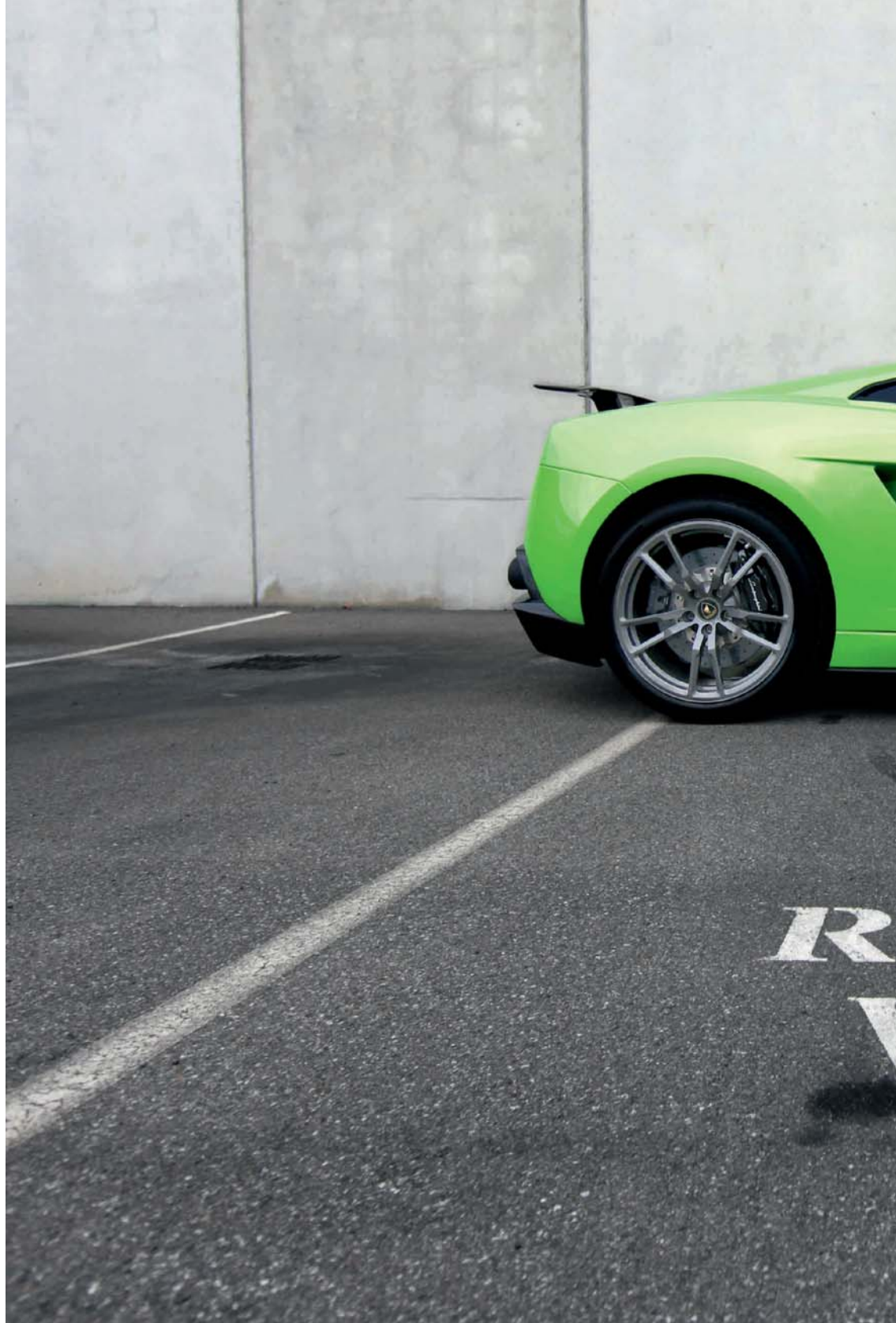
01/DESIGN OF THE FUTURE Audi received the “Design Award of the Federal Republic of Germany” on February 12, 2010 for the formal idiom of the A5 Coupé.



→ A striking color for a supercar: Lamborghini presents its new Gallardo top model, resplendent in Verde Ithaca.

↓ On the move: The new Superleggera's front fenders are even more flared than before.

↘ Reversing the weight spiral: The interior has also been slimmed down considerably.





ISERVATO
VETTURE
DEMA

Dangerously addictive

More power, less fuel: In building the new Gallardo LP 570-4 Superleggera*, Lamborghini has indulged in the luxury of absolute purism – thanks to the use of carbon fiber, the new top model from Sant'Agata Bolognese weighs an impressive 70 kilograms less than the basic version.

A TRULY GRIPPING SUPERCAR

Fascinating images of the new Gallardo top model from Sant'Agata can be found at: www.audi.com/ar2009/lamborghini

COPY/MATTHIAS PFANNMÜLLER
PHOTOS/SJOERD TEN KATE

Resplendent in bright green, the car is standing – or rather crouching – in a corner of the closely guarded factory building. My pulse starts racing even before I see it. I approach the new speedster from Sant'Agata Bolognese, never taking my eyes off it. The mere name is a promise: Gallardo LP 570-4 Superleggera* – Italian for ultra-light. Compared to the basic version of the Gallardo – the LP 560-4 – the new coupe weighs another 70 kilograms less. This may sound like a mere number, but it embodies everything that is so thrilling about this new supercar. From a standing start, the Superleggera catapults the driver to 100 km/h in just 3.5 seconds – a whole two tenths of a second faster than the basic version. And in sports car terms, that's worlds apart.

Automobili Lamborghini is all about an extreme form of motion on the road. The sports car manufacturer has always had a somewhat rebellious, wild, unruly image. This sense of otherness is not self-serving, it is invariably a driving force behind the company's search for innovative solutions. Think for example of the legendary Miura's V12 engine installed transversely in front of the rear axle – at a time when other sports car manufacturers were still building cars with front-mounted engine and rigid rear axle. Equally unforgettable is the Countach, unveiled in 1971. This uncompromising "wedge on wheels" was not only regarded as a style icon. It was also the first Lamborghini to feature a 12-cylinder engine mounted longitudinally to the rear and

scissor doors that opened upwards. The "small" Gallardo may "only" have ten cylinders pounding away behind the seats, but the two-seater is by some distance the most successful model in the Italian brand's 47-year history. It has permanent all-wheel drive and features an aluminum space frame.

But to achieve a weight reduction of 70 kilograms for the new lightweight version, the car had to go on a radical diet – of carbon fiber. Woven from many thousands of microscopic carbon fibers, impregnated with resins and hardened in enormous furnaces, it is lighter and yet more stable than most other materials used to make cars. Its disadvantage is that it is very expensive due to the considerable time and labor that went into manufacturing it. This lightweight material – familiar from the aerospace industry – has quite a tradition at Lamborghini. 1988 saw the launch of the Countach "25 Anniversario" model, a supercar with carbon-fiber components. Today, Lamborghini's carbon-fiber design department employs 30 specialists, who have coaxed the brand essence out of the new Superleggera: extreme sportiness. And the amazing ultra-light material actually performs a dual function, because lower weight automatically means lower fuel consumption. That's why lightweight construction is increasingly regarded as being synonymous with efficiency.

The engineers saved weight where they could and placed great emphasis on the reduction of unsprung masses. For



↑ Striking design: The rear lights and spoiler underscore the car's aggressive character.

→ Carbon-fiber styling: The lightweight material also lends a touch of style to the cockpit.



High-performance unit: A 5.2-liter mid-engine goes about its work under the transparent hood.



example, the two-seater features ten-spoke forged magnesium wheels, which reduce weight by 13 kilograms. Carbon-fiber ceramic brake disks and carbon fiber-coated tailpipes also play their part; there are now four straight tailpipes, arranged in pairs in a stepped configuration. The side mirrors and door sill trims are also made of carbon fiber, as is the rear spoiler. The car once again has a relatively large, fixed spoiler, which puts even more pressure on the rear wheels. Another typical Superleggera feature is the dark line down the sides; on the LP 570-4 this line has a flatter trajectory and bears the colors of the Italian flag.

A further, particularly striking touch is the composite front spoiler. It is painted matt black and has rounded contours that provide a fascinating contrast to the angular front end. On the LP 570-4, the nose extends two centimeters further forward and also reaches somewhat further down. In conjunction with the carbon-fiber rear diffuser, which has also been revised, and the fully enclosed underbody that has been modified at both front and rear, downforce was increased once again and aerodynamic drag reduced further. This had the effect of generating more grip – especially when cornering fast – and an even higher maximum speed. With a possible top speed of 325 km/h, this car, just like previous versions, is one of the quickest and also most uncompromising supercars.

The interior, too, is all about purism. This is the area which has slimmed down the most – 43 kilograms, to be precise. The door panels, bucket seats and other parts are made of carbon fiber, and the dashboard is upholstered in Alcantara. Just like on the first Gallardo Superleggera, part of the greenhouse is made of polycarbonate. The transparent hood provides a great view of the beautiful 5.2-liter engine, which now has an output of 570 hp (419 kW) – an increase of 10 hp. This results in an outstanding power-to-weight ratio of just 2.35 kg/hp. Bearing in mind that many vehicles which themselves are not short on power have a ratio of over 10 kg/hp, these figures give you a rough idea of what happens when you accelerate – no matter what speed you're traveling at. What's more, the Superleggera features an e-gear transmission as standard, with gear shifts performed via shift paddles on the steering wheel, so you can flick through the gears in milliseconds. And perhaps the best thing of all is the throaty, muffled – not to mention eager – roar of the engine, which blips the throttle precisely every time you shift down a gear. The new Superleggera delivers a spectacle of sound that will bring tears to the eyes even of die-hard sports car fans – *bella macchina*, as the Italians would say! ●

Matthias Pfannmüller is an editor for the Swiss motoring journal *Automobil Revue*. He is currently also working on a chronicle of Lamborghini.

Guardians of knowledge nearly lost

They work with their hands to keep a tradition alive: In a world of progress, a few people still rely on what they learned from their forefathers. Their craftsmanship is in demand – because no machine can ever replace them.

COPY/KILIAN KIRCHGESSNER
PHOTOS/NIKOLA TACEVSKI

What he looks at first every morning is the water, the endless expanse of the sea. Arne Larsen built his house high above the skerries on the northwest point of Norway – on the Lofoten Islands. Huge windows afford an outside view from every room, like a frame for a great painting: the surf, rolling gently or raging wildly, depending on the season – displayed here in a panoramic format.

“In my profession,” says Arne Larsen, “you never know in the morning what the day will bring.” The 38-year-old Lofoten fisherman has a calm voice, which has turned a trifle rough over the years. He is a merchant on the Lofoten Islands, trading in fish. His work keeps him outside regardless of wind and weather. “Even as a boy I used to accompany my grandfather when he went sea fishing,” he says. It was his grandfather who established the family tradition. Today the grandson runs the third-generation business, which has grown over the years: Arne Larsen employs a small fishing fleet. But even the largest vessel measures a mere 22 meters. After all, nothing in this work has really changed since his grandfather’s time: Here on the Lofoten Islands, fishing has remained manual labor – a job so hard you can feel it to the bones and you need to put your heart and soul into it.

Winter is the fishing season. The boats head out to sea early in the morning from the small landing pier in front of the wooden building where the company office is located. “Our people ride far out to sea for four or sometimes five hours,” says Larson. They only return at night, sometimes as late as three in the morning. “That’s the moment of truth: when the guys dock and open the hatches. It’s only then that I know whether we’ve had a good day or not.” Many more hours are then required to process the catch. The company’s specialty has been the same for three generations: the famous Lofoten stockfish – prepared by splitting the fish and hanging them out to dry in the fresh air for the entire spring. Arne Larsen’s lines would span two

kilometers if they were tied end to end. He sells his stockfish mostly in the south, with customers around Venice and lately also in Croatia. Even now, after more than 12 years in the business, he still gets a craving for seafood on occasion. But there was a time when he wanted nothing to do with the sea and the fish. He spent several years living in big cities, in Norway and even in Italy. But then he grew nostalgic for his native village of Sørvangen. “The water is so wonderfully clear, and I never tire of admiring the landscape,” he says. “I’ve seen much of the world, but now I know this: I’m just a Lofoten fisherman.” During school vacations in Norway, Arne Larsen takes his eldest son out to sea. His son is nine years old, and he too is destined to grow up in the mysterious world hidden behind the gates of the boathouse.

“Even as a boy I used to accompany my grandfather when he went sea fishing. In my profession you never know in the morning what the day will bring.”

Arne Larsen, Lofoten fisherman

The next generation also plays a very active role in Pavel Truhlář’s work. He lives in Prague, around 2,000 kilometers directly south of the Lofoten Islands. To visit him you have to climb the stairs five floors up to his apartment in the elegant district of Vinohrady. Up there under the roof is a realm of fantasy and art: Shelves reaching all the way to the ceiling are filled with marionettes suspended from their long strings. Wooden boxes are filled with hand-sewn doll clothes, tufts of hair, and delicate parts of puppets still needing to be painted. Mounted to the wall above his workbench is a marionette that’s especially important to Truhlář: “That’s the first marionette my daughter made,” he says.

For Truhlář himself, the path to the puppets wasn’t as straightforward as it was for his three daughters. Shortly after the fall of Communism he found a job in one of Prague’s famous marionette theaters – selling →

BOUND BY TRADITION

Impressions from the puppet workshop in Prague and the ski run at Kitzbühel at: www.audi.com/ar2009/occupations



REALM OF FANTASY

In his Prague studio Pavel Truhlář makes marionettes. Every puppet is unique. His love for detail is rewarded with special orders from all over the world.



MASTER OF THE STONES

Hard manual labor: Each of the Beola stones Roberto Bionda cuts into tiles and uses to cover roofs in Piedmont, Italy, weighs 50 kilograms. These stones survive wind and weather for generations.

marionettes to the tourists during intermissions. “I found that most of the puppets were assembled carelessly, and many of the parts were machine-made,” he recalls. This aroused his ambition: There should be a better way than that! He had always been good at handicrafts, so he decided to change jobs: The salesman turned into the artist, the employee became the boss of his own business. “In the early years I’d sit in my workshop in the evenings, and during the day I’d occupy my customary spot on the Old Town Square in front of the Astronomical Clock where tourists always pass by,” he says with a little smile. “I’d strap on a vendor’s tray, and that’s how I sold my marionettes.” At some point in time he leased his first store near the Charles Bridge, and a few years later he opened a second store. Today he carries several dozen different puppets in his regular product line. The top sellers are Kaspar and the Witch, but Truhlář even makes a scuba diver, complete with the oxygen bottle on his back. Each figure is unique: If you take a closer look, you’ll notice that one Kaspar is sticking out his tongue while another gives you a mischievous wink. Pavel Truhlář faces a real challenge when he receives special orders from marionette theaters around the world. They request characters such as Pinocchios, dragon-riding devils and Don Quixote on his horse. “Creating such a puppet takes weeks,” Truhlář explains. But these artistic mari-



KING OF THE STREIF

His handicraft makes records possible: Michael Huber converts the “Streif” in Kitzbühel into one of the ski world’s most spectacular downhill venues. For the legendary World Cup race in January, it must be hard and highly resistant.

onettes are a challenge for the players as well: In the case of Don Quixote, for instance, every limb of both horse and rider and even the horse’s ears have to be separately moveable, requiring the player to manually control a multitude of strings simultaneously. “Being able to do that takes hours of practice in front of a mirror,” says Truhlář. He himself succumbed to the charm of the marionettes long ago,

“This work has remained exactly the same as it was 1,000 years ago. There is almost nobody left today who is skilled in our forefathers’ old technique.”

Roberto Bionda, tiler and expert on Beola stone

even in his spare time: After work he joins some friends to perform his own plays with his marionettes. Pavel Truhlář just returned from a world tour with his little theater, and even performed in China.

The scale on which Dr. Michael Huber works is a good deal larger than Truhlář’s puppets: His masterpiece spans exactly 3,312 meters and is the subject of breathless admiration among experts in his field. Huber, who himself has a doc-

torate in sports science, is in charge of the “Streif” – the ski run on the Hahnenkamm mountain in Kitzbühel, Austria. This is considered one of the most spectacular downhill courses in the entire history of winter sports. As soon as they leave the starting gate, this race turns into a hellish ride for the ski pros: The steepest section has a gradient of 85 percent, and the skiers accelerate as if in freefall to up to 140 kilometers per hour. They whizz through wooded sections with rapid changes in lighting. Sudden bumps get them airborne for 80 meters. Yet they must stay on the perfect line at all costs – mere centimeters off course would mean a head-on collision with the safety fence. “I’ve skied down it myself,” says Huber, who is 44 years old, with a brief grin. “But that was before the slope was fully groomed.” Huber heads the organizing committee and is

therefore also in charge of the grooming team that prepares this downhill course in Kitzbühel for the skiers. When his people set to work they augment the snow cover as needed, and they squirt water into the deeper snow layers under the surface so that the moisture rises upward to create a hard and highly resistant surface. Creating the perfect ski slope is a science like no other. “We’ve got years of experience that gets passed on from the older to the younger generations,” says Huber. Skills of the trade, precise timing and inch-perfect work are prime requirements. His team can determine the precise altitude above sea level on each section of the course by using a new GPS system. “And if too much snow has fallen anywhere and the slope is 20 centimeters higher than it should be we’ll make sure to remove the excess,” says Huber. →

EFFICIENT FROM Å TO BEE

COPY/SUSANNE STEININGER

A strong wind drives dark clouds across the sky. It’s pouring with rain. A small fishing boat casts off into the bay, where the sea crashes into the rocks. It’s a typical late fall day in Å, a village of about 100 people on Norway’s Lofoten Islands. Yet one thing is different today. 20 cars are moving along the narrow coastal roads along the fjords: The starting signal has just been given for the Audi Efficiency Challenge A to B 2009. The object is to drive 4,182 kilometers across Europe in nine days. From Å to Bee. The participants on this tour from Norway to Italy include 120 international journalists and Audi customers from Germany.

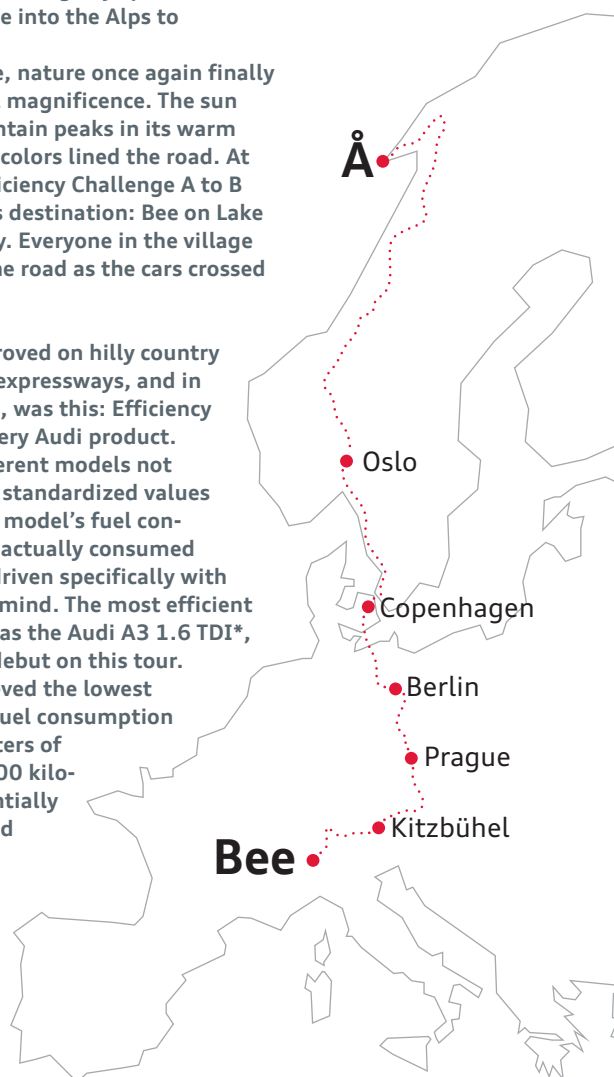
The Audi brand’s goal is to prove the efficiency of its vehicles. The tour therefore includes not only those versions of a model line that are configured with especially low fuel consumption in mind, such as the A4 2.0 TDI e*, but also the sportiest versions, such as the Audi S4*. The objective is to finish each stage not as the fastest car but with the best fuel consumption (at a specified average speed). Ten different Audi models, each represented by two identical vehicles, were available to the drivers. Each driver’s objective was to beat the other, equivalent vehicle’s fuel consumption. So during each stage the teams of two vied for the best efficiency score.

On this journey they encountered very different roads: After the ride through the wild, romantic landscape of Norway, the road from Oslo to Copenhagen seemed like a return to civilization: four-lane expressways, legal speeds over 100 kilometers per

hour, industrial areas left and right. The stages on the following days proceeded via Berlin and Prague into the Alps to Kitzbühel.

On the last stage, nature once again finally displayed its full magnificence. The sun bathed the mountain peaks in its warm light. Autumnal colors lined the road. At last the Audi Efficiency Challenge A to B 2009 reached its destination: Bee on Lake Maggiore in Italy. Everyone in the village was out lining the road as the cars crossed the finish line.

What the tour proved on hilly country roads and rapid expressways, and in dense city traffic, was this: Efficiency is standard in every Audi product. Because the different models not only verified the standardized values claimed for each model’s fuel consumption – they actually consumed even less when driven specifically with fuel economy in mind. The most efficient vehicle overall was the Audi A3 1.6 TDI*, which made its debut on this tour. This model achieved the lowest overall average fuel consumption of all with 3.3 liters of diesel fuel per 100 kilometers – substantially less than its rated consumption of 3.8 liters.



Precision is vital on the Hahnenkamm. A particular contribution is made by the drivers of the snow cats, who do their job even in inaccessible areas and thus provide the groundwork for deciding who wins and loses. If snow then falls on the resulting hard-packed surface, up to 200 people set about clearing it again and restoring it to its original state. Michael Huber's own work in preparing for the few days of competition takes months. "It's a wonderful feeling when the work is done and the races start," he says. "But I really can't breathe easy again until the last racer has crossed the finish line." World-class skiers complete the 3.3-kilometer run in less than two minutes.

Speed is not important to Roberto Bionda. He lives in the northernmost tip of Piedmont, above the west bank of Lake Maggiore. If you want to visit him at his workplace in his little village of Bee, you have to leave the lakeshore route to wind your way ever higher up on a mountain road past breathtaking vistas and through the villages of Cresseglio and Arizzano. What has influenced the character of this area ever since antiquity is an elegant sort of stone known as Beola, either white or gray, which is quarried nearby. Here in Piedmont entire houses, chapels, wayside shrines, fountains and bridges are built of Beola. For Roberto Bionda this remarkable stone has become his life's work. He is one of the few remaining craftsmen who tile

entire roofs with Beola. "Virtually nobody still masters the ancient technique of our forefathers," he says. Beola has become expensive as the present demand for the natural building material of this region has become global. And above all, the craft Roberto Bionda has chosen is very hard work: A single stone weighs up to 50 kilograms, and a Beola roof is eight times heavier than a modern tile roof. Bionda has to lug such loads up to the roof truss, where he installs the tiles on massive beams. Such Beola tiles are four centimeters thick and they are kept in place on the roof just by their own weight. "This work has remained exactly the same as it was 1,000 years ago," says Bionda. He splits the enormous chunks of stone from the quarries with a hammer and chisel – pure manual labor. "Even as children we used to take my father's tools and chisel toys out of the stone," Bionda recalls.

Today his craftsmanship is particularly in demand for the renovation of historic buildings. Beola stone remains intact for centuries and withstands Piedmont's sunshine and autumnal storms for generations. Roberto Bionda devoted his entire passion to his own house: He chose the precious Beola stone not only for his roof, but also for the stairs, floors and even the balcony. And of course he shaped all the stones himself with a hammer and chisel, just the way they've been doing it in Piedmont since antiquity. ●

"Individuality to me is ...



... the decisive argument for buying a premium product. Standing out from the crowd, having to adhere only to your own style – those are powerful motivations of our customers. Your very own personal expression, your own fingerprint, will continue to gain in importance. In ever-growing social networks traditional status symbols are losing much of their allure. Substance is regaining its importance. In the future, value-added will mean this: responses to my very individual requirements. Solutions for my life that make my crowded timetable less stressful. Personal contacts who know where I'm coming from and – even more importantly – where I want to go. Our new models have been designed with a focus on the Audi driver's personality. For styling the interior of the A1, for example, customers have a wide range of options for customizing their car. And after buying the car, they can still get the latest updates for the infotainment system. In the new Audi A8 as

well as in the Audi A7, which we will be launching in 2010, the interior virtually becomes your very own living room. The navigation system plus with speech recognition system can connect to the Internet via Bluetooth telephone, and uses a wide range of information from Google and Google Maps to let you find what you're really looking for. The revolutionary "MMI touch" operating system, available as an option, lets you activate functions in your own handwriting. Even in our after-sales service we follow individual routes: In the future, our employees will be available wherever our customers need us – with an extensive range of services. Our cars are individualists – just like our customers. Our service must give our customers what is probably the most precious personal possession of all: time."

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

Time/Space

Dimensions of luxury: taking time, creating space



01/PRECISION WORK

The Neckarsulm press shop was formally inaugurated with a display of acrobatics. The modern equipment it houses operates precisely to one hundredth of a millimeter.

01/New Neckarsulm press shop Superlative standards of productivity and quality: The most advanced press shop in Europe went into operation in Neckarsulm in October 2009 after two years of construction. Up to 800 metric tons of steel and aluminum are processed each day and pressed into some 200,000 body components. In ecological terms the spotlight is on improving the processes used: An automated system for the disposal of leftover metal parts permits aluminum and steel parts to be completely separated. These are then taken away by rail and melted down again. **02/Assembly hall opened in Changchun** Construction work kicked off in 2008 and operations started in September 2009. Audi has erected an assembly hall at Changchun together with its joint-venture partner China FAW Group Corporation. The long-wheelbase version of the A4 and the Q5 are built in this hall, which has a floor area of around 82,000 square meters. The assembly plant meets the requirements of the standardized worldwide Audi Production System: As well as the manufacturing process itself, workplace ergonomics have been optimized to maximize efficiency and quality.

03/New body manufacturing plant for Audi A3 Audi lays the foundation stone for the future of the A3: Construction of the new A3 body shop began at the end of October 2009 at the north end of the Ingolstadt plant. When finished, the modern plant will have a daily capacity in excess of 800 bodies. Audi has manufactured over two million units of the A3 in Ingolstadt since 1996 – making this car line one of the Company's all-time best-sellers.



02/CHANGCHUN ASSEMBLY LINE



VISIONARY

A life dedicated to mobility: Born on October 12, 1868, August Horch built his first automobile in 1901.

“That’s what I call luxury!”

Without him, there would have been no Audi brand: In 1909 August Horch established an automotive tradition that stretches back more than a century now. High time for an imaginary conversation with him about mobility today.

COPY//ANDREAS FINGAS//INA HÄMMERLING//ELISE PHAM

Mr. Horch, you once said: “I always tried to build only powerful, good cars using top-quality materials.” Has your wish been fulfilled?

August Horch: Of course! 70 years ago, the business of body manufacturing was a very different affair altogether. Precise drawings were a rarity and the individual processes performed by leatherworkers, coach-builders and cartwrights were not clearly defined. Every working process involved handicraft. I like to regard engineering as a matter of craftsmanship, too. I believe that is a value that will survive, no matter how much technical progress we make. Today’s Audi R8 Spyder* is a prime example. The V10 engine is largely assembled by hand. That gives a brand a very special quality.

But tell us, what was the maiden voyage in your very first car like?

H: My first self-developed Horch car set out from my workshop in the Ehrenfeld district of Cologne in 1901. Workshop, however, is exaggerated. Strictly speaking, we worked in a former stable. And it was January, but despite the cold I could hardly wait to take a test run. Looking back, it must be difficult for you to imagine how I spent the maiden voyage with my teeth chattering. Today you simply switch on the heating, and even if it’s ten below outside you’re soon nice and warm. That’s what I call luxury! All the same, I relished every moment of the drive, and that car was ultimately the reason why I set out to build even better cars.

People often talk of “the Audi mystique.” What do you think is the key to it?

H: Something acquires mystique when it has both a past and an emotional pull. Major feats, or “top performances” as you would say today, are the source of mystique. Do you remember those silver, streamlined Auto Union racing cars? They are still a milestone in motor sport history. So they are part of the Audi mystique. As indeed are many other famous cars, such as the Urquattro and the Audi 100. But there is more to the Audi mystique than cars. It also includes outstanding personalities and pioneers such as Jørgen Skafte Rasmussen, Bernd Rosemeyer and maybe myself too.

How important was motor sport to you, and what does it give Audi today?

H: A race demands everything of a car. With rather childlike spirit, the engineer wants to test the limits of how far he can push it. And ideally, he can take it beyond those limits. We started sending our cars out onto the racetrack very early on. We won the Austrian Alpine Run three years in a row: with the Audi Type B in 1912, and with the Audi Type C in the two subsequent years. And I did the driving – without a driver’s license. In fact, I never even took the test (laughs). What we learned from that experience was immediately translated into new designs. Just think how many innovations from the world of motor sport have found their way into production models, and vice versa. The basic unit for the diesel en-



An Alpine winner is born: August Horch (left) wins the Alpine Run in the Audi Type C.

gine with which Audi won Le Mans in 2006 was a production engine. Conversely, the production version of the R8 is a direct result of Audi’s tremendous achievements in motor sport.

To what extent do findings from motor racing and decades of research influence our mobility?

H: The words automobile and mobility are of course related. “Automobility” means having more liberty to discover the world, and more time to enjoy it. This used to be a pleasure that was only open to the privileged few. At the beginning of the 20th century a Horch chassis cost around 9,400 marks – at least 100,000 euros in today’s money. But the truly important things in life are priceless. For 15 years I drove a convertible whose folding roof only protected you from above. So I was sitting outside exposed to the elements, and whenever I had a long journey I always hoped it wouldn’t rain. If you want to, you can still go driving today with only the sky above you, for instance in a beautiful A5 Cabriolet*. →

“Responsibility to me is ...



... thinking about our children's future. Audi's centennial provides a high-profile opportunity to look to the future. The past 100 years have been shaped by a passion and hunger for driving developments forward. Looking forwards and acting with the future in mind is, above all, about sustainability. You can only act sustainably if you act responsibly. If we as a company adopt a responsible approach towards society, our products and above all our workforce. After all, they are the key to the trailblazing technological developments, perfection and quality that Audi symbolizes. The development of our human resources paves the way for the future development of our company. We therefore give people the prospect of a successful career for their whole working life, from apprenticeship to retire-

ment. That involves providing a corporate culture and working conditions that enable our employees to remain effective and motivated throughout their entire career. Learning – a whole life long – and showing esteem and respect are part and parcel of this, because they safeguard the company's success. This success creates scope for secure jobs, challenging tasks and opportunities for personal development. The success of the company thus becomes the success of the individual employee. And it shores up the prospects for Audi to develop for future generations, too. Social responsibility and corporate success thus become inseparably linked.”

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

So do you think that what people expect from life has changed?

H: Yes, I do. People used to invest first and foremost in material possessions; today, they invest their time and money in experiences and enduring values. A car is no longer simply a means of transportation, it is also always an expression of personality. And I think that is a perfectly normal development in a world in which real luxury is the ability to realize your dreams and be at one with yourself.

Would you say that a compact car is compatible with the brand's premium models?

H: Compact and premium are not a contradiction in terms! The A1 is an appropriate response to the challenges of today's world, and has everything that is expected of a high-

quality car. I already pointed the way with the Horch 11/22 hp. In 1906 Dr. Rudolf Stöss drove it to victory in the Herkomer Run, which is acknowledged as the 20th century's most important reliability test – even though it was the smallest car taking part!

So when it comes to cars, you believe luxury is not a matter of size or price. Do you apply the same maxim to your private life?

H: I come from a family of blacksmiths and had a simple upbringing. Of course I appreciate things of beauty. But for me, genuine luxury is about something else.

Why do you find the new A8 so exciting?

H: I have very fond recollections of Horch cars and, above all, the Pullman sedan. That was a truly classic example of opulent luxury. Those cars have become legendary, the stuff of dreams. They are our heritage, even if they are no longer right for today. And then you look at the

new A8. What makes this car so special is its simple elegance. It has just a hint of the luxury of yesteryear. But it is reinterpreted in such a modern way that it fulfills the requirements of your present day. All those sophisticated materials are not just used for their own sake; they always have a specific purpose. It is always a sheer delight for an engineer to see a component's function given top priority.

We've discussed the past and the present. How do you view the future? Will it be electric?

H: You mean electric drive? As far as I'm concerned, there is nothing new about it – it's merely waiting to be rediscovered. Audi built the Audi duo back in 1989. That was a genuine hybrid because it was powered by both a 100 kW (136 hp) five-cylinder gasoline engine and a 9.3 kW (12.6 hp) DC electric motor. I think history often throws up intriguing ironies. The Audi duo was already a plug-in hybrid long before anyone had thought up that term. ●

LEAP IN TIME

Listen to August Horch in an imaginary radio interview at:
www.audi.com/ar2009/horch

Time/Space

Dimensions of luxury: taking time, creating space



02/DONAU RING RACE



03/BAYERN MUNICH WINS AUDI CUP

01/CELEBRATION TIME
Numerous VIP guests attended the centennial celebrations in Ingolstadt. Audi boss Rupert Stadler was particularly pleased to welcome German Chancellor Angela Merkel as the guest of honor. "Die Fantastischen Vier" (bottom right) also gave an anniversary concert.

01/Year of anniversaries The Audi brand celebrated its 100th anniversary on July 16, 2009 with a spectacular gala. German Chancellor Angela Merkel delivered the official speech as the guest of honor. Audi boss Rupert Stadler then officially unveiled the new Audi A5 Sportback*. Star pianist Lang Lang played a musical prelude to the evening. And the next day, "Die Fantastischen Vier" got the week of celebrations really rocking with a concert in Ingolstadt. In the fall, it was time for Audi to say thank you to its employees: The Audi workforce at Neckarsulm celebrated 40 years of the Neckarsulm plant, while over on the Danube the spotlight was on 60 years of Audi in Ingolstadt.

02/Meeting of generations How better to mark a centenary than with the cars that made history? The Donauring Race, the Heidelberg Historic, the Goodwood Festival of Speed and the Donau Classic gave spectators the chance to witness Audi Tradition's historic treasures in action, including the Alpine winner Audi Type C 14/35 hp from 1919, and the first Audi built in Ingolstadt, the Audi 72 from 1965. Motor sport enthusiasts were well served with the Auto Union Type A 16-cylinder racing car, the Auto Union Type D from 1938, and the R10 TDI and R15 TDI racing cars that featured at Le Mans.

03/Battle of champions The sporting highlight of the centennial year was the Audi Cup soccer tournament. Four top teams took up the Company's invitation to compete for the trophy at Munich's Allianz Arena at the end of July 2009. FC Bayern Munich, Manchester United, AC Milan and the Argentinean Club Atlético Boca Juniors took part in the two-day tournament for the Audi Cup 2009. In an exciting final, Bayern edged out United to win the trophy specially created by Audi Design.



One is an advocate for global responsibility, the other a manager with financial responsibility for a company: Professor Franz Josef Radermacher (right) and Axel Strotbek at the Audi Forum at Munich Airport.



“The time must be ripe for a product”

Axel Strotbek, Member of the Board of Management for Finance and Organization at AUDI AG, meets Professor Franz Josef Radermacher. A renowned mathematician, economist and polymath, Radermacher advances the case for a worldwide socio-ecological market economy. From the rear seat of the new Audi A8, they discuss entrepreneurial and ecological responsibility.

INTERVIEW/ANDREAS MOLITOR
PHOTOS/ENNO KAPITZA

Axel Strotbek: Are you sitting comfortably, Mr. Radermacher?

Franz Josef Radermacher: Perfectly. There is ample space in this car even for people who are much taller than me. But we're not here to talk about comfortable seats, safety or working conditions for passengers. We want to discuss responsibility. What's the fuel consumption of one of these cars?

S: When it comes to efficiency, we've achieved something of a quantum leap with the new A8. With the 258 kW (350 hp) eight-cylinder diesel engine, this car averages 7.6 liters per 100 kilometers.* For the six-cylinder diesel version with quattro drive, we have improved the average figure to 6.6 liters. Not that long ago, many manufacturers of compact cars would have been proud to achieve such levels of fuel economy with their cars. And in the premium category, such figures were truly wishful thinking.

R: I don't doubt that this progress in fuel economy is the impressive result of an outstanding feat of engineering. But without public pressure on industry, and carmakers in particular, to face up to their environmental responsibilities in helping to combat climate change, such progress probably would not have been achieved up to this day.

S: But such expectations of us are nothing new. Audi engineers first combined diesel direct injection, featuring fully electronic control, with turbocharging in a production model back at the end of the 1980s, redefining the benchmark for fuel economy. Lightweight construction appeared on the scene a short time afterwards, and in 2001 Audi unveiled the A2 – the first five-door car in the premium segment to achieve fuel consumption of three liters per 100 kilometers. We have never flagged in our efforts to use resources efficiently. Advances in engine technology alone have enabled us to realize fuel savings of around 15 percent since 2006. That's a huge leap. And we are still on the job. Hybrid technology and electric drive play a major role at Audi. They will provide the answers to future mobility. Along with the Audi e-tron (see page 92), the purely electric high-

performance sports car that we unveiled at last year's Frankfurt Motor Show, we will be promoting electrification in other vehicle segments, too. The same applies to future developments in hybrid technology. For example, we are currently working all-out on full-hybrid versions of the Audi Q5 and A8.

R: Such innovations mean you are taking decisive action and embracing corporate responsibility in a manner that is appropriate for a company from the car industry. What you are doing is looking for a better technological solution that translates less input into more output. You are doing what is necessary in this area. But let's not fool ourselves: Technological innovation alone will not solve the world's problems.

S: But is that solely the responsibility of carmakers?

R: No, of course not. We shouldn't confuse the various levels of responsibility. It is primarily up to politicians, states and governments worldwide to provide a future-proof framework within which natural resources are used wisely and the climate is protected. Such pacts cannot be conjured up by a car manufacturer, let alone a

“Let's not fool ourselves. Technological innovation alone will not solve the world's problems.”

Professor Franz Josef Radermacher, globalization expert

single manager. The car manufacturer can at most help everyone understand why such pacts are necessary. Anything else would be overstepping the mark. You can only be responsible for something you are actually in a position to influence. The public debate often overlooks that fact. However, companies often forget that they are also obliged to initiate public activities for a better regulatory framework.

S: Thinking it through, if Audi were to decide unilaterally only to build three-liter cars from now on ...

R: ... it would go bankrupt within a few years. If the general conditions are not right, an individual →

manufacturer cannot afford to opt out and act as if those conditions did not exist. It has to operate in accordance with the market conditions and at most can test out how much room for maneuver it has. In mathematical economics, we call that a prisoner's dilemma. In such a situation, it is neither wise nor responsible to do what you actually consider to be sensible. In order to safeguard its very existence, a company may even have to act in a way that is at odds with its own convictions.

S: That reminds me of an example from our own corporate history. In the late 1980s we unveiled a vehicle with hybrid drive. It was 15 years ahead of its time, as there simply wasn't a market for such a concept. Ten years later we then launched the A2, our three-liter car. And we discovered yet again that not enough customers were prepared to pay the necessary premium for this efficiency innovation and technically pioneering product. We learned from the experience that the time must be ripe for every product – the customer calls the shots.

R: I agree entirely. If you weaken your company's position, you undermine its ability to dictate the rules that all the others follow and to spearhead the appropriate initiatives. Only winners can push for the rules to be changed. Let me illustrate my point like this: If a Formula One racing team whose cars always come last kicks up a big fuss about a circuit being too dangerous, who is going to listen to them? On the other hand, if the best racing team voices the same concerns and pushes for safety improvements to a circuit on which its cars have always won up to now, its arguments will sound a whole lot more convincing. That's what you'd call a dual strategy.

“A premium brand cannot position itself simply on the strength of fuel economy. It is vitally important for Audi to live out the elements which define it as a brand.”

Axel Strotbek, Member of the Board of Management for Finance and Organization, AUDI AG

S: Definitely! “Vorsprung durch Technik” is our brand essence and our commitment. Audi aims to lead the way, including when it comes to fuel economy. But any brand – let alone a premium brand – cannot position itself simply on the strength of fuel economy. It is vitally important for Audi to live out the elements which define it as a brand – the things that its customers identify with, feel at ease with, and associate with the brand. If I might take up your Formula One analogy, Mr. Radermacher, sportiness is indisputably one of our brand values. Cars must appeal to reason, but they must also excite people. And I agree entirely with you that a company enjoying a run of success is infinitely better placed to influence and change the rules of the game than one that is constantly playing catch-up. My job is about ensuring that Audi remains a leading player. That, for me, is one of the core responsibilities of a manager.

R: Yes, that often gets overlooked in the present difficult financial and economic climate, with so many people pointing accusingly at managers and saying they are to blame for not fulfilling their responsibilities properly. From a psychological viewpoint, such a reaction is understandable, but it doesn't help to solve the problem. Managers cannot change the rules on their own. We currently do not have the right control mechanisms for that, nor the right incentives for management. How can a manager opt out of the system? One level higher up, the same applies to companies: They can only opt out by sacrificing the very basis of their existence. In my view, apart from a few spectacular exceptions, for example in the financial sector, most managers have met their responsibilities competently within the existing system, playing by the rules of the game.

S: The crisis of the past 18 months has raised many questions, including for me personally. The topic of sustainability has acquired an entirely new relevance. But I believe the rules of the game, particularly in the financial system, have still only been adjusted and reformed to a very limited extent. We have not yet reached the point where we can say with any certainty that we won't see a repeat of such excesses.

R: No, we're definitely not there yet. And there may yet be a “sting in the tail.” But at least we are seeing a shift in perspective, a fundamentally different way of looking at things. Just think back ten years. Then, many regarded the shareholder value principle as the only school of thought meriting any serious consideration. It was part of a misguided philosophy and misguided faith in the markets that led us headlong into the global economic crisis. The crisis now has to bring us back to sustainable stances and attitudes, to an ordoliberal view of a social market economy with a strong ecological emphasis. It can restore a clear sense of direction for the players. For companies, that means focusing on their stakeholders: their customers, their employees, their owners and, for example, their manufacturing locations. If we're talking about responsibility, this is a much broader context than merely satisfying the interests of shareholders.

S: These questions are nothing fundamentally new for us at Audi, and indeed for the entire VW Group. We have never focused exclusively on the shareholders or on return on investment. It is of course important that lenders can expect and achieve a satisfactory return. But we should naturally also place our customers, our employees, and the local communities at our production sites at the very center of everything we do.

R: It is also my impression from many years of involvement in the automotive industry that car manufacturers have not been driven primarily by short-term returns. This appears to me to stem from the very nature of the products they make. An automobile is a long-life product. The value of such a company depends not on its current market capitalization, but on its cars and brand name. A manufacturer that builds

Winning streak: Audi is increasing its long-term brand value with examples of innovation such as the new A8.*



great cars knows very well that its cars are the embodiment of its real value added. It assumes responsibility for that product and establishes a brand value. That takes decades to accomplish – and decades more to consolidate. In such a context, any short-term focus on market capitalization or returns ...

S: ... is pointless. I think such considerations are part of our responsibilities in the running of an automotive manufacturer. I personally have to ask myself every day whether the decisions we are making – e.g. on development projects and new products – can be reconciled with the goals and values we have set ourselves, such as the requirement of sustainability. After all, we don't just want to be a success today and tomorrow, but in the longer term, too. That is why I repeatedly have to scrutinize how sustainable our decisions are.

R: I was recently asked whether I could imagine ever

taking up a post like yours, and what I would tackle in my first week.

S: And what did you reply?

R: I said I didn't think I would manage to accomplish very much of use or that would make much difference in one week. It would be presumptuous of me to be able to, want to, or have to make significant changes in such a short time, in a field of which I only have a limited understanding. If I were ever to take on such a role, I would first need plenty of time to learn about it and understand it. Looking back over the financial crisis, many managers remark today that they were continually deciding on matters and dealing with products that they didn't understand. That is truly frightening. You can only account for something that you understand, and therefore you cannot make a responsible decision for something that you do not understand. What you must do instead is admit when you don't understand something, and keep on asking questions until you fully understand it. I think that this is a key aspect of exercising responsibility. ●

Economics graduate and business journalist Andreas Molitor works for DIE ZEIT, Berliner Zeitung and GEO, among others.

"LET'S TALK ABOUT CORPORATE RESPONSIBILITY."

You can find a video recording
of the discussion at:

www.audi.com/ar2009/strotbek

Luxury to me is ...

... being out on my racing bike and feeling nature, having a clear mind – without being under any time pressure.

Rupert Stadler, Chairman of the Board of Management, AUDI AG

... having the first hour of the day to myself.

Axel Strotbek, Member of the Board of Management for Finance and Organization, AUDI AG

... to find what the soul is searching for – in relationships, in literature, in music, in nature.

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

... being able to live my passion every day in my job.

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

... spending time together with my family and friends.

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

... having colleagues who I work together with in friendship.

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

... a day without appointments, a day without a clock or telephone.

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

Audi Group Finances 2009

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Note: All figures are rounded off, which may lead to minor deviations when added up.

Management Report of the Audi Group for the 2009 fiscal year

AUDI GROUP STRUCTURE

Company

The Audi Group, comprising the two brands Audi and Lamborghini, is one of the world's leading carmakers in the premium and supercar segment.

At the core of the Company is the Audi brand, whose vehicles are noted for their outstanding, modern design, high build quality and technological innovations. The ambition to fulfill challenging customer expectations by developing pioneering vehicle concepts is manifested in the brand essence "Vorsprung durch Technik," which encompasses the brand values sportiness, sophistication and progressiveness. This mission statement is exemplified for the customer in the extensive and steadily growing number of Audi models available. Over the past fiscal year the Audi brand, which celebrated its 100th anniversary in July 2009, demonstrated remarkable competitiveness at a time of distinct economic difficulties, in no small measure thanks to its fresh, attractive product range. The brand outperformed the premium market as a whole in a large number of markets, gaining vital market shares in the process.

AUDI VEHICLE DELIVERIES BY REGION

	2009	Share in %
Germany	228,844	24.1
Europe excluding Germany	390,010	41.1
China (incl. Hong Kong)	158,941	16.7
USA	82,716	8.7
Other	89,218	9.4
Total	949,729	100.0

The Italian traditional brand Lamborghini embodies fascinating design, impressive driving dynamics and technological expertise with its exclusive, uncompromising supercars.

In addition to the models of the Audi and Lamborghini brands, the Audi Group supplies vehicles of other Volkswagen Group brands through its sales subsidiaries.

Group structure and principal group companies

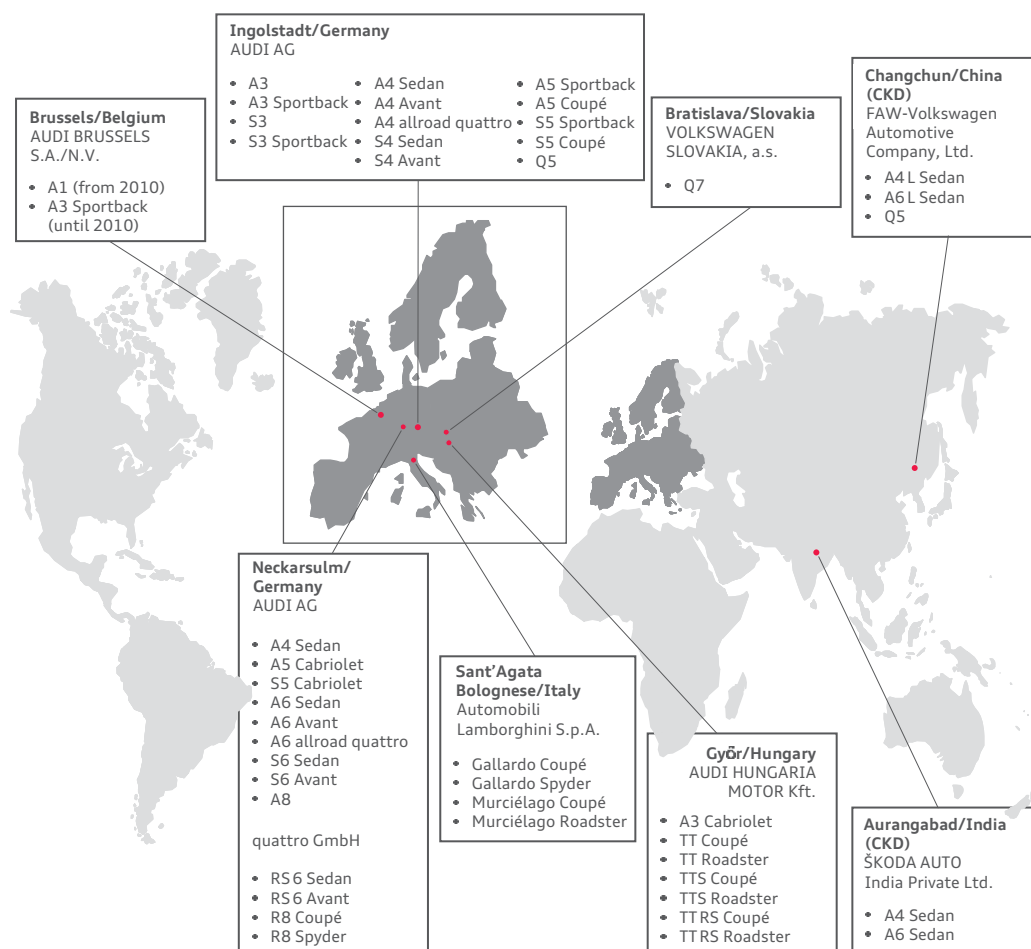
The headquarters of the Audi Group are located in Ingolstadt, where Technical Development, Sales and Administration as well as the bulk of vehicle manufacturing operations are based. The range of models built there comprises the Audi A3 and A3 Sportback, the A4 car line, the A5 Sportback, the A5 Coupé and the Audi Q5. Bodies for the A3 Cabriolet and for the TT car line are also made in Ingolstadt. The location celebrated its 60th anniversary in 2009.

Neckarsulm is where the Audi Group builds the A4 Sedan, the A5 Cabriolet, the A6 car line and the A8 luxury sedan. The head offices of quattro GmbH are also located there. This fully owned subsidiary of AUDI AG manufactures high-performance vehicles such as the RS6 Sedan, the RS6 Avant and the Audi Q7 V12 TDI; it is also responsible for the bespoke manufacturing of the Audi R8 Coupé and R8 Spyder mid-engine sports cars. The quattro GmbH product range furthermore includes an extensive customization program for all Audi models and exclusive lifestyle accessories that embody the spirit of the brand with the four rings. The Neckarsulm plant, too, reached an auspicious milestone last year, celebrating its 40th anniversary.

The Belgian company AUDI BRUSSELS S.A./N.V. built the Audi A3 Sportback in Brussels in 2009, and from spring 2010 it will also be the sole production plant for the new Audi A1. In addition it built the VW Polo until the end of 2009 on behalf of Volkswagen AG (Wolfsburg).

AUDI HUNGARIA MOTOR Kft. develops and builds engines for AUDI AG, other Volkswagen Group companies and third-party companies in Győr (Hungary). In addition to engines it manufactures the TT in both Coupé and Roadster body versions, and also, under contract from AUDI AG, the A3 Cabriolet, in partnership with the Ingolstadt plant. Since its founding in 1993 the Hungarian subsidiary has emerged as one of the country's highest-revenue businesses and major exporters. Automobili Lamborghini S.p.A. builds the Lamborghini Gallardo and Lamborghini Murciélago supercars at Sant'Agata Bolognese, in Northern Italy.

MANUFACTURING PLANTS



Management Report

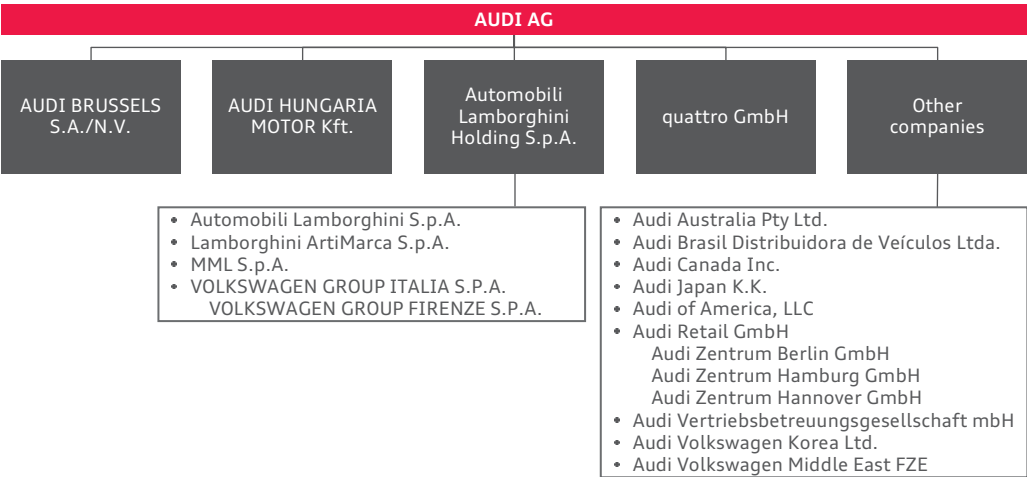
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Consolidated companies

AUDI AG’s largest stockholder is Volkswagen AG (Wolfsburg), which currently holds around 99.55 percent of the capital stock. Volkswagen AG includes the consolidated financial statements of AUDI AG in its own consolidated financial statements. Control and profit transfer agreements exist between Volkswagen AG and AUDI AG, as well as between AUDI AG and its principal German subsidiaries.

There have been no significant changes to the Audi Group since December 31, 2008.

FULLY CONSOLIDATED COMPANIES WITHIN THE AUDI GROUP



Strategic partnership with FC Bayern München AG

Last fall, AUDI AG announced its intention to acquire a stake of 9.09 percent in total in FC Bayern München AG (Munich) by 2011 and so build on the existing collaboration. The strategic partnership between the two premium brands extends beyond a purely financial involvement. There are for instance already plans in the pipeline to strengthen the global presence of both brands, e.g. by stepping up work with young players at soccer schools worldwide.

STRATEGY

Audi: the number one premium brand

The continuing debate on the future availability of fossil fuels, climate change and social megatrends such as increasing urbanization are generating new issues surrounding the topic of mobility for customers.

With its vision of “Audi: the number one premium brand,” the Audi Group has refined the strategy of its core brand Audi in preparation for stepping into the role of premium-segment leader. Over and above simply responding to changing requirements by 2020, the goal is actually to reinforce the emotional pull of the car in this new context, and to continue delighting customers in the long term.

THE AUDI BRAND'S STRATEGY 2020

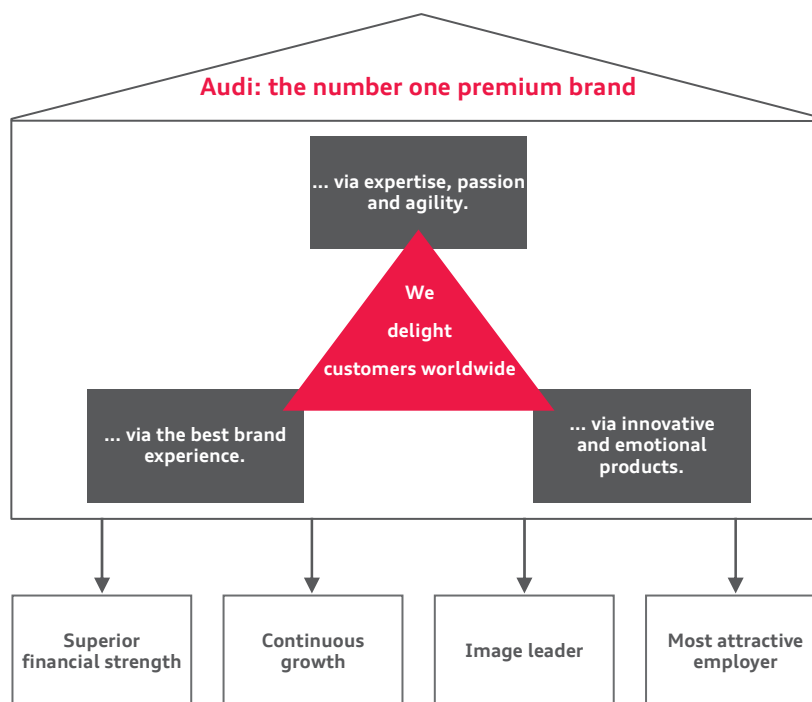
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Vision

Audi: the number one premium brand

Mission

**Mission: “To delight customers worldwide”**

At the very core of Strategy 2020 is therefore the mission statement: “We delight customers worldwide.” What this means in practice is that the brand with the four rings offers its customers innovative and emotional products – highly efficient Audi models providing an unmistakable product experience – that are particularly noted for the familiar attributes of sophistication and reliability. The Audi brand in addition intends to delight its customers with the best brand experience available. Hard evidence of the Audi brand values “sophisticated,” “progressive” and “sporty” is thus provided for every customer and at every point of contact with the customer. The Company specifically focuses product and investment decisions on delivering customer benefit. Implementing this successfully requires on the one hand expertise and agility, and on the other hand the passion that motivates every employee to promote the Audi brand and its products.

Superior financial strength

Another facet that continues to apply for Strategy 2020, and moreover in keeping with a value-oriented corporate management approach, is that growth only meets the premium standards of the Audi Group if it is simultaneously profitable. With regard to earning a better return on investment than the competition, qualitative growth is therefore a top strategic corporate objective.

Sustainable, superior financial strength is underpinned in particular by continuously optimizing processes and structures, realizing reduced costs and ensuring systematic investment management. A high level of self-financing safeguards investments, preserving the Audi Group’s ability to innovate and act. The aim is to continue financing investment from self-generated cash flow.

Continuous growth

Amid its efforts to capitalize on future opportunities for growth in key premium markets, the focus will remain on continuity and quality of growth.

The Company's springboard for this undertaking is a fresh, attractive product range, to which numerous new models were added again during the past fiscal year as part of its long-term model initiative. The particular appeal of the new arrivals, such as the Audi A5 Cabriolet, the A4 allroad quattro and the A5 Sportback, lies in their successful blend of emotional design, sportiness, efficiency and everyday suitability.

The Audi brand will continue with its model initiative in 2010 in adding further new members to its product family. Among the most notable new arrivals will be the Audi A1 – which will appeal above all to young drivers and therefore give customers a taste of the excitement of the Audi brand from an early age – the next generation of the Audi A8 luxury sedan and the new Audi A7. At the same time, the Audi Group is stepping up its activities in international car markets. In the past fiscal year the Company established a fully owned subsidiary in China, its most important international market, to serve as an umbrella organization for all its activities there. A new assembly hall was also erected at the Chinese production plant in Changchun. The Audi Group furthermore has local manufacturing operations in India; the gradual creation and expansion of the sales and dealer structure is helping to boost its presence in the growing Indian market. The Audi Group also has plans for further growth in the United States. The cornerstones of this undertaking will be the extended product range, which received a major boost in 2009 with the advent of the Audi Q5 and Audi Q7 3.0 TDI clean diesel models, and the steady progress made by the brand image in the U.S. market.

Image leader

The basis for lasting success is a strong brand. The Company is therefore eager to keep improving its image position above all through its attractive, fresh product range, and to establish an emotional bond between its customers and the brand. Alongside outstanding quality and sophisticated design, customers in particular want vehicles that embody the Audi brand's proverbial "Vorsprung durch Technik." The Company again demonstrated that competitive edge in 2009 by implementing numerous innovative technologies such as lightweight construction, powerful and efficient TDI and TFSI engines, and currently the cleanest diesel technology in the world.

The public's enthusiasm was again manifested last year in an array of national and international awards. For example, the Audi brand yet again captured the coveted ADAC "Yellow Angel" award for the best brand (ADACmotorwelt, issue 2/2009, page 24 ff.). In Auto Zeitung's "Image Report 2009" some 20,000 readers voted Audi their favorite car brand for the sixth time in a row (issue 24/2009, page 80 ff.). The brand with the four rings was declared Germany's most attractive car brand in a representative study conducted by Gesellschaft für Konsumforschung (GfK) and commissioned by the brand strategy consultants Brand:Trust. In addition to brand recognition, this study investigated readiness to recommend ("Brands of the Future," August 27, 2009). In the high-profile reader poll "Best Cars" staged by the trade publication auto motor und sport (issue 4/2009, page 135) the Audi A4, Audi A6 and Audi Q5 models all came in at the top of their respective categories. The ADAC breakdown statistics, which identified the Audi A2, Audi A3 and Audi A6 as the most reliable vehicles in their respective categories, furthermore supplied evidence of the high quality standards of the Audi brand (ADACmotorwelt, issue 5/2009, page 30 ff.). In the "Auto Bild Design Award" reader poll (Auto Bild, issue 20/2009, page 52 ff.) the Audi brand clinched top spot with the Audi A4 allroad quattro and Audi Sportback concept, as well as a second place for the Audi A5 Cabriolet. The German "Design Oscar" for the Audi A5 Coupé, the highest official design accolade in Germany ("Design Award of the Federal Republic of Germany 2010," October 23, 2009), and the "Golden Steering Wheel 2009" for the A5 Sportback (Bild am Sonntag, issue 45/2009, supplement, page 16) completed the impressive collection of awards received by the end of the year.

The brand attribute “sportiness” equally remains exceptionally important. Accolades for the TTRS and R8 5.2 FSI quattro models meant that the Audi brand featured among the winners of the coveted reader poll “Auto Bild Sportscar 2009” (Auto Bild Sportscars, issue 1/2010, page 95).

The Company again enjoyed motorsport success in 2009, staging a successful defense of its German Touring Car Masters (DTM) title and clinching the first hat-trick in the history of the DTM. The Audi brand also secured a place on the rostrum in the legendary 24 Hours of Le Mans in 2009 for the 11th year in succession with its R15 TDI.

Most attractive employer

The Audi Group will remain dependent on highly qualified, dedicated employees if it is to continue to compete successfully. Progressively enhancing its appeal as an employer is therefore of particular strategic importance. As a successful company, the Audi Group is able to offer its personnel attractive working conditions, challenging tasks, commensurate pay and high job security. The Audi Group took the opportunity to thank all its employees for their commitment and hard work by holding anniversary celebrations at the Ingolstadt, Neckarsulm and Brussels plants in the fall of 2009. Regularly conducted internal employee surveys have confirmed a high level of satisfaction among the workforce.

Numerous external surveys have moreover attested that the Audi Group is a high-appeal employer. For instance the Company again emerged as the most popular employer among engineers in the renowned graduate survey conducted by the Berlin trendence Institute (“trendence Graduate Barometer – Business and Engineering Edition,” August 21, 2009).

Strategic target

Consistently increasing the value of the Company is one of the Audi Group’s principal objectives. The return on investment (RoI) serves as an internal measure of the Company’s success. It reveals the return on capital employed for various types and scales of investment projects. The return on investment reflects the development in a company’s profitability and is calculated using the following formula:

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

EUR million	2009	2008
Operating profit after tax	1,123	1,940
Average operating assets	13,329	13,157
– Average non-interest-bearing liabilities	3,557	3,343
= Average invested assets	9,772	9,814
Return on investment (in %)	11.5	19.8

With the return on investment reaching 11.5 (19.8) percent, the Audi Group was again one of the most profitable companies in the automotive industry worldwide in the 2009 fiscal year. The Company thus impressively underlined its high level of competitiveness despite the difficult environment brought on by the economic crisis.

SHARES

Stock market developments

In the wake of the global financial and economic crisis, the drastic slump on stock markets worldwide initially continued unabated at the start of 2009. Thanks to the many state rescue packages for the financial sector and supporting measures by leading central banks, the situation on the capital markets then stabilized towards the end of the first quarter. As the year progressed, the increasingly positive business indicators and initial signs of a recovery in the global economy fueled sharp gains on major international stock markets. A resurgence in confidence in stock markets among market players resulted in many indices finishing the year well up.

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After starting the year at 4,857 points, the German Share Index (DAX) had already retreated conspicuously to below 3,666 points within the first few weeks of the past fiscal year. A marked recovery set in over the months that followed, peaking at 6,012 points in December. Germany's lead index closed 2009 on 5,957 points, thus showing an improvement of 24 percent over the end of the previous year.

Audi trading price trend

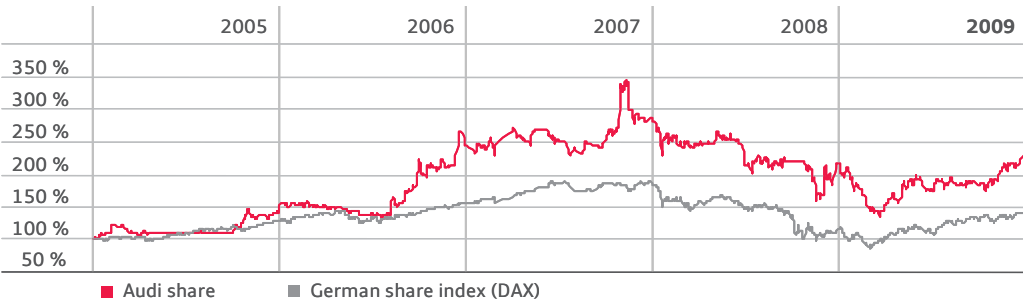
Audi shares were unable to buck the general downward trend on stock markets worldwide at the start of the year. The shares of automotive manufacturers moreover came under added pressure as a result of the dramatic slump in demand in certain international car markets. The Company's shares consequently lost considerable ground in the first three months, touching a year-low of EUR 293 in March 2009. Nevertheless, underpinned by the Audi Group's outstanding profit performance in a persistently difficult market environment and initial signs of an improvement in the situation on the financial markets, the trading price recovered in the second quarter. After a sideways shift in the third quarter it clearly exceeded the opening price for the year by reaching EUR 500 towards the end of the fourth quarter. The trading price benefited additionally from growing signs of an end to the global recession in the second half of the year, coupled with evidence of a tentative recovery in worldwide demand for cars.

Viewed over a five-year period, Audi shares staged an impressive gain in value despite the global financial and economic crisis. The trading price gained around 228 percent compared to January 2005 and therefore clearly outperformed the German Share Index. This development reflects the capital market's deep faith in the Company's strategy, future fitness and competitiveness when considered in the context of the major challenges facing the automotive industry.

Profit transfer and compensatory payment to stockholders

A control and profit transfer agreement is in force between AUDI AG and Volkswagen AG (Wolfsburg), which controls around 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 22, 2010.

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



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, 2009, 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; in particular, it decides 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 profit after tax of AUDI AG 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 that is 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, normally 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.

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.

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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. Re-appointment 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.

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 authorize it, 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 key 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 MANAGEMENT DECLARATION

The corporate management declaration pursuant to Section 289a of the German Commercial Code (HGB) is permanently available on the Internet at www.audi.com/corporate-management.

SYSTEM OF REMUNERATION FOR THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

For information on the system of remuneration for the Supervisory Board and Board of Management, please see the Notes to the Consolidated Financial Statements under "Details relating to the Supervisory Board and Board of Management."

BUSINESS AND UNDERLYING SITUATION ECONOMIC ENVIRONMENT

Global economic situation

The sharp cyclical downturn initially continued at the start of 2009. Industrial nations found themselves in recession, with the global downturn also having a marked effect on the economic development of various emerging economies in Asia, Latin America and Central and Eastern Europe. Far-reaching stimulus programs and the expansive monetary policies adopted by many countries then stabilized the economic situation as the year progressed. By the end of the year, the global economy had regained a path of moderate growth. The substantial problems of the first half-year nevertheless meant that global economic output for 2009 as a whole fell by 2.0 (+1.9) percent.

The recession that the United States entered in summer 2008 was overcome mid-way through 2009. However, the ensuing recovery showed only modest vigor, with the result that gross domestic product for 2009 was down 2.4 (+0.4) percent on the previous year. The rapid rise in

unemployment and the loss of wealth brought on by the real estate crisis in particular eroded consumer spending.

Economic output in Western Europe fell sharply by 3.9 (+0.5) percent in 2009. All countries throughout the region experienced a significant decline in gross domestic product. For example the economy in the UK contracted by 4.8 (+0.6) percent, in Italy also by 4.8 (–1.0) percent and in Spain by 3.6 (+0.9) percent. Initial signs of a recovery began appearing in several countries from mid-2009 onward. The global economic crisis caused unemployment in the euro zone to rise from 8.2 percent at the start of 2009 to 10.0 percent at the end of 2009.

The German economy suffered an exceptionally sharp setback at the start of 2009, mainly due to falling exports. A mild economic recovery only set in during the course of the year. The brighter global economic prospects induced a modest improvement in export demand. One factor that played a significant role in shoring up the economy was the government environment bonus for those buying new cars; this measure accounted for the slight growth in consumer spending in Germany. In all, gross domestic product for Germany fell by 5.0 (+1.3) percent in the course of 2009. The German economy therefore contracted more sharply than at any time since the founding of the Federal Republic of Germany.

The national economies of Central and Eastern Europe were also unable to stave off the global downward trend in 2009, and some of those countries experienced a sharp fall in their economic output. The Russian economy in particular fell deeply into recession in the year under review. Economic development in Latin America stabilized following the cyclical slump mid-way through 2009, with the countries in that region benefiting in particular from the recovery in demand for raw materials.

Emerging countries in Asia recovered rapidly from the adverse effects of the global economic crisis and were able to report a healthy economic uplift from spring 2009. Economic growth in China of 8.7 (9.0) percent virtually emulated the prior-year figure. In India, too, the economy grew vigorously by 6.5 (7.3) percent. On the other hand gross domestic product in Japan declined by 5.2 (–1.2) percent in 2009.

International car market

Global demand for cars was significantly down in 2009 following the global economic crisis. Western industrial nations, the countries of Central and Eastern Europe and Japan in particular witnessed an unprecedented slump in sales in the first few months of the year. Many countries responded with programs to stabilize car sales, which stimulated demand in the latter part of the year in particular. Worldwide, vehicle sales in the year under review nevertheless fell overall by 6.0 percent to 52.4 (55.7) million passenger cars.

In the United States, the consequences of the severe recession in the year under review caused demand for cars to deteriorate once again. The market mood was dominated by continuing consumer reticence; moreover the availability of credit for vehicle financing remained tight. Unit sales of cars in 2009 consequently fell even further by 21.3 percent compared with the already weak prior-year level, to just 10.4 million passenger cars and light commercial vehicles.

Registrations of new cars in Western Europe (excluding Germany) totaled 9.9 million units in 2009, down 6.2 percent on the prior-year figures despite the extensive support measures in many countries. Of Western Europe's major car markets, Spain and the UK were the worst affected with registrations down 17.9 percent and 6.4 percent respectively. The Italian car market also retreated slightly by 0.2 percent. The French car market fared better, achieving year-on-year growth of 10.7 percent.

The rapid expansion of recent years in demand for cars in Central and Eastern Europe came to an abrupt end in 2009. Demand for passenger cars collapsed in many countries throughout the region. The market volume in Russia halved compared with the previous year's figure, to 1.3 million passenger cars.

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In Latin America the Brazilian car market continued to advance despite the global economic crisis. Sales of passenger cars there exceeded the previous year's tally by 12.8 percent, to reach 2.5 million vehicles. On the other hand the overall car market in Argentina of 378 thousand passenger cars shrank by 11.8 percent.

The rate of growth in the Asia-Pacific region again increased sharply in 2009. The sales volume there climbed by 19.7 percent to 17.5 million passenger cars in total. Especially in China, state aid promoted the expansion of the car market with the result that the sales figures rose by 53.9 percent to 8.5 million passenger cars. The Indian car market, too, benefited from a further rise in demand and gained 17.3 percent to reach 1.4 million vehicles. The market in Japan nevertheless remained weak. New car registrations were down 7.2 percent to 3.9 million units.

German car market

The German auto market experienced a special boom in 2009, with new registrations growing by 23.2 percent to 3.8 million passenger cars. The main factor at work here was the government environment bonus for private customers. Between February and November 2009 it prompted monthly growth in new car registrations in the double-digit range. The structure of the market was simultaneously transformed, with the proportion of private registrations soaring from 40.2 percent in the previous year to 62.7 percent in 2009, while new registrations for commercial use fell because of the economic crisis. The main players to benefit from the surge in private demand were manufacturers of small and mini cars as well as vehicles in the compact size category, which enjoyed a sharp increase in their market shares.

The diesel share of total registrations fell significantly by 13.4 percentage points in the year under review to 30.7 percent as a result of higher sales to private customers, who wanted primarily gasoline models. By contrast, the diesel share of commercial new registrations remained largely stable.

Vehicle exports by German manufacturers suffered a sharp downturn of 17.1 percent to 3.4 million units in 2009 due to the global economic crisis. Deliveries of vehicles to the key export region of Western European countries fell by 13.2 percent to 2.1 million passenger cars. With an export volume of just 359 thousand passenger cars, exports to the United States were down by a total of 31.3 percent.

The sharp drop in export demand was mirrored by lower domestic production output by German car manufacturers in 2009. The production volume of 5.0 million passenger cars was 10.3 percent down on the prior-year figure. The number of German-brand cars built abroad was down 8.3 percent on the previous year at 4.8 million units.

Management's overall assessment

The global economic crisis and the associated collapse in numerous car markets in the past fiscal year presented the automotive industry with one of the biggest challenges of recent decades. Despite the extremely difficult economic environment, the Audi Group held its ground very well throughout the crisis thanks to its excellent ability to compete.

The long-term corporate policy yet again paid dividends, because firstly it focuses on progressively optimizing processes and cost structures along the entire value chain, and therefore on permanently improving productivity. The second success factor is the methodical way in which the product range is being expanded. Thanks to its fresh and attractive model range, with modern, efficient engines, the Company pulled through a crisis-ridden 2009 very successfully; deliveries of 949,729 (1,003,469) vehicles of the Audi brand were only 5.4 percent down on the record level achieved one year earlier. The Audi Group's crisis-proof constitution is also reflected in the clear operating profit of EUR 1.6 billion and an operating return on sales of 5.4 percent. The Audi Group was thus again one of the most profitable car manufacturers in the world in the past fiscal year.

RESEARCH AND DEVELOPMENT

The development of progressive technological concepts is closely linked to the Audi brand through its declared mission statement of “Vorsprung durch Technik.” The Company therefore brought a large number of innovations to production maturity in the past fiscal year, too. During the year, an average total of 6,599 (6,556) people were employed in the Research and Development area of the Audi Group. This total comprised 6,308 (6,293) at AUDI AG, 126 (116) at AUDI HUNGARIA MOTOR Kft. (Győr, Hungary), and 165 (147) at Automobili Lamborghini S.p.A. (Sant’Agata Bolognese, Italy).

RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

EUR million	2009	2008
Research expense and non-capitalized development costs	1,569	1,631
Amortization and disposals of capitalized development costs	480	530
Total research and development expenditure recognized as an expense	2,050	2,161

Technical innovations

Car-2-X communication: award for “Travolution”

In August 2009, Ingolstadt was chosen as a “Selected Landmark of 2009” in the “Germany – Land of Ideas” initiative of which German President Horst Köhler is patron (“Germany – Land of Ideas,” August 27, 2009). The award-winner was the “Travolution” traffic research project in which AUDI AG participated along with the City of Ingolstadt, the Chair of Transport Technology at the Technical University of Munich and systems developer GEVAS software GmbH, Munich. The project, which has already been completed, investigated how to adapt traffic signal controls to momentary traffic levels on Ingolstadt’s roads, and set itself the goal of cutting waiting times for vehicles so as to reduce fuel consumption and vehicle emissions. In the successor project “Travolution extended,” the Company is currently focusing in particular on traffic signal/vehicle communication as well as on rolling out traffic signal optimizations.

The active integration of road traffic is being investigated in other interlinked “Car-2-X communication” projects alongside “Travolution.” Car-2-X communication refers to the direct exchange of information between a car and other vehicles on the one hand, and a car and its traffic infrastructure on the other, with multiple benefits. An optimized traffic flow that is facilitated by the exchange of data with traffic signals can help to save time and improve efficiency, as in “Travolution.” Furthermore, the signals emitted by one vehicle in a hazardous situation can alert cars following behind, thus promoting safety. The system can also bring added convenience by displaying vacant parking spaces in the vicinity, for example.

New Multi Media Interface (MMI) with touchpad

In order to give its customers maximum convenience and more safety, the Company has revised its MMI navigation plus infotainment system and has now integrated navigation, telephone, audio and vehicle data. The result is a concept that is impressive not just for its design and ergonomic layout, but also demonstrably reduces quite significantly the extent to which the driver is distracted from the traffic situation, thanks to the use of a touchpad with handwriting recognition. A destination or a phone number, for instance, can be written on the input field with the index finger of the user’s right hand – and as well as the Latin alphabet the system recognizes five other scripts, such as Chinese, Japanese and Cyrillic. Because users are able to draw intuitively with their finger and each input is acknowledged with an acoustic signal, the driver can continue to watch the road while making the input. The new MMI touch is available for the first time as an option for the new Audi A8.

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LED technology: MatrixBeam

In MatrixBeam, the Audi Group is developing an adaptive LED high-beam system that allows the driver to activate the high beams without dazzling other road users detected by the system. This lighting technology represents a logical progression from the high-beam assistant, automating the high beam function with the aid of a camera sensor system. MatrixBeam is in addition based on a special LED headlight, the individual light segments of which can be energized separately. As soon as other road users are detected, the headlight switches off specifically those light segments that would cause dazzling. The driver still benefits from the remaining light segments, which cast their light past the preceding or oncoming vehicle so that visibility is increased compared to conventional low beams. The adaptive MatrixBeam, which is currently still in the advance development phase, therefore extends the Audi Group's lengthy tradition of innovative lighting technology.

Innovations for more safety

Night vision assistant

When driving in the dark with low beams, a driver can only identify pedestrians less than 60 meters away and will therefore have difficulty stopping in time even at speeds as low as 70 kilometers per hour. This is where the new driver assistance system helps: The Audi night vision assistant increases the driver's range of vision in the dark to as much as 300 meters, while simultaneously providing a warning when pedestrians have been detected. The driver is now able to respond much sooner. The system functions with the aid of an infrared camera that is mounted in the Audi rings on the radiator grille and measures the difference between the ambient temperature and the temperature of various objects. The thermal image that is produced displays warmer objects lighter and cooler ones darker on the display in front of the driver. Pedestrians, cyclists and also animals therefore appear as very light-colored objects in the image, whereas the remainder of the road stays dark. When the processing software identifies a person's outline, they are specifically highlighted and a warning signal sounds as the driver approaches them. The specially developed thermal imaging camera is an option available for the first time on the new-generation Audi A8.

Audi pre sense

Audi pre sense is a safety package that can identify critical driving situations or use the phase shortly before a potential collision to prepare the vehicle and its occupants so as to minimize its consequences. Various active and passive safety systems are networked into a single, integrated safety system that constantly monitors the readings supplied by numerous different sensors, such as those gauging the vehicle's stability or the driver's momentary response. The comprehensive technical package for identifying dangers well in advance and intervening appropriately makes its first appearance in the new Audi A8. The system is available optionally in a number of different versions that are linked to the various Audi assistance systems.

If the Audi pre sense basic system identifies a critical operating situation such as skidding or hard braking, protective measures can be triggered preventively in addition to the ESP function. Depending on the situation, the hazard warning flashers are activated and the side windows and sunroof are closed; the belts of the front seats are also partially or fully tightened.

Audi pre sense front uses the sensors for Audi adaptive cruise control to monitor the traffic ahead of the car for a collision risk and then uses Audi braking guard to warn the driver in various levels of escalation if such a situation is identified. As soon as the driver responds, the system steps in to boost braking force as necessary. If the driver does not respond, it can initiate a partial brake application and in extreme cases activate the preventive protective systems.

The Audi pre sense rear system mitigates the consequences of a rear impact. In conjunction with the radar sensors for Audi side assist, it monitors traffic behind the car, again affording preventive protection whenever a collision risk is identified. The system responds by closing windows and the sunroof, and tightening the seat belts.

Audi pre sense plus combines the various Audi pre sense modules and complements them with the full deceleration function, which can reduce the severity of impact in collisions.

Electric mobility

At a time of growing efforts to reduce dependence on mineral oil resources and create new options for protecting the climate, technical solutions for the electrification of the driveline are gaining ever increasing significance. The Audi Group is mindful of its responsibility as an automotive manufacturer and is therefore focusing its resources and activities on developing alternative drive systems, alongside further optimizing the total vehicle and the internal combustion engine in order to cut fuel consumption and CO₂ emissions (cf. "Product-based environmental aspects," page 163 ff.).

Instead of retroactively electrifying conventional vehicles, the Audi Group pursues a broader policy when developing electric mobility because the full potential of electric drive can only be exploited if all systems and components are properly coordinated. New-style concepts take into account the specific characteristics and scope of an electrically powered vehicle by combining mechanical energy flows, thermo-management, climate control and driving dynamics to reach a new level of technology.

The e-performance development project

To enable the strategic alignment of all activities in the sphere of electric mobility, the Audi Group has established the e-performance project house to handle the topic of electrification in advance development. This team of lateral thinkers and experts from Technical Development stepped up its activities in October 2009 in the e-performance project, which is being subsidized by the German Federal Ministry of Education and Research. In addition to the project house, the Company has set up a coordinating department for all matters revolving around electrification in production by creating the department "Project Steering/Strategy for Vehicle Electrification." The topic is also being discussed in depth in a Company-wide steering committee with members drawn from all corporate divisions.

Audi e-tron

In fall 2009 the Company unveiled a high-performance sports car with all-electric drive in the guise of the progressive Audi e-tron concept car.

Its holistic approach to the development of electric vehicles is unmistakable. Alongside its progressive drive concept and high range, other notable attributes of the Audi e-tron include its design, sportiness, dynamism and the use of innovative communication technologies.

The e-tron's electric motors are capable of accelerating it from 0 to 100 km/h in just 4.8 seconds if need be. The range of around 250 kilometers is impressive for an electric vehicle; it is made possible by the component that is at the very heart of the e-tron, the high-performance lithium-ion battery, working in tandem with technology that is specifically configured for an electric-drive vehicle. The vehicle's modest weight is the result of the rigorous application of lightweight construction principles combining an aluminum Audi Space Frame with fiber-reinforced plastic. Particular importance was also attached to the sophisticated aerodynamics, which help not only to reduce drag, but also to optimize thermo-management. Because electric vehicles do not have the waste heat of an internal combustion engine as a resource, advanced energy management is furthermore used. An innovative heat pump with low energy consumption takes charge of heating the interior, while a highly efficient air conditioning system handles cooling. It also operates alongside the thermo-management to regulate the battery's temperature so as to optimize its performance and range. The e-tron also integrates a prototype of a car-2-X communication system, which for instance helps to improve the traffic flow and therefore further reduce energy consumption.

A prototype of the Audi e-tron already became available for test drives in December 2009 and a small number will come onto the market at the end of 2012.

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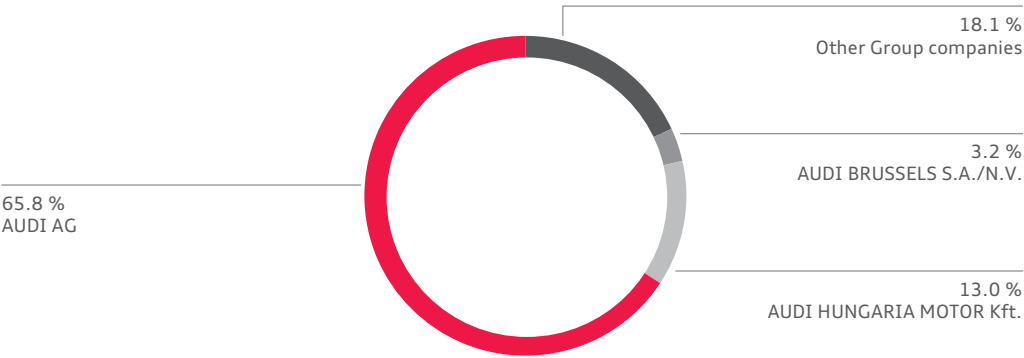
At the Detroit Auto Show in January 2010, the Audi brand already showcased a second electric vehicle concept powered by two electric motors mounted on the rear axle: the Detroit showcar Audi e-tron. This sports car with an output of 150 kW (204 hp) can accelerate from 0 to 100 km/h in 5.9 seconds and achieves a range of up to 250 kilometers over the standardized driving cycle.

PROCUREMENT

One of the principal aims of procurement within the Audi Group is to establish a long-term partnership with the most efficient suppliers worldwide. The selection criteria to be met by suppliers include overall economy as well as the factors reliability, quality and innovation. In order to use any synergy potential, the selection process is handled in close consultation with Volkswagen Group Procurement.

The cost of materials for the Audi Group in the 2009 fiscal year amounted to EUR 18,512 (23,430) million. This figure includes all raw materials and consumables used, as well as purchased goods and services.

BREAKDOWN OF THE CONSOLIDATED COST OF MATERIALS BY GROUP COMPANY



Procurement will continue to gain strategic importance in the future, along with the steady expansion of the Audi product range. Cooperation with suppliers, e.g. through their integration into the product development process, is therefore already being intensified. This paves the way for promptly identifying methods of reducing the amount of materials used or using alternative materials. Non-economic aspects such as the use of recyclable materials are also part of the equation.

The Logistics Center, an industry park in the immediate vicinity of the Ingolstadt plant, currently serves as the base for over 20 external operators that supply AUDI AG with a wide range of products and services related to car production. The arrangement permits an even closer partnership with these suppliers, alongside keeping information channels and transport paths as short as possible. Similar industry parks have been set up at Neckarsulm and Győr (Hungary).

The Audi Group’s Technical Development and Purchasing Divisions jointly hold “TechShows” at which potential partners can demonstrate how efficient and innovative they are. In order to strengthen ties steadily with the supply industry, the Audi Group also regularly holds supplier events to promote informal exchanges and facilitate networking. Together with the Volkswagen Group, the Company also operates a web-based B2B supplier platform to speed up communication and therefore increase the efficiency of the procurement process to the benefit of all parties.

PRODUCTION

The Audi Group trimmed vehicle production in the 2009 fiscal year to 932,260 (1,029,041) vehicles, in response to declining overall demand. It built 931,007 (1,026,617) models of the Audi premium brand as well as 1,253 (2,424) supercars of the Lamborghini brand.

VEHICLE PRODUCTION BY MODEL

	2009	2008
Audi A1	226	32
Audi A3	43,641	57,158
Audi A3 Sportback	153,098	146,436
Audi A3 Cabriolet	9,782	18,570
Audi TT Coupé	16,915	31,090
Audi TT Roadster	4,536	10,679
Audi TTRS Coupé	1,095	11
Audi TTRS Roadster	275	9
Audi A4 Sedan	163,897	210,288
Audi A4 Avant	111,283	150,922
Audi A4 allroad quattro	9,291	68
Audi A4 Cabriolet	2,409	16,790
Audi RS 4 Sedan	-	320
Audi RS 4 Avant	-	330
Audi RS 4 Cabriolet	-	201
Audi A5 Sportback	20,613	86
Audi A5 Coupé	48,858	57,238
Audi A5 Cabriolet	15,388	326
Audi Q5	109,117	20,324
Audi A6 Sedan	139,391	154,001
Audi A6 Avant	37,354	52,854
Audi A6 allroad quattro	4,104	10,283
Audi RS 6 Sedan	313	454
Audi RS 6 Avant	541	3,326
Audi A7	251	17
Audi Q7	27,929	59,008
Audi A8	8,599	20,140
Audi R8 Coupé	2,024	5,644
Audi R8 Spyder	77	12
Total, Audi brand	931,007	1,026,617
Lamborghini Gallardo	922	1,787
Lamborghini Murciélago	331	637
Total, Lamborghini brand	1,253	2,424
Total, Group	932,260	1,029,041

Production at the Ingolstadt Group headquarters showed an increase on the high prior-year total, rising to 566,182 (531,200) vehicles in 2009. The higher production output is largely attributable to the successful product launches of the Audi A5 Sportback and Audi Q5 models. The launch of the Audi A4 allroad quattro likewise had a positive effect.

The Audi Group built 278,096 (327,296) cars at the Neckarsulm plant in the past fiscal year. Activities there focused on the successful volume production starts of the A5 Cabriolet and S5 Cabriolet, and of the new A8. Currently the most advanced press shop in Europe was also commissioned there in the fall; it represents a vital step in the implementation of the model initiative and brings further improvements in productivity.

A total of 32,603 (60,359) vehicles left the AUDI HUNGARIA MOTOR Kft. production line in Győr (Hungary) in 2009.

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AUDI BRUSSELS S.A./N.V. built 23,562 (31,731) models of the Audi A3 car line and 39,749 (53,177) of the VW Polo under contract from Volkswagen AG (Wolfsburg) during the period under review. The past fiscal year also saw the Brussels production plant prepare intensively for the volume production start of the Audi A1, which is due in the spring of 2010.

ENGINE PRODUCTION

	2009	2008
Audi Group	1,384,240	1,901,760
of which AUDI HUNGARIA MOTOR Kft.	1,383,909	1,900,333
of which Automobili Lamborghini S.p.A.	331	1,427

Engine production by the Audi Group reached 1,384,240 (1,901,760) units in the past fiscal year. The 42.7 (47.3) percent share of diesel engines in the overall total serves to underscore the Company's expertise in the domain of TDI technology.

The Group subsidiary AUDI HUNGARIA MOTOR Kft. built a total of 1,383,909 (1,900,333) engines, of which 698,133 (782,944) units were supplied to Audi Group companies, 560,954 (935,745) to other Volkswagen Group companies and 102,131 (119,757) to third parties. Automobili Lamborghini S.p.A. manufactured 331 (637) 12-cylinder engines for the Murciélago car line in the past fiscal year.

Automotive Lean Production Award

In September 2009 AUDI AG won the coveted "Automotive Lean Production Award," which was jointly sponsored for the fourth time by the trade publication AUTOMOBIL-PRODUKTION and the management consultants Agamus Consult (AUTOMOBIL-PRODUKTION, issue 10/2009, page 26 ff.). This competition places the spotlight on improvements to production processes. The streamlined production processes for assembly of the A3 car line at the Ingolstadt plant were singled out, with their efficiency representing a benchmark in the automotive industry.

New assembly hall in China

Together with the Chinese joint-venture partner China FAW Group Corporation (Changchun, China), AUDI AG opened a new assembly hall at the Chinese production plant in Changchun in fall 2009. The long-wheelbase version of the Audi A4 and the Audi Q5 are now built there to the same high standards that apply throughout the Audi Production System worldwide. The addition of a new hall has boosted the location's manufacturing output to 200,000 cars annually.

Audi Q3 production in Spain

AUDI AG announced its choice of production location for the Audi Q3 in April of the past fiscal year. The new, compact SUV generation will be built at the main plant of SEAT S.A. in Martorell (Spain). The Company is consequently using the synergy that exists within the Group structure to increase its competitiveness yet further. Production will start in 2011 with an annual capacity of up to 80,000 units; the capital investments involved amount to some EUR 300 million.

New Logistics Concept

The New Logistics Concept (NLK) is a forward-looking project within the Audi Production System that helps the Audi Group to achieve its strategic corporate objectives. The priorities of the NLK involve focusing logistics processes on value creation, eliminating errors and waste, and reducing the throughput times from the supplier to the point of installation. In addition to bringing cost savings and productivity gains, it therefore also seeks to deliver quality improvements.

DELIVERIES AND DISTRIBUTION

The Audi Group delivered 1,145,360 (1,223,506) vehicles to customers worldwide in 2009. The core brand Audi continued to demonstrate its strength throughout the crisis, with 949,729 (1,003,469) cars delivered. Thanks to its fresh, attractive product range, deliveries of models with the four rings were a mere 5.4 percent down on the record figure of the previous year. As a result, the volume target of 900,000 units announced at the start of 2009 was significantly surpassed. Demand for Audi models clearly outperformed the overall market for premium cars in many key sales markets. The Audi brand consequently increased its market share of the premium segment in those same markets.

In Europe, the Audi brand outperformed the overall market in the premium segment in virtually all markets and delivered a total of 618,854 (709,677) cars to customers.

In the home market Germany, total deliveries in the past fiscal year reached 228,844 (258,111) Audi vehicles. As a premium brand, Audi nevertheless benefited only marginally from the government environment bonus that fueled demand mainly for cars in the small and compact segment.

In many export markets throughout Western Europe, Audi deliveries initially held up much better than the rapidly contracting markets up until mid-2009. In the latter part of the year, the introduction of state aid programs subsequently bolstered demand mainly for small and compact cars. Although the Audi brand, with its premium models, was unable to profit to any significant extent from the government incentives, the Company achieved a total delivery volume of 359,465 (408,873) vehicles in Western Europe (excluding Germany). This promoted it to market leader in the premium segment.

Even the Audi brand was not entirely immune to the sharply contracting markets in Central and Eastern European countries and saw its deliveries to customers there fall to 30,545 (42,693) vehicles. The Audi brand's performance in the important Russian car market nevertheless gave cause for satisfaction. Its deliveries there fell by just 12.1 percent to 15,009 (17,076) vehicles; demand for models with the four rings therefore fared substantially better than the market as a whole, which halved in the year under review.

By contrast, the Audi brand repeated the successful growth of recent years in the Asia-Pacific region. In China (incl. Hong Kong), the largest foreign market for the Company, there was an appreciable rise in the volume of deliveries of 32.9 percent to 158,941 (119,598) Audi vehicles. Demand for the long-wheelbase models developed specifically for the Chinese market, the Audi A4 L and A6 L, was particularly high in the year under review. The Audi brand consequently cemented its leading position in the Chinese premium segment last year.

The Company was also very successful in the Japanese market. The brand with the four rings defied the sharply downward market trend in delivering 15,854 (15,800) vehicles, representing a slight increase of 0.3 percent.

The Company also held its ground again in the U.S. car market, which suffered a further sharp reversal in 2009. While the import market for premium automobiles contracted by 19.6 percent last year, deliveries of the Audi brand fell by only 5.7 percent to a total of 82,716 (87,760) cars. The newly launched Audi Q5 proved a particular hit with many new customers. The Audi brand's share of the premium import market thus rose to 8.3 (7.1) percent by year-end.

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DELIVERIES TO CUSTOMERS BY MODEL

	2009	2008
Audi A3	45,147	59,183
Audi A3 Sportback	150,683	150,221
Audi A3 Cabriolet	12,987	13,678
Audi TT Coupé	19,675	32,003
Audi TT Roadster	5,934	11,817
Audi TT RS Coupé	1,095	-
Audi TT RS Roadster	275	-
Audi A4 Sedan	164,854	207,830
Audi A4 Avant	118,642	142,046
Audi A4 allroad quattro	7,162	85
Audi A4 Cabriolet	7,461	16,399
Audi RS 4 Sedan	-	321
Audi RS 4 Avant	-	333
Audi RS 4 Cabriolet	-	201
Audi A5 Sportback	10,021	85
Audi A5 Coupé	49,785	54,272
Audi A5 Cabriolet	10,937	278
Audi Q5	99,812	9,034
Audi A6 Sedan	148,764	150,589
Audi A6 Avant	39,610	55,400
Audi A6 allroad quattro	5,387	11,289
Audi RS 6 Sedan	315	452
Audi RS 6 Avant	544	3,320
Audi Q7	35,606	59,458
Audi A8	11,703	20,159
Audi R8	3,074	5,016
Internal vehicles before launch	256	-
Total, Audi brand	949,729	1,003,469
Lamborghini Gallardo	1,112	1,844
Lamborghini Murciélago	403	586
Total, Lamborghini brand	1,515	2,430
Other Volkswagen Group brands	194,116	217,607
Total, Group	1,145,360	1,223,506

The Audi brand maintained its model initiative at the start of the 2009 fiscal year by unveiling numerous new products.

A3 car line

The A3 1.6 TDI and A3 Sportback 1.6 TDI models were added to the product range in the premium compact class in June 2009. Since February 2010 the 1.6-liter TDI engine, which develops 77 kW (105 hp), has been available as an additional version that delivers even better efficiency. The combined-cycle consumption of this TDI engine in the A3 is now an outstanding 3.8 liters of diesel per 100 kilometers. That equates to average CO₂ emissions of 99 g/km and singles it out as the cleanest in the Audi model range.

The 1.2-liter TFSI engine with turbocharger and gasoline direct injection was unveiled at the Frankfurt Motor Show (IAA) in September 2009 and will become available in the A3 car line in 2010. The 1.2 TFSI combines outstanding performance with impressive fuel economy. In the A3, this power unit developing 77 kW (105 hp) uses an average of just 5.5 liters of premium fuel per 100 kilometers, while emitting a mere 127 g CO₂/km.

Of the A3 car line, a total of 208,817 (223,082) vehicles were delivered to customers in the past fiscal year.

TT car line

An especially high-performance model made its appearance in the TT car line in 2009 – the Audi TTRS. In launching this model, available as a Coupé and Roadster, the brand with the four rings maintains the long-standing tradition of sporty five-cylinder gasoline engines for which the Company has been renowned ever since the sensational race successes of the quattro models in the 1980s. This uncompromising sports car is outfitted with a 2.5-liter TFSI engine with turbocharger and gasoline direct injection that develops 250 kW (340 hp) and accomplishes the 0 to 100 km/h sprint in just 4.6 and 4.7 seconds in the respective body versions.

A total of 26,979 (43,820) Audi TT models were delivered in the past fiscal year.

A4 car line

Further additions were made to the highest-volume Audi car line in the year under review. March 2009 initially brought the market launch of the Audi S4 Sedan and Audi S4 Avant. Both of these decidedly sporty versions of the A4 car line feature a newly developed three-liter V6 engine with an output of 245 kW (333 hp) with significantly better fuel economy than the corresponding predecessor models. The 3.0-liter TFSI engine in combination with S tronic needs on average just 9.4 liters of premium fuel per 100 kilometers in the Sedan, and 9.7 liters in the Avant.

The Audi A4 allroad quattro has been available since the early summer of 2009. The model is equipped for diverse driving assignments both on and off the road thanks to its quattro permanent all-wheel drive, increased ground clearance and a stainless steel underbody guard. Four highly efficient turbo engines with direct injection and noted for their high pulling power, refinement and low fuel consumption are available in the A4 allroad quattro.

The very efficient A4 2.0 TDI e has been available in the A4 car line in Sedan and Avant versions since June 2009. With an output of 100 kW (136 hp), the Sedan with six-speed manual transmission needs an average of just 4.6 liters of diesel fuel per 100 kilometers thanks to the start-stop system and energy recovery. The CO₂ emissions of 119 g/km thus make the A4 2.0 TDI e Sedan one of the most efficient in its category.

The Audi A4 3.0 TDI clean diesel quattro and the Audi A4 2.0 TFSI flexible fuel were unveiled to the public at the Frankfurt Motor Show (IAA) in September 2009. The A4 3.0 TDI clean diesel quattro means that what is currently the world's cleanest diesel technology is now also available in the successful A4 car line. This vehicle consequently already undercuts the limits of the Euro 6 emission standard that is lined up to take effect from 2014, and is moreover notably efficient. The Sedan with six-speed tiptronic averages 6.7 liters of diesel per 100 kilometers. The A4 2.0 TFSI flexible fuel can run on bioethanol E85 and therefore offers its customers a particularly economical alternative. The tax on bioethanol is lower than on fossil fuels, and bioethanol achieves a CO₂ balance as much as 75 percent better than fuel derived from mineral oil thanks to the high renewable content when made from vegetable matter.

In total, 298,119 (367,215) of the popular A4 car line, comprising the Sedan, Avant, Cabriolet and allroad quattro model versions, were delivered in the past fiscal year.

A5 car line

Three emotion-packed, highly sporty cars were added to the A5 car line in 2009: the Audi A5 Cabriolet, the Audi S5 Cabriolet and the Audi A5 Sportback.

The Audi A5 Cabriolet and Audi S5 Cabriolet made their debut in the spring of 2009, nicely timed for the start of the open-top season. Both models are equipped with a classic fabric hood that highlights the vehicle's dynamic elegance even when it is closed. When opened automatically in around 15 seconds, the hood occupies very little space in the luggage compartment, leaving 320 liters of space free for baggage – an excellent figure compared with its competitors.

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To coincide with the centennial celebrations for the Audi brand, the Company took the wraps off a new vehicle concept in July 2009 – the Audi A5 Sportback. With the A5 Sportback, the brand with the four rings sets new design trends. The five-door coupe combines elegance and the comfort of a sedan with the everyday practicality of an Avant. This model, which has been available since September 2009, offers a spacious interior and four full-size seats. The trunk capacity of 480 liters is almost as voluminous as that of the A4 Avant, and it is increased to 980 liters with the rear seat back folded down.

The new models of the A5 car line are available with efficient gasoline and diesel engines ranging in performance from 105 kW (143 hp) in the A5 Sportback 2.0 TDI to 195 kW (265 hp) in the A5 Sportback, Coupé and Cabriolet with 3.2-liter FSI engine.

The sporty top model, the S5 Cabriolet, and the S5 Sportback that came onto the market in February 2010 are powered by a 3.0-liter TFSI engine developing 245 kW (333 hp) that has already demonstrated its sporting credentials in the S4 models.

During the period under review a total of 70,743 (54,635) Audi models of the A5 car line were handed over to customers, a gain of 29.5 percent.

Audi Q5

The Audi Q5 performance SUV has been outstandingly well received by customers since its market launch in fall 2008 thanks to its sportiness and versatility. In 2009, its first full year in production, the Q5 clocked up 99,812 (9,034) units delivered, easily surpassing the Company's expectations. The addition of two attractive entry-level engine versions to the range of models provided an added impetus.

The Audi Q5 has now been available since September 2009 as a 2.0 TFSI and a 2.0 TDI with outputs of 132 kW (180 hp) and 105 kW (143 hp) respectively.

A6 car line

The virtues of the full-size Audi A6 include elegant design, a sophisticated interior, well-balanced handling characteristics and sporty, efficient engines. The Audi A6 again achieved a top placing in the 2009 reliability stakes, as the "DEKRA Faults Report 2010" shows; the A6 earned the title of "Best Across All Classes" ("DEKRA Faults Report 2010," December 14, 2009). Thanks to all these characteristics, the A6 in its Sedan, Avant and allroad quattro body versions is a popular full-size model of which the Company sold 194,620 (221,050) worldwide during the past fiscal year.

Audi Q7

The Audi Q7 acquired an even more dynamic, elegant look in July 2009 thanks to its modified design. The efficiency of all engines was also improved, the Audi Q7 3.0 TDI being a case in point. The 3.0-liter TDI engine has an output of 176 kW (240 hp) in the Audi Q7 and a peak torque of 550 Nm, yet uses an average of only 9.1 liters of diesel fuel per 100 kilometers. The same engine is furthermore available as a clean diesel version that features what is currently the cleanest diesel technology in the world. With the same power output as the Q7 3.0 TDI, the average fuel consumption of the Audi Q7 3.0 TDI clean diesel is a mere 8.9 liters of diesel per 100 kilometers.

A8 car line

The new Audi A8 celebrated its world debut in November 2009. The new flagship model in the Audi range blends alluring sportiness with superb comfort and innovative technology. The A8, based on a lightweight aluminum body using the Audi Space Frame construction principle, is available with a wide array of optional driver assistance systems and has a newly developed MMI operating system. With the integration of the MMI touch, the Audi A8 provides utterly new and unique ways of operating the MMI navigation plus with ease. The luxurious interior's appeal stems from the use of high-quality materials, the range of combinations available and the hand-crafted character of its build quality. With the option of all-LED headlights, which realize all lighting functions with light-emitting diodes, the Company is opening up a new chapter in lighting technology.

The A8 is initially available in two engine versions, a 4.2-liter FSI developing 273 kW (372 hp) and a 4.2-liter TDI with an output of 258 kW (350 hp). Later on in the year, a newly developed 3.0-liter TDI engine developing 184 kW (250 hp) will join the model range. All engines have increased in power output and torque, while their fuel economy has improved by up to 22 percent thanks to intelligent efficiency technologies such as energy recovery and thermo-management. For instance the A8 3.0 TDI quattro with tiptronic transmission that will be launched shortly, with a start-stop system as standard, will average just 6.6 liters of diesel fuel per 100 kilometers.

As a result of the previous model coming to the end of its lifecycle, deliveries of the A8 car line fell to 11,703 (20,159) vehicles.

Audi R8

The Audi brand added further models to its range in the supercar segment during the past fiscal year. The Audi R8 Coupé has also been available with a 5.2-liter FSI engine since early 2009. The new sporty top model in the R8 car line is a thoroughbred mid-engine sports car equipped with a ten-cylinder gasoline direct injection engine that achieves a power output of 386 kW (525 hp), propelling the vehicle from 0 to 100 km/h in 3.9 seconds. The quattro permanent all-wheel drive system which directs more of the propulsive power to the rear wheels achieves exceptional traction and stability. The aluminum body constructed using the Audi Space Frame principle weighs a mere 210 kilograms, supplying further evidence of the brand's expertise in lightweight construction.

In September 2009 the R8 Spyder 5.2 FSI quattro made its debut at the Frankfurt Motor Show (IAA). This model combines the outstanding road performance of the 386 kW (525 hp) V10 mid-engine with the heightened experience of open-top driving. The R8 Spyder's styling serves to accentuate the model's distinctive character. In a very logical move for a high-performance sports car, the R8 Spyder is equipped with a fabric hood weighing just 30 kilograms.

The Audi R8 car line achieved a delivery volume of 3,074 (5,016) vehicles in the period under review.

Supercars of the Lamborghini brand

The Italian supercar manufacturer Lamborghini was also affected by the crisis on car markets worldwide in 2009. The total number of deliveries was therefore down on the previous year's record figure at 1,515 (2,430) vehicles. In all, 1,112 (1,844) of the Gallardo sports car were handed over to customers. Over the same period a total of 403 (586) sports cars of the Murciélago top model were delivered.

Other Volkswagen Group brands

In the past fiscal year 194,116 (217,607) vehicles of other Volkswagen Group brands were delivered to customers by the sales 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).

FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE

The revenue of the Audi Group did not match the record figure of the previous year largely because of a cyclically induced downturn in vehicle sales, coupled with lower engine sales. Revenue in the period under review thus reached EUR 29,840 (34,196) million.

Of the total revenue, EUR 22,652 (25,534) million was brought in by sales of vehicles of the Audi brand. The Audi A4 line was once again the revenue mainstay. Revenue for the Audi A5, to which attractive derivative models were added in the course of the year, moreover developed highly satisfactorily. Above all the new A5 and S5 Cabriolet and the A5 Sportback enjoyed considerable demand from the very moment they came onto the market. Revenue realized from sales of vehicles of the A3, TT, A6, Q7, A8 and R8 car lines was down on the previous year's high levels due to the state of the economy and also to some extent because of the advanced life-

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cycles of these models. Conversely, the sharp rise in revenue for the Audi Q5 was particularly pleasing. The popular premium SUV has consequently already emerged as a key source of revenue for the Company in its first full year of production.

Lower sales attributable to the economic downturn meant that revenue for the Lamborghini brand was below the previous year's high figure.

In addition to models of the Audi and Lamborghini brands, the Audi Group 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 the trading of these brands was also down on the previous year's high level because of reduced economic activity.

The Audi Group reduced the cost of sales by 11.1 percent to EUR 25,649 (28,848) million in the period under review. The almost proportional decrease in relation to revenue was already achieved at the onset of the global economic crisis thanks to the ongoing optimization of processes and cost structures, and active steering of production and fixed costs. The Company's forward-looking corporate steering demonstrates its crisis-proof, competitive health.

The gross profit of the Audi Group consequently amounted to EUR 4,191 (5,348) million.

Due to the decrease in volume, distribution costs totaled EUR 3,138 (3,240) million in the past fiscal year and were therefore actually slightly down on the prior-year figure.

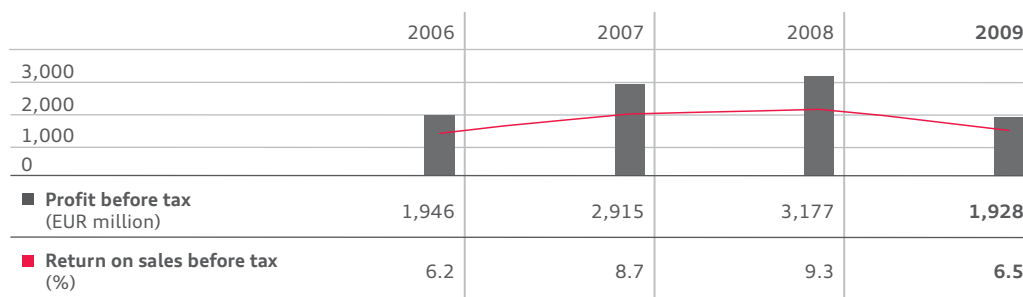
Administrative expenses remained unchanged at EUR 301 (302) million.

The fall in the other operating result to EUR 852 (966) million stemmed predominantly from lower earnings from the settlement of hedging transactions.

Overall, the Audi Group therefore posted a clearly positive operating profit of EUR 1,604 (2,772) million in the past fiscal year despite the difficult economic environment. This achievement, which is the outcome of a corporate strategy of sustained growth, underlines the fact that the Company is fundamentally sound and competitive.

The fall in the financial result by EUR 81 million to EUR 324 (405) million is substantially due to the lower market interest rate for cash and cash equivalents invested.

DEVELOPMENT OF PROFIT BEFORE TAX AND RETURN ON SALES BEFORE TAX



The profit before tax of the Audi Group consequently amounted to EUR 1,928 (3,177) million. After deduction of income tax expense, the Audi Group posted a profit after tax of EUR 1,347 (2,207) million in the period under review.

KEY EARNINGS DATA

%	2009	2008
Operating return on sales	5.4	8.1
Return on sales before tax	6.5	9.3
Equity return after tax	12.9	23.3
Return on investment	11.5	19.8

The Company's healthy cost structure and sustained high profitability are also reflected in the key return ratios for 2009.

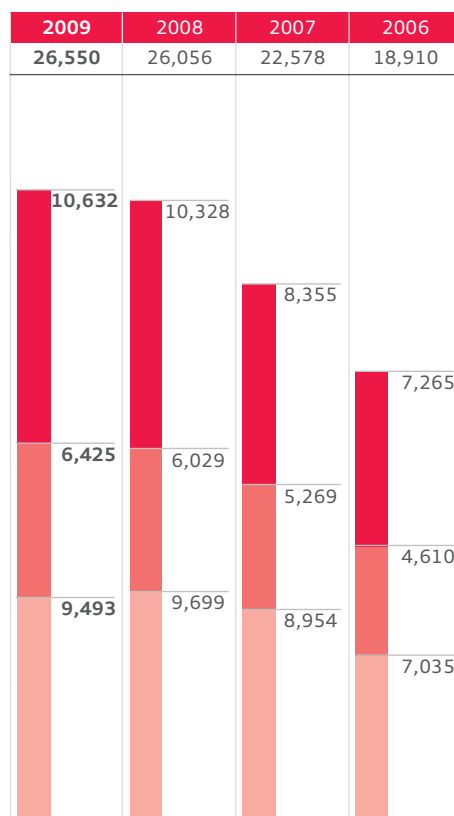
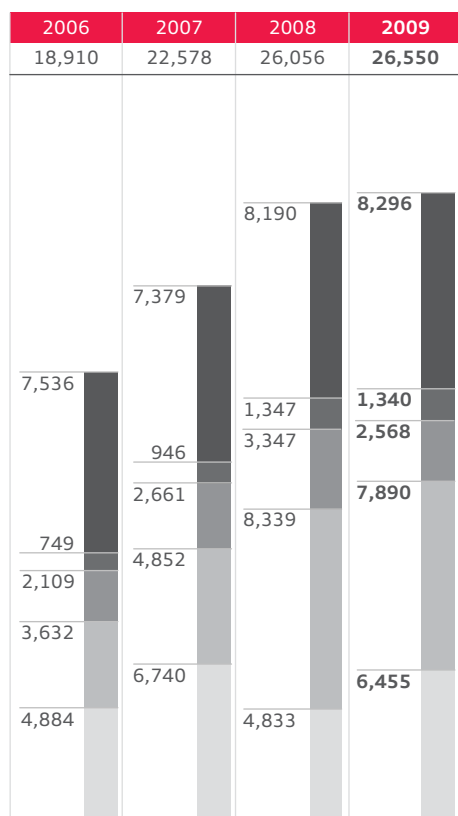
Despite the massive burdens caused by the financial and economic crisis, the Audi Group achieved an outstanding operating return on sales of 5.4 (8.1) percent and a return on sales before tax of 6.5 (9.3) percent in the past fiscal year. The Company's return on investment over the same period was an impressive 11.5 (19.8) percent. The Audi Group was thus again one of the most profitable premium-segment automotive manufacturers in the world in 2009.

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NET WORTH

BALANCE SHEET STRUCTURE (EUR MILLION)



The Audi Group's balance sheet total edged up to EUR 26,550 (26,056) million in the past fiscal year.

Non-current assets remained virtually unchanged from the previous year at EUR 9,637 (9,537) million.

The slight increase in current assets to EUR 16,913 (16,519) million is largely attributable to increased cash and cash equivalents. Opposite effects included in particular the elimination of inventories caused by the forward-looking reduction of vehicle stocks in response to the economic crisis.

Total capital investments by the Audi Group amounted to EUR 1,844 (2,486) million in the 2009 fiscal year. All spending measures on new products and technologies of the future were completed as planned, without any cutbacks.

The equity of the Audi Group rose by 2.9 percent to EUR 10,632 (10,328) million in the period under review. In addition to the cash infusion of EUR 308 million by Volkswagen AG (Wolfsburg) into the capital reserve of AUDI AG, the increase was attributable primarily to the allocation to other retained earnings of the balance remaining after the transfer of profit (EUR 128 million). The equity ratio for the Audi Group consequently rose overall to 40.0 (39.6) percent.

Non-current liabilities were up on the prior-year figure at EUR 6,425 (6,029) million. The increase was driven principally by higher provisions for pensions and higher other provisions. Current liabilities fell to EUR 9,493 (9,699) million as a result of lower trade payables, among other reasons.

FINANCIAL POSITION

In the past fiscal year the Audi Group generated a cash flow from operating activities of EUR 4,119 (4,338) million, which was virtually on a par with the previous year's high figure. In the same period, the cash used in investing activities for current operations amounted to EUR 1,798 (2,412) million. Including cash deposits in securities and loans, the cash used in investing activities totaled EUR 1,433 (5,916) million. The high prior-year figure is substantially due to the investment of term money with an investment horizon of more than three months. Investments in property, plant and equipment in 2009 reached EUR 1,172 (1,793) million. This outlay focused principally on investment in new products and the further development of pioneering technologies in the spheres of drive technology, lightweight construction and electrification.

Notwithstanding the extremely difficult underlying situation, the Audi Group, as in previous years, managed to finance capital investments entirely from its own resources and also generated a surplus. This development is impressive evidence of the Company's consistently strong financial position.

The net liquidity of the Audi Group on December 31, 2009 of EUR 10,665 (9,292) million yet again showed an increase on the prior-year figure.

The other financial obligations as of December 31, 2009 amounted to EUR 1,813 (1,501) million, mainly in the form of ordering commitments. Further information is provided in Section 39 of the Notes: "Other financial obligations."

SOCIAL AND ECOLOGICAL ASPECTS EMPLOYEES

Workforce

Average for the year	2009	2008
Domestic companies	45,408	45,008
of which:		
AUDI AG	44,344	44,098
Ingolstadt plant	31,409	31,358
Neckarsulm plant	12,935	12,740
Foreign companies	10,200	10,468
of which:		
AUDI BRUSSELS S.A./N.V.	2,153	2,134
AUDI HUNGARIA MOTOR Kft.	5,614	5,925
Lamborghini Group ¹⁾	1,000	987
VOLKSWAGEN GROUP ITALIA S.P.A. ²⁾	902	894
Employees	55,608	55,476
Apprentices	2,115	2,057
Employees of Audi Group companies	57,723	57,533
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	288	289
Workforce	58,011	57,822

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 workforce averaged 58,011 (57,822) employees in the 2009 fiscal year; its size was therefore slightly up on the previous year, despite the difficult economic situation. AUDI AG recruited 400 experts mainly in engineering sciences during the past year. The Company in addition increased the number of apprenticeships available in 2009 and resolved to recruit a further 100 people in 2010 as part of an apprenticeship campaign to mark the 100th anniversary. The personnel total at AUDI HUNGARIA MOTOR Kft. was down on the previous year due to reduced engine and vehicle production volume.

EMPLOYEE STRUCTURAL DATA (AUDI AG)

		2009	2008
Average age ¹⁾	Years	40.5	40.0
Average length of service ¹⁾	Years	16.3	15.7
Proportion of women ¹⁾	Percent	11.9	11.7
Proportion of academics	Percent	35.1	33.5
Proportion of foreign nationals	Percent	7.9	8.2
Proportion of people with severe disabilities	Percent	5.7	5.3
Contracts to workshops for people with mental disabilities	EUR million	5.6	4.5
Frequency of accidents ²⁾		2.4	2.3
Attendance rate	Percent	96.8	97.0
Savings through Audi suggestions award program	EUR million	51.1	52.8
Implementation quota	Percent	54.8	56.8

1) Audi Group manufacturing plants

2) The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked.

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The Audi Group's human resources policy

The strategic objective of the Audi Group's human resources policy is making the Company the most attractive employer. In addition to building up a positive reputation among graduates and young professionals, the Audi Group places particular emphasis on its relations with its employees.

Personnel development is therefore especially important. A comprehensive competence management policy is designed to equip employees for the growing demand for specialist and cross-specialty competences.

Another priority area is anticipating demographic change. In 2009 the Human Resources division teamed up with representatives of other areas to launch a number of measures and courses designed to maintain high standards of employee performance and motivation. These range from organizing the conditions of performance at the workplace to topics such as lifelong qualification and age-appropriate management methods.

The human resources objective is clear: to continue treating the workforces at Audi locations worldwide as the mainstays of the brand's success. The success of the Audi Group is therefore treated as the success of all its employees.

In that connection the Company actively took measures designed to protect jobs in 2009, such as short-time and insourcing at the Group locations in Germany, Hungary, Belgium and Italy. Employer and employee representatives at AUDI AG joined the other Volkswagen Group companies in passing a "Working Relationships Charta" in 2009 that also applies to all Audi Group locations, in order to implement elements of codetermination at the locations worldwide.

Very attractive employer for engineers and economists

The high appeal of AUDI AG as an employer was again confirmed by numerous studies in 2009. Graduates, students nearing the end of their studies and young professionals in the engineering sciences again voted the Company the most popular employer in the renowned employer appeal surveys conducted by the Berlin trendence Institute and the market research institute Universum ("trendence Graduate Barometer – Business and Engineering Edition," August 21, 2009; "The Universum German Student Survey," May 18, 2009). AUDI AG was also very highly rated among prospective and practicing economists: It was able to defend its place among the top five companies in the Universum study. In the trendence employer ranking, AUDI AG moved up from third to second place and is therefore now the most popular employer in the automotive sector among economics students, graduates and young professionals.

Employer appeal is one of four strategic goals of the Audi Group. A good working atmosphere, inspiring products, interesting task areas and scope for personal development all play an important role. Thanks to the long-term horizon of its model initiative, the Company is creating a wide range of task areas particularly for engineering and economics graduates.

Job and family

The Audi Group offers its employees a wide variety of arrangements to make work compatible with family life. In addition to options such as extended care-giver leave, a sabbatical and diverse part-time and teleworking arrangements, employees on unlimited contracts have a guarantee of reemployment for up to seven years following the birth and raising of a child, for example.

The number of men at AUDI AG taking parental leave during 2009 has furthermore risen sharply since the introduction of the parental allowance and the so-called "partner months" in 2007, and at around 71 percent is well above the national average for Germany. In addition, more and more employees are taking the opportunity to work part-time.

Anniversary celebrations for Audi employees

The Audi Group held celebrations for the entire workforce in fall 2009 to mark the anniversaries of various plants and as a way of saying “thank you” to its current and former employees for all their efforts. The two events “60 Years of Audi at Ingolstadt” and “40 Years of Audi at Neckarsulm” attracted some 150,000 visitors in total. In Brussels, the “60 Years of Car Manufacturing” anniversary was attended by around 8,000 people.

The employee events to mark the anniversaries of the various locations took place alongside the festivities to mark the centennial of the Audi brand in 2009. The highlights of the celebrations included the festive gala evening, attended by numerous guests from the worlds of culture, sport and politics, and the world debut of the Audi A5 Sportback.

Training and advancement

AUDI AG recruited an extra 40 apprentices in the past fiscal year. To mark the 100th anniversary of the Audi brand, in addition the Company launched a drive to create more apprenticeships, with an additional 100 places for apprentices available in 2010. They will be trained mainly in the careers of the future, with an emphasis on electronics and mechatronics.

The Audi Group promotes voluntary activities by apprentices because these can help them to acquire skills that will benefit them later on in their career, as well as being socially useful. The Training Departments of the Ingolstadt and Neckarsulm plants therefore stepped up their social involvement in the respective regions in 2009.

In addition, around 120 apprentices visited high schools and further education colleges in the Ingolstadt region to present their vocational careers and tell students about their experiences as apprentices of AUDI AG. Internships were also offered to school students in order to promote an understanding of and interest in technology among high school students.

Another area of the qualification initiative in 2009 focused specifically on educators. Teachers were able to take internships at the Training Department and in the Company in order to get to know the world of work at AUDI AG better.

AUDI AG launched the “Promoting Top Employees” program during the year under review. It is designed to assist employees of the Company who wish to embark on a technical or non-technical further training course and have already distinguished themselves with very good grades and levels of commitment. In the first year, 40 employees were selected for this form of fast-tracking.

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AUDI IN SOCIETY

Record-breaking Christmas donation

In 2009 the Christmas fundraising campaign pioneered by the Works Council of AUDI AG raised the highest sum since its inception in 1977. About 99 percent of employees at Neckarsulm and Ingolstadt donated an amount of around EUR 547,000, which the Company topped up to produce a total donation of some EUR 740,000. The money raised will be distributed among over 100 social institutions and charities in the regions around the Company’s locations.

Research partnerships

The AUDI AG University Strategy Group has been coordinating the strategic direction of partnerships with universities since 2008, with the aim of building up expertise and promoting up-and-coming academics.

Over 120 research students are currently preparing their doctoral theses at the Audi Group as part of two different doctoral student programs, each lasting three years.

80 of these doctoral projects are being run in partnership with universities. The proportion of economics, humanities and social sciences topics for these doctoral theses rose to ten percent.

The fifth doctoral students meeting “Pro.Motion” took place in 2009, giving doctoral students the opportunity to present their doctoral projects and the current status of their research work. The doctoral students meeting provides a vital forum for specialist exchanges between doctoral students, but also for the employees and management of the Audi Group.

The “Youth Educational Forum” series of events also seeks to promote interaction between academia, schools and the public, with 250 school students and teachers attending last year’s program in Ingolstadt. This opportunity was provided at Neckarsulm for the first time in 2009. The projects are realized in partnership with the Friedrich-Alexander University of Erlangen-Nuremberg and the University of Stuttgart.

2009 also saw around 1,200 guests attend a total of 12 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, University of Stuttgart).

AUDI AG extended its strategic partnership with the Ingolstadt University of Applied Science in 2009 and assisted the university with the development of the new field of expertise “Production and Automation Technology,” which brings together projects spanning the subject areas of mobile robotics, body manufacturing, automation technology, resistance spot welding, paint mixing processes and logistics. AUDI AG has now assigned a member of the Production Division to take charge of the new field of expertise at the university.

AUDI GROUP PARTNERSHIPS WITH UNIVERSITIES

Ingolstadt location	Neckarsulm location	Other partner universities
<ul style="list-style-type: none"> • 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 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 	<ul style="list-style-type: none"> • HIN – Neckarsulm University Institutes: Technical University of Karlsruhe and University of Stuttgart Since 2005; focus: Engines and Lightweight Construction 	<ul style="list-style-type: none"> • EBS – European Business School, Oestrich Winkel Since 2007; focus: Human Resources Management and Business Administration • ALL – Audi Logistics Laboratory, Fraunhofer Institute for Material Flow and Logistics (IML), Dortmund, Graduate School of Production Engineering and Logistics, Technical University of Dortmund Since 2007; focus: Logistics
	Győr location <ul style="list-style-type: none"> • 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 	

LOCATION-BASED ENVIRONMENTAL ASPECTS

As a globally operating company, the Audi Group actively and comprehensively embraces social responsibility. The principle of sustainable management that inspires its continuous efforts to reconcile economy and ecology is therefore of pivotal importance. With its many technological innovations and efficient resources management, the Company is thus contributing to major advances in protecting the environment and proudly bears the European Union’s symbol of environmental excellence (EMAS validation) as a mark of its efforts to protect the environment.

Environmental compatibility is therefore a fundamental consideration in the development and production of an Audi vehicle.

The Audi Group is a pioneer of location-based environmental protection in the automotive industry both in Germany and abroad.

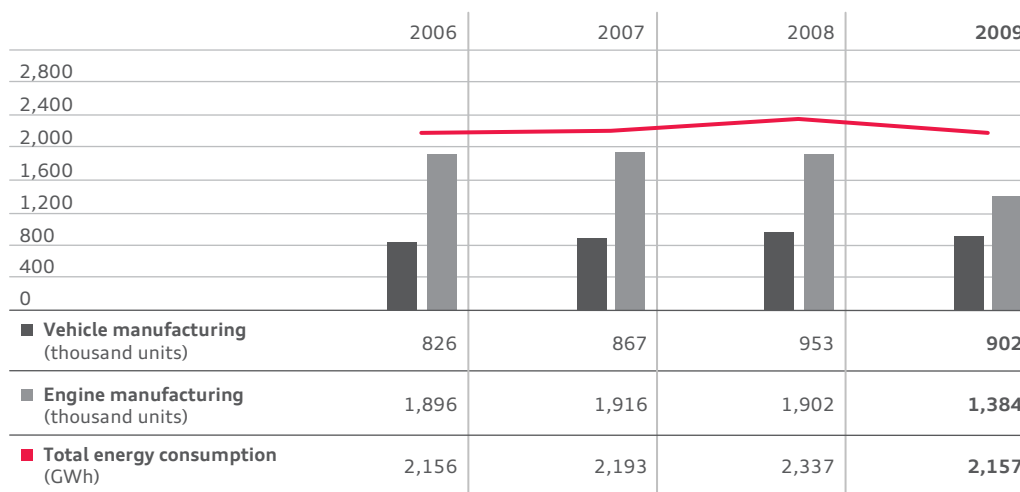
Organizational measures within its environmental management systems and pioneering technologies provide a basis for steadily reducing pollution at all its locations. Regular internal reviews and external auditing of all production facilities bear witness to these ongoing efforts. All Audi Group locations have installed the European Union's EMAS (Eco Management and Audit Scheme), which goes well beyond the minimum standards required. In 1995, the Company became the first premium-segment carmaker to be awarded this prestigious certification at its Neckarsulm location. Ingolstadt followed with accreditation in 1997, and then the Hungarian plant in Győr two years later. The Belgian manufacturing plant in Brussels has been in possession of the EMAS certificate since 2002. The Ingolstadt and Győr manufacturing plants are moreover accredited under the worldwide DIN EN ISO 14001 standard. As a subsidiary of the Audi Group, the Lamborghini location Sant'Agata Bolognese has also held the EMAS signet and been in possession of DIN EN ISO 14001 certification since April 2009.

AUDI HUNGARIA MOTOR Kft. received an accolade for its 2008 Environmental Declaration in the competition for the best sustainability and environmental publications in Central Europe. This was already the second time the Hungarian subsidiary had clinched this award, which is sponsored by the international consulting firm Deloitte, adding to its success in 2006 ("Green Frog Award 2009," October 28, 2009).

Resource efficiency and emissions reduction

The total energy consumption of the Audi Group was reduced in the past fiscal year as a consequence of the lower production volume. The pattern of recent years demonstrates that total energy consumption has been kept virtually stable over that period despite an overall increase in vehicle production.

DEVELOPMENT IN OVERALL ENERGY CONSUMPTION, VEHICLE AND ENGINE MANUFACTURING BY THE AUDI GROUP¹⁾



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

Slight decreases in the environmental impacts included in the structural data can also be observed for 2009 as a result of the fall in manufacturing output.

All in all, the ratios have remained stable in recent years despite the marked increase in production output.

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ENVIRONMENTAL STRUCTURAL DATA ¹⁾

		2009	2008
VOC emissions ²⁾	t	1,750	1,928
Direct CO ₂ emissions ³⁾	t	188,339	200,249
Volume of waste water	m ³	1,708,808	1,852,538
Fresh water purchased	m ³	2,702,821	2,905,370
Total volume of waste	t	51,896	63,520
of which recyclable waste	t	42,624	54,168
of which disposable waste	t	9,272	9,352
Metallic waste (scrap)	t	282,517	328,231

1) Ingolstadt, Neckarsulm, Brussels (excluding Volkswagen Polo), Győr and Sant'Agata Bolognese plants

2) VOC emissions (volatile organic compounds): This figure comprises emissions from the paint shops, shipment preservative treatment for motor vehicles, test rigs and other facilities.

3) Direct CO₂ emissions: This figure is made up of CO₂ emissions generated by the use of fuel at the plant, and CO₂ emissions produced by the operation of test rigs.

In order to conserve energy and therefore reduce emissions, the potential for saving energy is already considered during the planning phase. Permanent improvements in the efficiency of manufacturing facilities and utilities are therefore also of considerable importance. Technical solutions such as a modern combined heat, power and refrigeration plant at Ingolstadt as well as heat recovery systems and the use of district heating have proved very successful for the Audi Group. The signing of the new district heating contract for the Ingolstadt plant in fall 2009 means that the amount of waste heat from neighboring industrial enterprises being used is set to continue rising.

Another example of how resources can be used more efficiently is the adoption of innovative joining techniques in body manufacturing, such as spot welding, laser welding and bonding techniques. Each individual technique is matched with specific joining processes in order to find the most efficient solution for each process. Reductions in the consumption of operating materials and energy can thus be realized. 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 exactly the same level of use, energy consumption and therefore also CO₂ emissions are cut by around 50 percent. Based on these positive findings, this technology will now be adopted for all new projects in the Audi Group. Countless other individual measures such as ventilation and lighting control on demand and optimized machine operation all contribute towards ongoing, systematic reductions in energy use.

One pilot project on which AUDI AG is currently collaborating with the Technical University of Munich involves recycling the raw material nickel from a pretreatment stage of the painting process. The goal of this research project is to return the material to the manufacturing process, thereby significantly reducing the amount of waste. Another pilot project within the Audi Group has set out to investigate the biological treatment of rinsing effluent from the paint shop, again with the aim of reducing the volume of waste. Other energy savings within the Audi Group are being continually monitored from an economic and ecological viewpoint as part of potential studies. In addition to the increased use of district heating, this includes the potential use of pioneering renewable energy sources such as geothermal energy.

Environmental protection programs and public relations work

Another way in which the Audi Group exercises its environmental responsibility is through its extensive involvement in numerous initiatives.

The Company for instance maintains a constant dialog with politicians, associations, government agencies and journalists about its environmental philosophy, and is also deeply involved in joint projects between government and industry. Its repeated participation in the Bavarian Environmental Pact emphasizes how the Audi Group's environmental commitment goes far beyond the statutory requirements. It believes this is the only way to achieve the goal of enhanced innovativeness harnessed to an environmentally acceptable and thus sustainable form of economic growth. As a founding member, the Audi Group has for many years been contributing to forums on a variety of topics such as the Integrated Product Policy (IPP) or the management systems.

The Audi Group adopts a holistic view of all phases of the product lifecycle, from raw materials extraction to disposal. Suppliers, too, are fully integrated into the sustainable manufacturing process.

Through its involvement in various partnership ventures, the Audi Group is on the one hand actively assuming responsibility for the environmentally appropriate handling of toxic waste. On the other hand the Company is demonstrating solidarity in helping with the remediation of industrial legacy contamination at sites whose owners either can no longer be called to account or are no longer solvent.

The Audi Group is working on various environmental projects through its intensive contacts with universities and research establishments, and holds fact-finding events for students. The Audi Group furthermore maintains a dialog with the public by conducting regular environmental discussions and neighborhood dialogs with representatives of associations, government agencies, unions, local politicians and the press. The Company in addition offers all interested parties special tours on the theme of sustainability and environmental protection.

AUDI AG lent its wholehearted support to the worldwide drive for a sustainable environmental policy in fall 2009 by establishing the charitable environmental foundation "Audi Stiftung für Umwelt GmbH" in Ingolstadt. The goal of the foundation is to protect the natural livelihood of humans, animals and plants. It will support measures and research activities that further the development of environmentally acceptable technologies outside the sphere of the car, and will promote environmental education as well as the sustainability of the human-environment system. One project of the newly established foundation will be to provide long-term research backup for the "Oak Forest" international research project launched by AUDI AG, which seeks among other things to investigate the interaction between stand density on the one hand, and the potential for capturing CO₂ and for biodiversity on the other. In conjunction with the Bavarian State Forestry and the Chair of Forest Yield Science at the Technical University of Munich, AUDI AG had already paved the way for the project in 2008 in planting around 36,000 English oaks on a site not far from the Group headquarters in Ingolstadt. A second test site of more than 13,000 English oaks has already been planted at the Győr location in Hungary. Plans are currently being made for additional sites at international Audi Group locations.

Emissions trading

Environmental issues such as climate change and energy efficiency are becoming ever more important in today's world. The European Union assumed a pioneering role in matters of climate protection when it introduced the CO₂ emissions trading scheme in 2005. The second trading period (2008 to 2012) in which the Ingolstadt, Neckarsulm and Brussels manufacturing plants are participating already began in 2008. As it stands now, the Audi Group does not expect to incur any costs from emissions trading in this second trading period thanks to the early adoption of measures to improve energy efficiency and the targeted reduction of emissions.

PRODUCT-BASED ENVIRONMENTAL ASPECTS

Future mobility

For many years the Audi brand has been steadily shaping efficiency standards in automotive manufacturing through its systematic development of a wide range of innovations, and has therefore made future-proof mobility available in all its models.

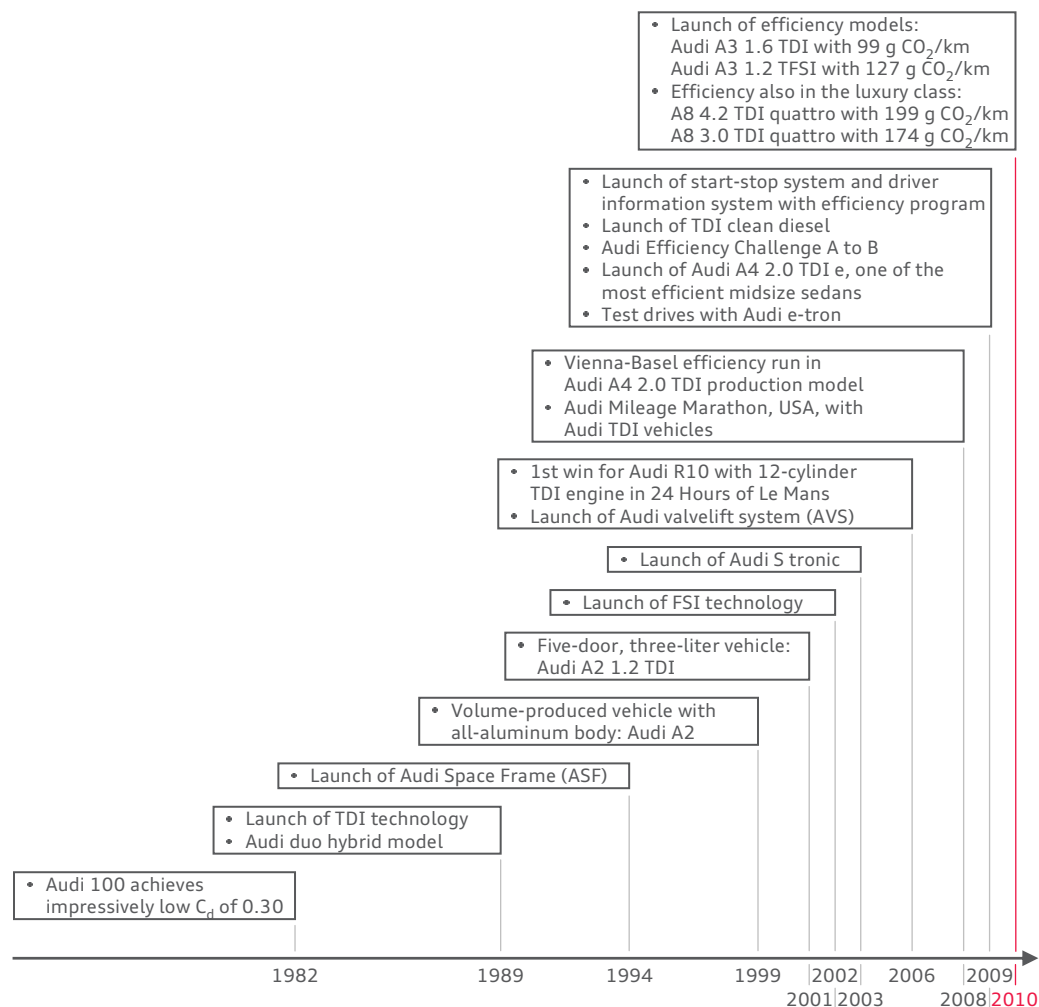
Progress towards the electrification of the driveline (cf. "Electric mobility" under "Research and development," page 145 f.) has recently advanced by leaps and bounds, as the Audi brand demonstrated in unveiling the Audi e-tron electric sports car at the Frankfurt Motor Show (IAA) in September 2009. The internal combustion engine will nevertheless remain the core power unit in vehicles for some years to come, with the result that the ongoing optimization of conventional drive concepts will continue to be of pivotal importance. The Audi brand strives for systematic efficiency and adopts an all-embracing approach to reducing fuel consumption and emissions in implementing the technologies within its modular efficiency platform and using lightweight construction. In addition to a fully hybrid concept of the new Audi A8, the Company is preparing to launch the Audi Q5 hybrid towards the end of 2010. It has set itself the overall

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target of reducing the consumption of the Audi model range by 20 percent by 2012, measured against the base year of 2007. The Audi brand will therefore continue to demonstrate its claim to technological leadership.

THE AUDI BRAND'S MILESTONES IN EFFICIENCY TECHNOLOGY



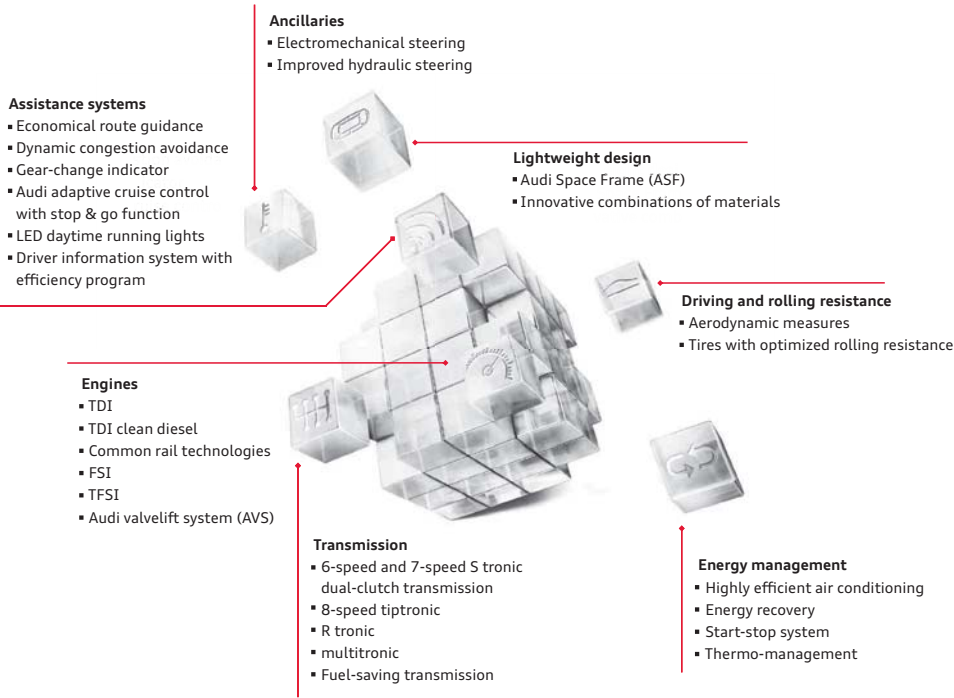
20 years of TDI engines

AUDI AG celebrated the 20th anniversary of the development of the TDI engine in 2009. The first Audi model with a direct-injection turbodiesel engine, the Audi 100 2.5 TDI, was unveiled at the Frankfurt Motor Show (IAA) in fall 1989. The abbreviation TDI was used to denote a combination of direct injection, turbocharging and fully electronic engine management that heralded in a new dimension of drive technology. The TDI has radically altered the image of the noisy diesel engine and played a decisive part in the Audi brand's development and ascent into the premium segment. Today, this efficient technology that combines powerful propulsion with thrifty fuel economy can be found in the product range of virtually every car manufacturer.

Modular efficiency platform

The innovative technologies that constitute the modular efficiency platform are decisively helping to improve fuel efficiency and cut CO₂ emissions in all Audi brand vehicles. The portfolio of effective efficiency modules comprises a variety of components. Many of these technologies, such as the energy recovery system that ensures surplus braking energy is not lost, are already standard features of many Audi models. In 2009, two important features, the start-stop system and the driver information system with efficiency program, were added to the modular efficiency platform. Currently the cleanest diesel technology available was furthermore introduced in two car lines in 2009.

THE MODULAR AUDI EFFICIENCY PLATFORM



Start-stop system

The Audi brand introduced another technology for improving fuel economy and reducing CO₂ emissions in the form of the start-stop system. This system automatically switches off the engine when the vehicle halts briefly, for instance at traffic signals, making it particularly beneficial in city traffic. To prompt the engine to switch off, all the driver needs to do is move into neutral and release the clutch while the car is stationary. When the clutch is pressed again, the engine starts automatically and will already have reached idle speed by the time the driver has engaged a gear. The start-stop system is quiet-running and highly responsive. The system cuts fuel consumption by around 0.2 liters per 100 kilometers and CO₂ emissions by about 5 g/km. The driver can switch off the function at any time at the push of a button. The start-stop system was first used on models with various types of engine in the Audi A3, Audi A4 and Audi A5 car lines.

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Driver information system with efficiency program

This evolutionary version of the Audi driver information system continually analyzes energy consumption in the vehicle and gives the driver recommendations on efficient driving. For example the redesigned gear-change indicator shows whether changing gear will improve efficiency. Fuel economy also deteriorates the more active comfort functions such as air conditioning and seat heating are used. A specially developed graphic in the efficiency program now informs the driver which vehicle systems require additional energy and how much they contribute towards overall fuel consumption. Because fuel economy can vary by as much as 30 percent depending on a person's driving style, the driver information system with efficiency program is a useful way of cutting consumption.

TDI clean diesel

In 2009, the Audi Group launched what is currently the cleanest compression-ignition technology in the world – TDI clean diesel technology. Injection of an additive by the name of AdBlue® reduces nitrogen emissions by up to 90 percent (® = registered trademark of the “Verband der Automobilindustrie e.V.” (VDA)). The nitrogen oxides are broken down into nitrogen and water by a chemical reaction set off by the additive and the hot exhaust flow.

TDI clean diesel technology was first used in 2009 in the Audi Q7 3.0 TDI clean diesel. The sport utility vehicle, which has a power output of 176 kW (240 hp), therefore averages only 8.9 liters of diesel fuel per 100 kilometers and achieves emissions of 234 g CO₂/km.

The Audi A4 3.0 TDI clean diesel quattro means that this progressive diesel technology has also been available in the successful A4 car line since fall 2009. These models already undercut the limit values of the toughest emission standard in the United States, ULEV II BIN 5, as well as the Euro 6 emission standard that will come into force from 2014.

Core competence of lightweight construction

The Audi Group will maintain lightweight construction as one of its core competencies because, alongside using efficiency technologies, reducing the weight of a vehicle is one of the basic requirements of developing highly efficient automobiles. The Audi Group has operated a Lightweight Design Center at Neckarsulm since as far back as 1994, where it now investigates aluminum, high-strength steels, magnesium and fiber-reinforced plastics.

The Audi Group revolutionized the use of lightweight construction in cars over 15 years ago with its Audi Space Frame (ASF) technology and has been among the leaders in this field ever since. The high-strength all-aluminum body yields a weight saving of around 40 percent compared with conventional lightweight steel bodies – a difference of some 140 kilograms in the case of the Audi A8, for example. Around 600,000 vehicles of the Audi A2, TT Coupé and TT Roadster, Audi A8 and R8 models, plus the Lamborghini Gallardo, have already been built using all-lightweight or hybrid construction technology and are now in use by customers. The European Patent Office recognized the Audi Group's work in the field of Audi Space Frame technology in 2008 in choosing it as winner of the “European Inventor of the Year 2008, Technology Category” award.

The innovative material of fiber-reinforced plastics, including carbon-fiber reinforced plastic (CFRP), also offers particular potential for further weight savings. Use of this high-tech material helps to trim up to 30 percent more off the weight of a vehicle compared with an aluminum lightweight-construction body. The exclusive material CFRP has thus far been used mainly in aerospace, racing cars and small-series vehicles. To prepare for its use in volume production, the Audi Group is stepping up its development activities in this area and has established a CFRP Technical Research Lab at the Audi Lightweight Design Center in Neckarsulm.

Efficient mobility in everyday conditions in the Audi Efficiency Challenge

In fall 2009 the “Audi Efficiency Challenge A to B 2009” confirmed that high efficiency comes standard with all automobiles of the Audi brand. A total of 20 vehicles, comprising pairs of technically identical models, took part in the efficiency run in a competition to see who could clinch the best daily fuel consumption figures. The route covering some 4,200 kilometers from Å on Norway’s Lofoten Islands to Bee in Northern Italy comprised a mix of country roads, freeways and city roads, to provide a realistic reflection of everyday traffic conditions.

The Efficiency Challenge demonstrated once more the Audi brand’s pioneering role in TDI technology. With an actual fuel consumption of just 3.3 liters of diesel per 100 kilometers over the route driven, the Audi A3 1.6 TDI that became available at the start of 2010 was the most efficient participant in the exercise. Other impressive fuel efficiency statistics included 4.4 liters of diesel per 100 kilometers in actual driving for the Audi A4 2.0 TDI e, and 5.0 liters per 100 kilometers for the Audi TT TDI. The gasoline direct injection models, too, proved outstandingly economical. The Audi A5 Sportback 2.0 TFSI covered the distance on an average of 5.3 liters of premium gasoline per 100 kilometers, the statistic for the Audi S4 was 7.9 liters of premium gasoline, and the Audi TTRS Coupé clocked up an average of 7.4 liters of Super Plus fuel.

Efficiency – the sum of the parts

Thanks to the use of efficiency technologies from the modular efficiency platform, numerous Audi models already achieve fuel economy figures that prove there is no inherent contradiction between sportiness and efficiency. The new Audi A3 1.6 TDI that made its world debut in the 2009 Efficiency Challenge and went on sale at the start of 2010 has a 77 kW (105 hp) engine that blends low combined-cycle emissions of 99 g CO₂/km with an average fuel consumption of 3.8 liters of diesel per 100 kilometers. These low figures are achieved thanks to efficient technologies from the modular efficiency platform, in conjunction with turbocharged engines that deliver the same road performance and driving dynamics as higher-capacity naturally aspirated models, but with the added plus of even better efficiency. These technologies are also used in the new 1.2-liter TFSI engine that will be available from 2010 in the A3 car line. Turbocharging and gasoline direct injection are an outstanding double act that helps the 77 kW (105 hp) engine achieve average fuel consumption of only 5.5 liters of premium fuel per 100 kilometers and combined-cycle CO₂ emissions of 127 g/km.

The A4 2.0 TDI e launched in summer 2009 provides yet more evidence of how the Audi brand applies individual efficiency measures with impressive overall results. This sedan, with a power output of 100 kW (136 hp), achieves combined-cycle consumption of only 4.6 liters of diesel per 100 kilometers, with low emissions of 119 g CO₂/km.

“Green Car of the Year Award”

The efficiency credentials of Audi models were further enhanced in December 2009 at the Los Angeles Auto Show with the “Green Car of the Year Award” for the Audi A3 Sportback 2.0 TDI, which achieves a power output of 103 kW (140 hp) and is equipped with an S tronic dual-clutch transmission (December 3, 2009). The jury of environmental and automotive experts as well as editorial representatives from the Green Car Journal particularly liked the fact that the A3 Sportback 2.0 TDI combines low average consumption with great driving fun.

Further remarks 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.

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RISKS, OPPORTUNITIES AND OUTLOOK

RISK REPORT

The risk management system within the Audi Group

Goals and risk management approach

Risk management at the Audi Group has the goal of identifying the many risks inseparably associated with the Company's business activities as early as possible in order to minimize or ideally exclude them altogether. In this way it endeavors to avert potential losses and exclude any threat to it as a going concern.

Entrepreneurial risks are deliberately taken only where they are moderate and commensurate with the anticipated benefit from that business activity.

The Audi Group maintains a Company-wide risk management and risk early warning system. The tasks of risk management are organized decentrally at the level of the individual corporate divisions and subsidiaries. Risk management is thus an integral aspect of the existing business processes of the Audi Group and promotes awareness of a reasoned approach to risks at all levels throughout the organization. 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. The designated officers implement practical measures for steering and overseeing these risks, and continually monitor the effectiveness of the decisions made. Defined reporting channels for the entire Group maintain a practical, prompt flow of information to management personnel and the Board of Management.

Integrated internal control and risk management system for the financial reporting process

The internal control process for financial reporting purposes for the Financial Statements of AUDI AG and the Audi Group comprises those measures that ensure the prompt, complete and accurate communication of the information needed for the preparation of the Financial Statements of AUDI AG and the Consolidated Financial Statements and Group Management Report. This should minimize the risk of misstatements both in the bookkeeping and in external reporting.

The accounting system within the Audi Group is a fundamentally decentralized organization. In individual instances AUDI AG takes charge of accounting tasks on behalf of subsidiaries on the basis of service agreements. The individual financial statements of AUDI AG and its subsidiaries are prepared in accordance with the national regulations applicable in each case. For AUDI AG, the fully consolidated Group companies and the equity investments, these are then reconciled with IFRS financial statements and forwarded to Audi Group Accounting. A commercial encryption product is used to assure data security.

The Group accounting guideline maintains uniformity in the recognition and measurement principles based on the IFRS rules applicable to the parent company. These and other Group-wide accounting standards thus regulate in detail both the reporting scopes for AUDI AG and the Group companies, and the consolidated companies included in the Consolidated Financial Statements, as well as the application of statutory requirements. They furthermore define specific subjects to be covered by the Group companies and specific requirements for the reporting and treatment of intra-Group business transactions and for the reconciliation of balances on that basis.

The individual financial statements prepared by the subsidiaries are evaluated and discussed at Group level. In addition to the reports prepared by the independent auditors, the findings of the concluding discussions with representatives of the individual companies covering both the plausibility of the individual financial statements and critical individual matters concerning the subsidiaries are considered at this point.

Other key instruments of control include the clear separation of spheres of responsibility and use of the "dual control principle." Both these and plausibility checks are applied in the preparation of the financial statements of the Group companies. The internal control process for finan-

cial reporting purposes is furthermore supported by the Group audit involving the conducting of examinations both in Germany and abroad.

Group Accounting at AUDI AG started to use the Volkswagen Consolidation and Corporate Steering System (VoKUs) in 2009 in close consultation with Volkswagen AG (Wolfsburg). Planning functions are currently being added to it.

The purpose of the overall project is to create an even more effective integrated Group system that will permit the consolidation and analysis of data from both Accounting and Controlling. VoKUs is therefore assuming the guise of a platform that will assure a uniform reporting system and the greatest possible flexibility of response to changes in the legal framework, as well as a central system for master data management. Group Accounting and Group Controlling stand to benefit from it in equal measure.

VoKUs furthermore offers various functions that minimize potential sources of error within the financial reporting process. For instance, to check data consistency it includes a multi-stage validation system that in essence has the purpose of checking the completeness of the incoming data material and cross-checking the content of the Balance Sheet and Income Statement. VoKUs furthermore assists with the conducting of other plausibility checks on the data material.

Risk management and updating of the risk documentation in accordance with the German law on control and transparency in the corporate sector (KonTraG)

The risk exposure of the Audi Group is documented in line with the requirements of the German law on control and transparency in the corporate sector (KonTraG). On a half-yearly basis a standardized risk survey is conducted of the individual AUDI AG divisions and subsidiaries from which risks that could potentially threaten the parent company as a going concern could spread. Probabilities are estimated for all individual risks by each of the risk reporters and anticipated losses from the risk are then quantified on the basis of the lost profit contribution or the costs incurred. Furthermore, all necessary measures and precautions are taken to prevent an identified risk from materializing. In addition to the half-yearly survey, all risk management officers are moreover required to enter short-term changes in the risk exposure into the risk documentation in the form of ad hoc announcements. Based on the risk reports updated in this way, a risk profile is thus obtained for the Audi Group that reflects the significant risks it faces. The Board of Management and the Supervisory Board are regularly informed of the current risk situation within the Audi Group.

The plausibility and appropriateness of the risk reports are examined on a test basis in more in-depth interviews conducted by the independent auditors with the appropriate divisions and companies. Based on this data scope, the independent auditor has now assessed the effectiveness of the Audi Group's risk management system and established that identified risks have been suitably presented, and that comprehensive, appropriate measures have been assigned to them. The Audi Group thus satisfies the requirements of KonTraG.

Ongoing examination and refinement

As a learning organization, the Audi Group is eager to subject the processes of both its internal control system for financial reporting purposes and its risk management system to ongoing examination and optimization. The findings obtained from both internal and external audits, as independent bodies monitoring their correctness and effectiveness, provide the basis for continuous improvements. The aim is to comprehensively satisfy the growing statutory and operating requirements of risk management and to continually assure the early identification of risks and effective means of steering and monitoring them in the departments responsible. Reports on the above processes are submitted to the Board of Management and Supervisory Board of AUDI AG both according to a regular cycle and ad hoc.

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Individual risks

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 2010 through 2012.

Economic risks

As a globally active company, the Audi Group is dependent to a considerable extent on international economic conditions. This is particularly true in respect of the important sales markets of Europe, the United States, China and Japan. The global recession came to an end in the second half of 2009. Despite the ensuing slight recovery, the continuing uncertainty in the markets means that it is not yet possible to assume that the crisis has been finally overcome. Following the drastic slumps worldwide in demand for cars at the start of last year, an upswing in sales has been observed recently. However, this effect was substantially attributable to state aid programs. Now that these subsidy programs have come to an end, a renewed collapse in demand especially in Western European markets cannot be excluded. Because the premium segment of international car markets has thus far benefited only marginally from the state subsidies, it should be less affected by their termination. Considerable uncertainty nevertheless surrounds the future pattern of demand for premium-segment vehicles, too.

The Audi Group was notably successful at holding its ground in this extremely difficult economic environment, but the Company was unable to fend off the negative consequences of the crisis entirely. The unforeseeable future development of international auto markets continues to represent a high risk to the economic success of the Company. The Audi Group nonetheless believes it is well equipped to handle these challenges proactively. The Company for instance has a fresh, attractive product range at its disposal. The Company has in addition implemented extensive, sustained measures in the past to improve costs and processes, created appropriate provisions and significantly reduced inventories. Furthermore, the Audi Group continually monitors the market with the aid of early indicators in order to anticipate fluctuations in sales and be in a position to respond by adjusting manufacturing output accordingly. The ability to transfer production between the various locations under the production turntable principle and the use of timebanking provides additional flexibility.

The development of international raw materials markets presents a further risk. In order to secure adequate supplies of production materials while simultaneously minimizing the cost risks, the Audi Group therefore continually monitors all relevant raw materials markets. Comprehensive hedging strategies are moreover implemented. Of particular relevance 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 would make customers more reluctant to buy cars. The Audi Group has already taken early action by making ongoing efficiency improvements across the entire model range. One example of such action is the Audi A3 1.6 TDI, which very successfully meets customer wishes for highly efficient vehicle concepts with an average fuel consumption of just 3.8 liters of diesel fuel per 100 kilometers and emissions of 99 g CO₂/km over the combined driving cycle.

As a company with worldwide operations, the Audi Group generates a large portion of its revenue in foreign currency. This revenue is exposed to unforeseeable exchange rate fluctuations that could adversely affect consolidated net profit. In addition to the pound sterling and the Japanese yen, this includes fluctuation in the euro against the U.S. dollar in particular. 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.

Unforeseeable political intervention in the economy, an escalation in political tension, terrorist attacks, natural disasters 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, constitute other risk factors. The Audi Group strives to mitigate such risks to the best of its ability by preparing emergency plans and taking out insurance cover.

Industry risks

Along with the economic recovery, the situation on financial markets has significantly brightened. Restrictive lending practices by banks and elevated risk surcharges for borrowed capital nevertheless continue to present a major challenge to large sections of the automotive industry. Thanks to the Audi Group's successful business performance in recent years, it has high liquidity at its disposal and therefore considers itself to be well equipped to tackle the challenges of the future.

One consequence of tighter lending practices is that a noticeable 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 effective in mitigating risks. In the absence of a dramatic deterioration in the situation on the used-car market, the Audi Group assumes that the risks from sales of used cars are adequately covered.

The massive slump in demand in certain areas of the international car market prompted by the economic crisis has noticeably aggravated predatory competition practices. As a consequence, the increased use of sales incentives has been observed. 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 would in turn adversely affect the Company's revenue and earnings performance. The pricing practices of the Company's direct competitors could have an equally negative effect on its revenue and profits, as it would be unable to resist such a trend in the long term. Moreover, potential state subsidies for individual manufacturers or vehicle categories could distort competition, thereby adversely affecting the financial position of the Audi Group.

Growing pressure to reduce the fuel consumption and emissions of vehicles remains a huge challenge for the entire automotive industry. In addition to the various legal requirements being discussed around the world, such as CO₂ 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. In addition, the heightened sensitivity of customers to environmental acceptability and fuel economy means a permanent shift in the demand profile in individual markets towards smaller, lower-consumption vehicles cannot be excluded. As in the past, the Audi Group is prepared to actively tackle this challenge through "Vorsprung durch Technik." It has employed a wide range of technological innovations in the fields of lightweight construction, aerodynamics and energy efficiency to improve the efficiency and CO₂ emissions of the entire vehicle fleet quite substantially over the past few years. The Company is also intensively researching alternative fuels and drive concepts such as electric mobility and offering its customers mobility concepts tailored to varying requirements.

Risks from operating activities

There are a number of risks associated with the Audi Group's operating activities that could lastingly affect its net worth, financial position and financial performance.

These include unforeseeable occurrences such as explosions or major fires that could damage or destroy the Group's assets and also cause considerable consequential losses by hindering the production process. Major production problems could also be caused by disruptions to the energy supply or 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 the risk.

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Further disruption in the production process 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 financial and economic crisis has also led to growing 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 supporting processes.

The automotive industry's increasingly close partnerships between manufacturers and suppliers bring both economic benefits and growing dependence. This trend is receiving added momentum from the exclusive use of innovative technologies created by globally active suppliers. The Audi Group addresses the resulting risks for example by defining appropriate contractual terms or retaining title over tools used by third-party companies.

The Audi Group is substantiating its status as an innovative manufacturer of premium vehicles by gradually broadening its product range and entering a large number of new product segments. It not only plans meticulously, but also commissions numerous market studies to underpin the decision-making process for new vehicle projects. Notwithstanding these thorough preparations, a model's market success is not always a foregone conclusion.

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 consciously selecting reliable system partners and methodically safeguarding its intellectual proprietorship of core competencies.

Legal risks

The current legal framework is the basis for all activities by the corporate bodies, management personnel and employees of the Audi Group. The Company therefore takes all necessary measures to ensure that the legal requirements are complied with. In addition to preparing Group-wide codes of conduct, in particular it provides regular employee training on new legal requirements.

Nevertheless, the growing complexity of legal requirements, the expansion of business activities and the high international spread of the Audi Group means there is an increasing risk of unlawful acts being committed unwittingly. Moreover, it is impossible to rule out deliberate misdemeanors by individual persons. The Audi Group has actively countered these risks by installing a compliance organization.

All premium vehicles built by the Audi Group aspire to satisfy the exacting quality requirements of customers. As in any company, there is nevertheless the possibility of product liability claims. In addition to causing serious damage to the Company's image, these can have major financial consequences, particularly if they lead to lawsuits in the U.S. market. The Audi Group counteracts such risks by maintaining high quality standards for its products and tackling quality management systematically. It moreover guards against such risks by taking out appropriate insurance cover and setting aside economically advisable sums as provisions.

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 Group.

Personnel risks

The success of the Audi Group as a manufacturer of technologically pioneering, high-quality premium vehicles will continue to depend to a high degree on the commitment and qualifications of its specialists and managers. Targeted human resources development and further training for the workforce are therefore a priority area of human resources management. The Company also enjoys an outstanding reputation as an attractive employer, giving it a head start in the race to attract well-qualified employees. Furthermore, its broad training program facilitates the securing of junior personnel for specific tasks.

A significant risk is posed by the potential loss of expertise through fluctuation or partial retirement. This danger is reduced by offering comprehensive, tailored incentive systems and implementing intensive competence management, alongside maintaining high levels of employee satisfaction. The systematic transfer of knowledge from departing experts and managers to their successors is a priority task area.

Demographic change in Germany, which has an aging, shrinking population, presents all companies with a major challenge. The Audi Group identified this scenario some time ago and promptly launched initiatives to correctly counter this development. These include programs to adapt working conditions to suit an employee's age, models for the individual's working life and 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 key success factor for realizing 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 have a lasting impact on financial performance. The principal risks include the failure of key IT systems within the value chain, unauthorized access to the system, and the creation of heterogeneous system landscapes.

Stable, highly available IT infrastructures help to largely mitigate these risks. In addition, Group-wide security standards help to largely maintain the continuity of internal processes and ensure Company security.

Financial risks

The financial risks resulting from the Audi Group's business activities comprise market price risks such as interest rate and commodity price risks, creditworthiness risks and liquidity risks. As a result of the Company's highly international nature, 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

Despite the marked easing of the situation on global economic and financial markets, lingering market uncertainty means it is not yet possible to view the crisis as definitively overcome. The further development of major auto markets is therefore very difficult to forecast and represents 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.

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REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events of material significance after December 31, 2009.

REPORT ON EXPECTED DEVELOPMENTS

Anticipated development of the economic environment

General economic situation

The Audi Group estimates that the global economic recovery that began in the second half of 2009 will continue with moderate momentum in 2010. As before, growth will be strongest in emerging Asian countries. In contrast, the economic uplift will remain subdued in most industrial countries.

For example, only a modest rise in economic growth is expected in the United States in 2010. Consumer spending will be particularly weak for the foreseeable future due to the labor market remaining very difficult.

The economy in Western Europe, too, will display a slight upward trend in 2010. The Audi Group expects to see only a sluggish recovery in Germany compared with the recession-scarred 2009. Export activity should pick up along with the improvement in the global economy in 2010, with a positive effect on growth. However, flat consumer spending will be kept depressed by the expected rise in unemployment.

Economic activity should bounce back in most Central and Eastern European countries in 2010, following the deep economic trough experienced in the previous year. With oil prices remaining high, Russia is expected to enjoy more vigorous economic growth.

The robust economic upturn expected in Latin America in 2010 will be largely underpinned by rising demand for raw materials.

The Audi Group estimates that emerging Asian countries will again post a substantial rise in economic output in 2010. China's economic growth should proceed at a slightly faster rate than in the previous year. In India, too, the economy is expected to continue expanding energetically. Japan, on the other hand, will only manage marginally positive economic growth following the deep recession in 2009.

The car industry

Based on the slow recovery of the global economy, the Audi Group believes that global demand for cars in 2010 will show only a minor improvement on the low prior-year level that was hit by the crisis. Its forecast is based on falling demand for cars in Europe, which can only be offset in part by the positive development of the other sales regions.

In view of the slightly improved economic prospects of the United States, the Audi Group also expects a mild increase in demand for cars in 2010. Yet the anticipated total market volume of around 11.5 million units in the United States means car sales will be far below the levels of recent years.

In Germany, the previous year's special boom in car sales that was driven mainly by the availability of the government environment bonus will come to an end. The Audi Group consequently expects to see an exceptionally sharp fall in new car registrations in Germany in 2010.

The Audi Group equally expects new car registrations to be down in other Western European markets. The expiry of state aid programs in major car markets such as France, the UK and Italy will translate into lower demand for new cars.

The car market in Central and Eastern European countries will remain weak in 2010. For example, the Audi Group does not expect to see the important Russian market regain the considerable ground lost in the previous year.

The Asia-Pacific region will again be a pillar of the worldwide car market in 2010, with strong market growth. The Audi Group expects the Chinese and Indian car markets in particular to post double-digit growth rates, even if China is unlikely to emulate the high sales growth of the previous year. On the other hand the Company expects new car registrations in Japan to continue to fall.

Anticipated development of the Audi Group

The continuing difficult and unpredictable economic environment, the expectation of more intense competition and the process of shaping future mobility will present the Audi Group with major challenges in the years ahead. The Board of Management nevertheless regards the Company as well equipped to restore the pattern of growth of recent years as soon as 2010 and thus recover promptly from the hiatus induced by the global economic crisis.

Anticipated development of deliveries

With a slight recovery in global demand for premium vehicles expected, the Audi Group has set itself the goal for 2010 of exceeding the delivery total of the previous year. The Company is planning to deliver over one million vehicles of the core brand Audi, and thus to increase its market share in a large number of key sales markets and build on its strong market position in the premium segment worldwide. In an ever more competitive environment, a large number of additional models and derivatives alongside the new vehicles already successfully launched last year should help to access new customer segments and give the Audi brand's appeal a lasting boost in 2010. At the same time, steady efficiency improvements across the entire model and engine range mean the brand with the four rings will very successfully continue to fulfill its customers' expectations of sporty yet economical mobility concepts.

The Company aims to consolidate its strong competitive position in its home market Germany, the largest-volume sales market for Audi vehicles. In addition to the models already successfully on sale there, in particular the new Audi A8 and the addition of the Audi A1 and Audi A7 to the product range will provide further positive stimuli.

The Audi brand is planning to exceed the delivery volume of the previous year in Western European markets, despite the fact that market conditions are expected to be difficult.

In the Central and Eastern European region, most notably in Russia, the brand with the four rings also has plans to deliver more vehicles to customers than in the past fiscal year. Its attention centers on further strengthening the competitive position of the Audi brand.

Audi aims to cement its leading position in the Chinese premium market in 2010. Following on from the expansion of local manufacturing capacity in the past fiscal year, all activities in Audi's most important foreign market will be even more closely coordinated by a fully owned subsidiary established for that specific purpose.

The Audi brand is planning to intensify its activities in the important growth market India, too. The sales and dealer network will be further expanded in 2010.

The active marketing of efficient engine technologies in particular will help the Audi brand to boost its U.S. market share further. Models such as the Audi Q7 3.0 TDI clean diesel launched last year will be promoted to convince American consumers of how powerful and economical the Company's modern diesel drive technology is.

The Audi Group expects a further recovery in worldwide demand for premium vehicles in 2011. This development is likely to lead to a renewed rise in deliveries of Audi Group cars.

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Anticipated financial performance

The Audi Group is also planning to boost its revenue in fiscal years 2010 and 2011 along with the rise in the delivery volume it is targeting. Thanks to the ongoing productivity and process improvements already made in the past, coupled with disciplined cost management, the Company expects to see an improvement in both its operating profit and its operating return on sales.

Anticipated financial position

The Audi Group intends to continue financing its planned growth entirely from internally generated cash flow. It has no plans for recourse to external sources of financing.

The current plans for the next two years envisage a clearly positive cash flow from operating activities. The cash used in investment activities will exceed the 2009 figure as the longer-term model initiative continues.

The Audi Group will end 2010 with a similarly high level of net liquidity as in the past fiscal year.

Capital investments

The Audi Group's medium-term investment plans focus mainly 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 building up the dealer and service network in order to increase customer delight about the brand with the four rings. The further optimization of conventional drive concepts and the development of new mobility concepts such as electric and hybrid models are also very important. All investment measures share the common objective of improving the Audi Group's market position sustainably through a forward-looking model, technology and brand strategy.

The Audi Group's plans envisage property, plant and equipment spending totaling EUR 5.5 billion over the period 2010 through 2012. The spotlight will be on the production areas and on investment measures at suppliers. Cash flow from operating activities will cover investment spending in full for the entire planning period.

Systematic investment management ensures that all investment projects will be completed on schedule and according to the Audi Group's high quality standards.

Anticipated development of the workforce

The size of the workforce in 2010 and 2011 will be broadly on a par with the level in the past fiscal year.

Opportunities for future development

Additional opportunities for the Audi Group's future development lie particularly in forward-looking strategies and measures designed to assure the Company's sustainable, profitable growth.

Systematic renewal and expansion of the product portfolio remain an exceptionally important aspect. The number of Audi models is set to exceed 40 by 2015. A large number of new vehicles will again be added to the fresh, attractive product range in 2010. Significant models arriving on the market include the Audi R8 Spyder and the Audi A8 luxury sedan, both of which were enthusiastically received by customers, the trade and journalists at the time of their debuts. Other highlights are the Audi A1 and Audi A7, which mark the Audi brand's venture into new vehicle segments. The brand with the four rings is launching its first premium vehicle in the small car class in the form of the Audi A1. Young people in particular are likely to be captivated by this sporty, efficient vehicle concept's high standards of quality, technology and design, which will ultimately make them loyal to the Audi brand in the long term.

The Company has plans to increase its market share in important sales markets still further. The brand with the four rings will step up its efforts in existing markets in order to defend and increase in many cases substantial market shares it has recently gained in the premium segment. Furthermore, the Company's long-term growth will depend to a very great degree on young, burgeoning car markets. In extending the exclusive Audi dealer and service network and tailoring the range of vehicles available in China and India to local requirements, the Audi Group is planning to strengthen and consolidate its position in these markets. Above and beyond these strategy-related determining factors, external factors may provide additional opportunities. Positive effects may for instance be generated by a lasting improvement in the global economic environment and in global overall market demand for premium vehicles.

Overall assessment of anticipated future developments

The Audi Group did not remain entirely immune to the massive negative impact of the global financial and economic crisis in 2009. Nevertheless, the Company performed exceptionally well in what was probably the most difficult year in the recent history of the automotive industry. Coupled with corrective action taken at an early stage, the forward-looking, circumspect business policy of recent years and the measures previously introduced to permanently improve processes and costs in all divisions contributed to this success.

The Audi Group will adhere to this approach in future. The Company will stand by its strategy of sustained, profitable growth and believes it is well equipped to tackle the challenges that lie ahead, thanks to a fresh, attractive product range and a highly motivated workforce that identifies closely with the Company. Furthermore, wide-ranging measures designed to deliver continuing efficiency improvements across the entire model and engine range, as well as the systematic development of new mobility concepts such as electric and hybrid models, have set the direction for the Company's long-term growth early on in the process.

For the 2010 fiscal year and beyond, the Company anticipates that there will be a slight recovery in worldwide demand for cars. However, the situation is expected to remain stagnant or deteriorate particularly in European markets now that state aid programs are coming to an end. The premium segment, which has thus far benefited only marginally from such subsidies, should nevertheless be affected to a lesser degree by their absence.

This development and the Company's very competitive position will be reflected positively in the key ratios for the Group. The Audi Group should therefore succeed in restoring the pattern of growth seen in recent years as early as 2010.

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.

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Consolidated Financial Statements of the Audi Group

at December 31, 2009

Income Statement of the Audi Group

EUR million	Notes	2009	2008
Revenue	1	29,840	34,196
Cost of sales	2	-25,649	-28,848
Gross profit		4,191	5,348
Distribution costs	3	-3,138	-3,240
Administrative expenses	4	-301	-302
Other operating income	5	1,475	1,588
Other operating expenses	6	-622	-622
Operating profit		1,604	2,772
Result from investments accounted for using the equity method	7	110	57
Financing costs	8	-269	-293
Other financial results	9	483	641
Financial result		324	405
Profit before tax		1,928	3,177
Income tax expense	10	-581	-970
Profit after tax		1,347	2,207
of which profit share of minority interests		48	29
of which profit share of AUDI AG stockholders		1,300	2,178
Appropriation of profit share due to AUDI AG stockholders			
Profit transfer to Volkswagen AG	11	-1,172	-1,230
Transfer to retained earnings		128	948
EUR	Notes	2009	2008
Earnings per share	12	30.23	50.66
Diluted earnings per share	12	30.23	50.66

Statement of Recognized Income and Expense of the Audi Group

EUR million	2009	2008
Profit after tax	1,347	2,207
Securities available for sale		
Fair value changes recognized directly in equity without affecting income	16	- 130
Included in the Income Statement	13	114
Cash flow hedges		
Fair value changes recognized directly in equity without affecting income	163	476
Included in the Income Statement	- 341	- 553
Currency translation differences		
Changes recognized directly in equity without affecting income	6	8
Included in the Income Statement	-	1
Deferred tax items netted directly against equity	78	11
Actuarial gains and losses	- 113	57
Income and expenditure after tax from equity-accounted investments recognized directly in equity	- 1	17
Income recognized directly in equity	- 178	1
Overall result	1,169	2,208
Attributable to AUDI AG stockholders	1,126	2,172
Attributable to minority interests	43	36

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Balance Sheet of the Audi Group

ASSETS in EUR million	Notes	Dec. 31, 2009	Dec. 31, 2008
Non-current assets		9,637	9,537
Fixed assets		8,296	8,190
Intangible assets	14	2,171	2,112
Property, plant and equipment	15	5,795	5,846
Investment property	16	12	5
Investments accounted for using the equity method		212	152
Other long-term investments	17	107	75
Deferred tax assets	18	919	691
Other receivables and other financial assets	19	422	656
Current assets		16,913	16,519
Inventories	20	2,568	3,347
Trade receivables	21	2,281	2,215
Effective income tax assets	22	23	17
Other receivables and other financial assets	19	4,764	5,318
Securities	23	821	789
Cash and cash equivalents	23	6,455	4,833
Balance sheet total		26,550	26,056

LIABILITIES in EUR million	Notes	Dec. 31, 2009	Dec. 31, 2008
Equity		10,632	10,328
AUDI AG stockholders' interests	24	10,221	9,960
Issued capital	24	110	110
Capital reserve	24	1,924	1,617
Retained earnings	24	8,187	8,233
Minority interests	24	411	368
Liabilities		15,918	15,728
Non-current liabilities		6,425	6,029
Financial liabilities	25	2	3
Deferred tax liabilities	26	45	78
Other liabilities	27	527	447
Provisions for pensions	28	2,098	1,946
Effective income tax obligations	29	773	853
Other provisions	30	2,979	2,702
Current liabilities		9,493	9,699
Financial liabilities	25	577	673
Trade payables	31	3,114	3,302
Effective income tax obligations	29	405	128
Other liabilities	27	2,895	3,094
Other provisions	30	2,502	2,502
Balance sheet total		26,550	26,056

Cash Flow Statement of the Audi Group

from January 1 to December 31

EUR million	2009	2008
Profit before profit transfer and income taxes	1,928	3,177
Income tax payments	-574	-946
Amortization of capitalized development costs	480	530
Impairment losses (reversals) on property, plant and equipment and other intangible assets	1,285	1,371
Impairment losses (reversals) on financial assets	9	-63
Depreciation of investment property	1	-
Result from the disposal of assets	-5	-10
Result from investments accounted for using the equity method	-60	-14
Change in inventories	827	-600
Change in receivables	103	-198
Change in liabilities	-339	562
Change in provisions	327	494
Change in investment property	-8	-
Other non-cash income and expenses	144	35
Cash flow from operating activities	4,119	4,338
Additions of capitalized development costs	-528	-547
Investments in property, plant and equipment and other intangible assets	-1,265	-1,906
Acquisition of shares	-42	-58
Sale of shares	2	101
Other cash changes	36	-2
Change in investments in securities	-12	487
Change in fixed deposits and loans extended	377	-3,991
Cash flow from investing activities	-1,433	-5,916
Capital contributions	308	706
Transfer of profit	-1,230	-1,412
Change in financial liabilities	-138	111
Lease payments	-1	-1
Cash flow from financing activities	-1,061	-596
Change in cash and cash equivalents due to changes in group of consolidated companies	-	250
Change in cash and cash equivalents due to changes in exchange rates	-3	17
Change in cash and cash equivalents	1,622	-1,907
Cash and cash equivalents at beginning of period	4,833	6,740
Cash and cash equivalents at end of period	6,455	4,833

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EUR million	2009	2008
Cash and cash equivalents	6,455	4,833
Fixed deposits, securities and loans extended	4,789	5,134
Gross liquidity	11,244	9,967
Credit outstanding	-579	-675
Net liquidity	10,665	9,292

The Cash Flow Statement is explained in Note 35.

Statement of Changes in Equity of the Audi Group

EUR million	Issued capital	Capital reserve	
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	
Difference resulting from changes in the group of consolidated companies	-	-	
Position as of Dec. 31, 2008	110	1,617	
Position as of Jan. 1, 2009	110	1,617	
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	-	308	
Position as of Dec. 31, 2009	110	1,924	

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	Actuarial gains and losses	Investments accounted for using the equity method	AUDI AG stockholders' interests	Minority interests	Total
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
7,865	-6	538	-24	-129	-11	9,960	368	10,328
-	10	-	-	-	-5	5	-3	2
128	-	-	-	-	-	128	-	128
-	-	163	16	-110	-	68	-2	66
-	-	-	13	-	-	13	-	13
-	-	-341	-	-	4	-337	-	-337
-	-	53	-8	33	-	77	1	78
-	-	-	-	-	-	-	48	48
-	-	-	-	-	-	308	-	308
7,993	3	412	-4	-206	-11	10,221	411	10,632

Notes to the Consolidated Financial Statements

DEVELOPMENT OF FIXED ASSETS IN THE 2009 FISCAL YEAR

EUR million	Gross carrying amounts							
	Costs Jan. 1, 2009	Changes in group of consolidated companies	Currency changes	Additions	Changes from measurement at equity	Transfers	Dis- posals	Costs Dec. 31, 2009
Intangible assets	4,106	-	0	622	-	6	50	4,684
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	435	-	0	93	-	8	27	509
Capitalized development costs, products currently under development	630	-	-	485	-	-247	-	866
Capitalized development costs, products currently in use	3,039	-	-	44	-	247	23	3,307
Payments on account for intangible assets	2	-	-	1	-	-2	-	1
Property, plant and equipment	19,251	-	4	1,172	-	-6	274	20,145
Land, land rights and buildings, including buildings on land owned by others and leased buildings	3,935	-	1	114	-	90	18	4,121
Plant and machinery	4,518	-	0	199	-	166	94	4,789
Other plant and office equipment, as well as leased plant and office equipment	10,195	-	0	379	-	205	162	10,616
Payments on account and assets under construction	603	-	3	480	-	-467	1	618
Investment property	10	-	0	8	-	-	-	17
Investments accounted for using the equity method	152	-	-	-	59	-	-	212
Other long-term investments	100	-	0	42	-	-	2	140
Investments in affiliated companies	87	-	0	42	-	-	2	126
Participating interests	11	-	-	0	-	-	-	11
Securities	2	-	-	-	-	-	-	2
Total fixed assets	23,619	-	4	1,844	59	-	327	25,197

Value adjustments in gross carrying amounts									Carrying amounts	
Cumulative depreciation and amortization Jan. 1, 2009	Changes in group of consolidated companies	Currency changes	Additions, scheduled	Additions, unscheduled	Transfers	Disposals	Write-ups	Cumulative depreciation and amortization Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
1,994	-	0	531	35	2	50	-	2,512	2,171	2,112
265	-	0	83	3	2	26	-	327	182	170
142	-	-	-	21	-113	-	-	49	817	488
1,587	-	-	448	11	113	23	-	2,136	1,171	1,452
-	-	-	-	-	-	-	-	-	1	2
13,405	-	-1	1,163	37	-2	250	-	14,351	5,795	5,846
1,936	-	-1	131	-	-	19	-	2,047	2,075	1,999
3,307	-	0	349	-	-	91	-	3,565	1,224	1,211
8,162	-	0	683	37	-2	141	-	8,738	1,879	2,033
-	-	0	0	-	-	0	-	-	618	603
5	-	0	1	-	-	-	-	6	12	5
-	-	-	-	-	-	-	-	-	212	152
25	-	-	-	9	-	-	-	33	107	75
23	-	-	-	9	-	-	-	31	95	64
2	-	-	-	-	-	-	-	2	9	9
-	-	-	-	-	-	-	-	-	2	2
15,429	-	-2	1,695	80	-	300	-	16,900	8,296	8,190

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	Dis- posals	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

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 in the EU have been observed. The prior-year figures were 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 Audi Group has implemented all of the accounting standards whose application became mandatory with effect from the 2009 fiscal year.

The amended IFRS 7 “Financial Instruments: Disclosures” extends the disclosures to include determination of the fair value of financial instruments.

The new IFRS 8 “Operating Segments” means that segment reporting has been reorganized. In line with the management approach, the Audi Group has a one-segment structure.

The amendments made to IAS 1 “Presentation of Financial Statements” have resulted in a reorganization of the financial statements and, in some cases, adjustments to the descriptions. The changes made to IAS 7 as part of the annual improvements project provide for the allocation of cash flow from changes in rental assets to cash flow from operating activities. This change does not have any material impact on the Audi Group. Apart from this, the 2008 improvements project did not have any effect on the Audi Group’s Consolidated Financial Statements.

The changes to IAS 23 “Borrowing Costs” mean that the borrowing costs related to qualified assets with regard to which acquisition or production began on or after January 1, 2009 must be capitalized. An asset is deemed to be qualified if a period of at least one year is required to get the asset in the condition required for its intended use or sale. The changes to IAS 23 had no major impact on the way in which the Audi Group’s net worth, financial performance and financial position are reported.

The following standards and interpretations were also applied for the first time during the current fiscal year without this having any major impact on the presentation of the Consolidated Financial Statements.

- IFRS 1/IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 2: Share-based Payment – Vesting Conditions and Cancellations
- IFRS 4: Insurance Contracts
- IFRS 7/IAS 39: Reclassification of Financial Assets – Effective Date and Transition
- IAS 1/IAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 9/IAS 39: Reassessment of Embedded Derivatives
- IFRIC 11/IFRS 2: Group and Treasury Share Transactions
- IFRIC 13: Customer Loyalty Programs
- IFRIC 14/IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 2009 fiscal year because their application was not yet mandatory:

Standard/ Interpretation		Mandatory- effective ¹⁾	Endorsed by EU ²⁾	Effects
IFRS 1	First-time Adoption of International Financial Reporting Standards	Jan. 1, 2010	Yes	None
IFRS 1	Further exceptions for first-time adoption	Jan. 1, 2010	No	None
IFRS 1 / IFRS 5	Improvements 2008	Jan. 1, 2010	Yes	None
IFRS 2	Share-based Payment	Jan. 1, 2010	No	None
IFRS 3 / IAS 27	Business Combinations / Consolidated and Separate Financial Statements	Jan. 1, 2010	Yes	Changed presentation of corporate mergers
IFRS 9	Financial Instruments: Classification and Measurement	Jan. 1, 2013	No	Changed classification and measurement of financial instruments
IAS 24	Related Party Disclosures	Jan. 1, 2011	No	No significant changes
IAS 32	Classification of Rights Issues	Jan. 1, 2011	Yes	None
IAS 39	Exposures Qualifying for Hedge Accounting	Jan. 1, 2010	No	None
	Improvements 2009 ³⁾	Jan. 1, 2010	No	No significant changes
IFRIC 12	Service Concession Arrangements	Jan. 1, 2010	Yes	None
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset – Changes	Jan. 1, 2011	No	None
IFRIC 15	Agreements for the Construction of Real Estate	Jan. 1, 2010	Yes	None
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Jan. 1, 2010	Yes	None
IFRIC 17	Distributions of Non-cash Assets to Owners	Jan. 1, 2010	Yes	None
IFRIC 18	Transfers of Assets from Customers	Jan. 1, 2010	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Jan. 1, 2010	No	None

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

2) By December 31, 2009

3) Minor amendments to various standards (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) and resulting changes

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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 following table shows the composition of the Audi Group:

Total	2009	2008
AUDI AG and fully consolidated subsidiaries		
Germany	7	7
Other countries	15	15
Investments accounted for using the equity method		
Other countries	1	1
Non-consolidated subsidiaries		
Germany	14	14
Other countries	14	14
Total	51	51

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.

By virtue of their inclusion in the Audi Group's Consolidated Financial Statements, quattro GmbH (Neckarsulm), Audi Retail GmbH (Ingolstadt), Audi Vertriebsbetreuungsgesellschaft mbH (Ingolstadt), Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin GmbH (Berlin) have fulfilled the requirements of Section 264, Para. 3 of the German Commercial Code (HGB) and make use of the exemption rule.

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	2009	2008
Non-current assets	187	158
Current assets	404	390
Non-current liabilities	53	29
Current liabilities	324	367
Revenues	1,232	886
Net profit for the period	110	57

KEY EFFECTS OF CHANGES TO THE GROUP OF CONSOLIDATED COMPANIES ON THE OPENING BALANCE SHEET FOR 2009

There have been no major changes to the group of consolidated companies since December 31, 2008. The merger between an insignificant investment and a fully consolidated company resulted in a slight adjustment to the opening balance for 2009 of EUR 1 thousand.

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 acquired company or business operations 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; deferred tax assets and liabilities are 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. This is done on the basis of the last set of audited financial statements of the company in question.

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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, 2009	Dec. 31, 2008	2009	2008
		Year-end exchange rate		Average exchange rate	
Australia	AUD	1.6008	2.0274	1.7727	1.7416
Brazil	BRL	2.5113	3.2436	2.7674	2.6743
Japan	JPY	133.1600	126.1400	130.3366	152.4541
Canada	CAD	1.5128	1.6998	1.5850	1.5594
South Korea	KRW	1,666.9700	1,839.1300	1,772.9039	1,606.0872
USA	USD	1.4406	1.3917	1.3948	1.4710
People's Republic of China	CNY	9.8350	9.4956	9.5277	10.2236

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.

Where additional services have been contractually agreed with the customer in addition to the sale of a vehicle, such as warranty extensions or the completion of maintenance work over a fixed period, the related revenues and expenses are recorded in the Income Statement in accordance with the provisions of IAS 18 governing arrangements with multiple deliverables based on the economic content of the individual contractual components (partial services).

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, rights of use and subsidies paid.

Research costs are treated as current expenses in accordance with IAS 38. The development expenditure for products going into series production is recognized as an intangible asset, 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. No interest was capitalized in relation to borrowing costs due to the fact that there were no significant borrowings as defined in the criteria of IAS 23 given that the Audi Group maintains sufficient levels of net liquidity at all times. Capitalized development costs are amortized 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 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 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, which must be capitalized, together with pro rata depreciation. No interest was capitalized in relation to borrowing costs due to the fact that there were no significant borrowings as defined in the criteria of IAS 23 given that the Audi Group maintains sufficient levels of net liquidity at all times. The depreciation plan is generally based on the following useful lives, which are re-assessed 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

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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 comprises real estate held as a financial investment and vehicles leased as part of operating lease agreements with a contractual term of more than one year.

Real estate held as investment property is reported in the Balance Sheet at amortized cost.

Buildings are depreciated on a straight-line basis over a useful life of 33 years.

Leased vehicles, in the case of operating lease agreements, are capitalized at cost of sales and depreciated to the calculated residual value on a straight-line basis over the contractual term.

Unscheduled reductions for impairment and adjustments to depreciation rates are made to take account of impairment losses calculated on the basis of impairment testing pursuant to IAS 36.

Based on local factors and historical values from used car marketing, updated internal and external information on residual value developments is incorporated into the residual value forecasts on an ongoing basis.

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 intangible assets and fixed tangible assets are discounted with country-specific discount rates that adequately reflect the risk and amount to 9.1 percent before tax.

Impairment losses pursuant to IAS 36 are 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.

In accordance with IAS 39, financial assets are divided into the following categories based on the purpose for which they were acquired:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets.

The Audi Group does not have any financial assets that fall into the category of “held-to-maturity investments.”

Financial liabilities are classed as follows depending on the reasons 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.

Measurement of financial instruments at fair value is based on a three-level hierarchy and on the proximity of the measurement factors used to an active market (cf. Note 33, “Additional disclosures on financial instruments in the Balance Sheet”).

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 of the impairment of a financial asset or group of financial assets, are reviewed on each balance sheet date.

Financial assets include both non-derivative and derivative claims or commitments, as detailed below.

Non-derivative financial instruments

The “Loans and receivables” and “Financial liabilities measured at amortized cost” categories include non-derivative 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. Assets and liabilities in foreign currency are measured at the exchange rate on the reporting date. In the case of liabilities, amortized costs generally correspond to the nominal or settlement value.

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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 non-derivative 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 securities available for sale 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. 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.

Additionally, under the rules of IAS 39, some contracts are classed as derivative financial instruments:

- Rights to acquire shares in companies
- Agreements entered into by the Audi Group with approved dealers with a view to hedging against potential losses from buy-back obligations for leased vehicles.

A requirement of hedge accounting is that a clear hedging relationship between the underlying transaction and the hedge must be documented and its effectiveness 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.

Rights to acquire shares in companies are also reported in accordance with the rules for “financial instruments measured at fair value through profit or loss.”

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 are also 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 costs, 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.

Current leased assets comprise leased vehicles with an operating lease of up to one year and vehicles which are subject to a buy-back obligation for within one year (owing to buy-back agreements). These vehicles are capitalized at cost of sales and depreciated over the contractual term to:

- the calculated residual value (vehicles with an operating lease)
- the buy-back price (buy-back vehicles)

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Unscheduled reductions for impairment and adjustments to depreciation rates are made to take account of impairment losses calculated on the basis of impairment testing pursuant to IAS 36. Based on local factors and historical values from used car marketing, updated internal and external information on residual value developments is incorporated into the residual value forecasts on an ongoing basis.

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 3.4 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. It cannot yet be forecast with any certainty how lasting the current economic recovery will be. And it is only possible to a limited extent to predict the further development of the key car markets, 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	2009	2008
Audi brand	22,652	25,534
Lamborghini brand	227	404
Other Volkswagen Group brands	2,707	3,230
Vehicle sales	25,586	29,168
Other car business	4,254	5,028
Revenue	29,840	34,196

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 car business primarily includes proceeds from the sale of engines and genuine parts as well as proceeds of AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), deriving from the contract manufacture of VW Polo vehicles for Volkswagen AG.

2 Cost of sales

Amounting to EUR 25,649 (28,848) 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

Distribution costs of EUR 3,138 (3,240) 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 301 (302) million include labor and materials costs, as well as depreciation attributable to administrative operations.

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5 Other operating income

EUR million	2009	2008
Income from derivative hedging transactions	488	642
Income from rebilling	325	304
Income from the processing of payments in foreign currency	137	171
Income from the dissolution of provisions	125	86
Income from ancillary business	128	122
Income from the disposal of assets	8	5
Income from the reversal of reductions for impairment on receivables and other assets	2	2
Miscellaneous operating income	261	256
Total other operating income	1,475	1,588

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 0.4 (1.7) 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	2009	2008
Expenses from the processing of payments in foreign currency	122	190
Expenses from derivative hedging transactions	224	160
Expenses from the allocation and recharging of costs	43	47
Impairment losses on receivables	76	30
Losses on the disposal of assets	4	25
Miscellaneous operating expenses	153	170
Total other operating expenses	622	622

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

The result from investments accounted for using the equity method reached EUR 110 (57) million.

8 Financing costs

EUR million	2009	2008
Interest and similar expenses	-78	-132
of which to affiliated companies	-73	-130
Interest expense	-78	-132
Interest effect from the measurement of provisions for pensions	-111	-106
Interest effect from the measurement of other provisions	-80	-55
Interest on provisions	-191	-161
Financing costs	-269	-293

Interest income and expense are attributed on an accrual basis.

9 Other financial results

EUR million	2009	2008
Investment result	21	123
of which income from investments	45	39
of which income from profit transfer agreements	5	4
of which income from reversal of impairment losses on investments	-	70
of which income from the disposal of investments	-	33
of which expenses from the transfer of losses	-20	-16
of which expenses from investments	-9	-7
Net income from the sale of securities	-18	-24
Impairments on non-derivative financial instruments	-3	-60
Income and expense from fair value measurement of derivative financial instruments	106	41
Interest and similar income	274	483
of which from affiliated companies	235	396
Other income	103	78
of which from affiliated companies	103	78
Total other financial results	483	641

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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 revaluation of assets of AUDI DO BRASIL E CIA. (Curitiba, Brazil) and from the sale of the company.

Income and expense from the fair value measurement of derivative financial instruments comprise the ineffective portions of cash flow hedges and the fluctuations in the fair value of derivative financial instruments that do not fully meet the effectiveness criteria set out under 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	2009	2008
Actual income tax expense	789	983
of which for Germany	680	801
of which for other countries	109	182
of which income from the reversal of tax provisions	-6	-1
Deferred tax income	-208	-13
of which for Germany	-185	52
of which for other countries	-23	-65
Income tax expense	581	970
of which non-periodic tax expenses	15	1

EUR 673 (799) 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 (29.5) 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 for companies in Germany are calculated at a rate of 29.5 (29.5) percent. The local income tax rates applied to foreign companies range from 0 percent 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. There are loss carryforwards totaling EUR 104 (61) million, of which the amount of EUR 46 (57) million can be used indefinitely. The realization of tax losses led to a reduction in current income tax expense of EUR 2 (1) million in the 2009 fiscal year. Deferred tax assets of EUR 160 (149) million were not reported due to impairment. Unused tax loss carryforwards accounted for EUR 7 (2) million of this amount, tax rebates for EUR 153 (147) million.

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, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	100	101	476	459
Property, plant and equipment	279	200	224	217
Long-term investments	157	133	-	-
Inventories	61	80	41	40
Receivables and other assets	37	56	226	339
Other current assets	50	34	-	-
Provisions for pensions	105	81	1	3
Other provisions	878	910	0	49
Liabilities	121	89	3	15
Loss carryforwards	18	10	-	-
Gross value	1,806	1,694	971	1,122
of which non-current	1,272	1,145	580	596
Offsetting measures	-931	-994	-931	-994
Consolidation measures	44	-9	5	-50
Carrying amount	919	691	45	78

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	2009	2008
Profit before tax	1,928	3,177
Anticipated income tax expense 29.5% (29.5%)	569	937
Reconciliation:		
Divergent foreign tax burden	-2	17
Tax portion for:		
tax-exempt income	-123	-127
expenses not deductible for tax purposes	18	30
temporary differences and losses for which no deferred tax has been recorded	132	124
Non-periodic tax expenses	15	1
Effects of tax rate changes	2	3
Other tax effects	-30	-15
Income tax expense reported	581	970
Effective tax rate in %	30.1	30.5

Tax effects in relation to income and expense recognized directly in equity

Of the deferred taxes reported in the Balance Sheet, a total of EUR 78 (11) million was recorded with a resulting increase in equity, without influencing the Income Statement. The individual effects are shown below:

EUR million	Dec. 31, 2009			Dec. 31, 2008		
	Profit before tax	Taxes	Profit after tax	Profit before tax	Taxes	Profit after tax
Foreign currency translation differences	6	-	6	9	-	9
Actuarial gains and losses (pensions)	-113	34	-79	57	-17	40
Cash flow hedges	-178	53	-126	-77	23	-54
Available-for-sale financial assets (securities)	29	-8	20	-16	5	-11
Income and expenditure after tax from equity-accounted companies recognized directly in equity	-1	-	-1	17	-	17
Income (+) and expenditure (-) recognized directly in equity	-256	78	-178	-10	11	1

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11 Profit transfer to Volkswagen AG

The amount of EUR 1,172 (1,230) 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, 2009 or December 31, 2008.

	2009	2008
Profit share of AUDI AG stockholders (EUR million)	1,300	2,178
Weighted average number of shares (basic and diluted totals are identical)	43,000,000	43,000,000
Earnings per share in EUR	30.23	50.66

Outside stockholders of AUDI AG will receive a compensatory payment for each no-par share in lieu of a dividend for the 2009 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 22, 2010.

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 the 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	2009	2008
Financial instruments measured at fair value through profit or loss	-248	-30
Loans and receivables	-70	-147
Available-for-sale financial assets	278	448
Measured at amortized cost	-17	-

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 measured at fair value through profit or loss” category presents the results from the settlement and measurement of derivative financial instruments not allocated to hedge accounting. The “Loans and receivables” category essentially consists of impairment losses on receivables as well as 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	2009	2008
Interest income	248	26
Interest expense	-24	-94
Interest income and expense	224	-68

Interest income and expense for financial instruments not measured at fair value constitute part of the net result for financial instruments that fall into the category of “Loans and receivables.” Interest expense here largely comprises factoring expenses arising in connection with the loan asset sales to Volkswagen AG (Wolfsburg) subsidiaries not belonging to the Audi Group.

Impairment losses for financial assets by category

EUR million	2009	2008
Measured at fair value	3	60
Measured at amortized cost	84	37
Impairment losses	87	97

The impairment losses relate to value adjustments of financial assets, such as impairment losses on 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 341 (553) million was included under cost of sales and other operating expenses.

NOTES TO THE BALANCE SHEET

14 Intangible assets

EUR million	Dec. 31, 2009	Dec. 31, 2008
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	182	170
Capitalized development costs	1,989	1,940
of which products currently under development	817	488
of which products currently in use	1,171	1,452
Payments on account for intangible assets	1	2
Total	2,171	2,112

Research and development expenditure recognized as an expense

EUR million	2009	2008
Research expense and non-capitalized development costs	1,569	1,631
Amortization and disposals of capitalized development costs	480	530
Total	2,050	2,161

A total of EUR 2,098 (2,178) million was spent on research and development in the 2009 fiscal year. Of this total, EUR 528 (547) million fulfilled the capitalization criteria set out in IAS 38.

15 Property, plant and equipment

EUR million	Dec. 31, 2009	Dec. 31, 2008
Land, land rights and buildings, including buildings on land owned by others	2,075	1,999
Plant and machinery	1,224	1,211
Other plant and office equipment	1,879	2,033
of which finance leases	0	1
Payments on account and assets under construction	618	603
Total	5,795	5,846

The carrying amounts in the case of finance leases correspond to the fair values.

Payments totaling EUR 85 (83) 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

Investment property, in accordance with IAS 40, comprises land and buildings held to generate rental income, and vehicles leased as part of operating lease agreements with a contractual term of more than one year.

The fair values of the rented real estate, calculated on the basis of valuations, total EUR 5 (7) million. Investment property in the form of leased vehicles with a contractual term of more than one year amounted to EUR 7 (0) million.

Total payments of EUR 4 million are expected from irrevocable vehicle leasing agreements in the period from 2010 to 2014, of which EUR 2 million in fiscal 2010.

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17 Other long-term investments

EUR million	Dec. 31, 2009	Dec. 31, 2008
Investments in affiliated companies	95	64
Participating interests	9	9
Securities	2	2
Total	107	75

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, 2009	Dec. 31, 2008
Loans advanced	75	59
of which to affiliated companies	74	58
Positive fair values of derivative financial instruments	310	555
of which to affiliated companies	310	555
Other tax assets	6	2
Other assets	31	40
of which to affiliated companies	–	17
Total	422	656

With regard to loans advanced, the fair values correspond to the carrying amounts. The miscellaneous non-current assets have a fair value of EUR 347 (590) million. Loans advanced are subject to interest rates of up to 4.5 (4.5) percent.

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, 2009	Dec. 31, 2008
Fixed deposits and loans extended	3,891	4,285
of which to affiliated companies	3,891	4,265
Positive fair values of derivative financial instruments	505	579
of which to affiliated companies	502	569
Other tax assets	99	75
Other receivables and assets	269	379
of which to affiliated companies	33	141
of which to associated companies	20	6
Total	4,764	5,318

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 positive fair values of derivative financial instruments are composed as follows:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Cash flow hedges to hedge against		
currency risks from future payment streams	606	1,004
commodity price risks from future payment streams	90	1
Other derivative financial instruments	118	129
Positive fair values of derivative financial instruments	815	1,134

20 Inventories

EUR million	Dec. 31, 2009	Dec. 31, 2008
Raw materials and supplies	324	364
Work in progress	297	332
Finished goods and merchandise	1,619	2,339
Current leased assets	328	312
Total	2,568	3,347

Inventories amounting to EUR 23,401 (26,454) 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 83 (89) 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 142 (94) 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.

Leased vehicles with an operating lease term of up to one year were reported under inventories in the amount of EUR 328 (312) million. Payments in the amount of EUR 12 million are expected in the 2010 fiscal year from irrevocable leasing relationships.

21 Trade receivables

EUR million	Dec. 31, 2009	Dec. 31, 2008
Trade receivables from		
third parties	1,125	1,223
affiliated companies	803	757
associated companies and participating interests	353	235
Total	2,281	2,215

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 twelve months subsequent to the balance sheet date amount to EUR 5 (1) million. Impairment losses on trade receivables are detailed under 34.1 "Credit risks."

22 Effective income tax claims

Entitlements to income tax rebates, predominantly for foreign Group companies, are reported under this item.

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23 Securities, cash and cash equivalents

Securities include fixed or variable-interest securities and equities in the amount of EUR 821 (789) million.

Cash and cash equivalents essentially comprise credit balances with banks and affiliated companies amounting to EUR 6,455 (4,833) 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.

24 Equity

Information on the composition and development of equity is provided on pages 182 and 183 in the Statement of Changes in Equity.

The share capital of AUDI AG is EUR 110,080,000. 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 1,924 million as a result of a contribution in the amount of EUR 308 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 income. When the cash flow hedges become due, the results from the settlement of the hedging contracts are reported under the profit from operating activities.

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 actuarial gains and losses.

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 are 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 128 (948) 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 to convertible bonds.

In the 1999 to 2006 fiscal years, eight tranches of the stock option plan were issued in total. The stock option plan was not extended for the period beyond 2006.

Each convertible bond may be converted into ten ordinary shares. Conversion is blocked for a period of 24 months (known as the qualifying period); after expiry of this period, the bonds may be converted until a period of five years has elapsed starting from the date on which they were issued. For details relating to the terms of subscription and exercise, please refer to the notes on equity in the Annual Report of Volkswagen AG.

There were no longer any expenses in relation to the stock option plan during the 2009 fiscal year as the 24-month qualifying period for the eighth tranche expired on July 8, 2008. The corresponding expense for the previous fiscal year was EUR 0.2 million.

There were no conversion rights held during the 2009 fiscal year due to the fact that all Audi Group employees covered by the stock option plan had exercised their available conversion rights in full during the previous year.

LIABILITIES

25 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities amount to EUR 2 (3) million and exclusively comprise liabilities to banks. Non-current financial liabilities having a time to maturity of more than five years amount to EUR 2 (1) million. The carrying amounts correspond to the fair values.

Current financial liabilities

EUR million	Dec. 31, 2009	Dec. 31, 2008
Liabilities to affiliated factoring companies	514	574
Loans from affiliated companies	62	62
Liabilities to banks	–	36
Liabilities from financial lease agreements	0	1
Total	577	673

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.”

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Non-current other liabilities

EUR million	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
	Carrying amounts		Fair values	
Negative fair values of derivative financial instruments	179	122	179	122
of which to affiliated companies	33	122	33	122
Liabilities from other taxes	9	–	9	–
Social security liabilities	28	28	28	28
Miscellaneous liabilities	311	297	296	276
of which to affiliated companies	249	234	234	215
Total	527	447	512	426

Liabilities having a time to maturity of more than five years amount to EUR 181 (168) million.

Current other liabilities

EUR million	Dec. 31, 2009	Dec. 31, 2008
Advances received	443	255
of which from affiliated companies	84	11
of which from associated companies	71	6
Negative fair values of derivative financial instruments	120	120
of which to affiliated companies	40	120
Liabilities from other taxes	176	147
of which to affiliated companies	46	–
Social security liabilities	84	109
Miscellaneous liabilities	2,072	2,463
of which to affiliated companies	1,445	1,714
Total	2,895	3,094

The negative fair values of derivative financial instruments are composed as follows:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Cash flow hedges to hedge against		
currency risks from future payment streams	61	125
commodity price risks from future payment streams	2	70
Other derivative financial instruments	236	47
Negative fair values of derivative financial instruments	298	242

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 these 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 261 (258) million. Of this, contributions of EUR 249 (239) million were paid in Germany toward 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, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Present value of externally funded defined benefit obligations	586	464	368	306	238
Fair value of plan assets	583	471	368	306	238
Financing status (balance)	3	-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	2,096	1,946	1,957	1,974	2,180
Provisions for pensions recognized in the Balance Sheet	2,098	1,946	1,957	1,974	2,180

The present value of the defined benefit commitments changed as follows:

EUR million	2009	2008
Present value on January 1	2,410	2,325
Changes in the group of consolidated companies and first-time adoption of IAS 19	-	91
Service cost	74	64
Interest cost	135	129
Actuarial gains (-) / losses (+)	+ 148	- 111
Pension payments from company assets	- 79	- 72
Effects from transfers	- 1	2
Pension payments from fund assets	- 4	- 19
Currency differences	-	1
Present value on December 31	2,681	2,410

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The reconciliation for the fair value of the plan assets is as follows:

EUR million	2009	2008
Plan assets on January 1	471	368
Changes in the group of consolidated companies and first-time adoption of IAS 19	-	86
Expected return on plan assets	24	23
Actuarial gains (+) / losses (-)	+36	-47
Employer contributions	64	59
Benefits paid	-4	-19
Effects of transfers	-	1
Other reconciliation effects	-7	-
Plan assets on December 31	583	471

In the past fiscal year, actual gains from the plan assets amounted to EUR 53 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 65 (60) million are expected for the following fiscal year.

The composition of fund assets is as follows, by category:

% of fund assets	2009	2008
Shares	31.1	13.9
Fixed-income securities	42.8	45.0
Cash	7.4	25.2
Real estate	3.3	-
Other	15.5	15.9
	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	2009	2008
Current service cost for services provided by the employees in the fiscal year	-74	-64
Interest cost	-135	-129
Expected return on plan assets	24	23
Currency differences due to foreign employee benefit plans	-	-
Total	-185	-170

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 development of the net liability recognized as provisions for pensions was as follows:

EUR million	2009	2008
Provisions for pensions on January 1	1,946	1,957
Changes in the group of consolidated companies and first-time adoption of IAS 19	–	5
Employee benefit expenses	185	170
Actuarial gains (-) / losses (+)	+ 113	- 57
Pension payments from company assets	- 79	- 72
Contributions paid to external pension funds	- 64	- 59
Transfers received from affiliated companies	0	2
Transfers made to affiliated companies	- 2	- 1
Currency differences	0	1
Provisions for pensions on December 31	2,098	1,946

The experience-based adjustments, i.e. the effects of differences between actuarial assumptions and what has actually transpired, are presented in the following table:

%	2009	2008	2007	2006	2005
Difference between anticipated and actual performance					
as % of the present value of the obligation	1.37	0.17	- 1.46	0.29	0.15
as % of the fair value of the plan assets	- 4.86	- 9.88	- 5.26	1.65	4.75

In detail, the calculation of the retirement benefit obligations is based on the following actuarial assumptions (weighted average):

%	Dec. 31, 2009	Dec. 31, 2008
Remuneration trend	2.50	2.50
Retirement benefit trend	1.60	1.60
Discount rate	5.40	5.75
Staff turnover rate	1.00	1.20
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.

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30 Other provisions

EUR million	Dec. 31, 2009		Dec. 31, 2008	
	Total	Of which due within one year	Total	Of which due within one year
Obligations from sales operations	4,161	1,673	4,004	1,722
Workforce-related provisions	517	115	531	151
Other provisions	804	715	669	629
Total	5,482	2,502	5,204	2,502

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 and proposals for improvements. 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.

Anticipated outflows from other provisions are 46 percent in the following year, 51 percent in the years 2011 through 2014 and 3 percent thereafter.

The provisions developed as follows:

EUR million	Jan. 1, 2009	Utilization	Dissolution	Addition	Interest effect from measurement	Dec. 31, 2009
Obligations from sales operations	4,004	1,351	67	1,504	70	4,161
Workforce-related provisions	531	175	17	170	9	517
Other provisions	669	125	41	299	2	804
Total	5,204	1,651	125	1,972	80	5,482

31 Trade payables

EUR million	Dec. 31, 2009	Dec. 31, 2008
Trade payables to		
third parties	2,592	2,820
affiliated companies	512	475
associated companies and participating interests	9	7
Total	3,114	3,302

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 at December 31, 2009. For this purpose, the development of key cost and value factors for the divisions and Group companies are analyzed regularly; appropriate optimization measures are then defined and their implementation monitored on an ongoing basis.

The equity and financial liabilities from the transfer of profit are summarized in the following table:

EUR million	Dec. 31, 2009	Dec. 31, 2008
Equity	10,632	10,328
as % of total capital	86	84
Financial liabilities from the transfer of profit	1,751	1,906
Current financial liabilities	577	673
Non-current financial liabilities	2	3
Liabilities from the transfer of profit	1,172	1,230
as % of total capital	14	16
Total capital	12,383	12,234

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 2009 fiscal year, equity rose by 2.9 percent compared with 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.

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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, 2009	Measured at fair value through profit or loss	Available for sale	Loans and receivables	
ASSETS					
Non-current					
Other long-term investments	107	–	107	–	–
Other receivables and assets	422				
of which from positive fair values of derivative financial instruments	310	29	–	–	–
of which miscellaneous other receivables and assets	111	–	–	105	–
Current					
Trade receivables	2,281	–	–	2,281	–
Other receivables and assets	4,764				
of which from positive fair values of derivative financial instruments	505	89	–	–	–
of which miscellaneous other receivables and assets	4,260	–	–	4,073	–
Securities	821	–	821	–	–
Cash and cash equivalents	6,455	–	6,455	–	–
Total financial assets	14,850	118	7,384	6,459	–
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-current					
Financial liabilities	2	–	–	–	–
Other liabilities	527				
of which from negative fair values of derivative financial instruments	179	151	–	–	–
of which miscellaneous other liabilities	348	–	–	–	–
Current					
Financial liabilities	577	–	–	–	–
Trade payables	3,114	–	–	–	–
Other liabilities	2,895				
of which from negative fair values of derivative financial instruments	120	85	–	–	–
of which miscellaneous other liabilities	2,776	–	–	–	–
Total financial liabilities	7,115	236	–	–	–

Measurement of financial instruments at fair value is based on a three-level hierarchy and on the proximity of the measurement factors used to an active market. An active market is one in which homogenous products are traded, where willing buyers and sellers can be found for them at all times, and where their prices are publicly available.

Level 1 involves the measurement of financial instruments, such as securities and cash and cash equivalents listed on active markets.

Level 2 involves the measurement of financial instruments such as derivatives based on market-related, recognized financial valuation models, where the measurement factors, such as exchange rates or interest rates, can be observed directly or indirectly on active markets.

In the Audi Group, level 3 mainly covers residual value hedging arrangements with the retail trade. The input factors for measuring the future development of used car prices cannot be observed on active markets; they are forecasted by various independent institutions. The residual value hedging model is explained in Note 34.3, "Market risks."

Furthermore, non-current commodity futures are also measured according to level 3, as the key parameters for their measurement cannot be observed on active markets owing to the long-term nature of the contracts, but are extrapolated.

Assignment to IAS 39 categories		Division into classes of IFRS 7				
Financial liabilities measured at amortized cost	No IAS 39 category allocated	Measured at fair value			Measured at amortized cost	Not under scope of IFRS 7
		Level 1	Level 2	Level 3		
-	-	-	2	-	105	-
-	-	282	-	255	55	-
-	-	6	-	-	105	6
-	-	-	-	-	2,281	-
-	-	415	-	505	-	-
-	-	186	-	-	4,073	186
-	-	-	821	-	-	-
-	-	-	6,455	-	-	-
-	-	890	7,277	762	55	6,564
-	2	-	-	-	2	-
-	-	28	-	33	146	-
-	5	343	-	-	5	343
-	577	-	-	-	577	-
-	3,114	-	-	-	3,114	-
-	-	35	-	41	79	-
-	1,599	1,177	-	-	1,599	1,177
-	5,297	1,582	-	74	224	5,297

The fair values of financial assets within the “measured at amortized cost” category correspond to their carrying amounts and are indicated in the relevant sections, under the Notes to the Balance Sheet. The fair values of financial liabilities within the “measured at amortized cost” category amount to EUR 5,282 million and are indicated under the notes to the relevant Balance Sheet items.

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	-	-	
of which 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	-	
of which 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	-	
of which 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	-	
of which 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	No IAS 39 category allocated	Measured at fair value	Measured at amortized cost	Not under scope of 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

Reconciliation statement for financial instruments measured according to level 3

EUR million	2009
Positive fair values of level 3 derivative financial instruments at Jan. 1	–
Income and expense (–) recognized in the financial result	15
Income and expense (–) recognized in equity	53
Reclassification from level 3 to level 2	–12
Positive fair values of level 3 derivative financial instruments at Dec. 31	55
Income and expense (–) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	4
Negative fair values of level 3 derivative financial instruments at Jan. 1	–23
Income and expense (–) recognized in the profit from operating activities	–224
Income and expense (–) recognized in the financial result	2
Income and expense (–) recognized in equity	11
Reclassification from level 3 to level 2	10
Negative fair values of level 3 derivative financial instruments at Dec. 31	–224
Income and expense (–) recognized in the profit from operating activities from level 3 derivative financial instruments still held at Dec. 31	–224
Income and expense (–) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	–

The residual value hedging model is categorically allocated to level 3. The reclassifications from level 3 to level 2 contain commodity futures for whose measurement it is no longer necessary to extrapolate the exchange rates because these can now be observed again on the active market. The effects of market price changes of used cars resulting from hedging arrangements are shown in detail under Note 34.3, “Market risks.”

Risks resulting from residual value fluctuations of the derivative financial instruments measured according to level 3 are calculated within the Audi Group by means of sensitivity analyses. In this way, effects of changes in commodity price listings on profit and equity are shown. A 10 percent rise (fall) in the commodity prices of commodity futures measured according to level 3 at December 31, 2009 would have an effect of EUR 21 million (EUR –21 million), primarily on equity.

Pursuant to IFRS 7, in the first year of adopting the changes no comparative values for the previous year have to be given. The amended IFRS 7 was used in the Audi Group for the first time in 2009.

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 non-derivative financial instruments is covered by value adjustments for expected 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 measured at amortized cost is shown in the following table:

EUR million	Gross carrying amount as of Dec. 31, 2009	Neither past due nor impaired	Past due and not impaired	Impaired
Measured at amortized cost				
Trade receivables	2,314	1,682	573	60
Other receivables	4,243	4,132	43	68
of which receivables from loans	3,966	3,965	0	1
of which miscellaneous receivables	277	167	42	67
Total	6,557	5,814	615	128

EUR million	Gross carrying amount as of Dec. 31, 2008	Neither past due nor impaired	Past due and not impaired	Impaired
Measured at amortized cost				
Trade receivables	2,247	1,490	687	70
Other receivables	4,648	4,582	50	16
of which receivables from loans	4,344	4,343	0	1
of which miscellaneous receivables	304	239	50	15
Total	6,895	6,072	737	86

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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 6,121 (7,217) million, are allocable to risk category 1. Risk category 1 is the highest rating category within the Volkswagen Group; it exclusively comprises "customers 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 were made in fiscal 2009 for securities measured at fair value, encompassing costs of purchase of EUR 18 (83) million.

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, 2009	Up to 30 days	30 to 90 days	More than 90 days
Measured at amortized cost				
Trade receivables	573	265	256	51
Other receivables	43	22	19	2
of which receivables from loans	0	0	–	–
of which miscellaneous receivables	42	21	19	2
Total	615	287	275	53

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
of which receivables from loans	0	0	–	–
of which miscellaneous receivables	50	40	7	3
Total	737	533	141	63

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.

Value adjustments

Developments of value adjustments of claims that existed on the balance sheet date and that were measured at amortized cost can be broken down as follows for the 2009 and 2008 fiscal years:

EUR million	2009	Specific value adjustment	2008	Specific value adjustment
Position as of January 1	37	37	19	19
Addition	76	76	26	26
Utilization	-13	-13	-8	-8
Dissolution	-2	-2	-	-
Position as of December 31	98	98	37	37

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 170 (82) million. This collateral is used primarily as soon as credit periods for secured liabilities are exceeded.

34.2 Liquidity risks

Liquidity risks arise from financial liabilities if current payment obligations can no longer be met. A liquidity forecast based on a fixed planning horizon coupled with available yet unused lines of credit assure adequate liquidity at all times in the Audi Group.

Analysis by maturity date of undiscounted cash used for financial liabilities

The financial liabilities reported as of the balance sheet date are categorized separately by maturity date in the following table:

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2009	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities	579	577	-	2
Trade payables	3,114	3,114	-	-
Other financial liabilities	1,599	1,473	5	120
Derivatives used as hedges	9,413	4,608	4,780	25
Total	14,705	9,772	4,786	147

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2008	Up to 1 year	1 bis 5 Jahre	Over 5 years
Financial liabilities	676	673	2	1
Trade payables	3,302	3,302	-	-
Other financial liabilities	1,650	1,623	27	-
Derivatives used as hedges	12,685	5,243	7,442	-
Total	18,313	10,841	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 2009 fiscal year focused on the U.S. dollar, the pound sterling, the Japanese yen, the Australian dollar, the Canadian dollar and the Hungarian forint.

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 non-derivative monetary financial instruments (liquid assets, receivables, securities held and equity instruments held, interest-bearing liabilities, 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 cash flow hedge 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, like the measurement of currency and other interest rate risks arising from the special funds, are quantified separately in the corresponding notes on "Currency risks" and "Interest rate risks."

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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. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the prices of the financial instruments in the funds. Market prices and indices are particularly relevant risk variables in the case of fund price risks.

Commodity price risks

Commodities are subject to the risk of fluctuating prices given the volatile nature of the commodity markets. Commodity futures are used to limit these risks. 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 significant quantities of the commodities aluminum 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 in listed prices are used to quantify the impact of changes in value of the hedging transactions on equity and 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 assets and liabilities.

The Audi Group limits interest rate risks particularly with regard to the granting of loans and credit, by agreeing fixed interest rates.

The risks associated with changing interest rates are presented in accordance with IFRS 7 using sensitivity analyses. These involve presenting the effects of hypothetical changes in market interest rates at the balance sheet date on interest payments, interest income and expenses, and, where applicable, equity.

Residual value risks

The financial crisis had a negative impact on the used car market in 2009. This is a development that could continue in the coming years. Where losses are incurred as a result of lower residual values in conjunction with buy-back obligations from lease agreements, these are partially assumed by the Audi Group on the basis of hedging arrangements. The hedging arrangements are based on residual value recommendations, as adopted on a half-yearly basis by the residual value committee at the time of the contract being concluded, and then on current dealer purchase values on the market at the time of the residual value hedging being settled. The residual value recommendations are based on the forecasts provided by various independent institutions using transaction prices.

Residual value risks are also calculated using sensitivity analyses. Hypothetical changes in the market prices of used cars at the balance sheet date are used to quantify the impact on profit before tax.

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. Adding up the individual figures is not an appropriate approach, as the results for each functional currency are based on differing scenarios.

EUR million	Dec. 31, 2009		Dec. 31, 2008	
	+ 10 %	- 10 %	+ 10 %	- 10 %
Currency relation				
EUR / USD				
Hedging provision	487	- 365	662	- 421
Profit before tax	- 24	- 40	- 134	7
EUR / GBP				
Hedging provision	184	- 182	288	- 288
Profit before tax	- 3	8	- 7	17
EUR / JPY				
Hedging provision	49	- 49	54	- 54
Profit before tax	- 2	2	2	- 2

Quantifying other market risks by means of sensitivity analyses

The measurement of other market risks pursuant to IFRS 7 is also carried out using sensitivity analyses in the Audi Group. Hypothetical changes to risk variables on the balance sheet date are examined to calculate their impact on the corresponding balance sheet items and on the result. Depending on the type of risk, there are various possible risk variables (primarily equity prices, commodity prices, market interest rates, market prices of used cars).

The sensitivity analyses carried out enabled the following other market risks to be quantified for the Audi Group:

	Data in	2009		2008	
Fund price risks					
Change in share prices	Percent	+ 10	- 10	+ 10	- 10
Effects on equity capital	EUR million	4	- 4	1	- 1
Commodity price risks					
Change in commodity prices	Percent	+ 10	- 10	+ 10	- 10
Effects on equity capital	EUR million	41	- 41	15	- 15
Effects on results	EUR million	16	- 16	9	- 9
Interest rate change risks					
Change in market interest rate	Basis points	+ 100	- 100	+ 100	- 100
Effects on equity capital	EUR million	- 11	12	- 15	17
Effects on results	EUR million	- 3	4	- 3	3
Residual value risks					
Change in market prices of used cars	Percent	+ 10	- 10	+ 10	- 10
Effects on results	EUR million	200	- 46	-	-

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).

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In the case of regression analysis, the performance of the underlying transaction is viewed as an independent variable, while that of the hedging transaction is regarded as a dependent variable. The transaction is classed as effective hedging if the coefficients of determination and escalation factors are appropriate. All of the hedging relationships verified using this statistical method proved to be effective on the year-end date.

In 2009, there was one-off ineffectiveness resulting from cash flow hedges amounting to EUR 3 (0) million.

Nominal volume of derivative financial instruments

The nominal volumes of the presented cash flow hedges for hedging currency risks and commodity price risks represent the total of all buying and selling prices on which the transactions are based.

EUR million	Nominal volumes				Fair values	
	Dec. 31, 2009	Residual time to maturity up to 1 year	Dec. 31, 2008	Residual time to maturity up to 1 year	Dec. 31, 2009	Dec. 31, 2008
Cash flow hedges	9,289	4,472	12,805	5,266	634	810
Foreign exchange contracts	7,143	4,198	7,588	5,185	530	570
Currency option transactions	1,806	189	4,980	-	15	309
Commodity futures	340	85	237	81	89	-69

Other derivative financial instruments

The derivative financial instruments used exhibit a maximum hedging term of seven years. The other derivative financial instruments primarily include ineffective contracts to hedge market risks and a contract containing the right to acquire shares in a company. The market values of these derivatives amount to EUR -117 (82) million.

35 Cash Flow Statement

The Cash Flow Statement details the payment streams for both the 2009 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 2009, cash flow from operating activities included payments for interest received amounting to EUR 292 (400) million and for interest paid amounting to EUR 25 (95) million. The Audi Group received dividends and profit transfers totaling EUR 91 (71) million in 2009. 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 extended. The proceeds from the disposal of assets, the proceeds from the sale of shares, and the change in securities effective as payment are similarly reported in cash flow from investing activities. The sale of shares in Volkswagen Group Singapore Pte. Ltd. (Singapore) generated cash of EUR 2 million in 2009. The sale in 2008 of AUDI DO BRASIL E CIA. (Curitiba, Brazil) generated cash of EUR 101 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, 2009	Dec. 31, 2008
Liabilities from guarantees	54	62
Furnishing of collateral for outside liabilities	108	68
Total	162	130

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 arbitral 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 main 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, 2009				Due Dec. 31, 2008	
	Within 1 year	1 to 5 years	Over 5 years	Total	Over 1 year	Total
Ordering commitments for						
property, plant and equipment	961	350	–	1,311	406	1,167
intangible assets	135	42	–	177	41	222
Commitments from long-term rental and lease agreements	30	35	47	113	55	112
Miscellaneous financial obligations	33	134	46	213	–	–
Total	1,159	561	93	1,813	502	1,501

40 Discontinued operations

There are no plans to discontinue or cease operations as defined by IFRS 5.

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41 Cost of materials

EUR million	2009	2008
Raw materials and consumables used, as well as purchased goods	16,945	21,804
Purchased services	1,567	1,626
Total	18,512	23,430

42 Personnel costs

EUR million	2009	2008
Wages and salaries	2,872	3,076
Social insurance and expenses for retirement benefits and support payments	646	633
of which relating to retirement benefit plans	98	65
of which defined contribution pension plans	261	258
Total	3,519	3,709

Subsidies from the German Federal Employment Agency in the amount of EUR 17 (8) million were reported under wages and salaries, thus reducing costs. The subsidies were paid in accordance with the conditions defined in the German Law on Partial Early Retirement. Social contributions include credits of EUR 7 million received from the German Federal Employment Agency for short-time working, thus reducing costs. These payments are made in accordance with the provisions of the German Social Code.

43 Total average number of employees for the year

	2009	2008
Domestic companies	45,408	45,008
Foreign companies	10,200	10,468
Employees	55,608	55,476
Apprentices	2,115	2,057
Employees of Audi Group companies	57,723	57,533
Employees of other companies in the Volkswagen Group which are not part of the Audi Group	288	289
Workforce	58,011	57,822

44 Related party disclosures

Related parties as defined in IAS 24 are:

- the parent company, Volkswagen AG (Wolfsburg), and its subsidiaries and main participating interests outside the Audi Group,
- Porsche Automobil Holding SE (Stuttgart), and its affiliated companies and related parties (the company's voting interest in Volkswagen AG was 50.76 percent on December 31, 2009),
- 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	2009	2008
Sales and services supplied to		
Volkswagen AG	4,078	5,037
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	6,147	8,275
Purchases and services received from		
Volkswagen AG	4,427	5,252
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	2,088	3,093
Receivables from		
Volkswagen AG	7,776	7,632
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	3,985	3,253
Liabilities to		
Volkswagen AG	2,866	2,776
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	1,122	1,155
Contingent liabilities to		
Volkswagen AG	-	-
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	131	118
Collateral posted with		
Volkswagen AG	-	-
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	62	-

As of December 31, 2009, sales of receivables to Volkswagen AG subsidiaries not belonging to the Audi Group amounted to EUR 1,927 (1,569) 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	2009	2008	2009	2008
	Goods and services supplied		Goods and services received	
Associated companies	1,905	1,569	34	1
Non-consolidated subsidiaries	562	379	103	106
Porsche companies	728	982	42	15

EUR million	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
	Receivables from		Liabilities to	
Associated companies	352	232	71	6
Non-consolidated subsidiaries	111	117	28	42
Porsche companies	9	6	3	2

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The “Porsche companies” group brings together the business relationships with Porsche Zwischenholding GmbH (Stuttgart), Dr. Ing. h. c. F. Porsche AG (Stuttgart), Porsche Holding GmbH (Salzburg, Austria), and their subsidiaries.

No business relations existed with Porsche Automobil Holding SE (Stuttgart).

The “Porsche companies” and Porsche Automobil Holding SE were affiliated companies of the Audi Group pursuant to IAS 27 and Section 271 of the German Commercial Code (HGB) from January 5 to December 3, 2009. During this period the fully consolidated companies in the Audi Group provided the “Porsche companies” with goods and services in the amount of EUR 669 million; conversely, goods and services were procured in the amount of EUR 15 million. 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 and supplies of genuine parts, as well as development, transportation, financial and distribution services and, to a lesser extent, design, training and other services. 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. In this connection, goods and services amounting to a total value of EUR 0.4 (0.3) were provided to the German state of Lower Saxony and to companies in which the state of Lower Saxony holds a majority stake.

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 2009 Annual 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. Overall, services in the amount of EUR 572 (615) thousand were procured from this group of individuals during the reporting year, with services in the amount of EUR 16 (106) thousand being rendered on the part of 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	2009	2008
Auditing of the financial statements	851	707
Other certification or valuation services	98	113
Tax consultancy services	–	164
Other services	87	155
Total	1,035	1,139

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

IFRS 8 was applied for the first time in fiscal 2009, according to which the identification of business segments is based on how an entity is managed internally.

The Audi Group focuses its economic activities on automotive business. As a result, both internal reporting and the voting, management and decision-making processes at the level of the full Board of Management are geared toward the Audi Group as a corporate unit in the sense of a single-segment structure focused on the automotive business. There is therefore no further segmentation of the Group as defined in IFRS 8.

The central performance and management key figure for the Audi Group is its “operating profit.” Internal reporting corresponds to external IFRS reporting. There is therefore no need for reconciliation accounts.

EUR million	2009	2008
Operating profit	1,604	2,772

The full Board of Management regularly monitors, among others, the following financial and economic key figures (also on a Group basis).

		2009	2008
Profit before tax	EUR million	1,928	3,177
Deliveries to customers – Audi brand	Vehicles	949,729	1,003,469
Audi brand sales	Vehicles	954,802	999,503
Audi brand production	Vehicles	931,007	1,026,617
Investments in property, plant and equipment and intangible assets (without development work)	EUR million	1,266	1,906
Capex ratio ¹⁾	%	4.2	5.6
Inventories (including current leased assets)	EUR million	2,568	3,347
Net liquidity	EUR million	10,665	9,292
Workforce at Dec. 31		58,046	58,335
Return on investment	%	11.5	19.8
Capital turnover ²⁾		3.1	3.5

1) Capex ratio = Investments in property, plant and equipment and intangible assets (without development work)/revenue

2) Capital turnover = Revenue/average invested assets

The locations of non-current assets are distributed as follows across the regions in which the Audi Group has an active presence:

Non-current assets by region	2009		2008	
	EUR million	%	EUR million	%
Germany	7,498	77.8	7,265	76.2
Rest of Europe	1,807	18.7	1,994	20.9
America	214	2.2	183	1.9
Asia-Pacific	118	1.2	95	1.0
Total	9,636	100.0	9,538	100.0

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Investments and depreciation and amortization, as well as segment assets, developed as follows:

EUR million	2009	2008
Investments in property, plant and equipment and intangible assets	1,266	1,906
Additions of capitalized development work	528	547
Long-term investments	42	33
Investments in leased assets	8	0
Total	1,844	2,486

EUR million	2009	2008
Impairment losses on property, plant and equipment and intangible assets	1,285	1,371
Amortization of capitalized development work	480	530
Impairment losses on financial assets	9	7
Depreciation of leased assets	1	0
Total	1,775	1,908

The Audi Group primarily generates revenues from the sale of cars. In addition to the Audi brand, sales also comprise vehicles of the other brands in the Volkswagen Group.

EUR million	2009	2008
Audi brand	22,652	25,534
Lamborghini brand	227	404
Volkswagen brand	2,281	2,705
SEAT brand	218	290
Škoda brand	197	223
Bentley brand	11	12
Vehicle sales	25,586	29,168
Other car business	4,254	5,028
Revenue	29,840	34,196

The Audi Group, through Volkswagen AG (Wolfsburg) and also through the affiliated companies of the VW Group, has key accounts with whom there exists a relationship of dependence:

Revenue with key accounts	2009		2008	
	EUR million	%	EUR million	%
Volkswagen AG, Wolfsburg	3,350	11.2	4,065	11.9
Affiliated companies of the Volkswagen Group excluding fully consolidated companies of the Audi Group	6,356	21.3	8,388	24.5

The Audi Group's revenue was generated in the following regions:

Sales revenues by region	2009		2008	
	EUR million	%	EUR million	%
Germany	8,727	29.2	9,503	27.8
Rest of Europe	13,176	44.2	16,651	48.7
Asia-Pacific	4,650	15.6	4,250	12.4
North America	2,856	9.6	3,321	9.7
Africa	240	0.8	234	0.7
South America	193	0.6	237	0.7
Total	29,840	100.0	34,196	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 23, 2009, 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 with 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 members of the Board of Management to execute their 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 2009 fiscal year was EUR 7,547 (6,893) thousand, of which EUR 4,525 (4,135) thousand related to variable components. Fixed components paid to the members of the Board of Management in the 2009 fiscal year totaled EUR 3,022 (2,758) 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. The bonus is largely based on the earnings achieved by the Company and its economic position. Under the stock option plans of Volkswagen AG (Wolfsburg), the members of the Board of Management of the Audi Group were granted the right to acquire stock options for shares of Volkswagen AG by subscribing to convertible bonds. In the 1999 to 2006 fiscal years, eight tranches of the Volkswagen AG stock option plan were issued in total.

All of the convertible stock options from the eighth tranche (totaling 950 convertible bonds), convertible as of July 8, 2008, were converted by the members of the Board of Management over the course of 2008. There are therefore no further convertible bonds held.

Under certain circumstances, members of the Board of Management are entitled to retirement benefits and a disability pension. EUR 2,218 (1,374) thousand was allocated to the provisions for pensions for current members of the Board of Management in the 2009 fiscal year. The provisions totaled EUR 9,842 (7,624) thousand as at December 31, 2009.

Former members of the Board of Management and their dependents received EUR 2,388 (3,353) thousand. This included payments resulting from termination of office of EUR 368 (1,342) thousand. The provisions for pensions for this group of individuals amount to EUR 22,241 (21,761) thousand.

The members of the Board of Management and details of their seats on other supervisory boards and regulatory bodies – as defined in Section 285, Sentence 1, No. 10 of the German Commercial Code (HGB) and Section 125, Para. 1, Sentence 3 of the German Stock Corporation Act (AktG) – are listed in the Notes to the Annual 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 2009 fiscal year in accordance with the applicable provision in the Articles of Incorporation and Bylaws. The total remuneration paid to the Supervisory Board of AUDI AG, pursuant to Section 285, Para. 9a of the German Commercial Code, was EUR 638 (600) thousand, of which EUR 189 (193) thousand related to fixed components and EUR 450 (407) thousand to variable components.

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EXPENSES FOR REMUNERATION OF THE SUPERVISORY BOARD

EUR	Fixed	Variable	Total 2009
Prof. Dr. rer. nat. Martin Winterkorn	–	–	–
Berthold Huber ¹⁾	20,000	50,400	70,400
Dr. rer. pol. h.c. Bruno Adelt	11,000	25,480	36,480
Senator h.c. Helmut Aurenz	11,000	25,200	36,200
Heinz Eyer ¹⁾	11,000	25,200	36,200
Wolfgang Förster ¹⁾	15,500	37,520	53,020
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	–	–	–
Holger P. Härter (until July 23, 2009)	10,650	28,696	39,346
Johann Horn ¹⁾	11,000	25,200	36,200
Peter Kössler (from Oct. 6, 2009)	2,625	5,572	8,197
Peter Mosch ¹⁾	15,500	37,800	53,300
Wolfgang Müller ¹⁾	11,000	25,200	36,200
Prof. Dr. rer. pol. Horst Neumann	–	–	–
Dr.-Ing. Franz-Josef Paefgen	–	–	–
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch	11,475	25,886	37,361
Dr. jur. Hans Michel Piëch (from Nov. 19, 2009)	1,550	2,753	4,303
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	–	–	–
Dr. jur. Ferdinand Oliver Porsche (from Nov. 19, 2009)	2,025	3,999	6,024
Norbert Rank ¹⁾	15,500	37,800	53,300
Jörg Schlagbauer ¹⁾	11,000	25,200	36,200
Max Wäcker ¹⁾	11,000	25,200	36,200
Hubert Waltl (until Sep. 30, 2009)	8,250	19,300	27,550
Dr.-Ing. Wendelin Wiedeking (until July 23, 2009)	8,613	21,522	30,134
Supervisory Board members leaving in previous year	–	1,693	1,693
Total	188,688	449,621	638,308

1) 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.

The actual payment of individual parts of the total remuneration will be made in fiscal 2010, pursuant to Section 16 of the Articles of Incorporation and Bylaws.

Supervisory Board ¹⁾

Position as of December 31, 2009	
Prof. Dr. rer. nat. Martin Winterkorn	Chairman ²⁾ Stockholder representative
Berthold Huber	Deputy Chairman ²⁾ Employee representative
Dr. rer. pol. h.c. Bruno Adelt	Stockholder representative
Senator h.c. Helmut Aurenz	Stockholder representative
Heinz Eyer	Employee representative
Wolfgang Förster	Employee representative ⁵⁾
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	Stockholder representative
Johann Horn	Employee representative
Peter Kössler	Employee representative
Peter Mosch	Employee representative ²⁾
Wolfgang Müller	Employee representative
Prof. 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 ²⁾
Dr. jur. Hans Michel Piëch	Stockholder representative
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	Stockholder representative ³⁾
Dr. jur. Ferdinand Oliver Porsche	Stockholder representative ⁵⁾
Norbert Rank	Employee representative ⁴⁾
Jörg Schlagbauer	Employee representative
Max Wäcker	Employee representative
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 Annual 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

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EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events after December 31, 2009 subject to a reporting obligation in accordance with IAS 10.

Statement of Interests held by the Audi Group

for the fiscal year ended December 31, 2009

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 GmbH, 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) ¹⁾	-
Audi Canada Inc., Ajax (Canada) ¹⁾	-
Audi of America, LLC, Herndon, Virginia (USA) ¹⁾	-
Companies accounted for using the equity method	
FAW-Volkswagen Automotive Company Ltd., Changchun (China)	10.0

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1) AUDI AG exercises control pursuant to IAS 27.13, Sentence 2 (c).

Corporate Governance

Code amended in 2009

On August 5, 2009, the Federal Ministry of Justice announced a new version of the German Corporate Governance Code dated on June 18, 2009. 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 deviations from the recommendations made in the Code in the version of June 6, 2008, as declared by the Board of Management and Supervisory Board of AUDI AG, were unchanged during the period up to the announcement of the new version of the Code on August 5, 2009. Reference is made here to the Corporate Governance section of the 2008 Annual Report.

Since the announcement of the version dated June 18, 2009, the recommendations in the Code have been met with the following exceptions:

The recommendations of the German Corporate Governance Code with regard to an excess as part of D&O insurance arrangements (Section 3.8, Para. 2, Sentence 2 of the Code), as well as the demanding, relevant comparison parameters for variable remuneration components relating to the remuneration of the Board of Management (Section 4.2.3, Para. 2, Sentence 2 of the Code) and the exclusion of a subsequent change to the performance targets or comparison parameters (Section 4.2.3, Para. 2, Sentence 3 of the Code), have been redefined. These recommendations were not complied with at the time of submission of the Declaration of Compliance. The insurance contract for D&O insurance has been modified effective January 1, 2010 in accordance with the Code. On February 22, 2010, the Supervisory Board approved a new remuneration system for the members of the Board of Management, adapting the appropriate regulations in accordance with the Code in line with the recommendations of Section 4.2.3, Para. 2, Sentences 2 and 3. There has not been any provision to date for a cap on the severance payments agreed when negotiating the contracts of the Board of Management (Section 4.2.3, Para. 3 and 4 of the Code), as in the past this cap has been the subject of critical legal debate. In practice, new possibilities have emerged that make it appear sensible to take account of the corresponding recommendation of the Code when renegotiating the contracts of the Board of Management. In addition, the Supervisory Board has not formed a nominating committee (Section 5.3.3 of the Code). In its opinion, such a committee would merely increase the number of committees without noticeably improving the work done by 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 common practice in democratic elections.

Three departures are made from the suggestions in the Code:

The Annual General Meeting is not broadcast over the Internet (Section 2.3.4 of the Code) so as 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 during the Annual General Meeting (Section 2.3.3, Sentence 3, 2nd half of sentence of the Code) is superfluous. AUDI AG has still not adopted the proposal in the Code that the long-term success of the company be taken into account when calculating the performance-based remuneration 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 outlined 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 23, 2009.

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 10, 2010

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 comprising the income statement and statement of recognized income and expense, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. 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 10, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner
Wirtschaftsprüfer

Petra Justenhoven
Wirtschaftsprüferin

Declaration of the AUDI AG Board of Management

on the 2009 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 2010 (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	
Audi A1							
A1 1.4 TFSI ¹⁾	90	S tronic, 7-speed	Premium			5.2	122
A1 1.6 TDI ¹⁾	77	5-speed	Diesel			3.9	102
Audi A3							
A3 1.2 TFSI ¹⁾	77	6-speed	Premium	6.7	4.7	5.5	127
A3 1.4 TFSI	92	6-speed	Premium	7.3	4.8	5.7	132
A3 1.4 TFSI	92	S tronic, 7-speed	Premium	6.4	4.7	5.3	124
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	8.7	5.3	6.6	152
A3 1.8 TFSI	118	S tronic, 7-speed	Premium	8.5	5.2	6.5	149
A3 1.8 TFSI quattro	118	6-speed	Premium	9.7	6.0	7.3	170
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 1.6 TDI	66	5-speed	Diesel	5.6	3.7	4.4	114
A3 1.6 TDI (77 kW, 99 g CO ₂ /km) ²⁾	77	5-speed	Diesel	4.7	3.3	3.8	99
A3 1.6 TDI	77	5-speed	Diesel	5.0	3.7	4.1	109
A3 1.6 TDI	77	S tronic, 7-speed	Diesel	4.5	3.9	4.2	109
A3 2.0 TDI	103	6-speed	Diesel	5.5	3.8	4.4	115
A3 2.0 TDI	103	S tronic, 6-speed	Diesel	5.8	4.4	4.9	129
A3 2.0 TDI quattro	103	6-speed	Diesel	6.3	4.2	5.0	129
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 1.2 TFSI ¹⁾	77	6-speed	Premium	6.7	4.7	5.5	127
A3 Sportback 1.4 TFSI	92	6-speed	Premium	7.3	4.9	5.8	134
A3 Sportback 1.4 TFSI	92	S tronic, 7-speed	Premium	6.6	4.8	5.5	127
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	8.7	5.3	6.6	153
A3 Sportback 1.8 TFSI	118	S tronic, 7-speed	Premium	8.5	5.2	6.5	149
A3 Sportback 1.8 TFSI quattro	118	6-speed	Premium	9.8	6.1	7.4	173
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 1.6 TDI	66	5-speed	Diesel	5.3	3.9	4.4	116
A3 Sportback 1.6 TDI	77	5-speed	Diesel	4.8	3.4	3.9	102
A3 Sportback 1.6 TDI	77	5-speed	Diesel	5.1	3.8	4.2	112
A3 Sportback 1.6 TDI	77	S tronic, 7-speed	Diesel	4.9	3.9	4.3	112
A3 Sportback 2.0 TDI	103	6-speed	Diesel	5.5	3.8	4.4	115
A3 Sportback 2.0 TDI	103	S tronic, 6-speed	Diesel	5.8	4.4	4.9	129
A3 Sportback 2.0 TDI quattro	103	6-speed	Diesel	6.3	4.2	5.0	129
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 1.2 TFSI ¹⁾	77	6-speed	Premium	7.0	5.0	5.7	132
A3 Cabriolet 1.6	75	5-speed	Premium	9.6	5.5	7.0	167
A3 Cabriolet 1.8 TFSI	118	6-speed	Premium	8.9	5.5	6.7	156
A3 Cabriolet 1.8 TFSI	118	S tronic, 7-speed	Premium	8.7	5.4	6.6	154
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 1.6 TDI	77	5-speed	Diesel	5.2	3.9	4.3	114
A3 Cabriolet 2.0 TDI	103	6-speed	Diesel	5.7	3.9	4.6	119
A3 Cabriolet 2.0 TDI	103	S tronic, 6-speed	Diesel	6.0	4.6	5.1	134
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

1) This model is not yet on sale. It does not yet have type approval and therefore does not comply with Directive 1999/94/EC; the fuel consumption and emission figures stated above are provisional values.

2) Contains restrictions with regard to optional extras

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)
				urban	extra urban	combined	
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 TTRS Coupé							
TTRS Coupé 2.5 TFSI quattro	250	6-speed	Super Plus	13.1	6.9	9.2	214
Audi TTRS Roadster							
TTRS Roadster 2.5 TFSI quattro	250	6-speed	Super Plus	13.3	7.2	9.5	221
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	8.3	5.3	6.4	149
A4 2.0 TFSI	132	multitronic, CVT	Premium	9.4	5.7	7.1	167
A4 2.0 TFSI flexible fuel	132	6-speed	Premium/E85	8.3/12.2	5.3/7.1	6.4/9.0	149/149
A4 2.0 TFSI	155	6-speed	Premium	8.3	5.3	6.4	149
A4 2.0 TFSI	155	multitronic, CVT	Premium	9.4	5.7	7.1	167
A4 2.0 TFSI quattro	155	6-speed	Premium	9.7	5.8	7.3	169
A4 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.4	6.4	7.5	174
A4 3.2 FSI	195	multitronic, CVT	Premium	11.6	6.2	8.2	192
A4 3.2 FSI quattro	195	6-speed	Premium	13.4	6.7	9.1	214
A4 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.1	7.0	9.3	215
A4 2.0 TDI	88	6-speed	Diesel	6.1	4.2	4.9	129
A4 2.0 TDI e ²⁾	100	6-speed	Diesel	5.8	3.8	4.6	119
A4 2.0 TDI	100	6-speed	Diesel	6.1	4.0	4.8	124
A4 2.0 TDI	105	6-speed	Diesel	6.5	4.3	5.1	134
A4 2.0 TDI	105	multitronic, CVT	Diesel	7.3	4.8	5.7	149
A4 2.0 TDI quattro	105	6-speed	Diesel	7.0	4.8	5.6	147
A4 2.0 TDI	125	6-speed	Diesel	6.2	4.4	5.1	134
A4 2.0 TDI quattro	125	6-speed	Diesel	7.1	4.9	5.7	149
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	S tronic, 7-speed	Diesel	8.3	5.7	6.6	174
A4 3.0 TDI clean diesel quattro	176	tiptronic, 6-speed	Diesel	8.7	5.5	6.7	175
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	8.4	5.6	6.6	154
A4 Avant 2.0 TFSI	132	multitronic, CVT	Premium	9.8	5.9	7.3	172
A4 Avant 2.0 TFSI flexible fuel	132	6-speed	Premium/E85	8.4/12.6	5.6/7.3	6.6/9.2	154/154
A4 Avant 2.0 TFSI	155	6-speed	Premium	8.4	5.6	6.6	154
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	9.8	6.1	7.5	174
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	11.6	6.5	8.4	197
A4 Avant 3.2 FSI quattro	195	6-speed	Premium	13.6	6.9	9.4	219
A4 Avant 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.2	7.1	9.4	219
A4 Avant 2.0 TDI	88	6-speed	Diesel	6.3	4.5	5.1	134
A4 Avant 2.0 TDI e	100	6-speed	Diesel	6.1	4.2	4.9	129
A4 Avant 2.0 TDI	105	6-speed	Diesel	6.6	4.5	5.3	139
A4 Avant 2.0 TDI	105	multitronic, CVT	Diesel	7.5	5.0	5.9	155
A4 Avant 2.0 TDI quattro	105	6-speed	Diesel	7.1	5.0	5.8	154
A4 Avant 2.0 TDI	125	6-speed	Diesel	6.7	4.7	5.5	144
A4 Avant 2.0 TDI quattro	125	6-speed	Diesel	7.1	5.1	5.8	154
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	S tronic, 7-speed	Diesel	8.5	5.8	6.8	179
A4 Avant 3.0 TDI clean diesel quattro	176	tiptronic, 6-speed	Diesel	8.8	5.8	6.9	180
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	6-speed	Premium	10.2	6.5	7.9	184

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)
				urban	extra urban	combined	
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	105	6-speed	Diesel	7.5	5.5	6.2	164
A4 allroad quattro 2.0 TDI	125	6-speed	Diesel	7.5	5.5	6.2	164
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 Sportback							
A5 Sportback 1.8 TFSI	118	multitronic, CVT	Premium	9.4	5.9	7.2	169
A5 Sportback 2.0 TFSI	132	6-speed	Premium	8.4	5.4	6.5	152
A5 Sportback 2.0 TFSI	132	multitronic, CVT	Premium	9.5	5.8	7.2	169
A5 Sportback 2.0 TFSI	155	6-speed	Premium	8.4	5.4	6.5	152
A5 Sportback 2.0 TFSI	155	multitronic, CVT	Premium	9.5	5.8	7.2	169
A5 Sportback 2.0 TFSI quattro	155	6-speed	Premium	9.8	5.9	7.3	172
A5 Sportback 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.4	6.4	7.5	174
A5 Sportback 3.2 FSI quattro	195	S tronic, 7-speed	Premium	13.5	6.8	9.3	216
A5 Sportback 2.0 TDI	105	multitronic, CVT	Diesel	7.5	4.8	5.8	152
A5 Sportback 2.0 TDI	125	6-speed	Diesel	6.5	4.5	5.2	137
A5 Sportback 2.0 TDI quattro	125	6-speed	Diesel	7.3	5.0	5.8	152
A5 Sportback 2.7 TDI	140	6-speed	Diesel	8.1	4.8	6.0	159
A5 Sportback 2.7 TDI	140	multitronic, CVT	Diesel	8.0	5.6	6.5	169
A5 Sportback 3.0 TDI quattro	176	6-speed	Diesel	8.9	5.4	6.7	176
A5 Sportback 3.0 TDI quattro	176	S tronic, 7-speed	Diesel	8.3	5.7	6.6	174
S5 Sportback 3.0 TFSI quattro	245	S tronic, 7-speed	Premium	13.5	7.0	9.4	219
Audi A5 Coupé							
A5 Coupé 1.8 TFSI	118	6-speed	Premium	9.5	5.6	7.1	164
A5 Coupé 1.8 TFSI	118	multitronic, CVT	Premium	9.4	5.9	7.2	169
A5 Coupé 2.0 TFSI	132	6-speed	Premium	8.3	5.3	6.4	149
A5 Coupé 2.0 TFSI	132	multitronic, CVT	Premium	9.4	5.7	7.1	167
A5 Coupé 2.0 TFSI	155	6-speed	Premium	8.3	5.3	6.4	149
A5 Coupé 2.0 TFSI	155	multitronic, CVT	Premium	9.4	5.7	7.1	167
A5 Coupé 2.0 TFSI quattro	155	6-speed	Premium	9.7	5.8	7.3	169
A5 Coupé 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	9.4	6.4	7.5	174
A5 Coupé 3.2 FSI	195	multitronic, CVT	Premium	11.6	6.2	8.2	192
A5 Coupé 3.2 FSI quattro	195	6-speed	Premium	13.4	6.7	9.1	214
A5 Coupé 3.2 FSI quattro	195	tiptronic, 6-speed	Premium	13.0	6.9	9.2	213
A5 Coupé 2.0 TDI	125	6-speed	Diesel	6.2	4.4	5.1	134
A5 Coupé 2.0 TDI quattro	125	6-speed	Diesel	7.1	4.9	5.7	149
A5 Coupé 2.7 TDI	140	6-speed	Diesel	8.1	4.8	6.0	159
A5 Coupé 2.7 TDI	140	multitronic, CVT	Diesel	7.9	5.5	6.4	167
A5 Coupé 3.0 TDI quattro	176	6-speed	Diesel	8.8	5.3	6.6	173
A5 Coupé 3.0 TDI quattro	176	S tronic, 7-speed	Diesel	8.3	5.7	6.6	174
S5 Coupé 4.2 quattro	260	6-speed	Super Plus	18.1	8.7	12.1	288
S5 Coupé 4.2 quattro	260	tiptronic, 6-speed	Super Plus	15.7	7.9	10.8	256
Audi A5 Cabriolet							
A5 Cabriolet 1.8 TFSI	118	6-speed	Premium	10.0	5.9	7.4	172
A5 Cabriolet 1.8 TFSI	118	multitronic, CVT	Premium	9.5	6.4	7.5	174
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	179
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 2.0 TDI	125	6-speed	Diesel	6.7	4.7	5.5	144
A5 Cabriolet 2.7 TDI	140	6-speed	Diesel	8.1	5.2	6.2	164
A5 Cabriolet 2.7 TDI	140	multitronic, CVT	Diesel	7.7	5.8	6.5	169
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							
Q5 2.0 TFSI quattro	132	6-speed	Premium	10.8	6.9	8.4	195
Q5 2.0 TFSI quattro	155	6-speed	Premium	10.8	6.9	8.4	195
Q5 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	10.4	7.3	8.5	197
Q5 3.2 FSI quattro	199	S tronic, 7-speed	Premium	12.3	7.6	9.3	218
Q5 2.0 TDI quattro	105	6-speed	Diesel	8.1	5.6	6.5	172
Q5 2.0 TDI quattro	125	6-speed	Diesel	8.2	5.8	6.7	175
Q5 2.0 TDI quattro	125	S tronic, 7-speed	Diesel	8.2	6.0	6.8	179
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
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

1) This model is not yet on sale. It does not yet have type approval and therefore does not comply with Directive 1999/94/EC; the fuel consumption and emission figures stated above are provisional values.

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO ₂ emissions (g/km)
				urban	extra urban	combined	
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 FSI 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 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 RS6 Sedan							
RS6 5.0 TFSI quattro	426	tiptronic, 6-speed	Premium	20.3	10.2	13.9	331
Audi RS6 Avant							
RS6 Avant 5.0 TFSI quattro	426	tiptronic, 6-speed	Premium	20.4	10.3	14.0	333
Audi Q7							
Q7 3.6 FSI quattro	206	tiptronic, 6-speed	Super Plus	16.9	9.3	12.1	289
Q7 4.2 FSI quattro	257	tiptronic, 6-speed	Super Plus	17.5	9.9	12.7	304
Q7 3.0 TDI quattro	176	tiptronic, 6-speed	Diesel	11.3	7.8	9.1	239
Q7 3.0 TDI clean diesel quattro	176	tiptronic, 6-speed	Diesel	11.2	7.6	8.9	234
Q7 4.2 TDI quattro	250	tiptronic, 6-speed	Diesel	12.8	8.2	9.9	262
Audi Q7 V12 TDI quattro							
Q7 V12 TDI quattro	368	tiptronic, 6-speed	Diesel	14.8	9.3	11.3	298
Audi A8							
A8 4.2 FSI quattro	273	tiptronic, 8-speed	Premium	13.3	7.2	9.5	219
A8 3.0 TDI quattro ¹⁾	184	tiptronic, 8-speed	Diesel			6.6	174
A8 4.2 TDI quattro	258	tiptronic, 8-speed	Diesel	10.2	6.1	7.6	199
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
Audi R8 Spyder							
R8 Spyder 5.2 FSI quattro	386	6-speed	Super Plus	22.7	10.4	14.9	356
R8 Spyder 5.2 FSI quattro	386	R tronic, 6-speed	Super Plus	20.9	9.9	13.9	332
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 Gallardo LP 570-4 Superleggera	419	6-speed	Super Plus	22.2	10.0	14.4	344
Lamborghini Gallardo LP 570-4 Superleggera	419	e-gear, 6-speed	Super Plus	20.4	9.4	13.5	319
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
Lamborghini Murciélago LP 670-4 SV	493	6-speed	Super Plus	32.0	13.7	20.6	480
Lamborghini Murciélago LP 670-4 SV	493	e-gear, 6-speed	Super Plus	32.0	13.7	20.6	480

10-Year Overview

IFRS		2000	2001	2002
Production	Cars	650,850	727,033	735,913
	Engines	1,187,666	1,225,448	1,284,488
Deliveries to customers				
Audi Group	Cars	919,621	991,444	995,531
Audi brand	Cars	653,404	726,134	742,128
Germany	Cars	239,644	254,866	243,650
Outside Germany	Cars	413,760	471,268	498,478
Outside Germany	Percent	63.3	64.9	67.2
Market share, Germany	Percent	6.9	7.5	7.4
Lamborghini brand	Cars	296	297	424
Other Volkswagen Group brands	Cars	265,921	265,013	252,979
Workforce	Average	49,396	51,141	51,198
From the Income Statement				
Revenue	EUR million	19,952	22,032	22,603
Cost of materials	EUR million	14,539	15,860	16,726
Personnel costs	EUR million	2,542	2,660	2,739
Personnel costs per employee	EUR	51,456	52,018	53,496
Depreciation and amortization	EUR million	1,179	1,412	1,614
Operating profit	EUR million	1,032	1,385	1,301
Profit before tax	EUR million	971	1,286	1,219
Profit after tax	EUR million	725	747	752
Added value	EUR million	3,590	3,892	4,000
From the Balance Sheet (Dec. 31)				
Non-current assets	EUR million	7,039	7,685	8,308
Current assets	EUR million	3,219	3,437	4,342
Equity	EUR million	3,749	4,222	4,761
Liabilities	EUR million	6,509	6,900	7,889
Balance sheet total	EUR million	10,258	11,122	12,650
From the Cash Flow Statement				
Cash flow from operating activities	EUR million	2,058	2,393	2,440
Investing activities ³⁾	EUR million	2,502	2,028	2,305
Net liquidity (Dec. 31)	EUR million	827	1,093	877
Financial ratios				
Operating return on sales	Percent	5.2	6.3	5.8
Return on sales before tax	Percent	4.9	5.8	5.4
Equity ratio (Dec. 31)	Percent	36.5	38.0	37.6
Audi share				
Share price (year-end price) ⁴⁾	EUR	59.59	160.00	191.00
Compensatory payment	EUR	1.20	1.30	1.30

1) Financial data adjusted to take account of amendments to IAS 19 and IAS 38

2) Figure slightly adjusted

3) Not including securities, fixed deposits and loans

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 22, 2010

2003 ¹⁾	2004 ¹⁾	2005 ¹⁾	2006	2007	2008	2009
761,582	784,972	811,522	926,180	980,880	1,029,041	932,260
1,342,883	1,485,536	1,695,045	1,895,695	1,915,633	1,901,760	1,384,240
1,003,791	971,832	1,045,114	1,135,554	1,200,701	1,223,506	1,145,360
769,893	779,441	829,109	905,188	964,151	1,003,469	949,729
237,786	235,092	247,125	257,792	254,014	258,111	228,844
532,107	544,349	581,984	647,396	710,137	745,358	720,885
69.1	69.8	70.2	71.5	73.7	74.3	75.9
7.4	7.2	7.4	7.6	7.9	8.1	6.2
1,305	1,592	1,600	2,087	2,406	2,430	1,515
232,593	190,799	214,405	228,279	234,144	217,607	194,116
52,689	53,144	52,412	52,297	53,347	57,822 ²⁾	58,011
23,406	24,506	26,591	31,142	33,617	34,196	29,840
17,163	17,676	19,139	21,627	23,092	23,430	18,512
2,938	3,072	3,136	3,440	3,406	3,709	3,519
55,763	57,798	59,834	65,771	63,846	64,467	60,656
1,833	1,852	1,930	2,515	2,287	1,908	1,775
1,051	1,238	1,407	2,015	2,705	2,772	1,604
1,101	1,143	1,310	1,946	2,915	3,177	1,928
811	871	824	1,343	1,692	2,207	1,347
4,287	4,585	4,801	6,156	6,634	7,072	5,293
8,588	8,970	8,597	8,285	8,325	9,537	9,637
5,475	5,934	7,515	10,625	14,253	16,519	16,913
5,487	5,828	6,104	7,265	8,355	10,328	10,632
8,576	9,076	10,008	11,645	14,223	15,728	15,918
14,063	14,904	16,112	18,910	22,578	26,056	26,550
2,786	2,690	3,252	4,428	4,876	4,338	4,119
2,015	2,041	1,670	1,890	2,084	2,412	1,798
1,530	2,033	3,391	5,720	7,860	9,292	10,665
4.5	5.1	5.3	6.5	8.0	8.1	5.4
4.7	4.7	4.9	6.2	8.7	9.3	6.5
39.0	39.1	37.9	38.4	37.0	39.6	40.0
225.00	220.15	308.00	540.00	625.00	466.49	500.00
1.05	1.05	1.15	1.25	1.80	1.93	χ ⁵⁾

