Audi

2010 ANNUAL FINANCIAL REPORT

New departures
The next chapter in mobility.

Audi Group Key Figures

		2010	2009	Change in %
Production	Cars	**1,150,018**	932,260	23.4
	Engines	**1,648,193**	1,384,240	19.1
Deliveries to customers	Cars	**1,293,453**	1,145,360	12.9
Audi brand	Cars	**1,092,411**	949,729	15.0
Germany	Cars	**229,157**	228,844	0.1
Outside Germany	Cars	**863,254**	720,885	19.7
Lamborghini brand	Cars	**1,302**	1,515	–14.1
Other Volkswagen Group brands	Cars	**199,740**	194,116	2.9
Workforce	Average	**59,513**	58,011	2.6
Revenue	EUR million	**35,441**	29,840	18.8
EBITDA [1]	EUR million	**5,452**	3,379	61.3
Operating profit	EUR million	**3,340**	1,604	108.2
Profit before tax	EUR million	**3,634**	1,928	88.5
Profit after tax	EUR million	**2,630**	1,347	95.2
Operating return on sales	Percent	**9.4**	5.4	
Return on sales before tax	Percent	**10.3**	6.5	
Return on investment	Percent	**24.7**	11.5	
Total capital investments	EUR million	**2,146**	1,844	16.4
Capitalized development costs	EUR million	**630**	528	19.2
Depreciation and amortization	EUR million	**2,170**	1,775	22.2
Cash flow from operating activities	EUR million	**5,797**	4,119	40.7
Balance sheet total (Dec. 31)	EUR million	**30,772**	26,550	15.9
Equity ratio (Dec. 31)	Percent	**36.8**	40.0	

1) 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

Dear Readers,
Dear Shareholders,

2010 will be remembered as a turbulent year, but we at Audi will remember it as a thoroughly positive one. We have witnessed the global economy recover with surprising speed, but we are also aware that the dynamics of the individual markets vary considerably. That makes us even more proud of the determination with which Audi has stuck to its chosen course. We posted a new record for deliveries to customers, something that nobody would have imagined possible at the start of the year. And our key financial figures also reached a new record level.

From our top-of-the-range A8 to the elegant A7 Sportback, and from the A6 business sedan to the compact newcomer A1: The year 2010 arguably brought the most emphatic display yet of our premium credentials. These cars will have a sustainable impact on how our brand is perceived – and they are the essence of our continuing growth.

Our Company is also projecting its brand values into tomorrow's world. With models such as the Q5 hybrid quattro and the e-tron family, our solutions for future forms of individual mobility are already electrifying people today. And in launching the architecture competition Audi Urban Future Award, we have created a think tank for the city of the future that bears our very own, distinctive Audi imprint.

Audi is ready for the dawning of a new age. The challenge now is to realize our visions, assume social responsibility and identify and define the topics of the future. In short, we will be a pioneer.

That spirit is also the overriding tone of this year's Annual Report. Famous authors address the theme of a new beginning from various angles. People who take on and rise to challenges; technology that revolutionizes and excites. Let yourself be inspired.

I wish you an entertaining and exciting read.

Kind regards,

R. Stadler

Rupert Stadler
Chairman of the Board of Management

COVER PHOTO | PICTURE-SERVICE GMBH PHOTO | AUDI AG BOARD PHOTO | OLIVER MARK

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

Ladies and Gentlemen,
Dear Shareholders,

Fiscal 2010 was characterized by the global economy's unexpectedly swift recovery from the consequences of the financial and economic crisis. Global demand for automobiles surged ahead, mainly thanks to the very dynamic performance of Asian markets, but also to an improvement in the car market in the United States and the major markets in Latin America.

The Audi brand brought numerous new products onto the markets in the course of the past fiscal year, among them the new Audi A8, the Audi A1, the A7 Sportback as well as other models, and again delighted its customers with a steadily growing, attractive product portfolio.

The Audi Group consequently set new all-time records for the Company: As well as building more vehicles than ever before, it established a new record for deliveries to customers in selling 1,092,411 Audi vehicles. The Audi Group thus substantially improved its key financial indicators and posted new record highs for revenue and operating profit. In 2010 the Company was yet again one of the most profitable premium manufacturers in the international automotive industry.

This success of the Audi Group is principally down to the huge commitment of all the people who work for it. The Supervisory Board takes this opportunity to thank all involved for working so effectively over the past fiscal year.

There were the following changes on the Supervisory Board of AUDI AG in 2010: With the close of the Annual General Meeting on May 20, 2010 Wolfgang Förster, employee representative, retired from the Supervisory Board and Audit Committee. The Supervisory Board is deeply indebted and grateful to him for his considerable involvement and dedication over a period of 17 years. Helmut Späth succeeded him on the Supervisory Board on May 25, 2010. The Supervisory Board elected Jörg Schlagbauer to the Audit Committee as successor to Wolfgang Förster.

The Board of Management again gave regular, up-to-date, comprehensive accounts of its actions to the Supervisory Board in 2010. All decisions fundamentally important to the Company were discussed in detail between the Board of Management and the Supervisory Board. The Supervisory Board considered at length the economic situation of the Company, its business progress and business policy as well as the risk management approach and the risk situation during the past fiscal year at the four quarterly meetings and by means of regular, detailed oral and written reports from the Board of Management, and consulted the Board of Management on all these matters. The Supervisory Board reached decisions on business developments requiring urgent consideration by written circular. All Supervisory Board members were present at more than half of the meetings. The members of the Presiding Committee held extensive consultations before the joint meetings. The Negotiating Committee did not need to be convened in the 2010 fiscal year.

The principal topics at the Supervisory Board meetings were the wishes of customers for further progress towards realizing future mobility concepts. The possible solutions considered in this context included efficiency advances for combustion engines, alternative fuels, the introduction of hybrid models and the systematic development of purely electric mobility. Other major topics discussed in its

PHOTO | CLAUDIA KEMPF

consultations included the crises in individual European countries and their impact on sales, as well as the sales strategy for the coming decade. Following detailed consultations, the Supervisory Board approved the financial, personnel and investment plans at its meeting on November 29, 2010, thereby endorsing the course of growth adopted by the Board of Management. After in-depth discussions the Supervisory Board moreover approved specific targets in respect of its composition and the content of the annual Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG).

"This success of the Audi Group is principally down to the huge commitment of all the people who work for it."
Prof. Dr. rer. nat. Martin Winterkorn

The Audit Committee, too, met once per quarter throughout the past fiscal year; it considered the Annual and Consolidated Financial Statements for 2009, risk management, progress in the area of compliance and the increasingly rapid changes taking place in individual key markets, along with the corresponding response by the Board of Management. The Audit Committee in addition discussed the content of the 2010 Interim Financial Report with the Board of Management in the presence of the auditors prior to its publication.

The Audit Committee also advised on the independence of the auditor, the findings of additional audits commissioned and the current situation at the end of 2010.

On May 20, 2010 PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was appointed by the Annual General Meeting of AUDI AG as auditor of the accounts for the 2010 fiscal year, at the proposal of the Supervisory Board. The Supervisory Board awarded the audit assignment to the auditing firm immediately after its election. The auditor of the accounts confirmed the Annual Financial Statements of AUDI AG and the Consolidated Financial Statements of the Audi Group, as well as the Management Reports for AUDI AG and the Audi Group for the 2010 fiscal year, and in each case issued its unqualified certification.

The members of the Audit Committee and Supervisory Board received the documentation for the Annual and Consolidated Financial Statements, together with the corresponding audit reports from the auditors, well in advance of the meeting on February 23, 2011. The auditor of the accounts presented the key findings of its audit in detail at the meetings of the Audit Committee and Supervisory Board, and was subsequently available to the members of each committee to provide further information and answer queries. The auditors in addition reported on the internal control process for financial reporting purposes and on other services rendered over and above the auditing of the financial statements. According to information from the auditors, no circumstances had arisen that might give cause for concern about the auditors' partiality.

On the basis of the audit documents received and its comprehensive discussions with the auditors as well as its own conclusions, the Audit Committee recommended to the Supervisory Board at the meeting of the latter on February 23, 2011 that the Annual and Consolidated Financial Statements each be signed off. Following its own 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 the following changes within the Company in the past fiscal year: Effective October 1, 2010 the Supervisory Board appointed Thomas Sigi to succeed Dr. Werner Widuckel as Member of the Board of Management of AUDI AG with responsibility for Human Resources. Dr. Werner Widuckel left the Company at his own request at the end of September 30, 2010. The Supervisory Board would like to thank Dr. Widuckel for his contribution towards the running of the Company.

The Board of Management has suitably taken account of the economic environment and the challenges of the future when making its plans. It will systematically pursue the chosen path of economic growth, focusing in particular on delighting customers through the attractive product range and providing new, even more efficient mobility concepts.

The Supervisory Board will constructively continue to assist the Board of Management with implementing this growth strategy.

Ingolstadt, February 23, 2011

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

Axel Strotbek
Finance and Organization

Michael Dick
Technical Development

Rupert Stadler
Chairman of the Board of Management

Thomas Sigi
Human Resources

Peter Schwarzenbauer
Marketing and Sales

Frank Dreves
Production

Ulf Berkenhagen
Purchasing

New departures

The next chapter in mobility

The automotive industry faces the biggest challenges in its history. With an integrated concept, Audi is seeking to become the world's leading premium brand in the long term.

3D ANIMATION | IMAGE REFINERY GMBH

Rupert Stadler, **Chairman of the Board of Management**

"The people at Audi will transport their passion for the automobile into the future."

The world is changing at a rapid pace – including its politics, the structures of the international economy and the social value systems. The worldwide financial and economic crisis further accelerated these developments. We now face a fundamental race to modernize.

I'm convinced that during this decade we will come to new agreements on how we will live in the future and how we want to shape the society of the future. And those who are unable to establish qualitative goals in addition to profit goals will fail. Substance and sustainability are central values in this process, and their importance continues to grow. And this is due to the simple recognition that those who are not well grounded will spin out on the curve.

The people at Audi will transport their passion for the automobile into the future. With our Strategy 2020 and our e-tron studies, we are demonstrating in impressive style how much the networking, interaction and thinking are changing in our company.

We are creating something new while remaining true to our Audi mindset: Vorsprung durch Technik.

PHOTOS | AUDI AG (2); CLAUDIA KEMPF 3D ANIMATIONS | IMAGE REFINERY GMBH

Axel Strotbek,
Finance and Organization

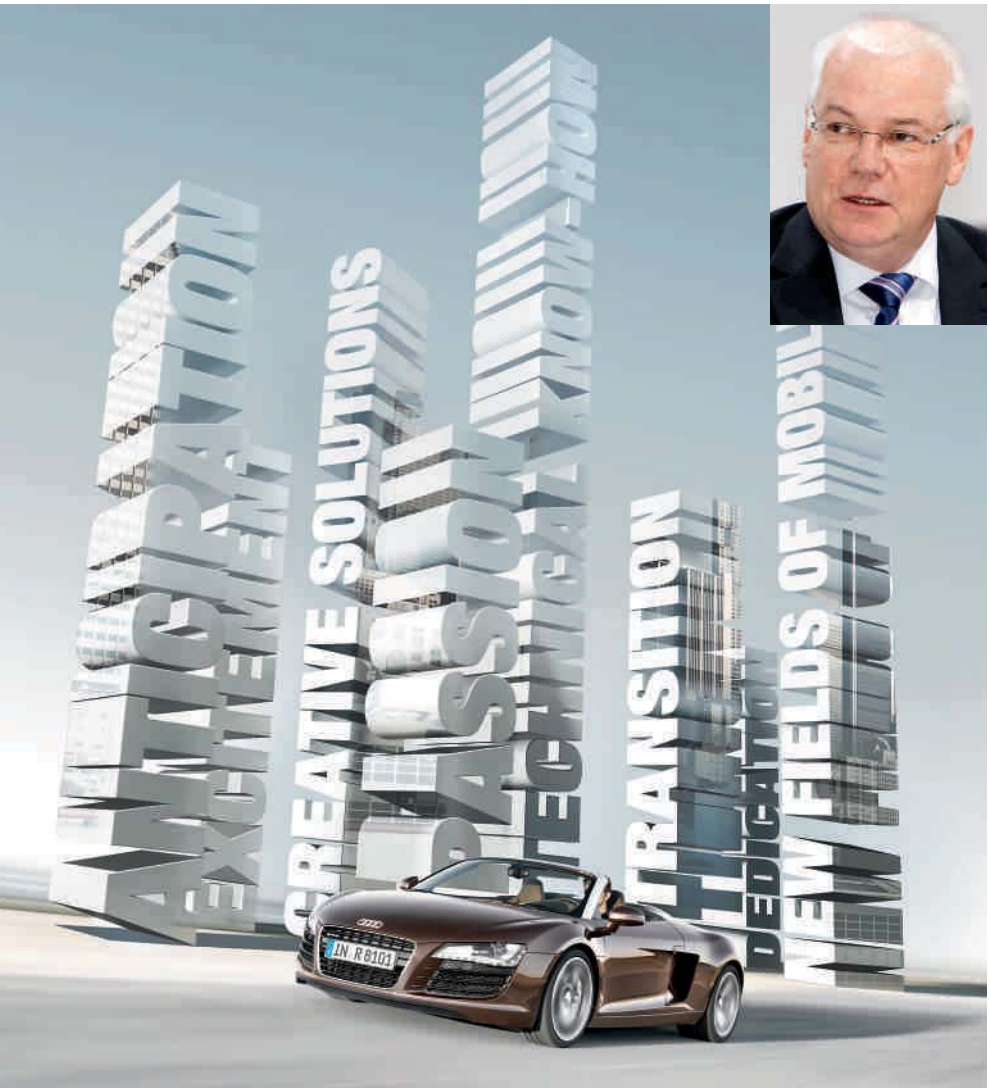
The automotive industry is at a turning point. On one side there is the further optimization of combustion engines, and on the other side, the technological advancement of hybrid and electric cars. This amounts to walking a tightrope, both in technical and financial terms. We will therefore invest even more heavily in new products and innovative technologies in the future. But we must remain lean enough to ensure we will not be caught out in the cold in case of major fluctuations in demand. After all, streamlined structures have always been an essential secret to the success of Audi. And this will become all the more important since planning uncertainty as a result of the volatility of the global economy, raw material prices and vehicle markets has increased significantly. Within the scope of our Strategy 2020 we therefore continue to work in a focused way on our sustainable profitability. This also means that we want to continue to finance all of our investments from the operating cash flow and use our sales and profit goals to make Audi the leading premium carmaker worldwide.

Michael Dick,
Technical Development

In development, the future is the present. To be ready for the future, we find tomorrow's technical solutions today. This is more exciting than ever, as we now find ourselves on the cusp of a new automotive age. The visions of mobility are more diverse and radical than ever before. The relationship between people and the automobile is in a state of flux.

We want to be the leading premium manufacturer of e-cars by 2020. We're driven by the anticipation of being on the verge of something new and the excitement of developing completely new fields of mobility and new drive systems.

The targeted use of our resources is critical to our success. Competent experts develop the mobility concepts and cars of tomorrow in highly networked teams. The A1 e-tron with its innovative drive concept is the latest example of the creative solutions that emerge where dedication and passion meet technical know-how.



Thomas Sigi,
Human Resources

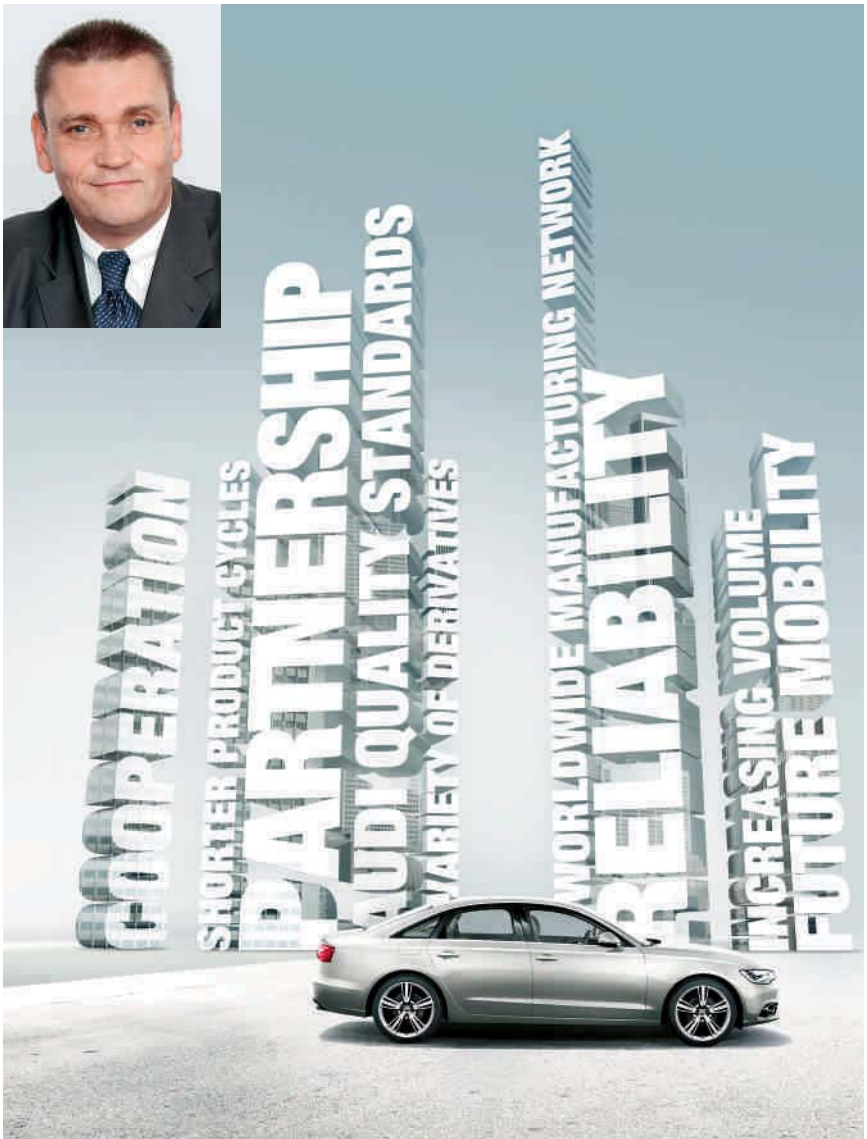
Audi has set itself ambitious goals for growth. As a consequence, we face an abundant list of challenging and exciting tasks every day. For our company, dedicated and qualified employees are the most important investment in the future.

Vorsprung durch Technik is produced through innovation, and innovation comes from the minds of people. We need people who will work with us to develop answers to the challenges of the future.

Our course of growth leads us to even more intensified internationalization. For this reason, we need people who possess the flexibility to work in foreign countries, who are open to new cultures and who represent the Audi brand with enthusiasm. This is why we are continuing to work on our strategy to become the most attractive employer.

Ulf Berkenhagen,
Purchasing

Audi is working hard on the mobility of the future, with the electrification of the driveline playing a key role in this context. Until this goal is achieved, however, development work will be influenced for some time to come by the coexistence of various technologies and energy sources. These diverse concepts represent a major challenge for Purchasing at AUDI AG. Additional suppliers will provide us with new types of parts and modules which will have to satisfy the highest Audi quality standards. At the same time we have to keep our eye on the costs.
And we will devote ourselves even more intensively to the global challenge in the future. That means that we will supply a worldwide manufacturing network with material. This goes hand in hand with shorter product cycles, a variety of derivatives and an increasing volume.
At the same time we expect our suppliers and service providers to work reliably and in partnership with us, and for them to be open to new developments as well.



PHOTOS | CLAUDIA KEMPF (2); STEFAN WARTER; AUDI AG 3D ANIMATIONS | IMAGE REFINERY GMBH

Frank Dreves,
Production

We are facing the biggest technological upheaval in the automotive industry. We have to imagine today where we want to be tomorrow, and then consider how we will get there. For this, we need to have the courage to forge new paths, to leave the well-worn ones behind and to throw out old conventions.

Our vision is called “Premium Production.” We contribute significantly to delighting the customer – with top quality, 100 percent delivery reliability and local production. Production stopped being the only core responsibility of Audi Production a long time ago. With our know-how, we make new technologies possible in the first place.

Victor Hugo once said, “The future has many names. For the weak, it means the unattainable. For the fearful, it means the unknown. But for the courageous, it means opportunity!” We will join together to seize this opportunity.

Peter Schwarzenbauer,
Marketing and Sales

Shareholders’ meetings often leave behind a hollow feeling that a company exists as an end in itself. But employees at Audi experience a different kind of company. Its purpose is to fulfill customers’ needs; its ambitious goal is to do this better, more comprehensively and in a more visionary way than the others. Our answer for the future is that we will be much more open. For our customers, whose creative ideas we want to integrate into our products starting as early as the development process. And who can configure their Audi exactly as they wish with downloadable apps. For new business models, because we believe that new mobility concepts only make sense if they are integrated – and we want to deliver the sustainable energy along with our Audi models of the future. For new partners, because together, we will achieve much more. For our community, since the work of each individual at Audi is work for others – on products and services that make our lives that little bit better.

e-tron: An electrifying revolution

Audi is stepping up the development of electric vehicles.

16

64

Audi Urban Future Award

Five architecture firms design a utopian vision of future city life.

26

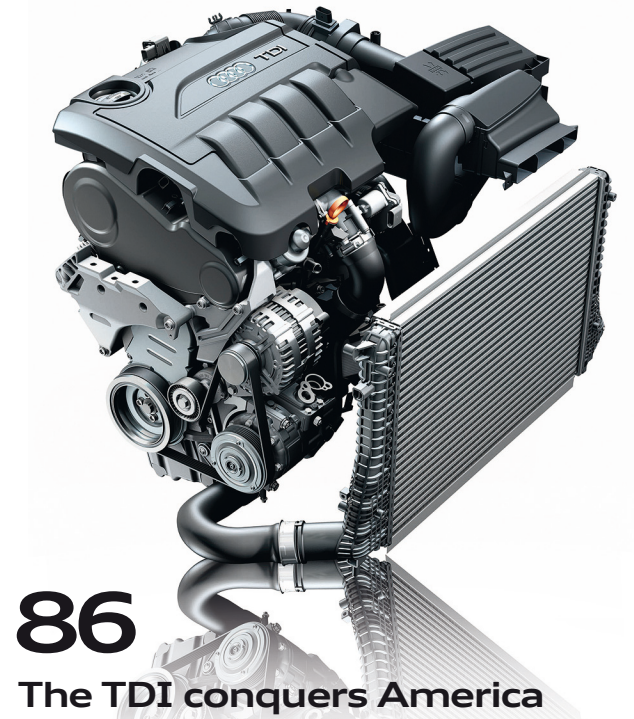
From Pole to Pole – The last great adventure

The Swede Johan Ernst Nilson has a bold plan: He wants to travel from the North Pole to the South Pole; on foot, on skis, by bike, by kite – and with Audi's support.

110
Against the wind

Whether car model or top athlete, anyone who wants to become something has to go through the Audi wind tunnel.

PHOTOS | JOHAN ERNST NILSON; J. MAYER H. ARCHITECTS; AUDI AG; IMAGO/GEPA PICTURES GRAPHIC | AUDI AG



86
The TDI conquers America

Audi is more successful than ever before in the USA and is benefiting from the U.S. Americans' heightened environmental awareness.

The multimedia Audi 2010 Annual Report

Online highlights

As an app, a mobile site or a website on the Internet on which you can even scroll by hand: The multimedia Audi 2010 Annual Report is an experience. Just click in to find out.

The website

Videos, slideshows, audios – at www.audi.com/ar2010, the Annual Report becomes a multimedia experience for your senses. See the e-tron in action and find out about the future of mobility. Watch an Audi designer at work and experience a racing legend testing an electric sports car. Take a look at interviews and spectacular photo productions. It's all possible with the multimedia Audi Annual Report.

The mobile site

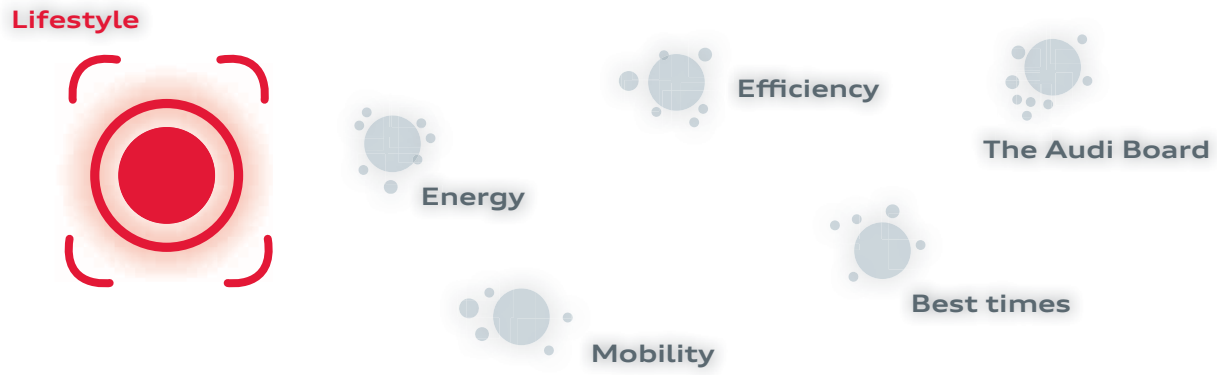
The Audi 2010 Annual Report to go: On the mobile portal you will find selected texts, audio files and videos from the multimedia 2010 Annual Report. All contents are designed for you to read, watch and listen to on your smartphone.

Listen

The Audi 2010 Annual Report as an audio book: All articles can also be downloaded as an audio file from the website and in the Apple iTunes Store.

Watch

Pictures come to life online: Enjoy the Annual Report as an audio-visual experience.



You can navigate through the innovative website entirely without mouse, keyboard or touchscreen – thanks to your webcam. Move your hand in front of the camera and scroll through the virtual world of Audi. It may sound like magic, but it's actually a whole lot of fun.

The apps

Download the Annual Report as an app to your iPhone or iPad, and enjoy the contents as a multimedia experience. With just a swipe of the finger you can navigate from the article on Tim Berners-Lee, for example, to the video on the first Audi full hybrid. It couldn't be easier. Exclusively in the Apple App Store.

PHOTOS | NOKIA; OLAF TAMM; APPLE ILLUSTRATION | ANJE JAGER

Available on the App Store

Audi Annual Report 2010

Audi magazine

Audi apps

As well as the Audi Annual Report, you will find the Audi Magazine and many other interesting apps relating to the Audi brand in the Apple App Store.

Electric mobility

A vision becomes reality

Setting off for the future: True to its motto “Vorsprung durch Technik,” Audi also wants to become the leading premium manufacturer of electric vehicles.

Open-top sports car with plug-in hybrid drive – the Audi e-tron Spyder.

“Just as the name quattro has become synonymous with all-wheel drive, e-tron will become the Audi brand name for electric mobility.”
Rupert Stadler, Chairman of the Board of Management of AUDI AG

PHOTO | PICTURE-SERVICE GMBH

The various studies demonstrate the comprehensive approach that Audi is pursuing with electric mobility.

The future has a name at Audi. The designation "e-tron" is reserved for electric cars in the future. "Just as the name quattro has become synonymous with all-wheel drive, e-tron will become the Audi brand name for electric mobility," says Rupert Stadler, Chairman of the Board of Management of AUDI AG.

Electric cars are expected to no longer be a niche product, but rather a natural part of the product range in not more than ten to 15 years. "There is no getting around electric mobility," says Franciscus van Meel, Head of Electric Mobility Strategy at Audi.

This represents no more and no less than a fundamental system change. "Electrification of the powertrain is not simply another engine variant," explains van Meel. "We have to reinvent the automobile and reposition ourselves as a manufacturer."

Audi is facing up to the responsibility. It is a matter of answers to global climate change, of alternatives to the fossil raw material petroleum and of modern mobility concepts for the fast-growing megacities of this world.

Audi is convinced that the future of mobility will be characterized for many years by the coexistence of different technologies and energy sources. Developers want to offer the best solution for each market and for each customer.

The Audi e-tron studies presented to date demonstrate the breadth of the new technologies:

▸ **Audi e-tron –** the supercar was a highlight of the 2009 International

PHOTOS | AUDI AG (2); AFP/GETTY IMAGES

e-tron Spyder: an exciting symbiosis of clearly structured, modeled surfaces and precisely defined structures.

World premiere: The e-tron Spyder study at its presentation at the Paris Motor Show in October 2010.

Motor Show (IAA) in Frankfurt am Main, Germany. Four motors – two each on the front and rear axles – producing a total of 230 kW (313 hp) ensure phenomenal performance and make the sports car a true quattro.

▸ **Detroit showcar Audi e-tron –** the compact two-seater with an aluminum body was presented in early 2010. Distinguishing features: purist design, low gross weight of 1,350 kilograms, two electric motors on the rear axle with a total output of 150 kW (204 hp); range is as much as 250 kilometers.

▸ **e-tron Silvretta –** in July 2010, Michael Dick, Member of the Audi Board of Management for Technical Development, and factory driver Lucas Luhr piloted the technology platform based on the Audi e-tron to a first-place finish in the first "Silvretta E-Auto Rally Montafon." The rally against more than 20 electric cars from other manufacturers covered 167.5 kilometers. As Michael Dick explained, the victory was "the proof that we are well on our way to a production-ready electric powertrain."

▸ **A1 e-tron –** the innovative Mega City Vehicle (MCV) celebrated its premiere at the 2010 Geneva Motor Show. The A1 e-tron has an electric drive with a peak output of 75 kW (102 hp), with which it drives with zero local emissions. The battery can be recharged while underway using the range extender, a compact unit comprising a single-rotor engine and a generator.

▸ **e-tron Spyder –** in fall 2010, Audi presented the study of an open-top sports car with plug-in hybrid drive at the Paris Motor Show. Just 1.11 meters

tall, the exciting two-seater has a 221 kW (300 hp) twin-turbo V6 TDI engine on the rear axle and two electric motors with a combined 64 kW (87 hp) on the front axle. The e-tron Spyder can combine the strong 650 Nm of torque from its TDI engine and the total of 352 Nm of its two electric motors during acceleration in a process known as "boosting."

Audi is completely rethinking the electric car with the e-tron.

Even in the Electric Age, customer requirements will develop differently. Besides the requirements of the markets, the intended purpose of the electric vehicles also plays a major role. An all-electric car will establish itself in the short-range mobility segment in the medium term. Long trips, on the other hand, are forecast to be the domain of hybrid drives.

There are still many customer suitability challenges remaining to be solved with respect to costs, range and battery recharging time, as well as the real potential for CO_2 reduction. The entire energy balance must be considered whenever talking about sustainable mobility, and this is largely a function of how the necessary electricity is generated. Conventional electricity has a CO_2 load of around 120 grams per kilometer. This corresponds to the value for a modern mid-size car featuring a combustion engine. If the electricity, on the other hand, is generated using renewable sources, this is reduced to just five grams with electric motors.

"Audi electric cars will run on sustainably generated electricity," emphasizes Audi Chairman Rupert Stadler. "We are promoting the construction of solar and wind energy units in order to achieve this goal." In 2010, for example, Audi entered into a partnership with the industry initiative Dii GmbH, whose long-term objective is to realize the DESERTEC vision. This vision describes the prospects of supplying Europe, the Middle East and North Africa with solar and wind energy from the deserts.

Design, driving dynamics, efficiency and lightweight construction will continue to be decisive factors in the future.

As a premium manufacturer, Audi must continue to further develop its core competences in the interest of electric mobility. Design, driving dynamics, efficiency and lightweight construction will continue to be decisive factors in the future. Dietrich Engelhart, who is Head of Vehicle Electrification Strategy at Audi, feels that customer delight will continue to be key to success in the future. "Customers expect performance and emotions from Audi, and we must continue to meet this expectation in the future."

The Audi e-tron is sure to generate enthusiasm. Audi wants to bring a limited edition of the vehicle to the roads in late 2012. The first Audi high-performance sports car with all-electric drive proves that driving in the Electric Age will not have anything to do with sacrifice, but instead will open up new dimensions of driving dynamics.

The study's four asynchronous motors – two each on the front and rear axles – transfer the power to the wheels via a single-speed transmission and short drive shafts. With peak output of 230 kW (313 hp) and with up to 600 Nm of torque available from a standstill, the Audi e-tron delivers breathtaking performance. It catapults from 0 to 100 kilometers an hour in just 4.8 seconds.

The liquid-cooled lithium-ion battery and the power electronics lie directly behind the passenger compartment. The result is an excellent center of gravity and a load distribution of 42:58 between the front and rear axles – similar to the production R8.

The first short test drive with the e-tron Silvretta shows the potential of the electric powertrain. The high-performance sports car shoots forward as if it were being pulled by an elastic band, with turbo-like, nearly silent acceleration. An impressive driving experience, as Stefan Keller, Head of Electrification Processes, can confirm. "The response is uniformly positive at every driving event. Everyone is enthusiastic." According to Keller, what now needs

PHOTOS | AUDI AG (5) GRAPHIC | AUDI AG

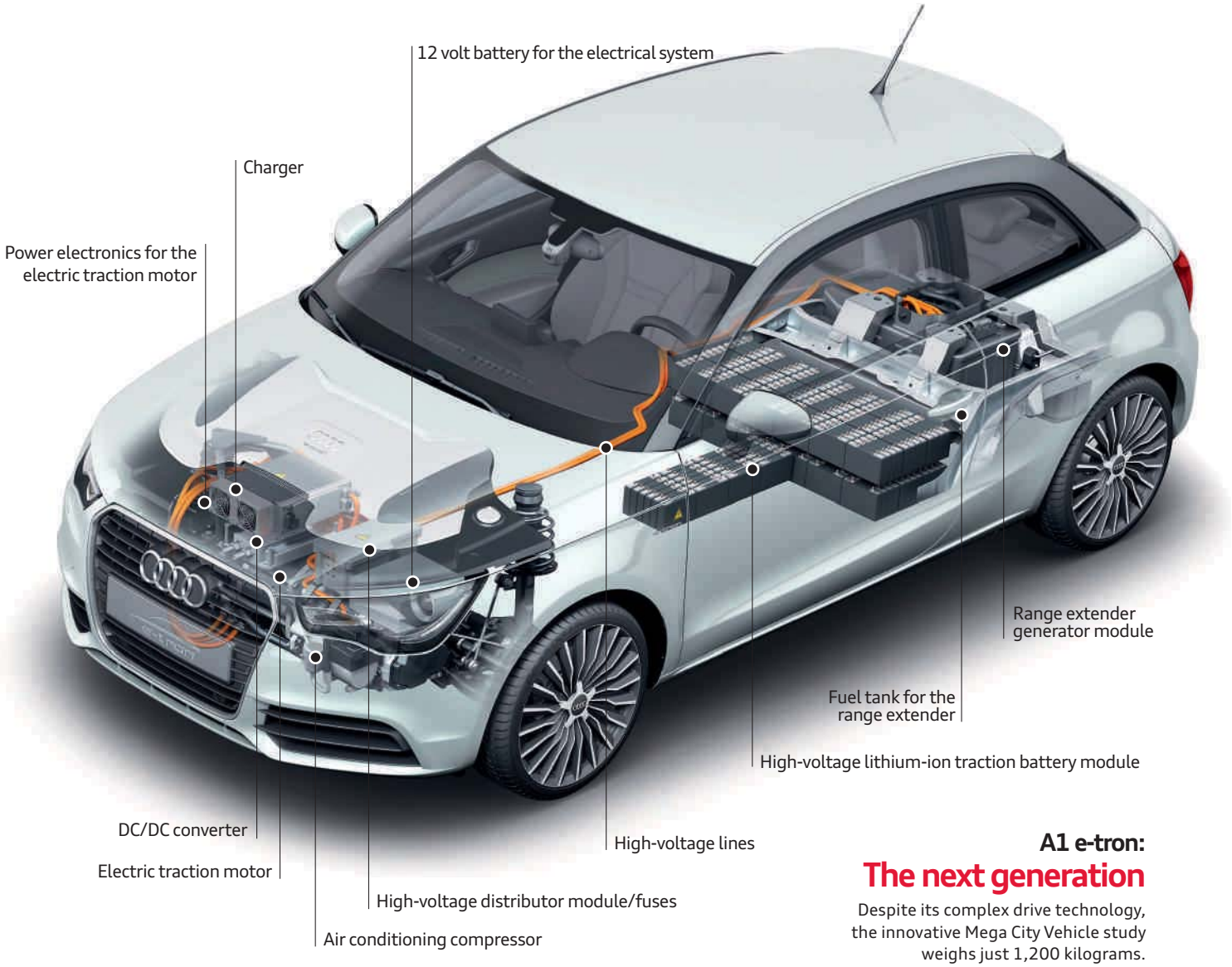
e-tron: the evolution of mobility

The original model of the e-tron family will be launched on the market as a small production series in 2012 (below).


Detroit showcar Audi e-tron

e-tron Silvretta

The Detroit showcar is a compact sports car with two electric motors on the rear axle producing a combined 150 kW (204 hp) (left). The e-tron Silvretta proved its maturity at the first Silvretta E-Auto Rally Montafon.



A1 e-tron: The next generation

Despite its complex drive technology, the innovative Mega City Vehicle study weighs just 1,200 kilograms.

to be done is to "build on the Audi core competences" on this basis.

quattro permanent all-wheel drive has been a part of this for over 30 years. Electric cars offer entirely new possibilities in this field. The four electric motors fitted on the Audi e-tron can be individually controlled – a type of quattro drive for electric cars. The four motors allow what is known as torque vectoring, the selective acceleration of individual wheels and therefore active distribution of torque. "The Audi e-tron," says Dr. Michael Korte, Head of Predevelopment of Vehicle Concepts at Audi, "is superior to the majority of conventional cars at the limit."

Systematic lightweight construction is also a crucial prerequisite for the

The A1 e-tron is an innovative Mega City Vehicle (MCV) with electric drive and a single-rotor engine with generator. The study's total range is up to 250 kilometers.

The study of an open-top sports car demonstrates the potential of the plug-in hybrid drive. A twin-turbo V6 TDI produces 221 kW (300 hp); the two electric motors together deliver an additional 64 kW (87 hp) of power.

efficiency and range of electric cars, for the batteries with their relatively high weight are still a heavy burden. The Audi engineers therefore turned to another of the company's core competences for the Audi e-tron: The body is made of aluminum. With its Audi Space Frame (ASF) technology, it is an important reason why the Audi e-tron tips the scales at just 1,600 kg.

The Audi e-tron provides a glimpse into Audi's corporate philosophy of electric mobility. Extending far beyond the battery technology and the replacement of an internal combustion engine by an electric driveline, the concept is holistic. The complex interplay of all components influences the key factors of efficiency, range and practicality.

The A1 e-tron, which is designed as a Mega City Vehicle (MCV) for metropolitan areas, also demonstrates this comprehensive approach. The compact two-door car is one of the world's first all-around vehicles powered purely by electricity to have four seats and a full-sized trunk. Its electric motor produces peak power of 75 kW (102 hp), with 45 kW (61 hp) available in continuous operation.

The Audi A1 e-tron embodies an intelligent technological concept. A lithium-ion battery pack provides the energy for the electric drive. The driver generally charges the battery pack from the grid – most conveniently, from a home socket. A full battery charge is enough for a range of over 50 kilometers. "That is more than sufficient for the daily commute to work," finds Dietrich Engelhart.

In case the driver wants to cover a longer distance, the A1 is equipped with a small rotary engine that recharges the battery if necessary for a range of roughly 250 kilometers.

At first glance, the compact two-door car is nearly indistinguishable from its "normal" sister models. The interior has been completely redesigned, however. All of the A1 e-tron's auxiliary systems, such as the air conditioning, the power steering and the pump for the brake servo, are electric-powered.

The compact two-door car otherwise affords all the strengths of the Audi A1 model series – a small turning radius, good sightlines and high agility. Going with the trend of the future doesn't entail the slightest sacrifice for the A1 e-tron, especially since the interior space and the luggage compartment capacity match those of series production models.

The A1 e-tron is already a big little car. The structure of its Multi Media Interface (MMI) matches that of the A8 flagship. Audi is going new ways there, as well, under the motto of electric mobility planning. Because electric powered cars still cannot match the range of combustion engines, Audi is working on information concepts that will offer the driver optimal planning capability.

The imagination knows virtually no limits when it comes to the future interaction between driver and vehicle. Examples include individual computation of range for each driver, computation of fuel consumption for different classes of roads, checking the battery charge status from outside the vehicle using a smartphone, for instance. The connection of the car to

PHOTOS | AUDI AG (3) SKETCHES | AUDI AG (2)

Fleet test

Electric mobility in practice

In order to investigate electric driving in practice more closely, Audi will be joining three project partners – the energy supplier E.ON, the Munich public utility company SWM and the Technical University of Munich (TU München) – in launching a fleet test with the A1 e-tron. The first vehicles should be hitting the road in Munich in 2011.

E.ON and SWM are installing the necessary infrastructure, E.ON primarily in the outlying areas and SWM in the Bavarian state capital. A total of 200 charging stations are to be made available. TU München will analyze mobility behavior during the term of the project. Audi also hopes to learn more about the behavior, but also the expectations of our customers regarding their dealings with electric cars from this fleet test. How intensively and in which situations is the electric car being used? What other modes of transportation are being used in normal practice? Given the increasing urbanization worldwide, there is another question to be addressed: What does a mobility concept of the future look like?

"The results of the project will help us to further expand our expertise in electrification."

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

the grid also opens the door to new comfort and safety features, such as bringing the cabin to a preset temperature before setting off.

More than 400 specialists are currently working in the field of electric mobility at Audi.

At Audi, the future has already begun. At present over 400 specialists at the company's Technical Development division are working in the field of electric mobility with the support of several hundred colleagues from the widest variety of fields.

At the same time, a strategic bundling of activities is taking place. To this end, Audi has established the e-performance project house for electric driving. In addition, a team of Audi development engineers and scientists from a variety of universities, research institutions and startup companies have been working since fall 2009 on the development of a new total concept, from the body to the battery to the power electronics. This is part of the e-performance research project sponsored by the German Federal Ministry of Education and Research.

A number of substantial challenges still remain to be solved, in particular with regard to battery technology. Since the introduction of lithium-ion batteries for vehicle applications, "development has made huge strides in power density," says Dietrich Engelhart. But a range of 250 kilometers still means 10 hours of charging time on the residential power grid. By contrast, filling up at the fuel pump takes just a few minutes.

So there is still a lot to do. Given diminishing resources and the debate about climate change, the development is unstoppable and there also seems to be no turning back. "We don't know today how long the petroleum reserves will last," says Stefan Keller, "but we do know one thing: They are finite." ●

THOMAS AMMANN

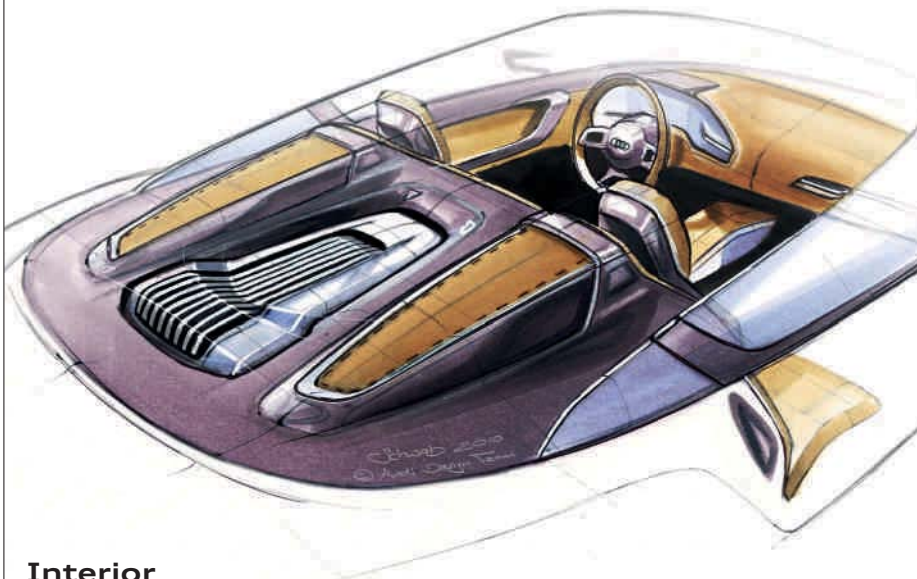
Find out more about the next chapter in mobility at: www.audi.com/ar2010/e-tron

Design study

A sketch of the Audi e-tron Spyder: The open-top two-seater features the most advanced and simultaneously the most consistent evolution of the current Audi design language, and provides initial hints at the design of future Audi sports cars.

Silvretta cockpit

The display with integrated functions of the Multi Media Interface (MMI) indicates the battery charge status. The round power meter to the left shows the overall output of the system and the respective operating states.



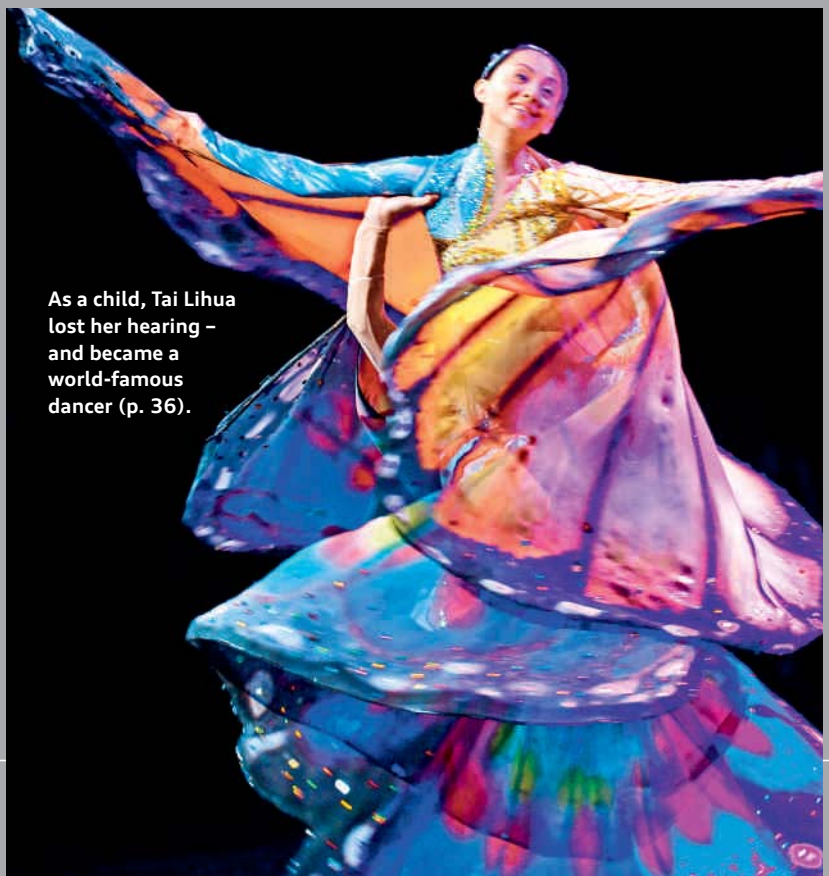
Interior

Visual and functional references to the fundamental concept of lightweight construction characterize the design of the Audi e-tron Spyder – flowing transitions between exterior and interior which produce a formal unit.

Modern pioneers discover the world

They are visionaries in their fields: Explorers, artists and engineers keep on going beyond the limits of our imagination. These modern pioneers not only break records but also open our eyes to new horizons.

Johan Ernst Nilson wants to travel from the North to the South Pole – under his own power and with Audi's technical support (p. 26).



As a child, Tai Lihua lost her hearing – and became a world-famous dancer (p. 36).

PHOTOS | CORBIS; TOM SÓLO; PETERLIN/LAIF

PHOTOS | JOHAN ERNST NILSON, NASAIMAGES.ORG

Johan Ernst Nilson climbing Mount Everest – the highest mountain in the world.

From Pole to Pole

The last great adventure

The Swede Johan Ernst Nilson wants to travel from the North Pole to the South Pole in 2011. The Audi brand will be assisting him by providing ultramodern technology, materials and logistics.

Modern pioneers

Johan Ernst Nilson, 40, adventurer and explorer.

PHOTO | TOM SOLO

Minus 20, minus 30 – how cold is it?" asks Johan Ernst Nilson and pulls his hat off. His blond hair falls down over his sun-browned forehead. "Very nice here," he says, walking through the cold chamber in the Audi Wind Tunnel Center in Ingolstadt. A thin sheet of ice has already formed on its steel walls, and the Swede has already been enjoying the deep freeze for half an hour. Normally, it is car models that are tested here for their winter resistance properties. Instead, a tent has been put up in the middle of the chamber. Nilson brushes ice from the tent and rubs it into the bristle on his chin. Freezing? Certainly not! The fact that in a few weeks' time it will be a whole lot colder – round the clock and for weeks on end – evidently warms the heart of the man from Stockholm.

Johan Ernst Nilson, 40, is by profession an adventurer and explorer. One morning finds him speaking to businessmen in Gothenburg about his polar expeditions, and the same evening he is heading for Tanzania to guide a group of managers to the top of Kilimanjaro. Just another regular working day in Nilson's life.

Over the last 17 years Nilson has been on expeditions to more than 100 different countries. He has climbed Everest and some of the world's other highest peaks, has crossed the Atlantic on a jet ski and traveled by flying boat from his home town of Stockholm to Africa. But that's another story.

On this particular winter's day, Nilson is visiting the Audi plant to use the cold chamber to help prepare for what is probably his biggest expedition yet. A trip that will take a year. He wants to travel from one extreme to another – from the North Pole to the South Pole.

Nilson is heading from Pole to Pole. On foot. On skis. By bicycle. Pulled by a kite.

On foot, on skis, by bicycle, pulled by a kite and with a sailing ship. He will be accompanied on terra firma by an Audi support vehicle. The car will contain the camera team and journalists covering his odyssey.

It is not easy nowadays for an adventurer to tread virgin territory. After all, there are hardly any adventures left that no-one has ever experienced. All mountains have been climbed, all deserts crossed, all climatic extremes explored. What makes Nilson's missions unique is the combination of challenges he tackles. For example, he did not simply climb to the top of one of the 8,000-meter-plus peaks, he opted to scale the heights of the highest mountain on each continent, and called the undertaking his "Seven Summits Tour."

And now the route is from Pole to Pole. Probably one of the last great adventures still possible on Earth today. Nilson calls this trek of almost 30,000 kilometers his "Pole2Pole" expedition. Should he in fact reach the South Pole in the spring of 2012 he would be following in the footsteps of the great explorers.

And exactly that pioneering spirit is what he and Audi have in common. The carmaker has always blazed new trails: systematic lightweight design, quattro permanent all-wheel drive, the TDI diesel engine, or – most recently – all-electric cars. Audi is supporting Johan Ernst Nilson on his expedition: with ultramodern technology, materials, logistics – and with the cold chamber in Ingolstadt. It is here that he tests all his equipment, including his tent, sleeping bag and clothing. This might sound like a camping holiday, but out in the eternal ice these items are the difference between life and death. "Some tents simply collapse when the mercury drops to -40°C," Nilson reports. The session in the cold chamber helps him decide which tent he should take with him from Pole to Pole. "A day here offers me as many insights as a trip to the Arctic," he declares.

It is there, or to be precise at the geographic North Pole, that Nilson's adventure will start: on April 6, 2011. He chose the date carefully, as it is the anniversary of what is said to be

Nilson tested his equipment in the Audi Wind Tunnel Center (right). These preparations could be the difference between life and death. Nowhere else in the world is it as stormy as in the Antarctic, with winds gusting at up to 300 km/h.

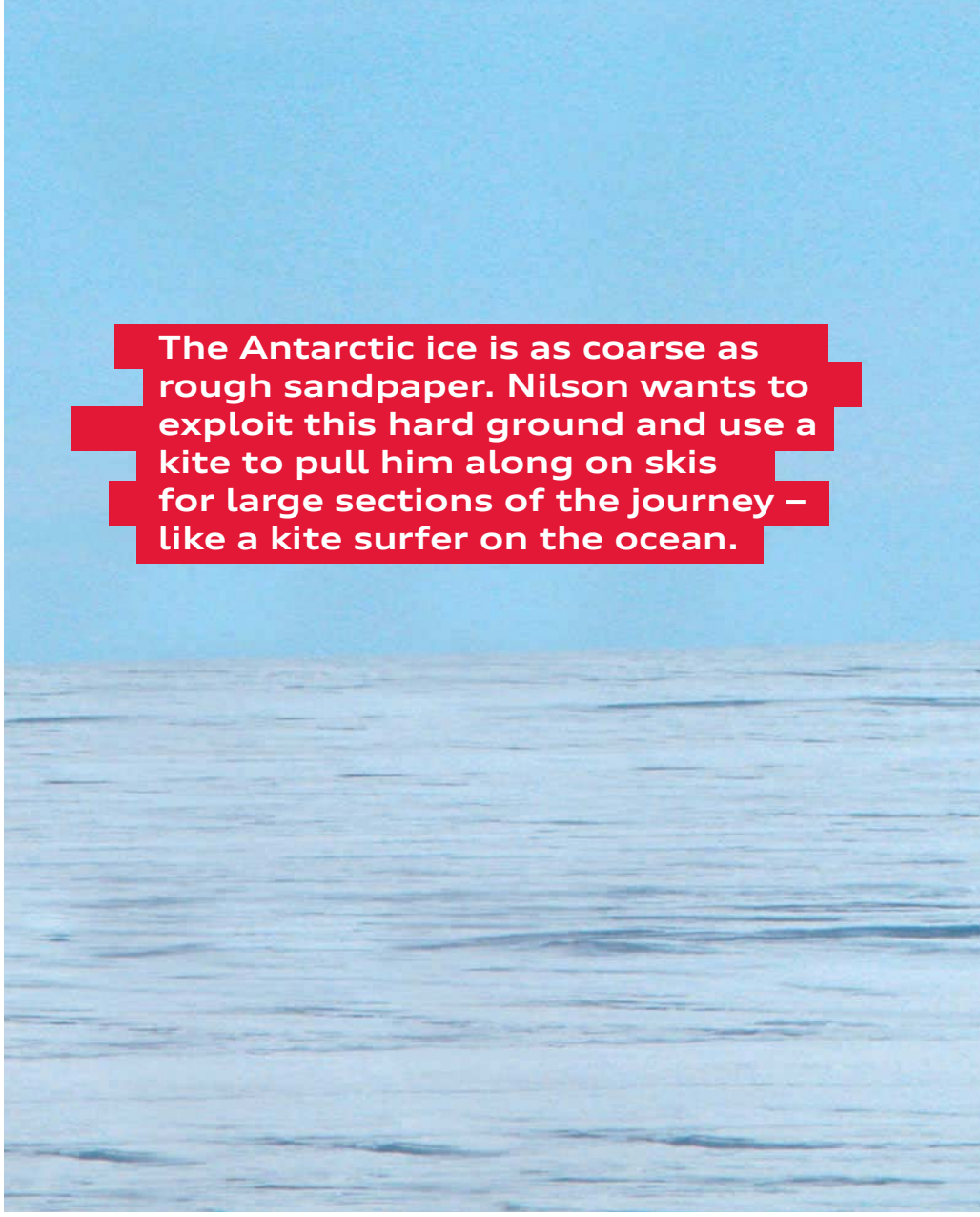
the first successful expedition to the North Pole – by Robert Edwin Peary in 1909. And 2011 is also the anniversary of the first successful journey to the South Pole, which Norwegian Roald Amundsen reached following a spectacular race against another team on December 14, 1911 (see p. 35).

"I will be following in the footsteps of those great explorers in history," comments Nilson, "with the difference that I will be far better equipped." The adventurer will be relying on a perfectly calibrated sled that he will pull along behind him. This sled, which features an Audi design, has been customized to meet the extreme conditions at the North Pole. It must be exceptionally light, waterproof and sturdy – and be able to carry loads of up to 120 kilograms without breaking.

Nilson plans to cycle from Canada to Patagonia in six months. 100 kilometers a day.

The tent, sleeping bag, substitute clothing, cameras, navigation system, food and tools need to be kept dry. In the Arctic, the temperature in April is around -40°C. In places, the pack ice is several meters high, and elsewhere only a few centimeters thick. It is not unknown for those making the trip to the North Pole to have the ice break beneath them. Nilson will be accompanied on this stage of the expedition by an adventurer friend of his, who will rescue him from the water should such a situation arise.

After arriving in Greenland, Nilson will sail to Ottawa in Canada. There, he will switch to a bike and pedal the length of North, Central and South America, which he plans will take him six months, at "100 kilometers a day." Right through to Patagonia, from where the Swede will set sail for the Antarctic; here he will be greeted by temperatures of as low as -60°C. Johan Ernst Nilson is aware that "the South Pole leg will be the most critical point in the expedition." The long trek may all come to nothing in the eternal ice – owing to dangerous storms, broken equipment, or simply because after almost one year of constant effort Nilson may be absolutely exhausted and unable to go on.



The Antarctic ice is as coarse as rough sandpaper. Nilson wants to exploit this hard ground and use a kite to pull him along on skis for large sections of the journey – like a kite surfer on the ocean.

If you thought there was too much snow last winter you will be asking yourself: Why choose to embark on such an undertaking? What drives a man to suffer for 365 days simply to get from the top to the bottom of the world? One could fly it in a day, and it would cost only a fraction of Nilson's expedition expenses.

"I wanted to see and experience things that no one had before me."

"I am not addicted to adrenalin," he responds, "but I love waking up in the morning and not knowing what the day will bring." As a child he was shy and withdrawn, he says, and got poor grades in sport. Nilson preferred to write poems and play the piano. "I never actually wanted to learn what I could read in books anyway," he explains. "I wanted to see and experience things that no one had before me."

He has been busy with preparations for his Pole2Pole expedition for almost two and a half years now. None of it has been simple. How to protect a high-resolution camera against continuous sub-zero temperatures? How to shoot a film if you can hardly move your fingers? Questions to which Nilson had to find answers.

Audi engineers helped him in the search for solutions. With Audi's support, sled experts from Acapulka developed a super-fast special-purpose sled for the journey to the South Pole. "It will be made of carbon and thus extremely light," explains Audi engineer Dr. Karl Durst. But just being light is not enough in the eternal ice. "The functionality is what counts. In the Antarctic the sled will be pulled across crevasses and will need to withstand falls of several meters."

Unlike in the Arctic, in the Antarctic there is virtually no humidity in the air.

PHOTO | JOHAN ERNST NILSON SKETCH | AUDI AG

Nilson on skis, with a kite-sail and a special sled – this is the way the Swede intends to reach the South Pole.

"I will be following in the footsteps of those great explorers from a century ago. With the difference that I will be far better equipped." Johan Ernst Nilson

The clear forms and dynamic lines of Audi design can also be seen in the initial concepts for the expedition sled.

Audi designers and lightweight design experts consult with sled builder Alexander Bierwald from Acapulka (second from right).

In 2007, Nilson set out on the first zero-carbon ascent of Everest. The photo was taken when he reached 8,000 meters.

The surface of the ice is thus as coarse as rough sandpaper. Nilson wants to exploit this hard ground and use a kite to pull him along on skis for large sections of the journey. “The friction factor of the skis and the sled runners will be crucial,” Nilson explains in the cold chamber, “and I’m looking forward to using the fastest sled ever made. That’s what I call Vorsprung durch Technik.”

Nilson knows what he’s talking about. During his first tour, back in 1994 when he was 23, he paid virtually no attention to his equipment. The idea came to him over a beer or three with friends one evening in a café in Stockholm while they were discussing their plans for the summer. “Actually, we always went to Marbella,” Nilson recalls. But this had grown boring for him. “Why don’t we go to Morocco?” he suggested, but the others just shook their heads. Nilson decided to go it alone to Africa. “You’re going to fly down there on your own?” his friends asked. “No,” answered Nilson, “I’m going by bike.” His friends laughed at the plan, but this only fired Nilson’s ambition. They made a bet: The loser would buy dinner. The very next day, Nilson bought a bike, a tent and a map – and off he went. 52 days later he rang his friends up – from Africa.

The trip was to change Nilson. The man who had studied journalism and

PHOTOS | JOHAN ERNST NILSON; FRANK BAUER/GETTY IMAGES (2)

film longed for the next journey. He repeated the Stockholm-to-Africa trip, this time by kayak – and once again years later in a flying boat that he built himself, essentially from an inflatable boat, a kite and a propeller. Once, when he was at a height of 3,000 meters, interceptors were sent up to meet him. The officers could simply not explain the image on their screens. Never had they witnessed such a small aircraft – and such a slow one – at such a height.

Expeditions in the Himalayas and to the North Pole followed. Nilson rode across Mongolia on horseback and crossed the Atlantic by jet ski, teaching himself the skills as he went.

Wolfgang Egger, Head of Design for the Audi Group, in the Audi Design studio in Munich.

Interview

"We always first think of the material and of how to use it in an authentic manner"

Wolfgang Egger's product design team is developing a carbon sled for Johan Ernst Nilson's expedition, working jointly with the specialists at Acapulka.

For a carmaker, what is the great appeal about building a lightweight sled?
We want to position Audi Design as an exclusive design brand. To this end, we also create extraordinary products away from the world of cars. And it is a particular challenge to use a high-tech material to develop a sled that will be a reliable companion for explorer Johan Ernst Nilson on his expedition to the South Pole.

Are there parallels between the design of a car and that of such an extraordinary piece of sports equipment?
In this case, the designer faces a very similar task: He has to implement a functional form that is to fulfill specific technical requirements in an emotional design.

The sled is made of carbon. What role does this material play in such a development process?
The material is of immense importance for the design. Its properties and history form the basis for our work. We always first think of the material and of how to use it in an authentic manner. This results in a unity of function and emotion.

Is there any common ground between your work as Audi designers and that of Johan Ernst Nilson as an explorer?
Johan Ernst Nilson's marvelous pioneering achievements and mindset, with his wish to overcome the power of nature by means of his own strength, are a perfect match for Audi. With our brand essence of Vorsprung durch Technik we designers aspire constantly to create innovations and thus to be a step ahead of the times. We therefore see ourselves as pioneers, just like Johan Ernst Nilson.

Johan Ernst Nilson tested his equipment in the cold chamber at the Audi Wind Tunnel Center in Ingolstadt at -30°C – and then fielded questions from a TV crew.

"I just get up and go," he says, and it sounds like his motto in life. His partly bizarre and partly spectacular expeditions brought him fame in Scandinavia. He is an ambassador for a charity run by the Swedish queen, and when in 2007 he completed the world's first zero-carbon ascent of Mount Everest he was inducted into the renowned New York Explorers Club.

"I want to live my dream," Nilson says. And that's not all. During his past polar expeditions and trips to the world's summits he has seen many a melting glacier. "I feel it is my responsibility to help halt global warming," he states, "as otherwise one day there will be no more glaciers for me to climb."

This message will be accompanying stubble-faced Nilson on his Pole2Pole tour. While in the United States, he intends to tell the story of his travels to journalists and at Audi dealerships, in order to enhance the growing ecological awareness in the world. Audi is assisting Nilson by providing a car that will accompany him from Canada to Tierra del Fuego. "Audi is not my sponsor, but a partner," Nilson professes, "we're a team." Customers and staff will also benefit from this. You can visit www.audi.com/ar2010/pole2pole to watch a video in which Nilson regularly reports on what he has seen and done.

There's still quite a while to go until April 6, the day when Nilson will begin his expedition at the North Pole. And he needs this time. "To prepare myself I go through every stage of the trip in my head, day-in, day-out, non-stop," he says before leaving the cold chamber and brushing the ice off his gloves. He is thinking over what he still needs and what he might have forgotten. "And then I visualize those last few meters," he says with a grin. The last few meters en route to the white rod that marks the South Pole. Nilson's goal. ●

STEPHAN SEILER

Follow Nilson round the world

Accompany explorer Johan Ernst Nilson on his journey from Pole to Pole. His video blog and all the details on the expedition can be found at: www.audi.com/ar2010/pole2pole

PHOTOS | TOM SÓLO (2); DDP IMAGES/AP; AKG-IMAGES/NORTH WIND PICTURE ARCHIVES; KEYSTONE PRESSEDIENST; HULTON ARCHIVES/GETTY IMAGES

Race to the South Pole

It is exactly 100 years ago that the first person reached the South Pole and thus one of the world's last uncharted points.

It was a historic race: 100 years ago Briton Robert Falcon Scott (1868 – 1912) and Norwegian Roald Amundsen (1872 – 1928) competed to be the first to reach the South Pole. They traveled along different routes. Amundsen chose an unknown path from the coast to the South Pole, which was around 120 kilometers shorter than the route taken by Scott. At each degree of latitude Amundsen set up depots with food and fuel. Thanks to his sled-dogs, the Norwegian often covered more than 50 kilometers a day, whereas Scott made slower progress with his ponies and motor sleds. The sleds gave up the ghost after only 90 kilometers and the ponies collapsed from exhaustion at the beginning of the climb up to the polar plateau, leaving Scott and his team to pull their own sleds – with more than three quarters of the journey ahead of them.

After 56 days, on December 14, 1911, Roald Amundsen finally reached the South Pole. It was -30°C and an icy wind was blowing. One of his men noted: "The great thing is we are the first!"

Scott did not reach the South Pole until January 17, 1912. Only to find the Norwegian flag flying there. He jotted in his diary: "A terrible disappointment. All the effort, all the sacrifice, all the torment, for what?" Scott and his men did not have enough food or fuel with them, were suffering from scurvy and frostbite. The 1,500-kilometer return leg was just too much, and 20 kilometers from the camp with stores that would have saved them Scott gave up – at -40° C and in the midst of severe snow storms. His last diary entry is dated March 29, 1912. His body and those of his companions were found eight months later.

Three years earlier, on April 6, 1909, American explorers Robert Edwin Peary and Matthew Henson had reached the North Pole. However, the scientific documentation on their achievement is inconclusive.

(1) American Robert Edwin Peary (1856 – 1920) claims to have reached the North Pole at his third attempt, on April 6, 1909. (2) British Naval officer Robert Falcon Scott paid for his thirst for exploration with his life. He lost the race to reach the South Pole – to his Norwegian rival (3) Roald Amundsen, who raised his country's flag on the polar ice (4) on December 14, 1911.

PHOTO | ANDREW PARSONS/EYEVINE/PICTURE PRESS

A dancer in a silent world

Triumphing over silence

From Milan's La Scala to New York's Carnegie Hall, Chinese Tai Lihua is celebrated on all the world's greatest stages. Like no other dancer, she is in step to the music – a music she will never hear.

Tai Lihua as "The Thousand-handed Goddess of Mercy." She is both principal dancer and choreographer of the China Disabled People's Performing Arts Troupe.

Tai Lihua uses sign language to instruct members of the ensemble (left). On stage, the dancers put their instructions to work (above).

A person can fight for their dreams as long as they live," signs Tai Lihua silently. Using her hands to communicate, the 34-year-old Chinese woman's use of sign language gives visual emphasis to her words.

Tai Lihua is a true pioneer. She has explored uncharted waters and, as a woman with disabilities, has achieved the unbelievable: just as much in the dance world as in society.

Tai Lihua's story begins with a fever. As a two-year-old, she fell terribly ill and had to take antibiotics, which resulted in a loss of hearing. Her parents did not realize what had happened at first and assumed Tai Lihua was a slow developer. The other children teased her unmercifully, for instance when blindfolded she was unable to recognize her playmates by their voices. For deaf Tai Lihua, an impossible task.

At seven, when Tai Lihua entered a school for the deaf, she had a life-altering experience. A teacher would beat a drum to help the children understand rhythm. The young girl felt the vibrations through the floor. "I was overwhelmed and touched the planks with my fingertips so that I could experience the beat more intensely," she says. "The rhythm spread through my whole body. I felt my heart beat as one with the ground. From that moment on, I wanted to be a dancer."

Tai Lihua's parents gave her ballet shoes and she practiced until her feet hurt. At 15, she was discovered by the China Disabled People's Performing Arts Troupe, a renowned ensemble of the visually and hearing impaired, and artists with other physical disabilities. "They were all so good, I was afraid I would not be able to keep up," says Tai Lihua.

She worked hard, never giving up. Tai Lihua got up at five o'clock in the morning to rehearse with the Peking Opera. When she saw "The Soul of the Peacock," choreographed by Chinese star Yang Liping, on television, Tai Lihua got her hands on all the video tapes and studied them carefully. Among her first audiences: Yang Liping herself. After a private screening, Yang Liping held a cloth over her face to hide her tears and told Tai Lihua, "You are incredible!"

Tai Lihua has been the principal dancer and manager of the Chinese ensemble of over 100 disabled artists since 2005 and has performed with her troupe in more than 50 countries. As she explains, "like a book, each country is interesting in its own way." Tai Lihua is the only Chinese to have danced at both New York's Carnegie Hall and Milan's La Scala. Whether at the Opéra National de Paris, a telethon in Las Vegas or the Great Hall of the People in Beijing, she moves the audience to tears. Her performances graced the closing ceremony of the 2004 Paralympics in Athens and the opening of the 2008 Paralympic Games in Beijing.

Tonight she is performing in Zagreb. With 21 beautiful, sparkling gold-clad dancers hiding behind her, Tai Lihua is transformed into "The Thousand-handed Goddess of Mercy" – the name of the dance. In synchronous motion, the dancers open their arms and move them through the air to form a circle all to the beat of spiritual music from the Far East.

Though Tai Lihua can feel the rhythm in her body, it does not compensate for her lack of hearing. So she keeps in visual contact with her teachers and the other dancers, whose movements and rhythms she has memorized.

Tai Lihua is not just a star on the stage. In May 2010, she became the first hearing-impaired person in China to get a driving licence, which up to that time had not been possible for people with such disabilities. Tai Lihua is at the forefront in the fight for the rights of the physically impaired: Since 2009, she has been campaigning successfully for better education for disabled children, wheelchair-accessible entrances and Accessible Pedestrian Signals.

And so it is that a pioneer in art has now also become the face of a modern China. ●

ADRIAN GEIGES

Be enchanted by Tai Lihua:
www.audi.com/ar2010/rhythm

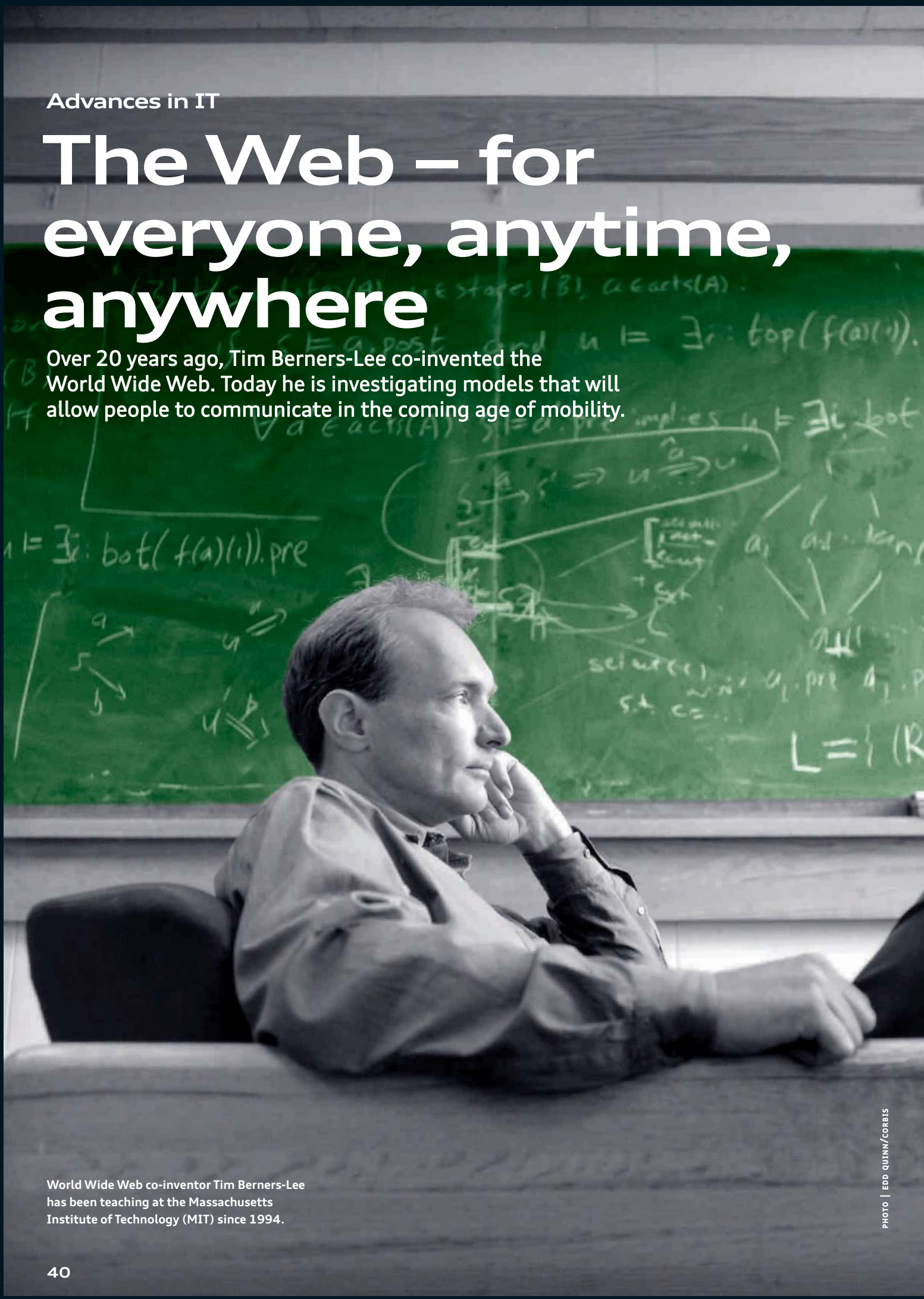
PHOTOS | PETERLIN/LAIF (2); LU JUNDE/IMAGINECHINA/LAIF

Exuding hope

Tai Lihua says: "One should look at the unfortunate side of life through the filter of a happy heart."

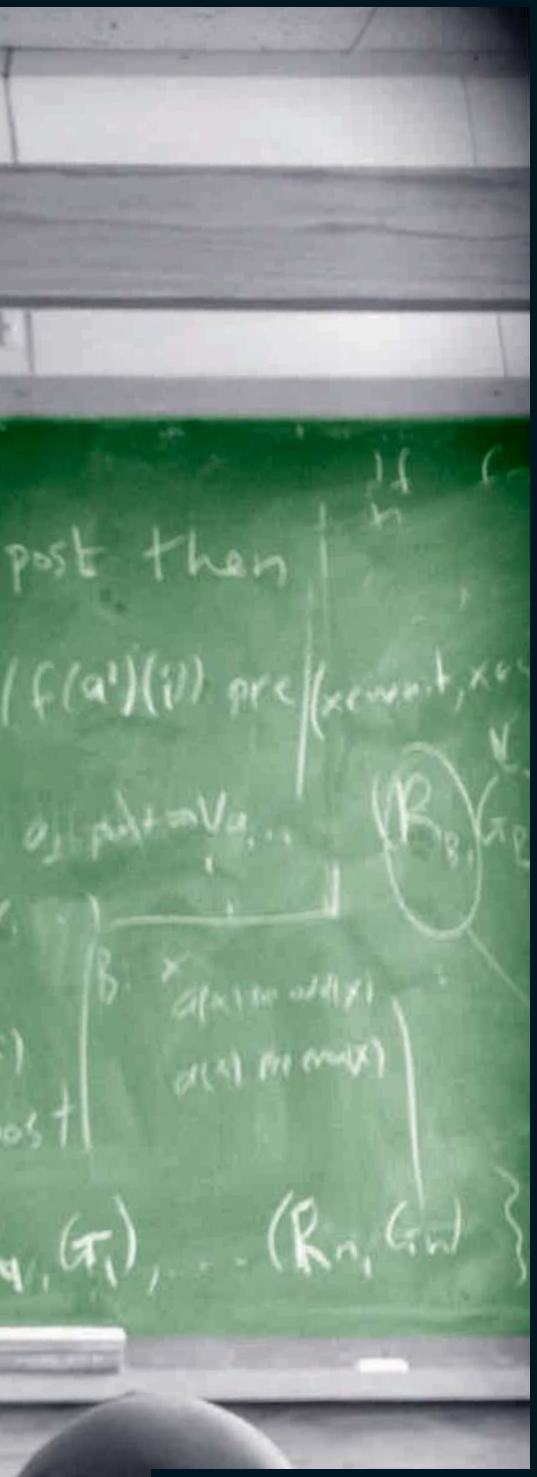
The Web – for everyone, anytime, anywhere

Over 20 years ago, Tim Berners-Lee co-invented the World Wide Web. Today he is investigating models that will allow people to communicate in the coming age of mobility.



World Wide Web co-inventor Tim Berners-Lee has been teaching at the Massachusetts Institute of Technology (MIT) since 1994.

PHOTO | EDD QUINN/CORBIS



WLAN included

Online anywhere, anytime – to achieve this, Audi has fitted the new A7 Sportback*, A8 and A8 L* models with a dedicated WLAN hotspot. "The new A8 already features extensive information-networking technology. In the MMI navigation plus system, for example, data from Google Earth is linked to our navigation routes," explains Klaus Straub, Head of Information Management at AUDI AG.

When he speaks, he seems at times to be off in a different world, singularly possessed by his own ideas. His thoughts flow faster than his words. Meet Tim Berners-Lee, son of a mathematician couple, British scientist, physicist and former programmer at the European Organization for Nuclear Research (CERN) on the outskirts of Geneva, Switzerland.

The 55-year-old is the creator of a system for networking information that changed the world like virtually no other invention in modern history: the World Wide Web. Back then the young computer scientist, whose aim was to quell the information chaos at CERN, could scarcely have imagined the ramifications the program he developed in 1989 would have – a program that led to the launch of info.cern.ch, the world's first web server, at Christmastime 1990.

Berners-Lee was not interested in patenting his ideas – and passed up a fortune as a result.

One of Berners-Lee's oddities is that he, ever the researcher and idealist, decided not to patent his ideas or technologies – and passed up a fortune as a result. Any fuss about himself he dislikes, abhors even. He only gives presentations if the convention and the topic interest him, regardless of how much money is offered.

Even so, Berners-Lee has received a number of awards over the years. A few of them – such as the million-dollar Millennium Technology Prize (2004) – had such a hefty purse attached that they came as a "pleasant surprise" for Berners-Lee.

Today the Internet is omnipresent. Laptops, smartphones – there's hardly anywhere in the world that isn't online. Berners-Lee sees the future of the Web in open, linked data, a system for interlinking information to make it freely accessible to everyone. Thus he recently created a government website that offers the public access to data acquired by the government for official purposes. Similar sites exist in ten other countries – in the United States, as well as places such as Australia and Norway.

Berners-Lee – for whom, still today, "generality and portability are more important than fancy graphics techniques and complex extra facilities" – is interested in the ongoing development of the Web as a tool for advancing humanity. "I hope the Internet will help people in the various countries on Earth to understand each other better," says the scientist, who was knighted by the Queen in 2004, "so that they will all be able to enjoy the same dignity and the same rights going forward." What might sound dramatic from someone else is quite sincere coming from Berners-Lee. Since 1994, the year he moved from Geneva to the East Coast of the United States, he has been working as Director of the World Wide Web Consortium (W3C), which he founded, to safeguard uniform technical standards.

The next challenge for Berners-Lee: to develop the "Semantic Web."

In the future Berners-Lee, who sees the Web as a relatively incomplete system that must continue to be developed, plans to devote himself increasingly to the organization of the "Semantic Web," a web of data in which context is coded along with pure information, thereby enabling associative links – much like the human brain.

Anyone who believes this man is as humorless as he is modest is mistaken. One of Berners-Lee's party tricks – though seldom performed – is his perfect imitation of a 28-kilobit modem from the early nineties, complete with that unforgettable whistling, rasping, hissing and beeping. ● HELGE HOPP

An audio version of this article is available at: www.audi.com/ar2010/internet

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

Space travel

The first SUV was driven on the moon

The Apollo 15 mission marked the first time a vehicle – the Lunar Roving Vehicle (LRV) – was used on the moon. Driver and NASA astronaut David Randolph Scott tells of his greatest adventure.

David Randolph Scott is a member of one of the most exclusive clubs in the world. But he is not an ex-president, nor was he the Pope. No, Scott was on the moon. He spent over 18 hours trekking in the dust. One of only 12 men ever to set foot on our natural satellite. Even more importantly: He was the first astronaut ever to drive a vehicle on the moon, which he affectionately refers to as "our SUV."

Development of the Lunar Roving Vehicle, LRV for short, began in October 1969, three months after Neil Armstrong had become the first person ever to walk on the moon. 17 months later, with over 10,000 engineers and technicians at work on the project and a budget of 40 million U.S. dollars, NASA had its first LRV.

Designing a vehicle for the moon was truly pioneering work. It only has one-sixth the gravity of the Earth. A person weighing 80 kilograms on Earth weighs just 13 kilograms on the moon. But because muscle power does not decrease on the moon, the same person can jump a long way with little effort. Accordingly, the LRV required little energy to move. But due to the lack of atmosphere, the traditional combustion engine with gasoline or diesel fuel did not work. The solution was an electric drive system.

When David Randolph Scott is asked how he learned to drive on the moon, the 78-year-old has to laugh. "It's not really something you can learn," he says. Of course, he recounts, he practiced which switches to operate and how the joystick worked back on Earth. Again and again he drove around in circles during training, and turned the television camera in the rover on and off as part of the testing. "But that doesn't tell you how the chassis will respond on the lunar surface," explains Scott. His voice still resonates with the optimism so characteristic of the NASA heroes of the moon flight era. Once on the moon, Scott recalls, he put the rover to the test very slowly at first. As soon as he

PHOTO | TIME & LIFE PICTURES/GETTY IMAGES

Find out more about the lunar rover at:
www.audi.com/ar2010/spacetravel

was familiar with the response, he stepped on the gas and attempted to "drive as fast as possible." You could compare the lunar surface with the deserts in California. "It is extremely uneven and covered with fine, slippery dust," explains Scott. "I tried to negotiate the constantly changing formations as well as I could."

Still today, Scott is extremely impressed by the engineering feat: "The LRV was a superb vehicle with an excellent design." He can't tip his hat enough to the people who designed and built it. He also considers every penny of the astronomical price well spent: "Measured against the benefits, the LRV was pretty cheap."

In terms of mechanics, the lunar rover was far ahead of its time: battery-powered wheel hub motors attached via a harmonic drive reduction unit, independent wheel suspension on torsion springs and fluid-free finned radiators. The wheels were made of spun aluminum wire and covered with titanium chevrons.

The maneuverability was just as impressive: step climbing capability 25 centimeters, crevasse crossing 50 centimeters, 25-degree gradability, 80-degree overhang angle (front and rear), 35-centimeter ground clearance, rollover-resistant to 45 degrees on all sides. But the top speed was nothing to write home about: The relatively light vehicle, weighing 210 kilograms, achieved only 14 kilometers per hour. Fast enough for Scott. If you go too fast, you can't tell where the bumps are. The LRV bounces over scattered boulders; each crater is a surprise. "I was really impressed by the performance," says Scott, who sat in the lunar rover back then with the pilot of the Lunar Module, James Benson Irwin. He tells of a hill they drove to the top of: "It had about a 13 percent grade." The surface was like powder snow. On that terrain, you could hardly walk a single step. "It wasn't until we got out at the top and looked around that we realized how high up we were," Scott recalls today.

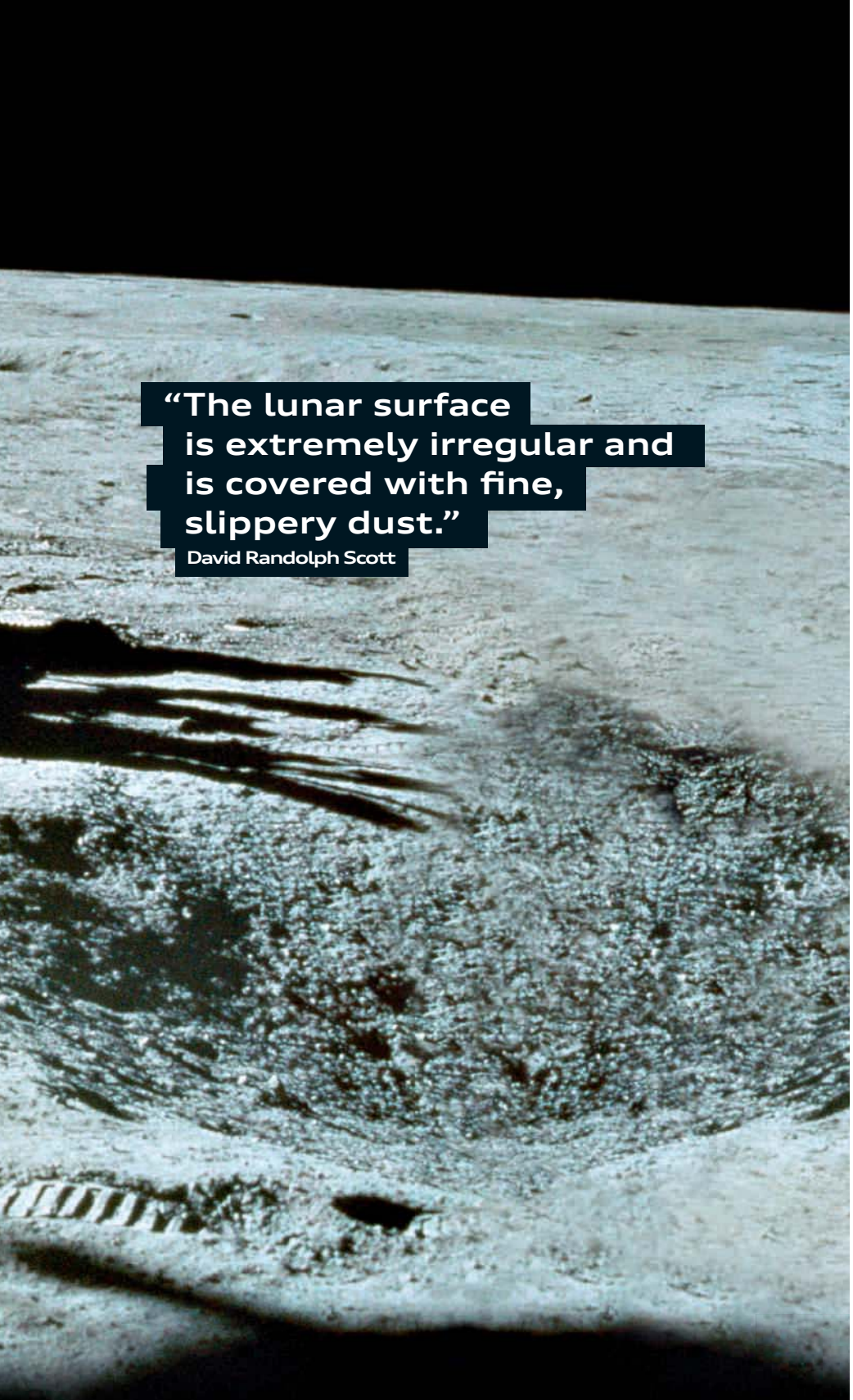
The Apollo astronauts had a continuous view of their home planet some 400,000 kilometers away.

David Randolph Scott, astronaut

The Air Force Colonel was Commander of the Apollo 15 mission. On July 31, 1971, the American was the first person to drive a vehicle on the lunar surface.

In the dusty gray of the lunar surface, navigation is a problem. Especially at a time when there was no GPS, and the computers on the Apollo spaceship were less powerful than an MP3 player today. So how did they do it? Scott says: "We had maps, but they weren't very good ones. And we had a navigation system that consisted of an odometer and a directional gyro unit." It was switched on at the landing site. The astronauts were thus able to determine their distance from the landing module and their angle with respect to it. And because on the moon, the sun always shines from the same direction, a sun

PHOTOS | KARL RONSTROM; WORLD PERSPECTIVES/GETTY IMAGES – GRAPHIC | PICTURE-ALLIANCE/BILDAGENTUR ONLINE/SAUER



> **“The lunar surface is extremely irregular and is covered with fine, slippery dust.”**
> David Randolph Scott

shadow device on the center console of the LRV also served as a solar compass.

Scott and his passenger traveled 27.8 kilometers during their Apollo 15 mission. “The LRV allowed us to explore three completely different regions of the moon for the first time and take some extremely important rock samples.” An LRV was also used in the last two moon landings to date, in 1972. “The LRV was a godsend for us,” says Scott. When asked whether every other car isn’t a bitter disappointment for him since driving the LRV on the moon, he says with a laugh: “That really depends on the car.” ●

JAN DREIER

LRV, precursor of modern automobiles

Engineers worked for 17 months to develop the first lunar rover. Many of their developments are still used today in terrestrial vehicles.

Drive system The lunar rover was driven by four electric motors – one on each wheel. Many electric vehicle studies make use of this same idea today.

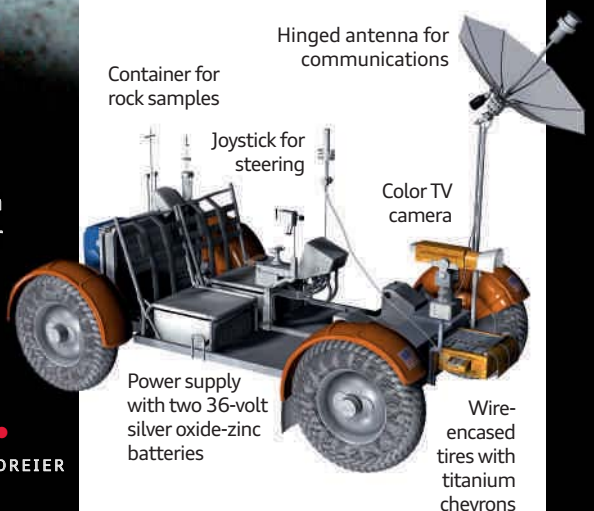
Battery Power in the LRV was supplied by two 36 volt batteries. They lasted for a total of 92 kilometers, but were not rechargeable.

Wheels Each wheel could be accelerated at different speeds. Today’s cars also have this capability – the technology is called the electronic stabilization program, better known as ESP. In addition, both the front and rear wheels on the lunar rover could be steered – like construction machinery.

Lightweight construction The lunar rover was made mostly of aluminum and weighed only 210 kilograms, but could hold a payload of up to 490 kilograms. The lightweight concept reduced the lunar module’s weight.

Navigation The “integrated position indicator” told the astronauts where they were on the moon – a precursor of today’s navigation systems.

Lunar Roving Vehicle (LRV)



Navigation of the future

Remeasuring the world

There are still white patches on the world map. And so, the Earth is currently being remeasured by satellites. Accurate to two meters and in 3D. A revolution – for navigation systems, too.

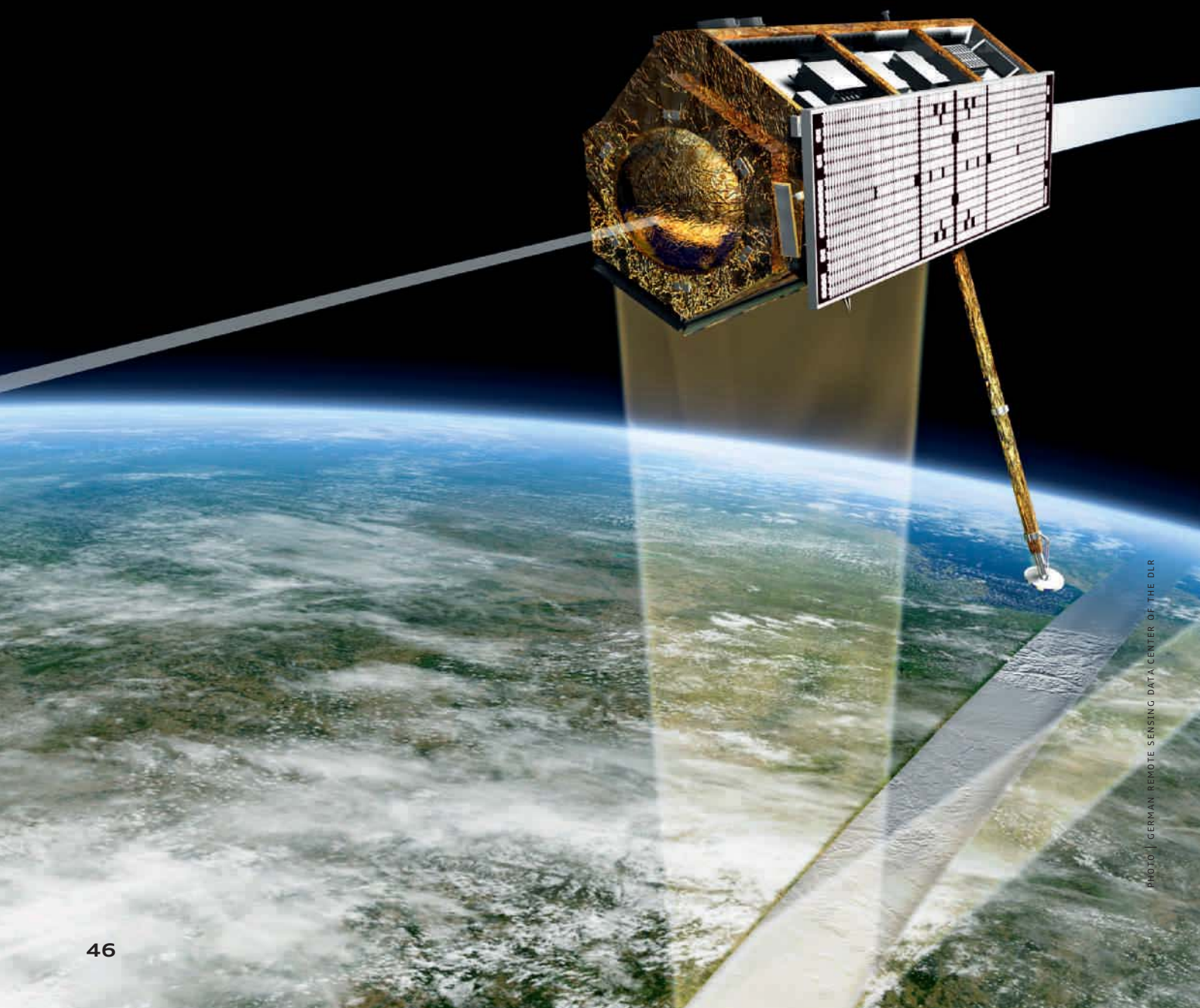
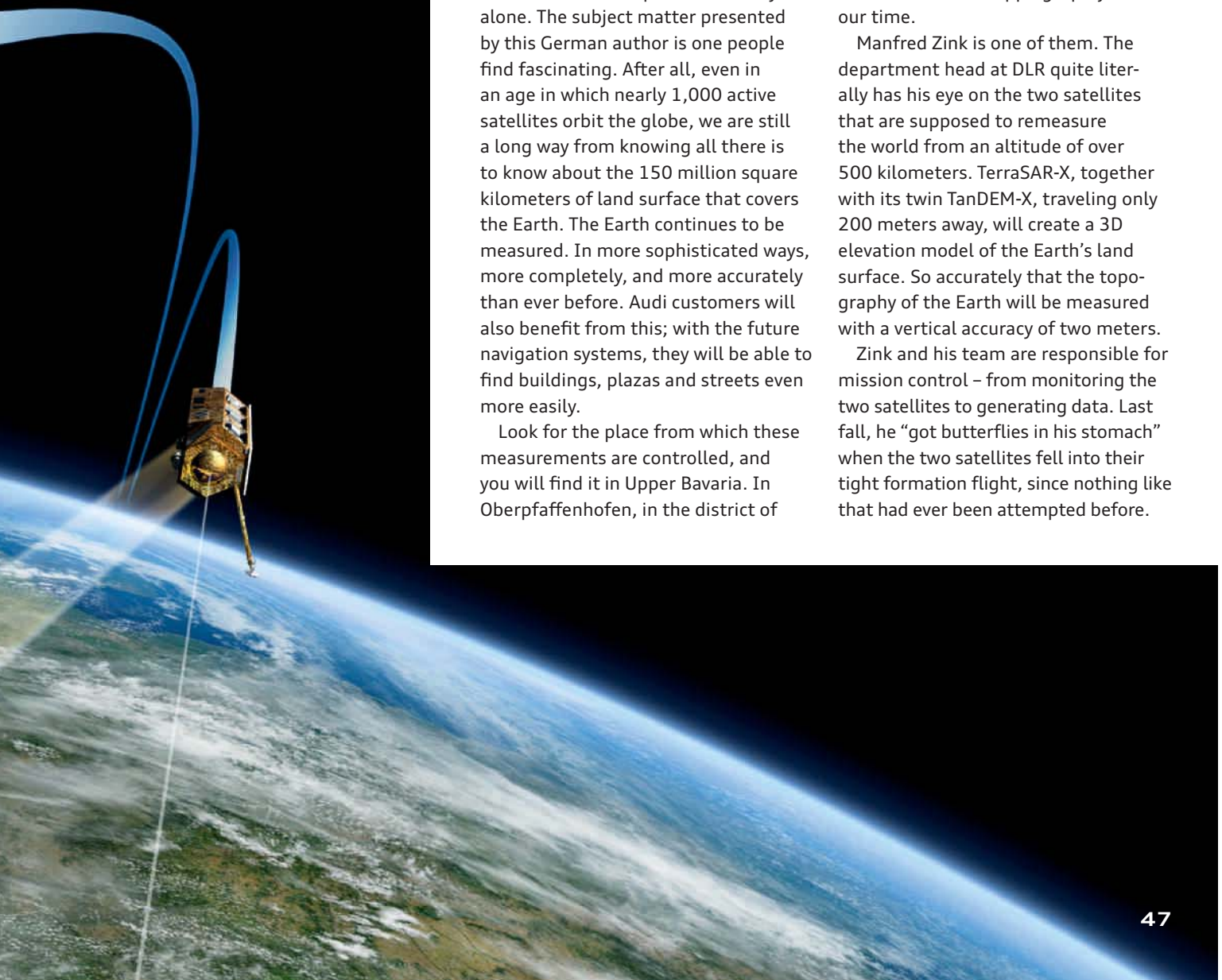


PHOTO | GERMAN REMOTE SENSING DATA CENTER OF THE DLR



Formation flight: The satellites TerraSAR-X (left) and TanDEM-X will measure the Earth's entire land surface in just three years.

It's actually hard to believe that Measuring the World became a bestseller. The book, in which two 19th-century scientists travel around the world drawing maps, is over 300 pages long. In this age of navigation systems and Google Earth, in which every square mile of the Earth has supposedly been measured, photographed, and mapped out, who would be interested in such a story?

Apparently, a surprising number of people. Since 2005, Daniel Kehlmann's bestselling novel about German explorers Alexander von Humboldt and Carl Friedrich Gauss has sold more than two million copies in Germany alone. The subject matter presented by this German author is one people find fascinating. After all, even in an age in which nearly 1,000 active satellites orbit the globe, we are still a long way from knowing all there is to know about the 150 million square kilometers of land surface that covers the Earth. The Earth continues to be measured. In more sophisticated ways, more completely, and more accurately than ever before. Audi customers will also benefit from this; with the future navigation systems, they will be able to find buildings, plazas and streets even more easily.

Look for the place from which these measurements are controlled, and you will find it in Upper Bavaria. In Oberpfaffenhofen, in the district of Starnberg, a municipality between Munich and Lake Ammersee. Located just next to an airplane landing strip is one of the 13 sites of the German Aerospace Center (Deutsches Zentrum für Luft- und Raumfahrt, DLR): This is a modern glass and concrete building in which what you might call the "navigator" descendants of Humboldt and Gauss are at work. Some 150 years after their death, their dream of navigating with high levels of precision might finally be achieved. In Oberpfaffenhofen, 200 DLR employees are in control of the two most important navigation and Earth observation – or mapping – projects of our time.

Manfred Zink is one of them. The department head at DLR quite literally has his eye on the two satellites that are supposed to remeasure the world from an altitude of over 500 kilometers. TerraSAR-X, together with its twin TanDEM-X, traveling only 200 meters away, will create a 3D elevation model of the Earth's land surface. So accurately that the topography of the Earth will be measured with a vertical accuracy of two meters.

Zink and his team are responsible for mission control – from monitoring the two satellites to generating data. Last fall, he "got butterflies in his stomach" when the two satellites fell into their tight formation flight, since nothing like that had ever been attempted before.

The new Audi navigation system plus

The image – here a detail map of Venice – is based on data from Google Earth. Buildings, plazas and streets are even easier to recognize than before.

"Neither satellite knows the other exists, so to speak. And that makes it especially difficult to coordinate the two radar systems precisely and keep them synchronized," explains Zink. The data from space is scheduled to arrive at DLR in Oberpfaffenhofen by 2013. It will provide enough information to fill 200,000 DVDs.

A few buildings away is the main headquarters for the second project that could revolutionize navigation. Called Galileo, it is a European Community program involving 30 operative satellites, which will at one point begin transmitting navigation signals to three frequencies. This will make it possible, for example, to locate every position to within an accuracy of three meters. With its 24 satellites, the GPS system commonly used today is only half as accurate.

The DLR Gesellschaft für Raumfahrtanwendungen (GfR) mbH, a DLR e.V. company, is headquartered in the Galileo Control Center. Its main job is to prepare and operate Galileo. Christian Arbinger heads Operation Services at the Control Center in Oberpfaffenhofen. Like his colleague Zink, he currently tracks the status of the Galileo satellites in simulations and testing on the monitors in the Control Center. Two test satellites are already in orbit; the first two satellites for the future Galileo constellation are scheduled to launch soon. According to plans, 18 satellites will broadcast the first navigation services in 2014. After that, Galileo will be expanded to its full scope of 30 satellites. Arbinger is proud of his project. It will take 100 scientists to control all of the satellites. "Galileo may be the third global navigation system after the American GPS and the Russian GLONASS," says Arbinger, "but it's the first civilian system of this kind, and is, in a sense, Europe's flagship project."

And one that will open up new possibilities for navigation systems of the future. They will be capable of processing signals from both GPS and Galileo, meaning they will have more than 50 navigation satellites at their disposal. That is important for eliminating blackouts caused by a failure to receive signals from space, a regular occurrence today in urban canyons.

The future 3D elevation models and the Galileo satellites will also be a boon for the navigation systems in Audi cars. "We will be able to tell with even greater accuracy when a street becomes steeper or slopes off," says Dr. Stephan Reitzner, Team Coordinator for Navigation Systems at Audi. This will make it possible to lower fuel consumption and increase a car's range, he adds. "With accurate elevation data, we will also be able to improve transmission settings on cars and calculate economical routes." Economical routes are very important for electric cars in particular, as every recharging stop is a time-consuming matter. "Thus it might be possible to make a round trip on a single battery charge," says Dr. Reitzner.

He and his team also use a backup system, which is currently showing its strengths in cities like New York and Chicago, where the average building is 40 stories high. Thanks to a number of additional sensors, Audi navigation systems do not lose their bearings, even if they lose contact with the GPS for an extended period. "The car navigates virtually on its own," says Dr. Reitzner. Humboldt and Gauss would certainly have been pleased. ●

OLIVER RICHARDT

The control center in Oberpfaffenhofen: The Galileo system's satellites will be controlled from this modern glass and concrete building in the future.

Find out more about the navigation of the future at: www.audi.com/ar2010/navigation

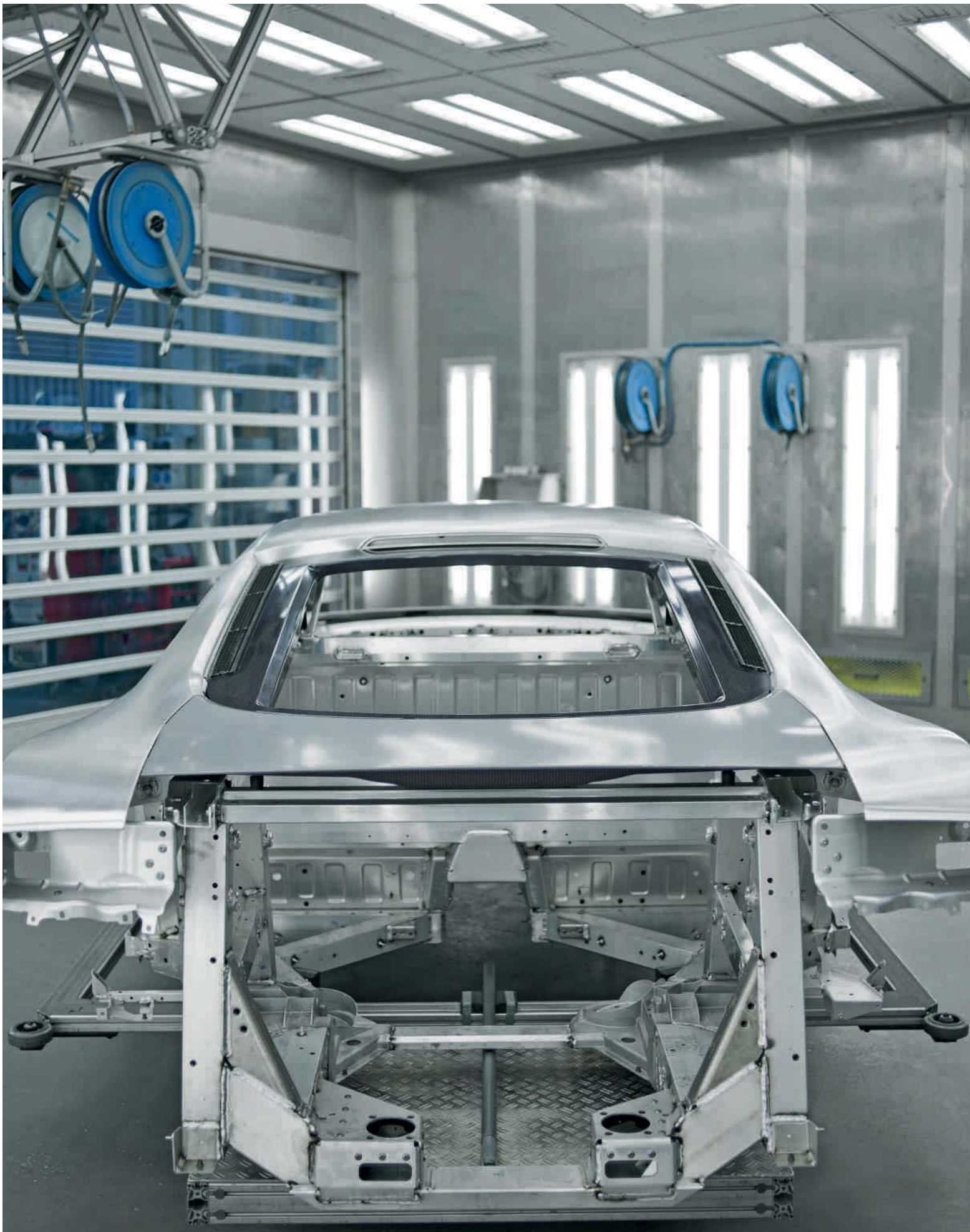
PHOTOS | GERMAN REMOTE SENSING DATA CENTER OF THE DLR; AUDI AG (2); ISTOCKPHOTO.COM

The dawning of a new age of efficiency

Light
but strong –
all in a day's work
at Audi (p. 50).

Waiting for its first 24-hour race at Le Mans:
the new Audi R18 (p. 60).

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



The rear lid of the Audi R8 GT* is made of carbon fiber-reinforced plastic (CFRP). This is the ideal material for a high-performance sports car owing to its minimal weight and high strength.

Lightweight design

Lean family

Lightweight design is one of Audi's great strengths. This core competence of the brand is being systematically expanded at the Audi Lightweight Design Center in Neckarsulm.

The motivation has to be right," says Heinrich Timm, who for many years was Head of the Audi Lightweight Design Center in Neckarsulm. Even when meeting Timm and his successor Dr. Lutz-Eike Elend for the first time it is clear that they have the right motivation. Elend, who holds a PhD in production engineering, took over from Timm in November 2010 and is continuing the successful work of decades past that made Audi one of the leading brands internationally with regard to lightweight design.

Heinrich Timm, a pioneer of lightweight design, is retiring, but only partially. He will continue to share his valuable experience with the Company as a consultant. The Audi Space Frame (ASF) technology was developed under his leadership in the mid-1990s, sparking many new developments in the field of lightweight design.

The motivation in Neckarsulm is also right in another regard. After Audi established a special Aluminum Center for development, production planning and quality assurance here in 1994, lightweight design was systematically expanded into one of the brand's core competences. This is due primarily to the fact that a very diverse range of expertise is pooled at the site. "Our work involves the entire process chain," explains Timm.

Lightweight design starts with suitable materials, the development of new, higher-performance alloys and materials, continues through structural design, computation, materials technology and production planning to quality assurance. Specialists in each of these fields work under one roof in Neckarsulm.

Lightweight design is a strategic task for Audi; after all, comfort, performance and safety requirements bring with them an increasing amount of weight. "One of our most enduring aims for the future is to reverse the weight spiral," says Michael Dick, Member of the Board of Management for Technical Development at AUDI AG.

Audi has incorporated a large number of groundbreaking innovations in lightweight design into production models.

The reversal of the weight spiral harbors significant secondary effects. By its very nature, there is a particularly large amount of potential to be found in the body. Compared to steel, an ASF body is at least 40 percent lighter. But the powertrain, the chassis, the electrical systems and the interior can also make major contributions to weight reduction.

Every 100 kilograms saved reduces fuel consumption by around 0.3 liters per 100 kilometers, corresponding to a reduction in CO_2 emissions of roughly 8 grams per kilometer.

Audi has incorporated a large number of groundbreaking innovations in lightweight design into production models over the last quarter of a century. The Company had already defined automotive lightweight design as a strategic project back in 1982. Many technological milestones and a multitude of patents came along the way to the development of an entirely new body structure, the Audi Space Frame. The mission was nothing more and nothing less than to once again reinvent the self-supporting body, but this time with aluminum, a material that is substantially lighter than conventional steel, and with a new principle.

In 1994, the Audi A8 became the first series production car to use the Audi Space Frame, and the design principle behind it remains valid to this day: Diecastings and extruded sections form a framework-like skeleton that incorporates aluminum panels as co-supporting elements. The components with their various cross-sections and shapes combine optimal function with low weight.

Over 600,000 units of the Audi A2, TT Coupé* and TT Roadster*, A8 and R8 have been built to date using Audi Space Frame technology.

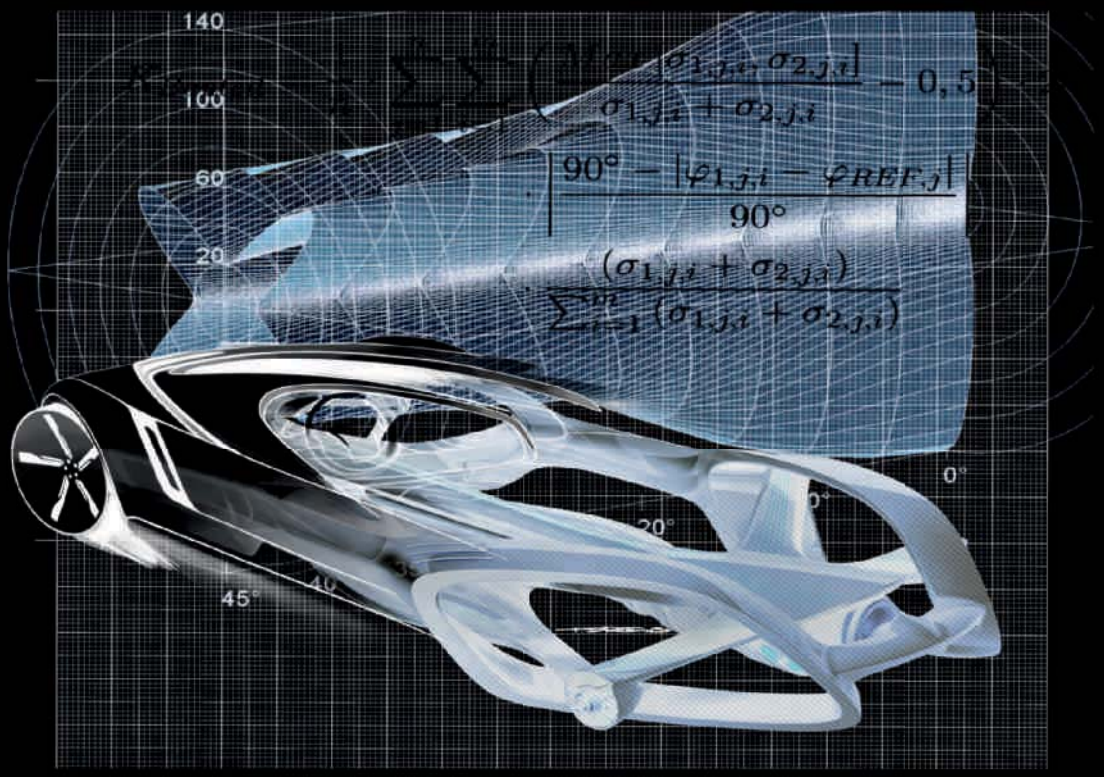
Expertise under one roof (from left): Dr. Lutz-Eike Elend (Head of the Audi Lightweight Design Center), Heinrich Timm (former Head of the Audi Lightweight Design Center) and Albrecht Reimold (Neckarsulm Plant Manager).

PHOTOS | LAURENT BURST/AGENTUR FOCUS

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

Developing the future

Intelligent lightweight design will also apply to future mobility at Audi. New drive systems require new body shapes and thus also the use of new materials, such as magnesium or fiber-reinforced plastics. Computer simulations help the engineers at the Audi Lightweight Design Center to implement this multi-material design in a manner that is appropriate for the materials.



"Lightweight design makes a major contribution to sportiness and efficiency," says Elend, "and thus to conserving resources and reducing operating costs, which means a direct benefit to the customers."

The body of the first A8 weighed only 249 kilograms; that of the compact A2 weighed just 156 kilograms. The equivalent figure for the A2 1.2 TDI – the world's first five-door, three-liter car – was a mere 135 kilograms, which formed the basis for the sensational average fuel consumption of 2.99 liters of diesel fuel per 100 kilometers. "It always takes courage to lead the way," says Timm today in reference to the groundbreaking concept of the A2.

Today's models – the new generation of the A8 and the R8, TT Coupé* and TT Roadster* sports cars – document the current state of ASF technology. The strength of extruded sections is their design flexibility. The side sills of the TT Coupé and the TT Roadster, for example, are identical on the outside, yet because of differences in their internal rib structure vary in stiffness. This is even greater in the Roadster than in the Coupé to compensate for the lack of a roof. "We utilize bionic principles," explains Timm, which means taking nature as an example. "It's like with a stalk of wheat, which owes its stability to its special structure."

Aluminum is now increasingly combined with other materials. The aluminum body of the R8, whose co-supporting engine frame is made of ultra-light magnesium, weighs 210 kilograms. With the V10 engine* producing 386 kW (525 hp), the entire car weighs just 1,620 kilograms. Its power-to-weight ratio is 3.1 kilograms per hp – the same as that of a well-trained athlete.

Irresistible power: the 5.2-liter V10 engine in the R8 GT*.

The material mix has also found its way into the new Audi A6.

In the new A8, the B-pillars are made of hot-shaped steel for enhanced side-impact protection. The material mix has also made its way into the A6 introduced in late 2010. The structure of the body is made of steel, although it does integrate individual aluminum components, such as the mount for the struts. The outer skin of the new A6 is made entirely of aluminum for the first time.

Audi has increased its lead step by step: in materials, in the intelligent material mix, in joining technology and in production efficiency. "Production's expertise is already needed in the early development phase of a new model," says Albrecht Reimold, Neckarsulm Plant Manager, "primarily with respect to subsequent economical use in high-volume production."

More than 13,000 people work at Audi's Neckarsulm site. The A8 and the R8 are among the cars built in the spotlessly clean factory buildings there.

PHOTOS | LAURENT BURST/AGENTUR FOCUS (2) SKETCH | AUDI AG

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

High-end material CFRP

The direction has to be right

Carbon fiber-reinforced plastics (CFRP) are an excellent material for not only the aerospace and aviation industries, but also for making cars. They have long demonstrated their strengths in motorsports. Depending on their configuration, they achieve outstanding tensile strengths of 500 to 1,350 Newtons per square millimeter, absorb energy very well, are extremely lightweight and offer the greatest possible design freedom.

A single carbon fiber is only five to eight micrometers thick, or roughly one tenth the thickness of a human hair. As a rule, 1,000 to 50,000 of them are combined to form rovings (strands), which are the base material for the fabric. The layer structure is what determines the material properties: Because CFRP materials are only high-strength in the direction of the fibers, the individual layers are laid down in different directions. They are embedded in a matrix, usually epoxy resin. When the resin cures, the part is finished. The parts are still largely built by hand today. Further developments in production technology are required before CFRP parts can be used in large-volume production.

Visible high-tech: CFRP sideblade of the Audi R8 GT.

Whereas the degree of automation in A8 production is nearly identical to that with a conventional steel sheet body, production of the exclusive R8 high-performance sports car has more of a handcrafted character.

With the R8, the front end, the central floor and the rear end are assembled separately from one another. After the assemblies are joined to form the substructure, the pillars and the large metal panels – primarily the roof, the side walls, the doors and the cover panels – are added. "The key factor is the joining technology," explains Elend. "We mostly use joining techniques developed and patented by Audi for production."

The perfect interplay throughout the entire process chain – from development and planning, the building of the machines, fixtures and tools, to the press shop, body shop and the paint shop, all the way through to assembly – all takes place according to Audi's exacting quality standards.

A fully automatic measuring system checks the dimensional accuracy of each body down to a tenth of a millimeter. The scanner works without contact and uses its 95 laser sensors to check 220 points within five seconds.

A system change in carmaking is looming as a result of electric mobility.

Further extending the lead in structural design and fabrication is also what drives Elend to new innovations. After all, carmaking is once again facing a system change, and this change is bringing with it new tasks for the lightweight design specialists. "Future drive concepts set new requirements for the body and add additional weight to the car," says the new Head of the Audi Lightweight Design Center. "This presents us with an entirely new set of challenges regarding proper implementation for the materials involved."

Audi will use lightweight design concepts to offset the significant added weight for electrified drive systems. This also includes the use of innovative materials. It was for this reason that the Company invested in a new technical center for fiber-reinforced composite materials back in 2009.

In particular, these include carbon fiber-reinforced plastics (CFRP), which Audi will use in an intelligent material mix with aluminum and steel, for example, but also with ultra-light magnesium. The pioneering efforts in the field of aluminum construction will help to transfer the know-how to other technologies and materials. "We know what it means to take a new material to production maturity," says Board Member Michael Dick, "and we will also demonstrate this with CFRPs."

Lightweight design is even visible in the R8 Coupé*. Its CFRP sideblades in structured honeycomb look are an unmistakable design element. In the open version, the R8 Spyder*, the percentage of CFRP parts was increased even further. The side panels and the complex top compartment cover are made of the lightweight carbon fiber. "The CFRP hatch yields weight savings of roughly 20 percent compared to aluminum," says Elend. "This component has such a complex shape that it would not even be possible with metallic materials," adds Timm, his predecessor under whose leadership the structure of the R8 was developed.

The new materials therefore offer not only significant weight advantages, they also offer new design possibilities. The R8 GT* shows just what potential the composite materials harbor. The rear hatch of the limited production model is made of CFRP for a weight advantage of 6.6 kilograms. The bucket seats, which feature a chassis made of glass fiber-reinforced plastic (GFRP), save 31.5 kilograms.

In the future, the challenge will lie in the ability to also produce ultra-light materials economically in large volumes. So the lightweight design specialists from Neckarsulm will not be short on work – and certainly won't be running out of ideas. ●

THOMAS AMMANN

Visit the Audi Lightweight Design Center: www.audi.com/ar2010/lightweight

Efficient novelty

The groundbreaker

In 2011, Audi will launch the Q5 hybrid quattro*, the first volume-produced Audi to combine a gasoline engine with an electric motor. It is the forerunner for an entire family of hybrid models.

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

That's how it is with the future: It approaches very quietly. At least in the case of the new Audi Q5 hybrid quattro*. The first encounter with the car can be a very special experience. A press of the starter button and then … nothing. No starter sounds, no rumble at idle. Just silence. The Audi Q5 hybrid quattro conveys an entirely new driving sensation even while standing still.

When looking for the tachometer, the driver finds in its place a power meter, whose needle is on "READY," as in ready to start. It is, of course, not true that nothing happens when the car is started. Two powerplants – a 2.0 TFSI gasoline engine and an electric motor – are ready to spring into action, and comfort-related functions such as the air conditioner are also operational before the car starts moving. It's just that the driver barely notices any of this, and that is the way it is supposed to be. The technology is there when it is needed, but it doesn't force its way to the forefront.

The questioning glance at the power meter after starting the car will become a habit in the future. But the driving experience in the Q5 hybrid quattro is anything but ordinary – it thrills the driver right from the start. As soon as the driver releases the brake, the vehicle proceeds solely on electric power and thus with zero local emissions. The car can be driven at up to 100 kilometers per hour in this electric mode without the support of the gasoline engine. This ability makes the Q5 hybrid quattro a full hybrid. All-electric operation requires a delicate touch on what used to be known as the gas pedal, however. A slightly heavier push on the pedal activates the combustion engine as a power source almost imperceptibly for the occupants.

Hybrid drive – this is always a joint venture between an electric motor and a classic combustion engine. The objective is more power coupled with greater efficiency. Together the 2.0 TFSI gasoline engine and the electric motor have a system output of 180 kW (245 hp) and produce 480 Nm of torque. The hybrid model in the successful Q5 series sprints from zero to 100 km/h in 7.1 seconds, while the interim sprint from 80 to 120 km/h takes just 5.9 seconds in fifth gear. Top speed is 222 km/h.

This makes the Q5 hybrid quattro a true hybrid performance SUV and an ideal addition to the model line, which is positioned as sporty and progressive. The Q5 hybrid quattro demonstrates Vorsprung durch Technik and combines the Audi core competences of TFSI,

Audi Q5 hybrid quattro powertrain

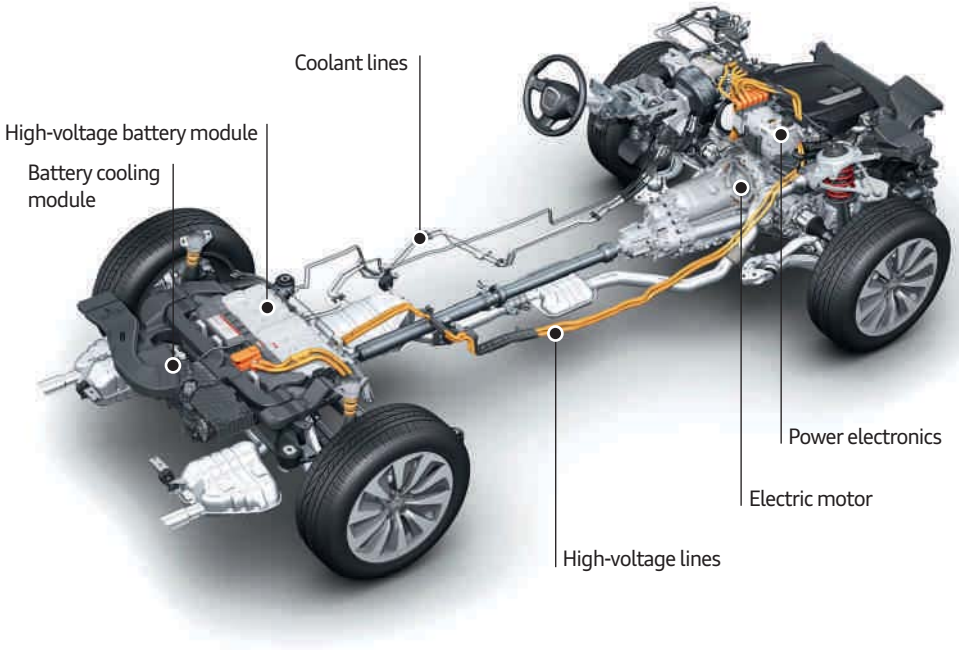


PHOTO | AUDI AG GRAPHIC | AUDI AG

Hybrid technology

The power of two hearts

The 2.0 TFSI in the Audi Q5 hybrid quattro produces its power from a displacement of 1,984 cc. Its output is 155 kW (211 hp), with the maximum torque of 350 Nm available between 1,500 and 4,200 rpm. The four-cylinder engine combines direct injection with turbocharging – typifying the Audi philosophy of downsizing, which replaces displacement with forced induction.

A so-called permanently excited synchronous machine serves as an electric motor, as a starter and – during deceleration – as a generator. It delivers up to 40 kW (54 hp) of power and 210 Nm of torque. The electric motor is integrated in the engine's cooling circuit.

The lithium-ion battery system in the back of the Q5 is air-cooled. It consists of 72 cells; at 266 volts its nominal energy is 1.3 kWh and its output 39 kW.

The 8-speed tiptronic does not require a torque converter. Its place is taken by the electric motor, which is combined with the multi-plate clutch operating in an oil bath. The clutch couples and decouples the electric motor and the TFSI.

With its eight widely spaced gears, the comfortable and fast-shifting hybrid transmission contributes significantly to the efficiency of the Audi Q5 hybrid quattro. When the 2.0 TFSI is inactive, an electric pump maintains the oil pressure in the hydraulic system to safeguard the convenient start-stop feature.

quattro and lightweight design with innovative hybrid technology.

The vehicle demonstrates that driving in the electrical age means anything but sacrifice. It impresses with the performance and acceleration data of a powerful six-cylinder engine but with the fuel consumption values of an efficient four-cylinder TDI: less than 7.0 liters of gasoline per 100 kilometers in the normal cycle. This corresponds to CO_2 emissions of less than 160 grams per kilometer – outstanding values for an SUV of this size.

Audi is heading for the future with its first full hybrid in the premium segment. "The Q5 hybrid quattro* has a strategic mission," says Bernd Huber, Technical Project Manager for the Q5 hybrid. "It is the groundbreaker for electrification at Audi." The hybrid system in the Q5 hybrid quattro expands the Audi modular efficiency platform to include innovative hybrid modules. This forms the basis for its use in other Audi models with longitudinally mounted engines, including the new generations of the A6 and A8 models. You can therefore expect to see the "hybrid" badge on additional Audi models.

Technical development has progressed in leaps and bounds in recent years: downsizing with the combustion engines, greater use of electronic systems, the development of more powerful battery technologies. With the Q5, Audi is one of the first manufacturers to use a powerful, yet relatively lightweight lithium-ion battery. The compact unit weighs just 38 kilograms and is placed in a crash-protected area under the cargo floor.

The intelligent interplay of the components is what makes hybrid driving so fascinating. The Audi Q5 hybrid quattro can be driven in a number of different operating modes: with the combustion engine alone, with the electric drive alone or in hybrid mode, in which the two systems work together. These modes are managed fully automatically using the hybrid manager in the engine control unit. Power transfer is by means of an 8-speed tiptronic specially modified for use in the Q5 hybrid quattro.

"We want to drive in all-electric mode whenever and wherever possible."

The driver can easily change between three driving programs using a button on the center console and the gear selector lever. EV mode gives priority to the electric drive, D mode controls both motors for optimal fuel consumption, and S mode as well as the tiptronic gate are designed for a sporty driving style.

The top priority remains enhanced efficiency. "The development work was focused on a high percentage of electric driving," says Jörg Kerner, Head of Drive Electrification at Audi. At a constant speed of 60 km/h, the purely electric range is as much as three kilometers, which is sufficient for most residential areas and many inner cities.

And where does the electricity come from? Not from the wall outlet – the Q5 does not use a plug-in system. The electric motor gets most of its energy by means of recuperation, an energy recovery process. During recuperation, the electric motor acts as a generator and recovers energy when the driver brakes or releases the accelerator. The vehicle's kinetic energy is converted to electrical energy and stored in the drive system battery, so that it can be used again later for subsequent acceleration or to power the vehicle's energy system.

The payoff from this efficiency comes when starting off. During strong acceleration, or "boosting," the electric motor and the combustion engine work together; the entire system output is briefly available during acceleration under full load.

The Q5 hybrid quattro comes with a new display concept for the individual driving states. The power meter shows

Keeping things in check: The power meter (left) and the display in the middle make the various driving modes of the hybrid drive transparent and show the power flows.

PHOTOS | AUDI AG

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

Types

Hybrid technology

Micro-hybrid

A micro-hybrid uses a start-stop system and energy recovery to save energy. Kinetic energy is converted into electrical energy and stored in the vehicle battery. This relieves the load on the generator and the combustion engine, and saves fuel.

Mild hybrid

Mild hybrids have an additional electric drive which temporarily supports the combustion engine in unfavorable operating conditions. However, the electric motor's output and the battery capacity are not sufficient for all-electric driving. Audi has omitted this interim technology and is focusing on full hybrid technology in its development work.

Full hybrid

With this technology the electric motor can temporarily power the car on its own. The planned Q5 hybrid quattro, A6 hybrid and A8 hybrid models are members of this category.

Plug-in hybrid

On the plug-in hybrid, the battery can be additionally charged up using a regular power socket. Longer distances can be covered using only electric power. In 2010, Audi unveiled a concept car with plug-in hybrid drive: the e-tron Spyder.

the overall output of the system on a scale from 0 to 100 percent. Colored segments visualize the states efficiency, boost and recuperation, plus the range possible with electric driving. An analogue display indicates the charge status of the lithium-ion battery.

At the same time, the display of the driver information system and the large monitor of the standard MMI navigation plus system use 3D graphics to show the operating states and power flows in the hybrid system. The MMI monitor also shows how much energy is currently being consumed or recovered. In practice, all of this information makes a valuable contribution to efficient driving.

While driving, it quickly becomes clear why the Audi Q5 series is enjoying such great success in the premium mid-size SUV segment in Europe. The quattro all-wheel drive system guarantees superior road characteristics in virtually any situation, the seating position just "fits," all-around visibility is outstanding, and you get the feeling of driving one of the sportiest SUVs in its class.

Measuring 4.63 meters in length, 1.88 meters in width and a mere 1.65 meters in height, the proportions of the Audi Q5 play a role here, as does the intelligent lightweight construction, which Audi rigorously pursues in the hybrid version, as well.

The tailgate and the engine hood are made of aluminum. The rigid body shell incorporates hot-stamped steel at numerous places, combining low weight with very high strength. With a curb weight of less than 2,000 kg, the Q5 hybrid quattro* is one of the lightest hybrid SUVs on the global market. All its hybrid components add less than 130 kg extra weight. The Q5 hybrid quattro offers the same generous level of standard equipment as its sister models, although some components such as the air conditioner have been adapted to the requirements of electric driving. The compressor for the air conditioner features an electric drive that maintains the climate control function even when the combustion engine is switched off.

Options available for the hybrid version also include advanced driver assistance systems normally found only in full-size models. One new feature is the connection to the Internet via the optional Bluetooth car phone. A UMTS module retrieves news and weather information from the World Wide Web to the vehicle. The hybrid SUV also uses the fast connection to download three-dimensional satellite images and aerial photos from Google Earth. These appear as bird's eye views on the monitor; the computer draws in the roads. Another high-end feature is the WLAN hotspot, which allows up to eight terminal devices to connect to the Internet.

Vorsprung durch Technik – the Audi Q5 hybrid quattro is showing the way to the future of mobility. ●

THOMAS AMMANN

See more about the Audi Q5 hybrid quattro here: www.audi.com/ar2010/hybrid

In March of last year, Audi presented the hybrid study of the A8 luxury sedan to a global public.

S tronic

The perfect moment

Olympic women's fencing champion Britta Heidemann and the Audi S tronic dual-clutch transmission have something in common: Both have to respond instantly and precisely.

Zap!" says Britta Heidemann and gives the shift paddle at her steering wheel a tug. The fencing champ wants to get going, from Munich Airport onto the autobahn, to Audi in Ingolstadt. The next "zap," third gear, then "zap" again, fourth gear. No perceptible jolts. The S tronic transmission shifts gears the way Heidemann fences: smooth, fast, precise. If she pulls the right shift lever, she is shifting up, a tug on the left and she's shifting down a gear.

Of course it isn't easy to compare a transmission with a fencer. But this 28-year old from Leverkusen isn't just any woman handling an épée. She's the only woman fencer in the world to ever have been Olympic champion, world champion and European champion at the same time. So if anyone knows how to move with smooth precision, she's the one.

This links her with Michael Schöffmann who, at 49, is in charge of Transmission Development at AUDI AG. "The S tronic is one of the best transmissions in our product line," he explains. If you ask Schöffmann what's really important in a 7-speed transmission, his answer sounds a lot like Britta Heidemann.

"It has to go zap, zap, zap," he says succinctly, "almost without interrupting tractive power." That means no jolts, no breaks. The driver experiences a perfect moment.

Heidemann doesn't like automatic transmissions. "I'm a fan of old-fashioned manual shifts," she says. "I like to make the decisions. When I want second gear, I don't want to wait till an automatic shift brings it on with a few jolts." When it seems like someone else is in control, it smacks of defeat to her.

But the S tronic is no ordinary automatic transmission. "The S tronic is the synthesis of a highly efficient manual transmission with the convenience of an automatic," Schöffmann explains to the fencer. The technology behind it is the dual clutch. One of the two clutches in the car serves the odd-numbered gears plus reverse, the other clutch handles the even gears. "When one part of the transmission is shifting, the other part is already engaged in the next gear. You might say it's standing by," says Schöffmann. In other words, as soon as Heidemann says "zap" and shifts up, it takes only two-tenths of a second until one of the clutches opens and operates, while the other clutch closes.

Heidemann doesn't have much more time than this on the fencing piste when she wants to dodge an attack. "I have to anticipate my opponent's next move," she confides, "I've got to figure her out." Ever since Heidemann first donned a fencing mask at age 14 she had to learn to think like that. Not just in competition – in training too.

"But how can the S tronic transmission predict whether the next gear is supposed to be higher or lower?" asks the fencing champ. What a car driver will do next seems just as hard to guess as the next move of a fencing opponent.

Experts on precision

Olympic fencing champion Britta Heidemann talked with Michael Schöffmann, Head of Transmission Development at AUDI AG, at the Audi Forum Ingolstadt.

"The S tronic has some tricks of its own," Schöffmann responds. Sensors measure how fast the driver is accelerating, and whether he is going uphill or downhill. They measure whether he's just cruising or driving more aggressively, at high or low revs, and with how much transverse acceleration. "Depending on what the electronics anticipate, the S tronic engages the next gear up or down on the other part-transmission," Schöffmann explains. This dual-clutch system can even look into the future. A link to the navigation system enables the S tronic to analyze the road ahead, for instance whether a fast straight or a slow curve is next.

For Heidemann one more right turn is coming up, the one into the Audi site in Ingolstadt. "Zap," says the fencing champ, tugs on the shift paddle and turns off the road. ●

SVEN SCHULTE-RUMMEL

Find out more about the S tronic transmission at: www.audi.com/ar2010/s-tronic

Speed scores

Britta Heidemann and the new Audi RS 3 Sportback* with 7-speed S tronic dual-clutch transmission.

PHOTOS | DAVID KÖNGISMANN/TANK MANAGEMENT

Racing: 24 Hours of Le Mans

A question of faith

Audi needed just one year to develop the R18, a completely new Le Mans prototype with which the brand hopes to claim its tenth victory in France on June 11. An amazing feat on the fast track.

The Audi R18 is a new development: the carbon-fiber chassis, innovative LED lighting technology – and a roof.

PHOTOS | AUDI AG

Le Mans at night: The racing circuit demands maximum concentration.

The city of Le Mans lies in northwestern France. Its two claims to fame – the Cathedral of Saint Julien and the world's most legendary motorsport race, the 24 Hours of Le Mans – could hardly be more different. And yet they share a striking similarity: faith. It is the lifeblood of both.

On June 11 this year, the world will see whether Audi placed its faith wisely. In a completely new car, a diesel engine and a roof, after nine victories with open Le Mans prototypes.

The starting gun for the legendary struggle between man, machine and the opposition sounds at 3 p.m. Held for the first time in 1923, the race was intended to demonstrate a vehicle's durability. This original idea has endured to the present day more or less unchanged.

The Circuit de la Sarthe is extremely fast and dangerous, covering nearly 14 kilometers of mostly public interurban roads that are closed for the race. Dips and ruts are among the particular challenges posed by this course. Structural changes were made to the circuit in 1990 because the racing cars had become too fast. In the early 1980s, for example, drivers reached top speeds of over 400 km/h on the five kilometer-long Ligne Droite des Hunaudières straight. Despite the addition of two chicanes, the racing cars still reach speeds of nearly 350 km/h. Le Mans is a 70 percent full throttle track. This means that with a lap time of 3 minutes and 30 seconds, the driver spends 2 minutes and 27 seconds at full throttle.

The smell of racing fuel and burned rubber signals the awakening of the Queen of Motorsports. And heroes are born with the crescendo of the engines on the banks of the Sarthe River. Each year roughly 250,000 motorsport fans cheer on the daring young drivers in their high-tech, carbon-fiber racing machines. Since the first Audi Le Mans prototype debuted in 1999, Audi pilots have stood as winners on the podium and hoisted the heavy trophy into the air nine times already. This year, however, a number of things are different even before the start.

Under the body lurks a 3.7-liter V6 TDI engine.

5 questions for Dr. Wolfgang Ullrich

"Le Mans is the biggest challenge in motorsport."

For more than 17 years, the fate of Audi Motorsport has rested in the hands of Dr. Wolfgang Ullrich. A doctor of engineering and native of Vienna, Austria, Ullrich discusses nodding off, technical efficiency and against whom he would like to compete at Le Mans.

What percentage of the previous car, the R15, has it been possible to carry over into the development of the R18? Zero. The car was developed from scratch. But this effort won't have been in vain. Many ideas from motorsport make their way into production vehicles.

The new rules allow the use of hybrid technology. How far along are developments in this area? We won't use any systems for energy recuperation in 2011. Nevertheless: We are continually working to improve the efficiency of the car.

How much sleep do you get during a race weekend at Le Mans? Normally none during the night of the race. I do sometimes nod off in my chair for few seconds, however.

What does Le Mans mean to you personally? Mastering the greatest challenge in motorsport. You work all year long toward this race, and you have to wait a year for the chance to correct the result.

Which competitors would you like to see come to Le Mans? It would be nice if another premium manufacturer from Germany would find the courage to return to Le Mans. And I emphasize: return.

There wasn't a lot of time for the development of the R18, as the newest member of the Audi racing family is known. The engineers had just one year to develop a completely new automobile. Compare this to more than four years for the development of a production vehicle. This tremendous feat was made necessary by the late finalization of the rules.

A daunting challenge awaits the cars and the drivers.

Since 2009, the race organizer, the Automobile Club de l'Ouest (ACO), has permitted fewer mechanics to take part in pit stops, doubling their length compared with previous years. The smaller restrictors specified beginning in 2011 also slow the flow of fuel and lengthen the refueling process. Any time saved climbing in and out of the vehicle during a driver change therefore hardly matters. The designers were able to devote their full attention to the aerodynamics. This resulted in the most obvious novelty of the new car: the roof. Dr. Wolfgang Ullrich, Head of Audi Motorsport, explains it like this: "It was clear to us that we had to develop a car with a roof if we wanted to compete for the checkered flag at Le Mans. A closed car simply cuts through the wind better."

A daunting challenge awaits the cars and the drivers. In this one race, the pilots will cover roughly as many kilometers as a Formula 1 driver does in an entire season. Every last part of the car must withstand these loads until crossing the finish line. Wheel bearings, engine bolts, pistons and hoses – nothing is spared at Le Mans.

This makes the victories celebrated by Audi in years past all the more impressive. Besides nine victories and the successful introduction of the diesel engine to racing, Audi can also boast of a large number of further triumphs. Last year, Audi took the top three places with the R15. The winning car completed 397 laps in 24 hours and covered 5,410 kilometers. It went through 11 sets of tires. The average speed was 225.23 km/h; it posted its fastest lap time of 3:21.981 during qualifying.

Why do all of this? Because we can, certainly. Because a handful of people believe in an idea, pursue a goal. And what is very important to Audi: Many of the developments that debut at Le Mans make their way sooner or later into production vehicles. Experience crucial for the modern engine technology used today in Audi-brand automobiles is gleaned at Le Mans. This year, innovative LED lighting technology will be used to illuminate the track during the race. Illumination brings us back to faith. Without faith in your ability to win, there is no point in entering at Le Mans. At Audi Sport, Dr. Ullrich is confident of having designed a car capable of winning in the R18. "We set ambitious goals for ourselves, and we now have a lot of testing work to do. If we are able to confirm these targets and also achieve them on the track at Le Mans, we will have taken a tremendous step forward with this car." Sounds as if the R18 is a winner. Have faith. ●

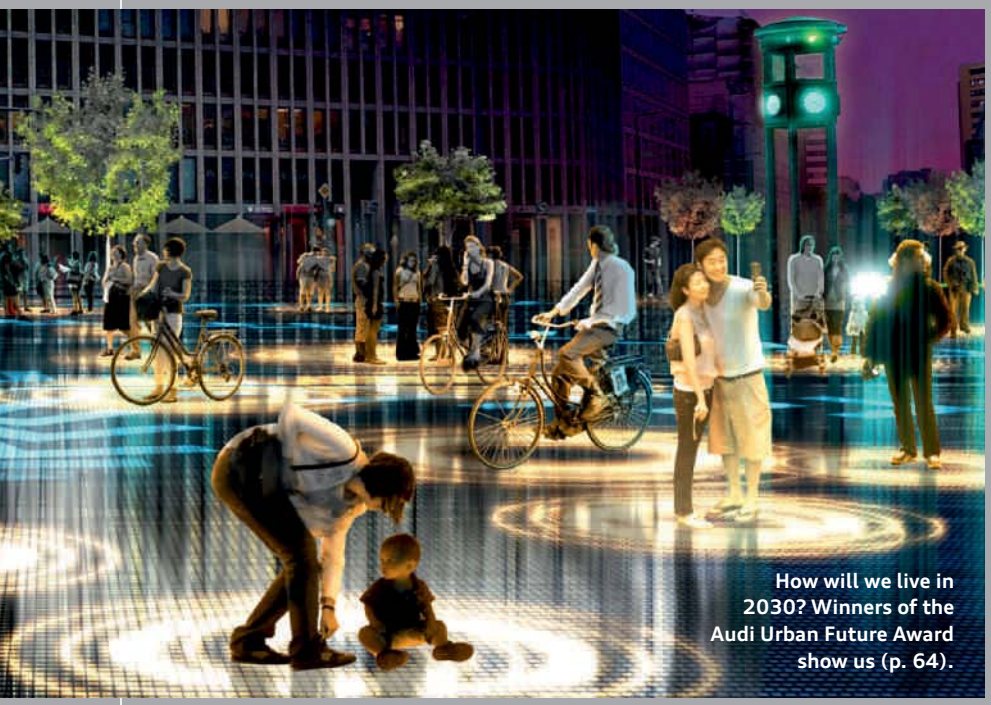
TIM GUTKE

Experience the premiere of the R18 at: www.audi.com/ar2010/lemans

PHOTOS | AUDI AG (2); OLAF TAMM/AGENTUR FOCUS; BIG – BJARKE INGELS GROUP

Entering a new world of mobility

Electric car and supercar in one: Stig Blomqvist tests the e-tron Silvretta (p. 82).



How will we live in 2030? Winners of the Audi Urban Future Award show us (p. 64).

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

Architecture competition

Vision 2030

The Audi Urban Future Award honors visionary urban planning concepts that focus on mobility in urban spaces. It began in 2010, with five architecture firms from all over the world considering the future of the cities.

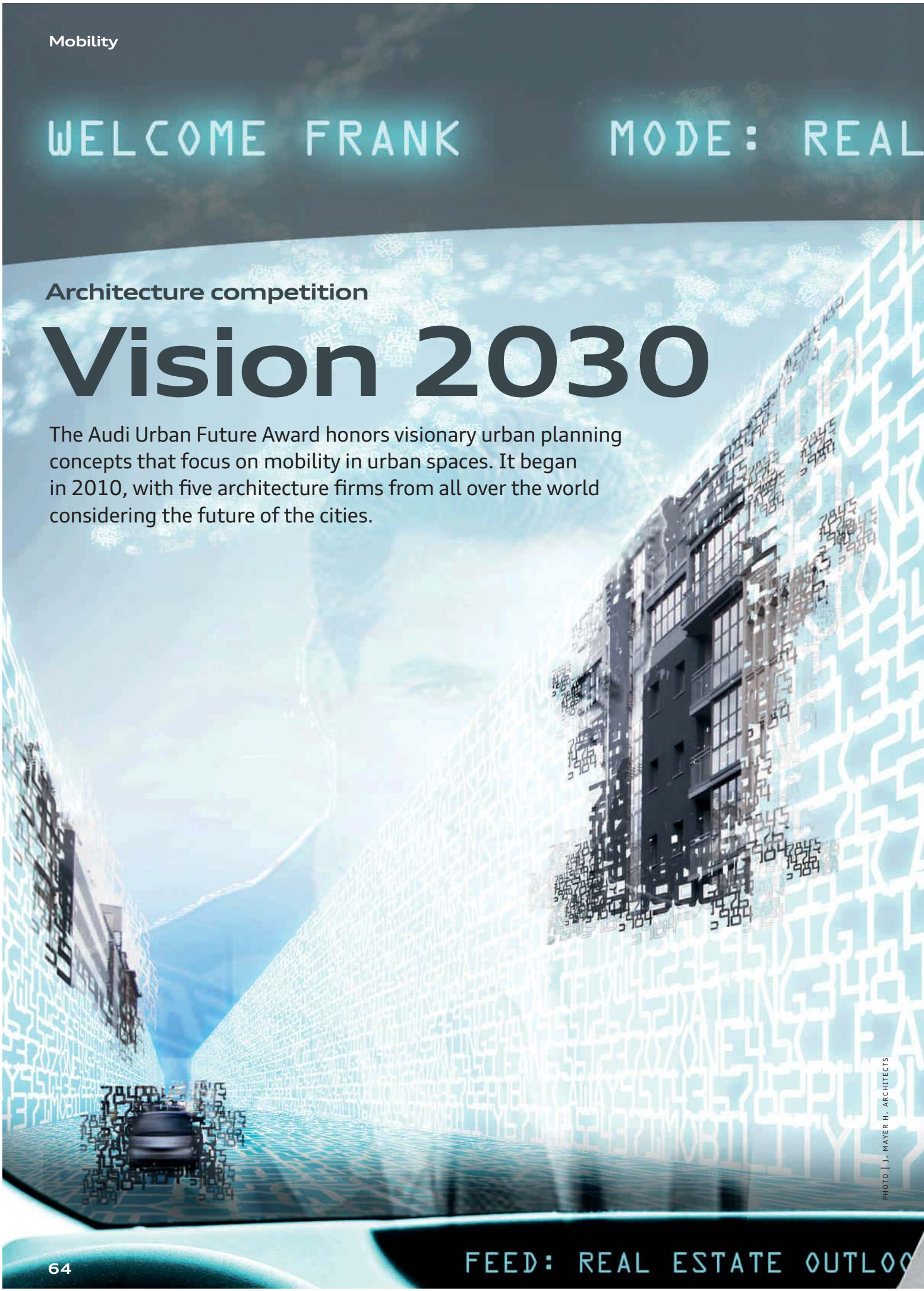


PHOTO | J. MAYER H. ARCHITECTS

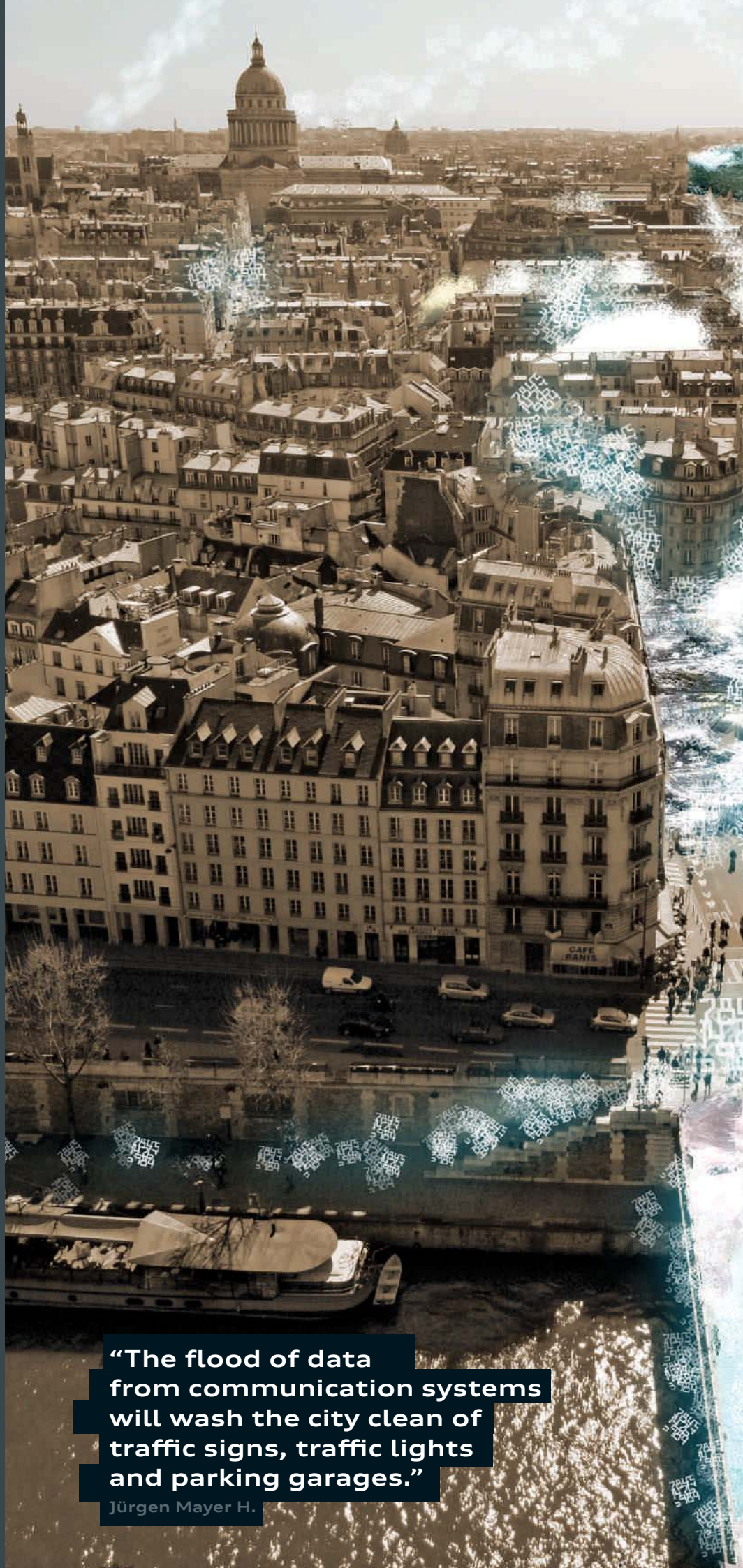
The windscreen is transformed into a touchscreen; people and buildings are constantly exchanging data – this is how Jürgen Mayer H. envisions the digital city of the future.

Jürgen Mayer H.

Winner of the Audi Urban Future Award 2010

Architect and designer Jürgen Mayer H., born in 1965, places the first letter of his middle name, Hermann, as an initial after his last name. But his name is not the only unique thing about him – his designs are just as distinctive. Mayer H. works in the zone where architecture meets art, where technology meets design. He has designed temperature-sensitive lounge chairs (Heat Seat, 2001) and soft seating with glass mosaic tiles (Soft Mosaic Collection, 2008). One of his best-known architectural designs is the Mensa Moltke in Karlsruhe. In Seville, the Metropol Parasol he designed is currently being built – a roof construction for a public square in the center of the city.

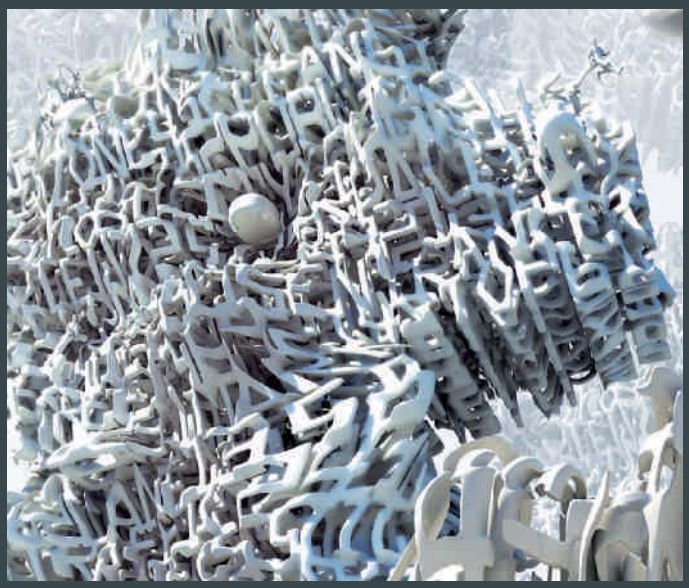
Jürgen Mayer H. studied architecture in Stuttgart, New York and Princeton. He founded his studio in Berlin in 1996. Since then he has been honored on multiple occasions for his designs. He has been selected, for instance, for the Mies van der Rohe Award's Emerging Architect Special Mention (2003) and the bronze Holcim Award Europe (2005) for sustainable architecture.



"The flood of data from communication systems will wash the city clean of traffic signs, traffic lights and parking garages."

Jürgen Mayer H.

In Jürgen Mayer H.'s vision of the future, the digital age floods the city.



Free of traffic lights and signs is how Jürgen Mayer H. envisions the city of the future (above); he calls his virtual metropolis "Pokeville" (center).

Audi Board of Management Chairman Rupert Stadler (right) presents Jürgen Mayer H. with the 100,000 euro architecture prize at the venerable Scuola Grande di Santa Maria della Misericordia in Venice.

PHOTOS | J. MAYER H. ARCHITECTS (4); AUDI AG

Alison Brooks

AB Architects, London

The native Canadian founded her office in London in 1996 after having worked at Ron Arad Associates. Alison Brooks builds hotels, apartment houses, public buildings and urban development projects. She teaches Urban Design & Housing at London's Architectural Association. One of her most famous buildings is the Quarterhouse cultural center in Folkestone.

On August 25, 2010, AUDI AG presented the first Audi Urban Future Award in Venice – with a 100,000 euro endowment, this is the most lucrative German architecture prize. It will be awarded every second year. The Scuola Grande di Santa Maria della Misericordia, a Venetian palace dating back to the 16th century, provided a festive backdrop for the award ceremony. In the palace's large ballroom, five international teams of architects presented their visions of megacities with over ten million inhabitants in the year 2030. Pragmatic carmaker and architectural utopias – two very different worlds. At least that's what you might think. But as a maker of premium cars, Audi has good reason to concern itself with the future of megacities.

More than half of the world's population already lives in cities. By 2050 it could be three-quarters of all humanity. While the former metropolis of Venice has been shrinking for many years, more and more urban centers containing over ten million inhabitants are developing all over the world. In 2015, there will be an estimated 26 megacities. Populations and traffic volumes are growing at a particularly rapid pace in China and India. One example is Mumbai, which had 20 million residents in the past year, and according to a forecast by the United Nations will grow to almost 26 million residents by 2025. Cars already creep through the city at a snail's pace during rush hour. And the demand of the growing middle class for individual mobility

Bjarke Ingels' vision: The accident-free city thanks to networking of all road-users.

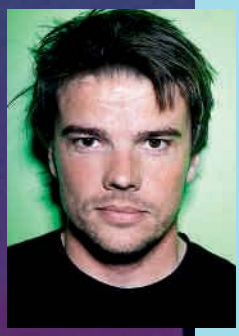
Electric cars, bicycles and public transport – for Alison Brooks, the right mix for the future.

continues to increase. Today around 14 million Indians own a car. While two million cars were sold in 2010, this number is expected to grow to more than three million in 2014.

"Because of these developments we are faced with a completely new challenge where sustainable individual mobility is concerned," says Rupert Stadler, Chairman of the Board of Management of AUDI AG, in explaining the decision to present the Audi Urban Future Award. How we will live in the next generation of megacities, how we can design the living spaces despite the enormous population density, what priority the private car will take on and how traffic routes and types of drive systems might change – all of these subjects presented a challenge to those participating in the competition. "The architects succeeded in explaining the relationships between mobile and immobile stakeholders in the complex urban system, while keeping the concepts rooted in reality," said sociologist Saskia Sassen, chairwoman of the jury. Therefore, London architecture firm AB Architects developed a concept that could reduce traffic density in heavily populated megacities – by decentralizing the routes, with flexible and compact electric cars and through web-supported car sharing systems.

Promoting dialog between the company and the architects was important to both Audi and Stylepark – the curators of the competition. The architects were consistently assisted and supported by the Audi Think Tank, which comprises experts from various departments of the company. During one visit to corporate headquarters the

PHOTOS | SABINE REITMAIER, ALISON BROOKS ARCHITECTS, ULRIK JANTZEN, BIG – BJARKE INGELS GROUP

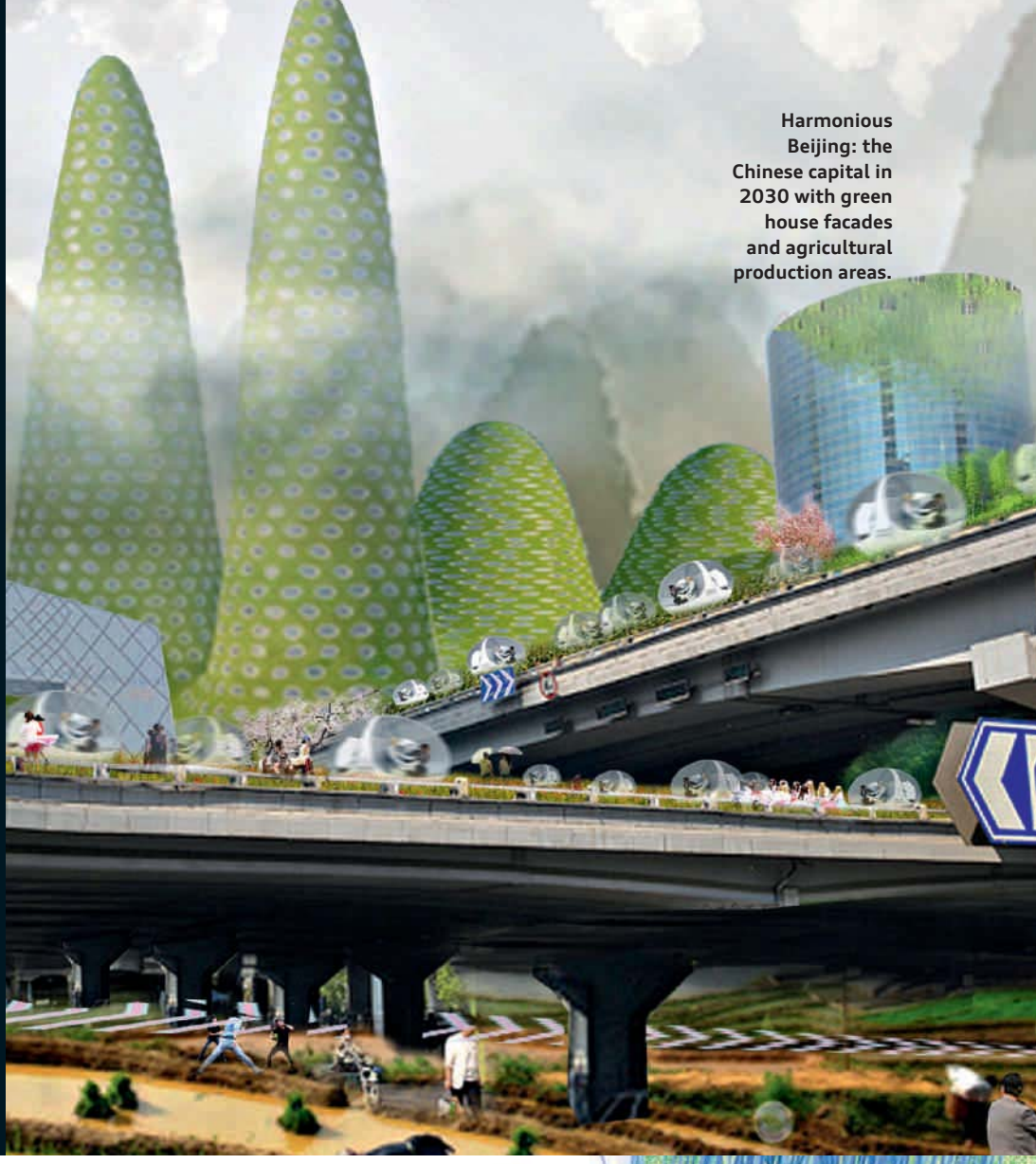


Bjarke Ingels
BIG – Bjarke Ingels Group

The native of Denmark, born in 1974, studied architecture at the Royal Academy in Copenhagen and the Escuela Técnica de Arquitectura in Barcelona. Before he founded the BIG – Bjarke Ingels Group in 2005, Ingels worked for the Dutch shooting star Rem Koolhaas of the Office for Metropolitan Architecture (OMA); today Ingels is a rising star himself. He built the Danish pavilion for Expo 2010 and designed the spectacular REN People's Building in Shanghai. Bjarke Ingels has already been honored with one Golden Lion by the Venice Architecture Biennale (2004) and with the World Architecture Festival Award (2008).

Zhang Ke
Standard-architecture

Chinese architect Zhang Ke studied urban design at Tsinghua University in Beijing and architecture at Harvard University. After learning his trade in architecture firms in New York, he founded Standard-architecture in 1999 and moved to Beijing, where he is now among the most sought-after architects. His most prominent building projects include the Yarlung Tsangpo shipping pier in Tibet and the Qingcheng Mountain Teahouse in Chengdu. The 160-meter high "Dancing Books" towers in Wuhan are in the planning stages.

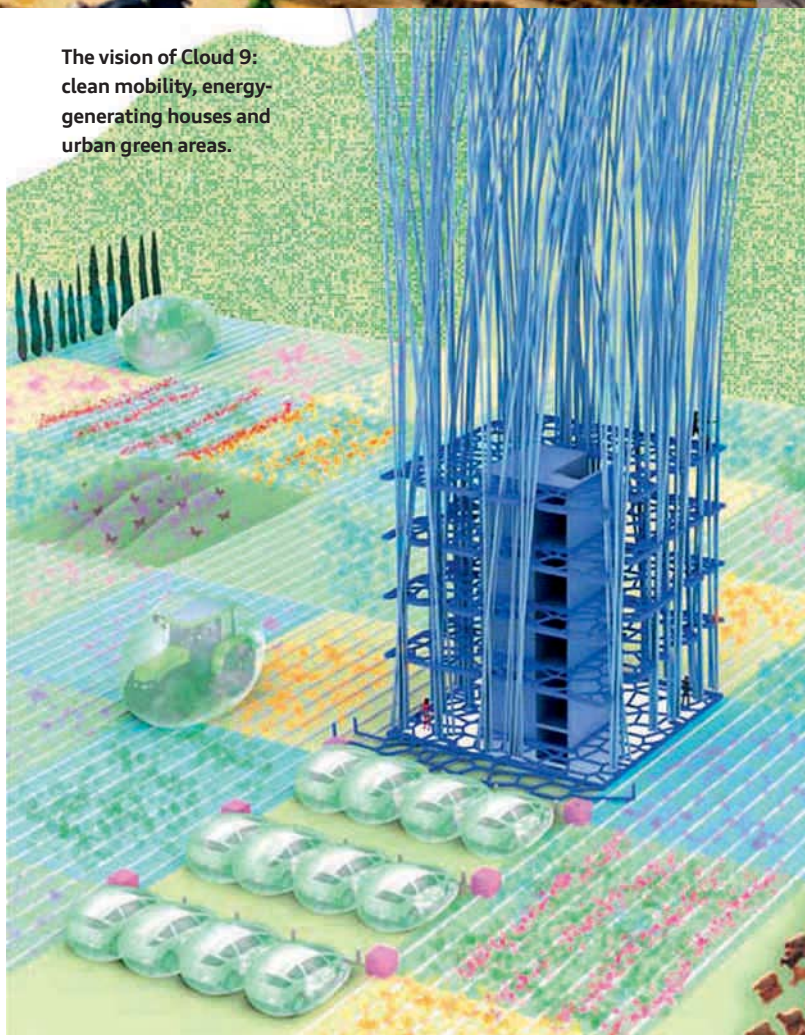


Harmonious Beijing: the Chinese capital in 2030 with green house facades and agricultural production areas.

architects were offered insight into the car manufacturer's development efforts. They discovered that the future of automotive technology is already within grasp today in Ingolstadt. The fusion of the world of vehicles and the Internet, driver assistance systems, electric mobility, car-2-car and car-2-x communication – that is, dialog between the car and its infrastructure – all of these technological trends were vigorously discussed and found their way into the architects' concepts.

Competition winner Jürgen Mayer H. conceived the vision of a driverless car that is constantly in computer-guided motion, while passengers use the car as a retreat and a place to communicate. The windshield – no longer needed as a window in the driverless car – functions as a display screen upon which the reality from a personalized world of social media is superimposed. And the city? Since there is no longer any need for traffic signs, lights and parking bays, there is more internal room for the city to grow. New open areas are created.

The Copenhagen architecture firm BIG – Bjarke Ingels Group also presented a concept that centered around a driverless car. More intelligent vehicles and networks may shape the city of the future more distinctly than new construction materials or architectural styles. "Automated traffic flows could even allow new forms of urban life to



The vision of Cloud 9: clean mobility, energy-generating houses and urban green areas.

The jury

Thinking for tomorrow

Saskia Sassen, sociologist, New York
Fernando de Mello Franco, architect, São Paulo
Rahul Mehrotra, architect, Mumbai, Cambridge
Andres Lepik, MoMA, New York
Christian Gärtner, curator, Frankfurt am Main
Dr. Werner Widuckel, former Member of the Board of Management for Human Resources, AUDI AG, Ingolstadt, jury member
Rupert Stadler, Chairman of the Board of Management of AUDI AG, Ingolstadt
Stefan Sielaff, Head of Audi Design, Ingolstadt
Jun Ma, Professor of Automotive Technology, Shanghai
Wolfgang Egger, Head of Design for the Audi Group, Ingolstadt

Participants, clockwise from top right

The international jury discusses the concepts: The winner of the first Audi Urban Future Award is Jürgen Mayer H. from Berlin.

PHOTOS | ERIC GREGORY POWELL; STANDARDARCHITECTURE; AUDI AG; SABINE REITMAIER; CLOUD 9

Enric Ruiz-Geli
Cloud 9

The Catalan architect studied at the Escuela Técnica de Arquitectura in Barcelona and founded his firm, Cloud 9, in 1997 in this Spanish city. He is considered a specialist in sustainable architecture. With his innovative facade facings, using such materials as high-tech plastics or ceramics, he creates self-sufficient residential buildings and public structures that generate all of the energy they need. These are visions that find a receptive audience. Ruiz-Geli has received honors including the Research and Development Award of the Southern California Institute of Architecture (2008) and the Catalan Premis Medi Ambient for Sustainable Architecture (2009).

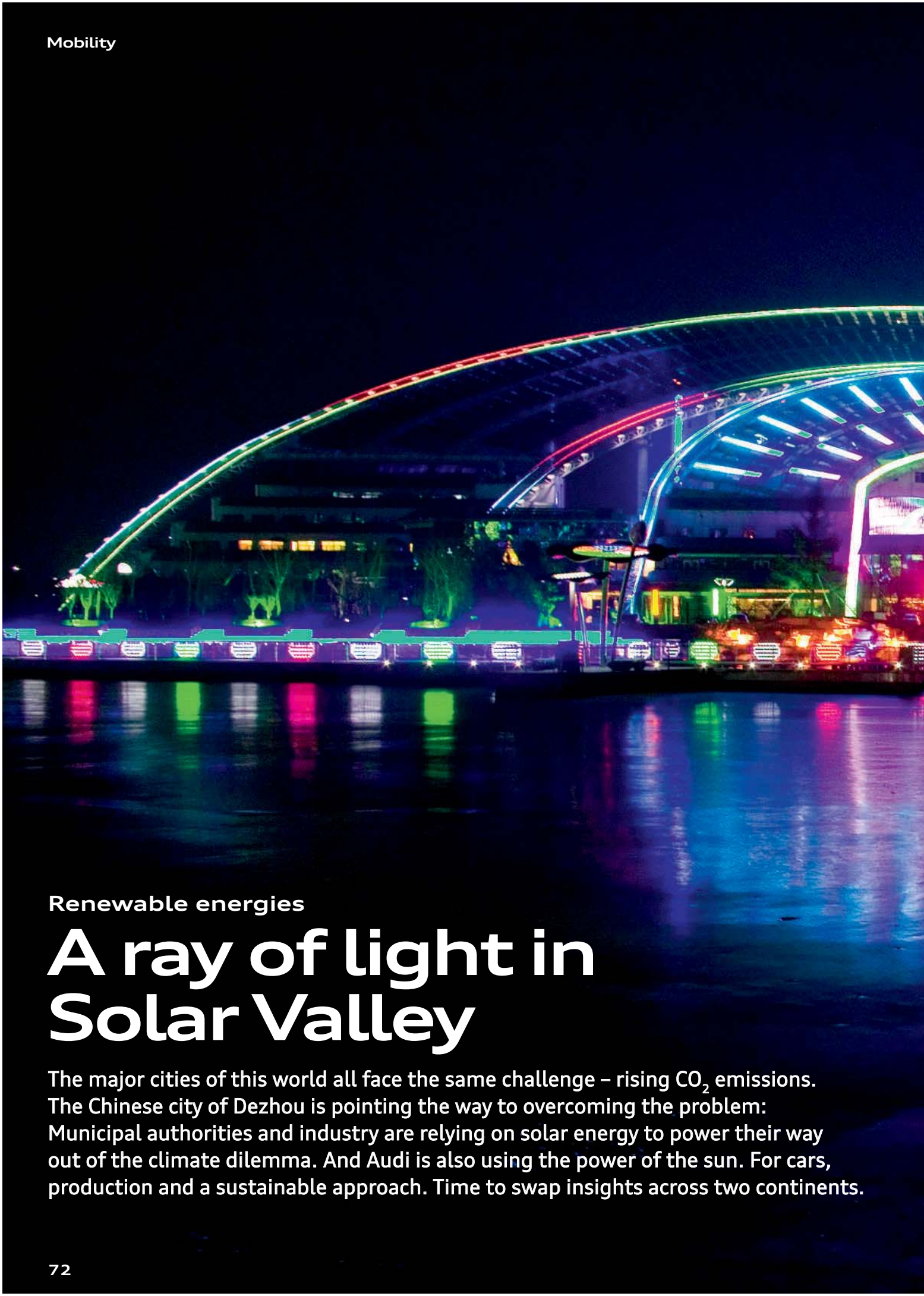
arise," predicted Bjarke Ingels. "As soon as cars begin moving in harmony with each other, the car traffic becomes four times as compact."

Catalan architect Enric Ruiz-Geli presented his visions of an empathetic relationship between mobility, the environment and architecture in the form of urban scenarios – a concept in which every aspect of the city gets by without producing CO_2 emissions and in which homes provide a renewable energy source for urban mobility.

The Standardarchitecture architectural firm presented the "Harmonious Beijing" vision, in which residential towers with green facades are directly connected with subway rings. Downtown traffic is kept constantly flowing with electric-powered travel belts, upon which self-powered electric cars – "travel belt bubbles" – are brought to their destinations, along with bicycles, pedestrians and other transport users. Today this might seem as utopic as science fiction, but Zhang Ke, founder of Standardarchitecture, reminds us that 200 million Chinese have been urbanized in the last ten years, and that another roughly 400 million will be added to that in the next decade. City planning in China works on a different time scale than in Europe. ●

DOROTHEA SUNDERGELD

Take a look at the highlights of the first Audi Urban Future Award here: www.audi.com/ar2010/aufa



Renewable energies

A ray of light in Solar Valley

The major cities of this world all face the same challenge – rising CO_2 emissions. The Chinese city of Dezhou is pointing the way to overcoming the problem: Municipal authorities and industry are relying on solar energy to power their way out of the climate dilemma. And Audi is also using the power of the sun. For cars, production and a sustainable approach. Time to swap insights across two continents.

Each night, the Micro-E Hotel in Dezhou lights up using the stored power of the sun.

PHOTO | KATHARINA HESSE

Wu Cuiyun has a dream. She is fighting to make sure that strong economic growth and sustainability are no longer mutually exclusive and is herself providing a prime example of the silent green revolution. Rupert Stadler is also driven by a vision: of the low-emission corporation that is both ecological and economical. Stadler is Chairman of the Board of Management of AUDI AG, Wu Cuiyun is Mayor of Dezhou, the Chinese solar city. Two worlds, many ideas, an exchange of opinions.

"Welcome to China's Solar Valley," a sign declares to travelers entering Dezhou. By day and at first sight it is just one of China's many cities, but the sea of lights illuminating Dezhou at night is more reminiscent of dazzling metropolises like Hong Kong or Las Vegas. With a decisive difference: the neon ads, street lamps and traffic lights in the city are all powered by the sun and thus from a renewable source.

All households in Dezhou already use solar collectors to gain their hot water.

For Wu Cuiyun it is more than just economics that counts: "Our grandchildren should also be able to hear the birds chirping and smell the fragrance of magnolia. And that is what we in Dezhou want to offer," she says.

Rupert Stadler nods. In order to be able to realize the Chinese solar city's objectives worldwide, too, he believes that it is imperative that we consistently change the way we think. "Industry must also pave the way to an eco-friendly future. It must conserve limited resources, enable pioneering innovations and open up to renewable energies." Stadler knows what he is talking about as the brand with the four rings is also, among other things, banking on solar power.

While in Dezhou millions of lights sparkle at night, at Audi in Ingolstadt there are no neon ads and no dazzling lights, because here the sun is being used to fuel cars. In future, Audi's electric e-tron models will be powered up in the plant with electricity generated directly from the photovoltaic panels on the plant roofs. "Only if electric cars are fueled with green power will they really be a sustainable means of transport," Stadler states. "We need a holistic approach if we are to be more climate-friendly in the long term," Wu Cuiyun agrees.

Today, all homes in Dezhou source their hot water from solar collectors. No new building is approved without it having solar panels on the roof, and the windows have to be outfitted with energy-saving double glazing to prevent any unnecessary loss of heat. In China, even in 2011, this is definitely not yet the norm.

Wu Cuiyun hopes that in the future companies will shoulder more responsibility themselves, but she still discerns the need for political action. For this reason, Dezhou-based corporations that wish to switch over to a renewable energy source receive a state subsidy of up to 20 percent of their upfront investment. Companies that develop and manufacture solar products get favorable credit terms and in some cases are even exempted from paying land leases.

"Being climate-friendly must not be restricted to solar products or electric cars," Wu Cuiyun says. "Which is why for Audi it is our entire energy balance sheet that matters," Stadler adds. For example, at the Audi paint shop in Ingolstadt, more than 7,000 tons of CO_2 are saved each year thanks to a heat recovery system. Furthermore, the public utility Stadtwerke Ingolstadt uses a new district heating system to provide Audi with excess heat from a refinery and a waste incineration plant.

Rupert Stadler, Chairman of the Board of Management of AUDI AG, sees great potential in the use of solar energy (above). Roofs with solar modules shape the face of the Chinese city of Dezhou (right).

PHOTOS | KATHARINA HESSE (3); OLIVER MARK

The Solar Queen
Mayor Wu Cuiyun dreams of a future where she hears more birds chirping. Thanks to solar power.

This knocks an additional figure of some 26,000 tons off the annual CO_2 emissions total.

In Dezhou, companies that have high CO_2 emission levels and do not switch over to climate-friendly energy are not allowed to locate to Solar Valley in the first place. And precisely for this reason the city is growing rapidly. Because of the boom in the solar industry a lot of people moved to Dezhou, which led to its population rising from the 1980s by more than a million to 5.5 million.

Wu Cuiyun believes urbanization marks an opportunity to advance many new developments. At the same time, she has to respond to the dramatic increase in traffic that the city's growth has brought with it. "I expect that the automobile industry will play its part in shaping future mobility, for example in the form of new drive systems or space-saving city cars," she says. Stadler is keenly aware of the responsibility involved: "Audi is prepared for the challenges of tomorrow." The decision to take the A1 Mega City Vehicle to market in China was itself already a response to the urbanization trend.

"We have solutions for the widest range of different mobility requirements, and that includes for Dezhou. The major trend continues to be electric mobility," says the Chairman of AUDI AG. Urban electric cars in big Chinese cities need not necessarily be four-seaters, and the lower speeds driven in cities mean the car requires less aerodynamic adjustment and can even get by without an engine hood. This would leave more space on the streets of Dezhou. "That would be an important step in the right direction in terms of both environmental policy and infrastructure," Wu Cuiyun notes. While Stadler fully prioritizes individual mobility, the mayor also believes there are prospects for public transport. For example, the Chinese government is already building a new high-speed rail link between Dezhou and Beijing that will cover the distance of more than 300 kilometers in less than an hour. A new interstate connecting the Solar Valley to the Chinese capital has already opened. "Now all that we need are recharger stations powered by solar energy," comments Stadler.

Solar traffic lights – a customary sight for schoolchildren in Dezhou.

After all, both firmly agree that in China and in Germany alike the future of our cities will be defined by electric mobility and renewable energy sources. It is ultimately one and the same sun that allows reality and vision to shine forth in both countries. ●

CHRISTINE MAUKEL

Click here to discover China's Solar Valley in Dezhou: www.audi.com/ar2010/solar

A grand entrance in the Audi e-tron Spyder: Rupert Stadler (right) and Gary Shapiro, CEO of the Consumer Electronics Association, drive onto the stage together at the start of the International CES 2011.

Audi at the International CES 2011

Networked in Las Vegas

Audi presented the infotainment technologies of tomorrow at the Consumer Electronics Show (CES) in Las Vegas. The German carmaker's first appearance at this electronics trade show was entirely focused on the networked car.

The driver leans back comfortably in his seat and focuses his full attention on the 3D display screens. His car glides independently to its destination at high speed, safely guided by the on-board electronics. In this key scene from the science fiction thriller "I, Robot," action star Will Smith shares his starring role with a futuristic vehicle bearing Audi's four-ring logo.

Hollywood's visions of the future are often quickly overtaken by reality. This is demonstrated with particular clarity at the International CES, the Consumer Electronics Show in Las Vegas.
At the show, electronics manufacturers sketch out the possibilities and demonstrate the trends of tomorrow. Audi was represented this year for the first time in the gambling capital – and Chairman Rupert Stadler was given the honor of opening the show with a keynote speech.

With thundering music and blinding headlights, a car rolls onto the stage as the mesmerized audience looks on. Low-slung, red and dangerously attractive. Rupert Stadler has brought along the latest concept car from Audi – the e-tron Spyder.
And James Cromwell, one of the stars of "I, Robot." With them, Stadler elicits the right associations. Autonomous vehicle control and the networked car – both seem within reach.

But wait just a minute. First of all, what is a major carmaker actually doing at the biggest trade show for entertainment electronics? Stadler explains: "The car of the future will be networked – with its surroundings, with the traffic infrastructure and with the world of the Internet." This is precisely where Audi wants to develop its strong position. Today, the motto "Vorsprung durch Technik" also relates to the digital world.

The premium carmaker sees cars of the future as being integrated into the mobile data network. Some Audi models already use Google navigation and are a WLAN hotspot on wheels. "The car as a status symbol now networks with mobile status symbols – smartphones and navigation devices," Stadler says with confidence. In the future Audi models will be linked even more intensively with the Internet, with other cars and with the traffic infrastructure via fast data networks like UMTS, and soon also via LTE.

Audi is placing the focus on simple operation of the equipment. Controlling the user interface – the Multi Media Interface (MMI) – will be as intuitive as possible. This will be achieved, for instance, with voice-based online searching for restaurants and other points of interest.

The innovation cycles are getting shorter and shorter – and this also applies to the automotive industry. Electronics are setting the pace. Audi has more than 100 years of experience in mechanical engineering; now the carmaker is consolidating its expertise in the area of software development. Through its partners, Audi is bringing outstanding technologies on board and is making them usable for the automotive world.

The joint venture e.solutions GmbH is developing customized software for this purpose. For several years Audi has relied on the California-based graphics specialists at NVIDIA for its infotainment modules. Audi will soon be one of the world's first carmakers to employ their Tegra 2 processor, enabling elegant and highly dynamic graphics.

The car will also be a part of tomorrow's world of data. Will all this someday make the driver obsolete? The hero in the futuristic thriller "I, Robot" gave a very clear response to this question: When his futuristic Audi was being held in the grasp of a hostile machine, he took control of the steering wheel himself. After all, as Audi boss Rupert Stadler said in Las Vegas: "At Audi, we love driving." ●

WOLFGANG KOSER

Keynote speech

Rupert Stadler showed how the automobile, electronics and lifestyles are growing together.

PHOTOS | AUDI AG

Vorsprung durch Technik in digital form

Together with Jen-Hsun Huang, CEO of graphics processing unit inventor NVIDIA, Rupert Stadler presents a new platform (left). Hollywood star James Cromwell (top) discusses the filming of "I, Robot."

Experience Audi at the Consumer Electronics Show in Las Vegas at: www.audi.com/ar2010/ces

A star architect on the go

Pure pleasure

A summit of extraordinary proportions: Meinhard von Gerkan meets the Audi A8 L – and experiences impressive technology in the lap of luxury.

A premiere in Switzerland. The first rendezvous between the architect and the automobile. The passenger immediately makes out the sedan at Zurich airport – no need to point it out. The brilliant black Audi A8 L*, which is 5.27 meters in length, speaks a supreme, dynamic, distinctive language. Absolutely unmistakable.

It all starts with an easy entry. The automatic power assist closes the large rear door, as if by magic. Gently. Very gently, very quietly. A dialog begins. It takes place at eye level. The participants are the Audi A8 L, with chauffeur Peter Rensen at the wheel, and his passenger, Professor Meinhard von Gerkan, in the rear.

Peter Rensen starts the 12-cylinder engine, activates the turn signal and filters into the flow of traffic. The 8-speed tiptronic transmission shifts as smooth as silk; there's hardly a sound to be heard.

Professor von Gerkan is co-founder of gmp (Gerkan, Marg and Partners), a multiple award-winning architectural firm with operations around the globe. At the pinnacle of the firm's portfolio of finished projects and projects currently under way is the complete blueprint of Lingang New City near Shanghai, an urban center designed from the ground up for no less than 800,000 people. It also includes just about anything that could possibly be creatively conceived

PHOTO | DARRIN VANSELOW/GETTY IMAGES

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

Lavish and lovely: The interior of the A8 L offers not only plenty of room, fine grain ash wood and Valcona leather, but also the Rear Seat Entertainment system.

from steel and glass, stone and concrete – everything from museums to theaters, train stations to airports, hotels to stadiums. Berlin Central Station, the Hamburg, Stuttgart and Berlin-Tegel airports, the modernized Berlin Olympic Stadium, the New Trade Fair Leipzig, China's National Museum in Beijing and the Maritime Museum Lingang City – all examples of outstanding architecture.

The Audi A8 L* is of comparable caliber. A masterpiece, an attestation to the art of progress. Travel in comfort, work with a focus, savor the moments of relaxation – Meinhard von Gerkan values this trio of principles. For him, ample space is a luxury in our day, especially in a car. The professor does have a rather imposing appearance, after all. At 1.89 meters, one has a heightened awareness of spatial dimensions, which is seldom the subject of absolute praise. In this case however, the praise comes unqualified: "Exemplary."

Can an additional 130 millimeters in length really mean that much? Meinhard von Gerkan seems surprised. From the outside, he says, the Audi A8 L conveys "a certain understatement. It's not a flashy car; rather it keeps its obvious qualities elegantly concealed. And I like that."

Meinhard von Gerkan sits in the back and takes a look around the tasteful interior with its fine materials. Brushed, gleaming silver aluminum, velvety brown fine grain ash, smooth

Valcona leather. Silk beige is the color of the seats; the headliner is alabaster white. Harmony and brilliance of style, of form. Such menial words as “narrow,” “low” and “small” have no place here. Instead, it’s space as space should be – large, lavish, lovely. The car offers up a ride seemingly on air.

The professor appreciates the comfort and shows an interest in the technical details.

The executive seat at the rear of the Audi A8 L* underscores this feeling of luxury. Experience, perceive, be attentive. Meinhard von Gerkan savors it with all his senses. Close your eyes and lean back – legs stretched out, feet on the extended footrest on the back of the front passenger seat – doesn’t that feel cozy?

The individually controlled footwell and seat heaters just add to the feeling. There are more than enough ways to adjust the electronic seats – from seat inclination to backrest inclination to lumbar support. But the highlight has to be the massage function. From the four available options, Professor von Gerkan first chooses “Wave,” then “Pulse,” and finally – for good measure – “Stretch” and “Lumbar.” Does it feel good? “Why yes, it’s very, very pleasant,” responds von Gerkan, who defines the ultimate in traveling comfort as follows: “A car with a chauffeur on roads with as little traffic as possible.”

Today is just such a day. Seamlessly, traffic flows on the highway from Zurich northward. The driver and the passenger converse without ever having to raise their voices. Communication the way Meinhard von Gerkan likes it. He is interested in the driver-assistance, information and safety systems in the Audi A8 L, “because I like to sit behind the wheel myself.”

He wants to know more about the technical innovations that make the A8 L so special. Peter Rensen is only too happy to oblige. Without diverting his attentive gaze from the road, he provides an in-depth explanation of the adaptive cruise control with stop&go function he has just activated. It is the centerpiece of the Audi pre sense plus driver assistance system, which can make use of radar sensors and a video camera to maintain a selected speed within the system limits on an open stretch of road, and also keep a set

Chauffeur Peter Rensen drives the A8 L. The 8-speed tiptronic transmission changes gear smoothly. There’s barely a sound to be heard.

“The A8 is not a flash car. And that’s what I like about it.”

Professor Meinhard von Gerkan

A good match: the famous architect Meinhard von Gerkan and the A8 L.

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

distance to the vehicle ahead. Within certain limits it automatically brakes and accelerates in slow-moving traffic and in traffic jams. It detects suddenly occurring obstacles and alerts the driver with a uniquely identifiable audible signal.

And the list of noteworthy features goes on: night vision assistant. Park assistance. The light show in the interior with its polar, ivory or ruby/polar realms of color. Without a doubt the all-LED headlights, which automatically more than double the light cone's range at speeds over 110 kilometers per hour. And the quattro permanent all-wheel drive system.

But Rensen wraps up his little presentation with a brief explanation of Audi side assist. When he drives, this complex system is always on. If the system determines that an imminent lane change could result in an accident, it warns the driver by displaying a light signal in the outside mirror. "Either because a car traveling at a faster speed is coming up from behind in the passing lane or because there is a car in the blind spot."

Professor von Gerkan is impressed. He says with a laugh: "What a wealth of totally new impressions." And asks: "Does that change the way you drive?" His driver's response: "These systems are not a substitute for concentration and attentiveness, or for the talent and skill of the driver, that's for sure. That's why they call it driver assistance."

The architect's philosophy: "The mind and the hands guide creativity."

Peter Rensen drives nearly 80,000 kilometers every year. He has a chauffeur license and regularly attends driving and safety training courses. In terms of his profession, Meinhard von Gerkan is also a "perpetual student." He has to stay on top of the very latest methods in civil engineering and architecture, he says, "even if I need nothing more than a pencil and a piece of white paper for sketches of ideas and initial drafts."

It's all a question of philosophy. "My mind and my hands," says the star architect emphatically, "are what guide my creativity." An important statement, and one that pertains equally to the latest-generation Multi Media Interface (MMI) from Audi. Its operation is easy, logical and intuitive. Everything – telephone, navigation, radio or other media such as DVD or iPod – is self-explanatory and ready to use in no time. It makes work easy. And a pleasure, too.

The Bang & Olufsen Advanced Sound System turns the A8 L into a festive concert hall.

Meinhard von Gerkan does not conceal his approval; as it happens, his own philosophy, expressed in two basic principles, falls precisely in line with the value system embodied in Audi's top-of-the-line model. One principle states: "Give structural order to concepts. Arrange functions in clear structural shapes." And the other: "Create unity in diversity. Create diversity in unity."

How is happiness expressed? In music. Beethoven's violin concerto, played by Anne-Sophie Mutter. The surround-sound reproduction with 19 speakers in the Bang & Olufsen Advanced Sound System transforms the exquisitely styled interior of the A8 L* into a festive concert hall. Meinhard von Gerkan leans back and looks up through the panoramic glass roof into the Swiss sky. No need to ask, it's quite obvious: The journey in the Audi A8 L has met his expectations in every regard – engine and safety, smooth ride, spaciousness and sound experience. In sum: first-class traveling pleasure. ●

HANS BORCHERT

Discover the new Audi A8 L at: www.audi.com/ar2010/a8

Work with a focus, savor the moments of relaxation: For star architect Meinhard von Gerkan, the A8 L is a first-class travel experience. There's a wide range of seat and backrest settings. The massage function is the absolute highlight.

PHOTOS | DARRIN VANSELOW/GETTY IMAGES

Test drive in the snow

Stig's special trick

It was cold – as cold as it was on the Night of the Long Knives during the 1984 Monte Carlo Rally. But in 2010, Stig Blomqvist was not fighting for the world championship. This time the racing legend was driving the Audi e-tron Silvretta with four electric motors.

The question is written all over his face – but Blomqvist doesn't ask it. Instead, his eyes wander around the car's interior. The 64-year-old reaches for his reading glasses on the center console. He puts them on and his eyes continue to wander. Blomqvist is looking for any sign of whether the car is ready to go. There, on the dial to the left behind the steering wheel – didn't that indicator just move? It did, didn't it? Blomqvist takes his glasses off again.

Small wonder that Blomqvist the racing driver first needs to get his bearings. When he stepped on the gas of the original quattro a good quarter of a century ago, the turbo would scream. The racing car driven by the Swede at that time, with 360 hp and 450 Nm, roared powerfully into the woodlands along the tracks of the rally. Things are different in 2010. Although the e-tron Silvretta on the Audi testing grounds near Munich Airport is ready to go, not a sound can be heard. No rumbling. No hissing. Nothing indicates that the four electric motors on the wheels are waiting to apply their total of 600 Nm of torque as propulsive power – and to do so starting from zero revs. "That's unsettling," grumbles the Scandinavian. "That noise – that unbelievably brutal sound – was what people liked so much."

Anticipation
Rally legend Stig Blomqvist looks forward to experiencing the power of the four electric motors.

PHOTOS | OLAF TAMM/AGENTUR FOCUS

Stig Blomqvist

was born in 1946 in Örebro, Sweden. In 1984 he became World Rally Champion in an Audi quattro, and was runner-up the following year. He participated in 84 world championship races in all, and he still races rallies occasionally today. His 17-year-old son Tom Blomqvist is now active as a racing driver in the United Kingdom.

Stig Blomqvist rockets down the Audi test track in the Audi e-tron Silvretta. Fast, but without the usual engine noise.

And he liked it too, of course.

The approximately 300-meter test track is covered with a slurry of snow. Perfect conditions for the Swede, who is addressed in his home country as "Mäster Blomqvist" – which translates roughly as Lord Blomqvist. Slowly and deliberately, Blomqvist moves the automatic selector lever to D. He pauses to check his "butt instinct." This is a term coined by a Formula One driver who once explained that the secret of fast racing drivers is that they can feel with their behinds how a car will react. The better the driver applies his sensors, the faster he will be on the track. Blomqvist slides back and forth, but in an electric car, his butt instinct apparently does him little good. At least not at first.

He releases the brake and gingerly applies the gas. The gas? Actually, that's the wrong term. The right pedal doesn't cause a gas mixture to start flowing – it pulls electricity from the roughly 470-kilogram lithium-ion batteries mounted behind the seats.

The documentation says the Audi e-tron Silvretta accelerates from zero to 100 km/h within 4.8 seconds. The burst of acceleration from 60 to 120 km/h is supposed to take just 4.1 seconds. That's on a par with the performance of a high-performance supercar with a gasoline engine. Can that really be possible with batteries?

Blomqvist answers that question with his right foot. Immediately after he puts the car into motion, he's pressed into the deep bucket seats, which are designed for racing. All of his neck muscles tense. His feet want to press against the force of acceleration, and he moves to get a foothold on the floorboard.

The Audi e-tron Silvretta doesn't accelerate, it rampages. Stig Blomqvist says: "Powerful, very powerful."

After this start, acceleration will have to be redefined. Other sports cars have a launch control function that charges through all gears and sends the vehicle to the rev limiter in automatic mode. Compared to the "e-start" of the R8, this seems like a silky-smooth little push. The Audi e-tron Silvretta doesn't accelerate, it storms and rampages like a hurricane.

Blomqvist describes it as "powerful, very powerful."

Maybe behind that cool, Nordic exterior there's a storm of emotion raging. Maybe Blomqvist is reminiscing about his spectacular drive along the Col de Turini in 1984 when he plowed through the narrow mountain passes in four-wheel drift and left other rally greats looking like beginners. It's all possible – but there's simply no sign of it. Instead, Blomqvist says simply: "The traction functions well. It handles differently than the original quattro. The car reacts precisely to commands."

Blomqvist uses clinical language to describe a very special kind of technological prototype. The Audi e-tron Silvretta provides a hint

After this start, acceleration will have to be redefined: Blomqvist enjoys the benefits of electric quattro drive in the Audi e-tron Silvretta.

30 years of quattro

For over 30 years now, seven letters have represented a milestone in automotive engineering: quattro. Whether it's a permanent all-wheel drive system that is driven by a differential, or all-wheel drive with a Haldex or viscous clutch, the name quattro is an unmistakable trademark from Audi. It stands for propulsion on city streets as well as off-road, even in strong winds, on ice or in snow. One out of every three Audi cars now leaves the assembly line with the quattro badge.

"It's incredible how the technology has developed, so that you can have a driving experience that comes extremely close to that of driving the original quattro."

of what Audi will be striving for over the next decade, namely the lowest possible emissions. And that's fine, Blomqvist observes dryly: "Because of global warming, you just have to offer something new."

The e-tron Silvretta in which the Scandinavian is sitting is a prototype: its front and air intakes stem from racing, as do the air intake gills on the side panels. The back is also borrowed from the racing series. But the 1.90-meter width, the 4.43-meter length and mere 1.25-meter height of the supercar is the embodiment of the slogan Audi has used for the past four decades: Vorsprung durch Technik.

Vorsprung – leadership – is also highly appropriate here since the age of electric mobility is just beginning and has yet to be defined, but the electric quattro has already taken the stage.

In simple terms, this means four liquid-cooled, asynchronous motors that deliver power to the front and rear axles at a ratio of 30:70. Since each wheel has its own motor, the power can be distributed at lightning speed, as demanded by a typical drive with Blomqvist at the wheel.

"More than thirty years ago, quattro and its all-wheel drive were very different from the usual drive concepts," reminisces the Swede. "It was like night and day, like comparing a bicycle to a car. You can't describe it … you have to experience it."

Experiencing the difference is a

PHOTOS | OLAF TAMM/AGENTUR FOCUS (2) GRAPHIC | AUDI AG

"thrilling experience" for the venerable rally legend. The difference, that is, between a combustion engine with quattro drive, which is controlled through the transmission and differential, and the electric quattro drive with four motors. "It's incredible how the technology has developed, so that you can have a driving experience that comes extremely close to that of driving the original quattro," he said.

Blomqvist jerks the steering wheel to the right and brakes with his left foot.

Blomqvist became famous not only as a rally driver, but also for braking with his left foot. In the early 1980s the Swede mastered like virtually no other driver the trick of braking with the left foot while simultaneously applying the gas with the right. This allowed him to maintain high revs and keep the engine's output up, although he was braking. In addition to many victories, this special trick brought Blomqvist the World Rally Championship in 1984 and the runner-up title the following year.

Now he tries this trick out in the Audi e-tron Silvretta on the snow-covered test track in Munich. He's too much of an old pro to not at least give it a shot. He jerks the steering wheel to the right, brakes with his left foot and applies the accelerator with his right. Now the butt instinct informs the driver that the Audi e-tron Silvretta wants to break loose each millisecond. But it doesn't. "It won't work," said Blomqvist. "The ESP can't be switched off. Those spectacular drifts aren't possible."

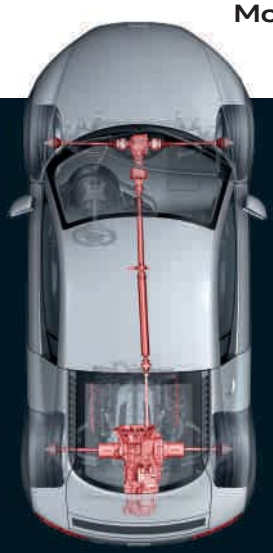
Blomqvist stops at a charging station, climbs out of the Audi e-tron Silvretta and insists on plugging the electric cable himself into the plug behind the side window, with utmost care. "That will be the biggest adjustment," he said, looking into the distance. "Filling up is just faster than charging up. But who knows what Audi will think of by the time electric cars start series production?"

After a 20-minute stop for electricity, Blomqvist wants to go at it again. Alone. In peace. Just the Audi e-tron Silvretta and him. On an open area and without limits. Blomqvist swings himself into the driver's seat. Again he puts on the reading glasses, and again the searching look. Then snow swirls into the air.

The Audi races away, traveling down the track at high speed. But without the usual sound. ●

Watch Stig Blomqvist in the e-tron Silvretta at: www.audi.com/ar2010/silvretta

Legendary racer: Stig Blomqvist continues to be an ambassador for Audi quattro.



Torque vectoring
Perfect torque

Torque is the most highly prized force in a car. It's what moves us forward. The higher the value in Newton meters, the more powerfully the car can move at a specific number of revs.

Torque can also come into play at inopportune moments when we drive too quickly in a curve or a highway exit. In these cases, the path we are taking can quickly deviate from that which we should take. To keep that from happening, Audi drivers get help from both the electronic stabilization program (ESP) and from torque vectoring.

While ESP keeps the car on the right track while braking, torque vectoring takes the opposite approach: It distributes torque to each wheel electronically, thereby preventing wheel spin. Faster than a blink of the eye, power is distributed to the front and rear wheels via multi-plate clutches on the individual wheels, in such a way that the Audi stays on track. This is true both when actively applying the accelerator or when simply allowing the car to coast downhill.

Four valves, low consumption: the 2.0 TDI engine in the Audi A3 TDI clean diesel, the Green Car of the Year 2010.

Sales record: 2010 marked the first time that the Audi brand delivered more than 100,000 vehicles to customers in the United States.

GRAPHIC | AUDI AG PHOTOS | PRODUCTION COMPANY: HUNGRY MAN; ADVERTISING AGENCY: VENABLES BELL & PARTNERS (2); AUDI AG

Scenes from the Audi commercial advertizing the efficient TDI engine in 2010 during what is probably the most important sports event in the USA.

Audi in the USA

Green wave

The Audi brand's U.S. business is growing more strongly than ever before. The Ingolstadt carmaker is benefiting from a new environmental awareness, and also from spectacular TV commercials.

At the award ceremony: Johan de Nysschen (right), President of Audi of America, and Ron Cogan, founder of the Green Car Award.

In the TV commercial, no one eluded the environment police: not the supermarket customer who asked for a plastic bag; not the suburbanite who threw compost in the household trash; and certainly not the young people with their non-returnable bottles. They were all caught red-handed by the Green Police. Only one person was not detained: the driver of an Audi A3 TDI clean diesel. Thanks to its good climate balance, it was the only vehicle waved through an eco-checkpoint set up by the green sheriffs.

This one-minute Audi commercial was broadcast in 2010 during what is probably the most important American football game in the world. More than 100 million Americans watched the championship game. The commercial was mentioned 1.5 billion times in the media. An unbelievable marketing success for Audi, but no surprise. The Ingolstadt-based carmaker has stepped up its brand advertising in the United States in the last two years, particularly for its fuel-efficient TDI diesel models. The result was a sales record: 2010 marked the first time that Audi delivered more than 100,000 vehicles there.

These successes have a lot to do with the U.S. Americans' new eco-awareness. It has since gripped the entire nation, and Audi is feeding into this in a major way with its fuel-efficient turbodiesel engines. The high point came in December 2009 when the A3 TDI clean diesel was honored as the 2010 Green Car of the Year. This prize is awarded each year to the car with the best eco-balance that still offers a high level of ride comfort. The jury traditionally comprises the chairpersons of a number of American environmental organizations and show business stars such as television host Jay Leno. The final decision came down to the A3 TDI clean diesel and four competitors, three of which were hybrid models. Although Audi was a first-time nominee, the jury quickly arrived at its decision. "The Audi A3 TDI clean diesel defines what the jury considers an environmental car to be,"

said Ron Cogan, founder of the Green Car Award. “With its low consumption and highway fuel economy of 5.6 liters per 100 kilometers (42 U.S. mpg), it has established a new standard in the premium segment.”

Also impressing the jury: In contrast to the hybrid competitors, the A3 TDI clean diesel stood out with xenon headlights, LED lights, a leather interior and a satellite radio system that is very popular in the USA.

The heart of the winning car, the TDI powerplant, was described by the jury as “quiet, but aggressive.” By “quiet,” the jurors meant the smoothness of the 2.0-liter TDI engine. “Aggressive” refers to the 103 kW (140 hp) power output and 209 km/h top speed. Many do not expect such performance from the winner of the Green Car Award. But in the jurors’ view, the A3 TDI clean diesel demonstrated that performance and efficiency are not mutually exclusive.

Word has apparently spread in America. According to the marketing agencies, the Audi brand has never been so desirable. “Americans need an emotional bond to their car,” explains Scott Keogh, Chief Marketing Officer of Audi of America. “They want a model that stands apart from the others both visually and technically.” The A3 TDI clean diesel fulfills these requirements perfectly.

But a good, green car on its own is not enough. To establish the emotional bond described by Keogh, Audi booked the best advertising slots during major events. Says Sebastian Mackensen, Head of Sales for the Americas at AUDI AG, “If the USA is watching television, we want to be there.”

Coverage of the U.S. presidential inauguration in January 2009 began with a different one-minute commercial on each of the major television networks. Their messages: Change, renewal, progressiveness. “We used a public event in a very targeted manner for our innovative communication,” explains Mackensen. In another television commercial, oil barrels roll through the city to the harbor and onto a freighter. Two Audi TDI models are standing on the dock. An off-camera voice comments: “1.5 million barrels of imported oil each day. If just a third of all Americans would drive a TDI, we could send it all back.” And after a short pause: “Diesel is no longer a dirty word.”

Kicking off the green marketing campaign by Audi in America were the Audi Mileage Marathon and several “Diesel Dinners,” at which stars dined between TDI automobiles. According to marketing boss Keogh, “This positioned the Audi brand as very progressive, young and modern.”

The Audi brand is continuing its product initiative in the USA this year with the new A8, A7 Sportback* and A6 models. ● OLIVER RICHARDT

An audio version of this article is available at: www.audi.com/ar2010/greencar

Start in the Big Apple: The Audi Mileage Marathon led 23 TDI models to the Pacific in 2008.

New York, Chicago, Los Angeles – in 13 days

For a long time in America, diesel stood for loud trucks. The thought of driving a diesel car was unimaginable to many U.S. citizens. Many were not even aware that passenger cars could be powered by diesel engines.

The Audi Mileage Marathon cleared up these misconceptions. In 2008, 23 Audi TDI models drove from the East Coast to the West Coast in 13 days, covering more than 7,800 kilometers from New York to Los Angeles by way of Chicago, Dallas and Las Vegas. At the wheel were 184 drivers from the USA, Europe and Asia. Their mission: to publicize the diesel engine and Audi’s TDI fleet. Making the trip were the Q7 3.0 TDI clean diesel, the Q5 3.0 TDI, the A4 3.0 TDI and the A3 2.0 TDI.*

The TDI engines demonstrated fuel consumption advantages of up to 40 percent versus the fleet average for the gasoline engines typically used in the USA. “We were able to convince people directly in front of their doorsteps,” says Scott Keogh, Chief Marketing Officer at Audi of America, “and demonstrated that the TDI combines efficiency and sportiness.”

PHOTOS | AUDI AG; TOM SÖLO; JAN RIEPHOFF/TANK MANAGEMENT

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

My lifestyle, my Audi

The new A1, the perfect car for individualists – and not only in Barcelona (p. 90).

Stefan Sielaff, Wolfgang Egger and the car design of the future (p. 94).

Trend

Styled for the city

Agile, sporty and refined: The Audi A1 is the next big thing in the small car class. The perfect car for urbane trend-setters and individualists. And where can you meet up with them? In Barcelona, for instance.

PHOTOS | TOM SOLO

Clever companion

To school, to the beach, or to the shops: The Audi A1 gets Daniela Cañeque (left) and her friend Blanca Canals (right) to their destination in style.

Wherever Daniela Cañeque parks her new car in Barcelona, someone always immediately stops, looks and asks. “What kind of car is that? Do you mind if I take a look?” The new car is none other than the Audi A1. They started selling in August 2010. It’s a unique and exciting car – a real head-turner.

The Audi A1 is the first premium car from the Audi brand in this segment. It combines high-quality materials and sleek design throughout its length totaling a mere 3.95 meters. A coupe-like roofline, clear lines and the optional roof arch in a contrasting color create a modern look. The Audi A1 is made to appeal to a much younger target group than the other models. “We want to use it to reach successful and technical-minded people between 30 and 40, among others,” said Sandra Göres, Head of A1 Product Marketing at AUDI AG. These are sophisticated trendsetters who see the car as a symbol of their personality.
Sara Escriu is a television journalist and anchorwoman at a local TV station in Barcelona. The 26-year-old works a lot, exercises every day, and on weekends she goes out or goes shopping. Her new car needed to fit her – and to be something special. Beautiful, sporty and unique.

At first she was interested in the Audi A3. “But it was a little too big for me,” she said. So she bought the compact A1 as soon as it came onto the market – in Misano Red. The color immediately catches the eye and it also closely resembles the color of her favorite soccer club, FC Barcelona. She also decided to go for the panorama glass roof and the media style package, including a radio system with a pop-up color screen, as well as the LED interior light package and the connectivity package with Audi music interface, Bluetooth interface and an SD card reader. It’s the perfect car for Sara.

The A1 stands for an active lifestyle, premium quality and individuality. It offers the customer a wide range of ways to personalize the design of the car according to his or her personal wishes. If desired, the seats or air vent sleeves can be ordered in colors like titanium gray or wasabi green. It’s a dream come true for individualists and people who know what they want.

Marlene del Rey knew immediately that the A1 was the car for her the very first time she saw it. Actually, she had already decided in favor of another subcompact, but it couldn’t compete with the quality of the Audi. “The A1 won me over. The elegant design and the high-quality interior set it apart from many other cars of this size.”

She ordered her subcompact as an Ambition model, the sporty version, and in black, of course, to match her clothes. Now she just has to wrangle with her husband Andrés for the keys on weekends. He’s got an Audi TT Roadster* himself, but he doesn’t mind leaving it in the garage now and then. “I just have a lot of fun driving the A1. It’s so agile and its handling is very sporty: You can really zip around quickly in it,” says Andrés. A true Audi, after all – the Audi A1. ●

NELE JUSTUS

Experience the lifestyle of the Audi A1 at: www.audi.com/ar2010/a1

Daniela Cañeque

Student, 19 years old

“I’m really proud of my A1. It is my first car and I gave myself plenty of time when I was choosing. I went from one dealership to the next with my father and I looked at all of the cars and took test drives in them. In the end I simply liked the A1 the best. It’s safe and sexy. At the same time, Audi stands for good quality. I picked the Ambition with a 7-speed S tronic dual-clutch transmission and the navigation system plus with 3D graphics. And I couldn’t do without the Audi sound system. That gets turned up nice and loud when I’m on the go. Especially when ‘Alejandro’ by Lady Gaga is playing – that’s my favorite song.”

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

Make space!
With the A1 she always finds a parking spot – even on Barcelona's biggest shopping street, the Passeig de Gràcia.

Sara Escriu
News anchor, 26 years old

"With me, everything has to happen quickly. I rush from one appointment to the next: first an interview, then a press conference, and after that it's straight to the studio. That's why I wanted a car that can get me everywhere fast, and one with which I wouldn't have to look long for a place to park. And that looks stylish to boot. Fuel consumption was an important aspect for me as well. The A1* is efficient and economical. And when I'm waiting at a traffic light, I really appreciate the start-stop system. As soon as the engine shuts off automatically when I'm at a standstill, I have the feeling I've done something good. For myself and for the environment."

Above the rooftops
On weekends they drive to the mountains, to the sea or to where they had their first date – the Hotel Miramar, with one of the finest views over all of Barcelona.

Marlene and Andrés del Rey
Business graduate, 41 years old, and engineer, 38 years old

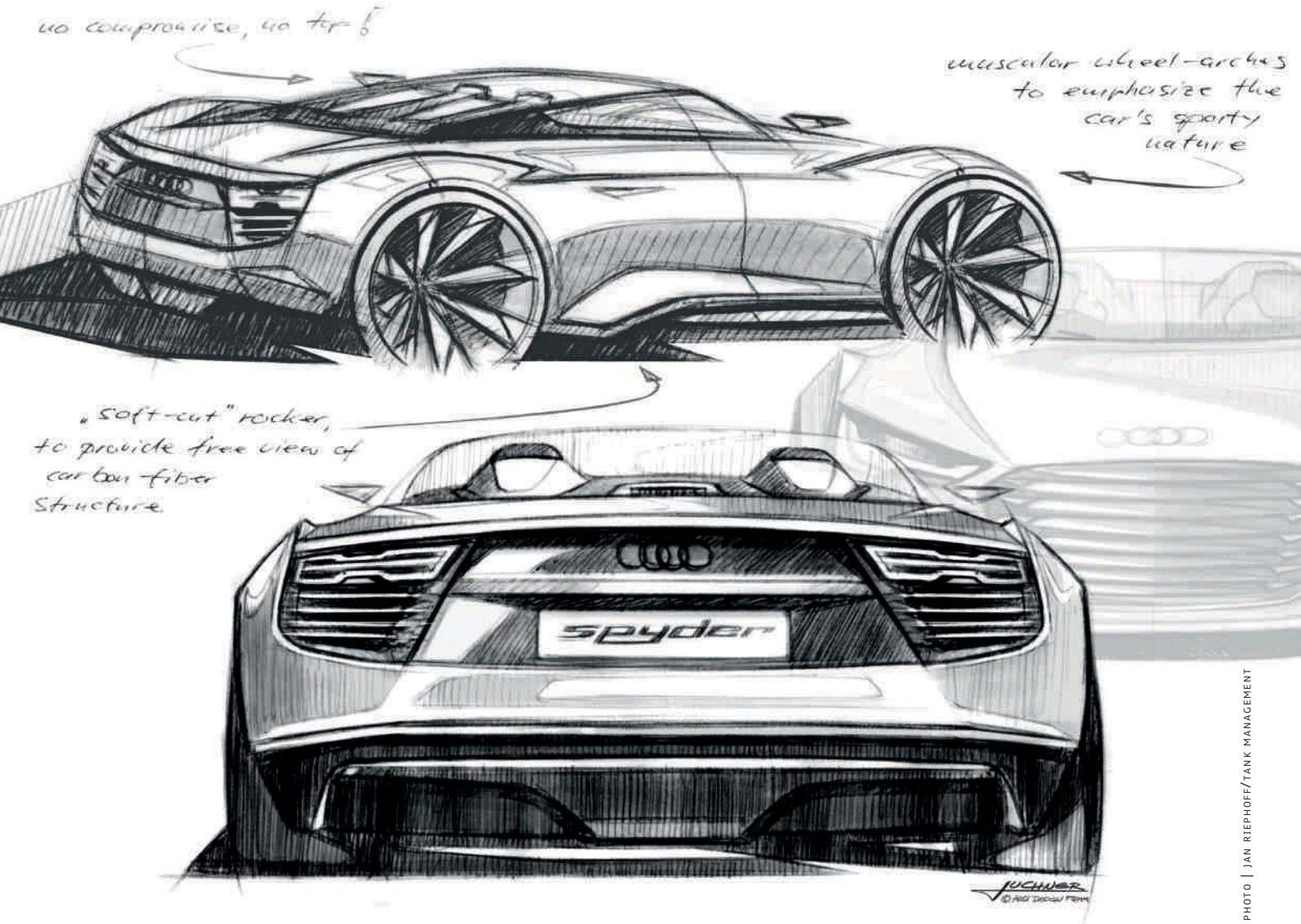
"My husband Andrés has always driven an Audi. Every year he buys himself a new one. He's an electrical engineer; he programs robots and conveyor belts for the automotive industry – and he loves beautiful cars. Every year we drive together to the Geneva Motor Show. That's where I saw the A1 for the first time. The design won me over immediately: modern, elegant and not too playful. It's also several classes higher than other cars its size in terms of quality. Back in Barcelona I immediately had myself put on the waiting list. It took six months – and was worth the wait."

PHOTOS | TOM SÓLO

Wolfgang Egger and Stefan Sielaff

“The engine compartment will be redundant”

Electric cars are revolutionizing car design, declare Wolfgang Egger, Head of Design for the Audi Group, and Stefan Sielaff, Head of Audi Design. One thing they are sure will survive is the steering wheel.



The future of the car: Nautical and aeronautical styling trends also influence the design of the e-tron Spyder.

SKETCH | AUDI AG PHOTO | JAN RIEPHOFF/TANK MANAGEMENT

“We’re using hybrid technology to bridge the gap to the electric vehicle. The question is how fast it will gain general acceptance.” Stefan Sielaff

Stefan Sielaff (left) and Wolfgang Egger (center) were interviewed in Munich by trend researcher Professor Peter Wippermann.

The car of tomorrow – what does it look like? Wolfgang Egger, Head of Design for the Audi Group, and Stefan Sielaff, Head of Audi Design, ask themselves this question every day – and answering it is becoming ever more difficult. Trend researcher Professor Peter Wippermann, based in Hamburg, tried anyway and interviewed the two chief designers about what kind of designs would become feasible with electric cars and whether the radiator grille and the steering wheel would become unnecessary.

Peter Wippermann: Is passion a prime requirement for good car design?
Wolfgang Egger: Passion drives us to continually reinterpret the brand. At Audi, being innovative is a core value.
When you’re thinking about the car of the future, you are looking many years ahead. What motivates you in that process?
Egger: One aspect is tradition. Audi has a DNA that defines the brand. These are unmistakable traits that have evolved over 100 years. The car’s architecture is typically Audi, and we also care what it looks like. Aluminum is traditionally an important material for us. The design must reflect that too.
To what extent do you take current trends into account?
Stefan Sielaff: What’s essential besides the brand DNA is how society is developing on a global scale. On the one hand it’s important not to pursue passing trends. On the other, to keep one’s ear to the ground. We know for example that even today over half of the world’s population lives in megacities and that this tendency will continue to increase. That’s one parameter we take into account.
What are some of the others?
Sielaff: The question of how fast or slow we’ll drive in the future for instance will affect the aerodynamics, and consequently the design.
An increasingly important catchword in the cosmetics market is skin tonicity. Young skin is taut. Everyone wants to live long, without losing any of this tautness. How do you deal with this desire for youthfulness?

Egger: What we're seeing now is that in car design sharp edges and taut panels look smarter than curved ones. Such clean, taut surfaces seem fresher somehow. In my view this has also accentuated the Audi identity once again. This symbolic energy will be brought out even more in the next generation of our cars.

What is it that matters most in the design of the body on the one hand, and in the design of the interior on the other?

Sielaff: Exterior design is love at first sight. It has to make sparks fly. The interior brings out the relationship with the vehicle and with the brand. One might say it's the marriage after love at first sight. When you're talking about Audi, all the elements in the interior must have a functional rationale. A clear-cut purpose, if you will. And their operation should be intuitive whenever possible.

How will electric motors change the interior when certain features like the gearshift are no longer necessary?

Sielaff: Well, the first question is as follows: How can you tell in the electric car when the vehicle is ready to operate? After all, you don't get any acoustic feedback when you start an electric vehicle. The way we have dealt with this now is by engineering a neat start-up scenario. In place of the gearshift we have a "drive regulator" that still has to be able at least to toggle forwards and backwards to shift between forward gear and reverse. As soon as the car is switched on, this control lever tilts up within easy reach – showing that it's ready to go.

Will there also be an acoustic mood-setter, like simulated engine noise? Something to remind you of "driving like we used to"?

Egger: There are some sensations we won't experience anymore in the electric car. We'll have to say good-bye to engine noise of the kind we are accustomed to.

Couldn't it just be a recording?

Sielaff: Technically that would be possible, but is it really credible? It's almost a philosophical question whether one should create such a sound effect, as it would not be authentic. In the electric car you will hear no noise only when it's standing still. But when you're driving, you'll hear tire noise on the road or a rippling noise in the wheel well. That's a different acoustic experience and creates a whole new emotional dimension.

What's it going to be like for pedestrians or cyclists? They would hardly hear a car approaching.

Egger: There will be light signals. But the pedestrian will have to get used to the fact that electric cars are very quiet. For this reason the sound technicians at Audi have taken on the task of protecting pedestrians also in times of electric mobility, for example by creating a sound that appeals to the emotions.

You might say that with electric motors you can give cars a radical make-over. It was similar when things changed from the horse-drawn buggy to the car. Those early cars were designed somewhat like a buggy. Will we go through a similar phase with this?

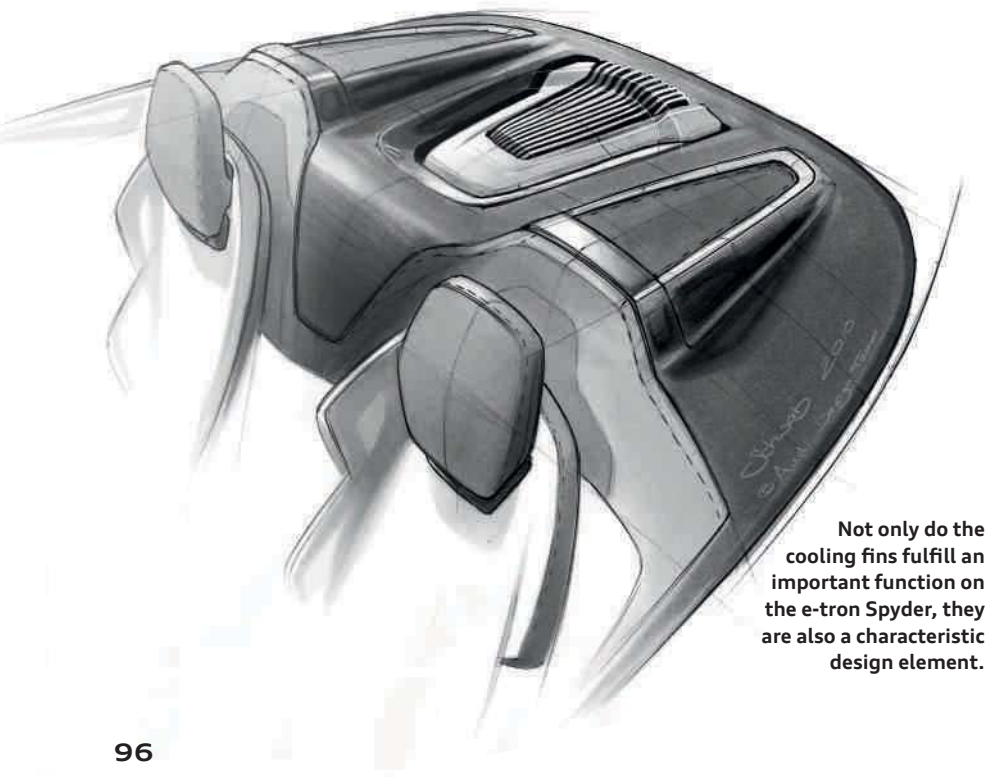
Sielaff: The combustion engine certainly won't disappear overnight. That means we'll be able to refer to the familiar basics of the car's layout for some time yet. Especially since we are using hybrid technology to bridge the gap to the final end point of an all-electric vehicle. How fast this will gain acceptance in the market is the question. As soon as you're getting around to an all-electric drive you can start considering whether or not to change the basic proportions of the vehicle. We believe that this will of course be an option. When you use a wheel-hub motor and stow the batteries in the underbody you no longer need to allow for an engine compartment. We still require ventilation and cooling, but we can change the complete design of the vehicle. That would be a quantum leap. However, we still need to explore that further.

What would be the ideal solution?

Sielaff: If we succeed in using the electric drive system to have more compact vehicles in big cities, where space is at a premium. That would be a win-win situation for the customer, for society and for technology.

Air supply in the front end is still a vital consideration. Will that change, Mr. Egger?

Egger: Electric cars will always require cooling air, even though the prevailing theory is that everything can be enclosed. We learned this first-hand in the most recent e-tron concept cars.



Not only do the cooling fins fulfill an important function on the e-tron Spyder, they are also a characteristic design element.

SKETCHES | AUDI AG (2) PHOTOS | JAN RIEPHOFF/TANK MANAGEMENT; FRANK BAUER/GETTY IMAGES

“With the electric car we can change the complete design.”

Stefan Sielaff, Head of Audi Design

“We’ll have to say good-bye to engine noise of the kind we are used to.”

Wolfgang Egger, Head of Design for the Audi Group

an instinctive, emotional component. With the steering wheel, we pursue our dream of power, speed and freedom.

When you consider the prevalence of SUVs in large cities, you realize that they appeal to a need many people have in common. They want some way to get out of their daily routine and into a country feeling. It’s purely about emotions. What emotions do you want to touch with your electric cars, Mr. Egger?

Egger: We want to keep on creating and fulfilling dreams for our customers and ourselves. In the electric future we’ll continue to meet the challenge of making mobility a good experience. The values we stand for today – sporty, progressive, sophisticated – must absolutely remain valid and evident in the electric future. ●

INTERVIEW | PETER WIPPERMANN

Watch the interview with the Audi chief designers here: www.audi.com/ar2010/design

Today’s air scoops are almost reminiscent of those familiar from jet fighters.

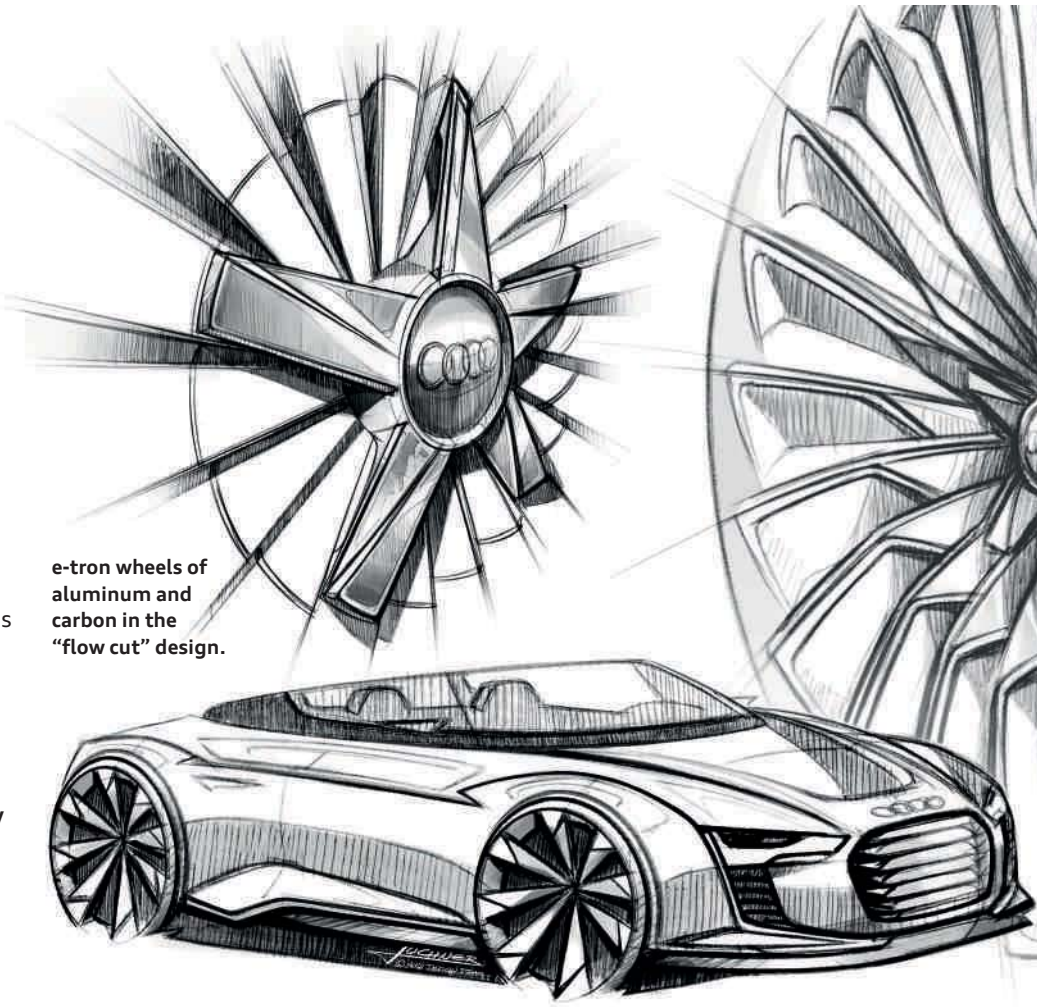
Egger: The parallel to aeronautics is correct. And there are similar ones to marine engineering. Nautical and aerospace styling in particular is influencing current car design.

Mr. Sielaff, another question about the interior: How will you integrate the Internet – something invisible that’s very difficult to express in a design?

Sielaff: You would hardly be able to drive at 220 km/h on the highway while surfing the Internet. That means we’ll have to find ways of using the Internet while driving. Perhaps by voice operation; or maybe you could have something read out to you.

When will the steering wheel disappear? Couldn’t it be replaced by a control stick or a touchscreen?

Egger: I don’t think so. There have been attempts to do so in the past. But everybody came back to the steering wheel. Because it embodies



e-tron wheels of aluminum and carbon in the “flow cut” design.

Configuration

Three-dimensional customizing

Customers traditionally have not seen their new Audi until the day they pick it up. Showroom configurators now allow customers to design and experience their own virtual Audi.

PHOTOS | LUIGI BUSSOLATI/GETTY IMAGES; AUDI AG

Configurator

Customer consultants at the Ancona Audi Center in Italy already use the 3D configurator with one out of three customers.

Audi customers have a wide range to choose from. The 3D configurator allows them to assemble their very own Audi, step by step – from its color to its equipment.

The Puca family (from left to right: Gianluigi, Beatrice, Elisabetta, Vittoria) want to buy an Audi. Their customer consultant uses a touchpad to help them configure.

Just one click makes 11 Audi model lines appear. Four pairs of eyes are glued to the large screen. "*Avanti!*" And off we go! The Puca family want to purchase a new car. They have been customers of the Ancona Audi Center on Italy's Adriatic coast for eight years. But this visit is different. This time, Audi customer consultant Michaele Morbidoni will not be alone in helping the family to decide. A very recent addition will also help: the showroom configurator. A new and interactive sales tool which portrays images in three dimensions.

Their new vehicle is going to be an A7 Sportback* – the members of the Puca family are agreed on that. As for its engine, equipment package and body color, however, the four still have a lot to talk about. 12-year-old Vittoria fidgets impatiently on the black leather couch, biting her lip. Her father wants a black Sportback, but she prefers white. That would be much prettier, she feels. "I've already put it all together online."

The showroom configurator is namely an extension of the online configurator. Customers can thus assemble their own personal Audi online. Once they are done configuring, they receive an Audi code which they then take to the dealership. A customer consultant enters the code and the customer's preconfigured vehicle appears on screen. Both configurators offer the same selection tools. In contrast to the website, images at the dealership can be viewed in 3D. High resolution makes the simulated vehicles seem quite real indeed – just on a smaller scale. The Puca family can examine their A7 Sportback from any point of view – the interior and exterior alike. Any modification appears in a matter of seconds on the screen, which is on the left of the showroom.

Thanks to high resolution, simulated vehicles are like small versions of the real thing.

The Ancona Audi Center is surrounded by vineyards. The charm of Gothic architecture hardly extends to the industrial park itself. But the dealership certainly stands out. After all, it is the first Audi terminal in all of Italy. Moreover, the showroom configurator has been assisting with sales consulting since March 2010. There is a simple reason for this: Audi currently offers 38 models and derivatives, all of which have countless equipment versions. No Audi Center can display such a rich variety under one roof – not even Audi dealer Paolo Giacchetti in his 4,000 square meter showroom. The 3D configurator, on the other hand, can.

The Puca family and their customer consultant, Mr. Morbidoni, are seated in front of the screen. As the family express their wishes, Mr. Morbidoni uses a handheld touchpad to help them configure step by step. Gianluigi and his daughter Vittoria disagree again. This time it concerns the color of interior equipment. Vittoria pleads for beige leather seats – after all, her dad decided that the A7 Sportback's exterior will be black. Mr. Morbidoni taps the touchpad and the interior changes at once from black to beige. Vittoria beams at her father, her braces gleaming. "*Va bene!*" says Gianluigi, yielding to his daughter. OK, the interior trim will be beige.

They have spent some 30 minutes with the 3D configurator. Giacchetti explains that a sales consultation typically lasts half an hour to an hour, depending on the model. He uses the multimedia tool with, on average, every third customer. "Just for the A7 Sportback, there are 13 different paint colors, 19 types of leather and six steering wheels to choose from," explains Mr. Giacchetti. "The configurator allows salespeople and customers to jointly consider all these options."

The Puca family are now content: They have finished configuring their A7 Sportback. Their customer consultant, Mr. Morbidoni, hands Gianluigi a CD containing their very own virtual Audi. Until they come and pick up their new Sportback, Vittoria can view the simulated version at home as often as she wants. And consider whether white might not be prettier after all. ●

LEONIE THIM

Watch the Puca family configure the car of their dreams here: www.audi.com/ar2010/configurator

3D sales

Top scores

Audi was the first premium manufacturer in Germany to feature 3D configurators at dealerships. Nearly all Audi dealerships in Germany will have them by mid-2011 – and worldwide by 2012. Customers are pleased. According to an online survey, over 80 percent of potential Audi customers in Germany were impressed by the showroom configurator.

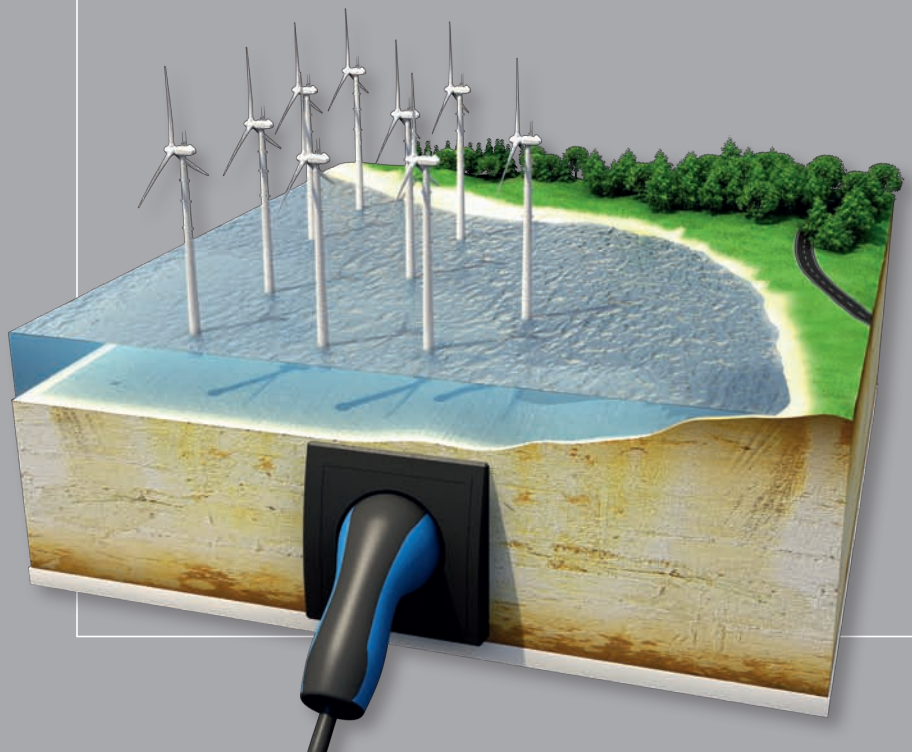
Thanks to the configurator, dealerships will in future be able to show all Audi models – in virtual form.

PHOTOS | LUIGI BUSSOLATI/GETTY IMAGES (2); FRANK BAUER/GETTY IMAGES ILLUSTRATION | CHRISTIAN EISENBERG

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

Making better use of new energy

Cross-country skiing legend Bjørn Dæhlie (right) talked to Audi CFO Axel Strotbek about outstanding achievements (p. 106).

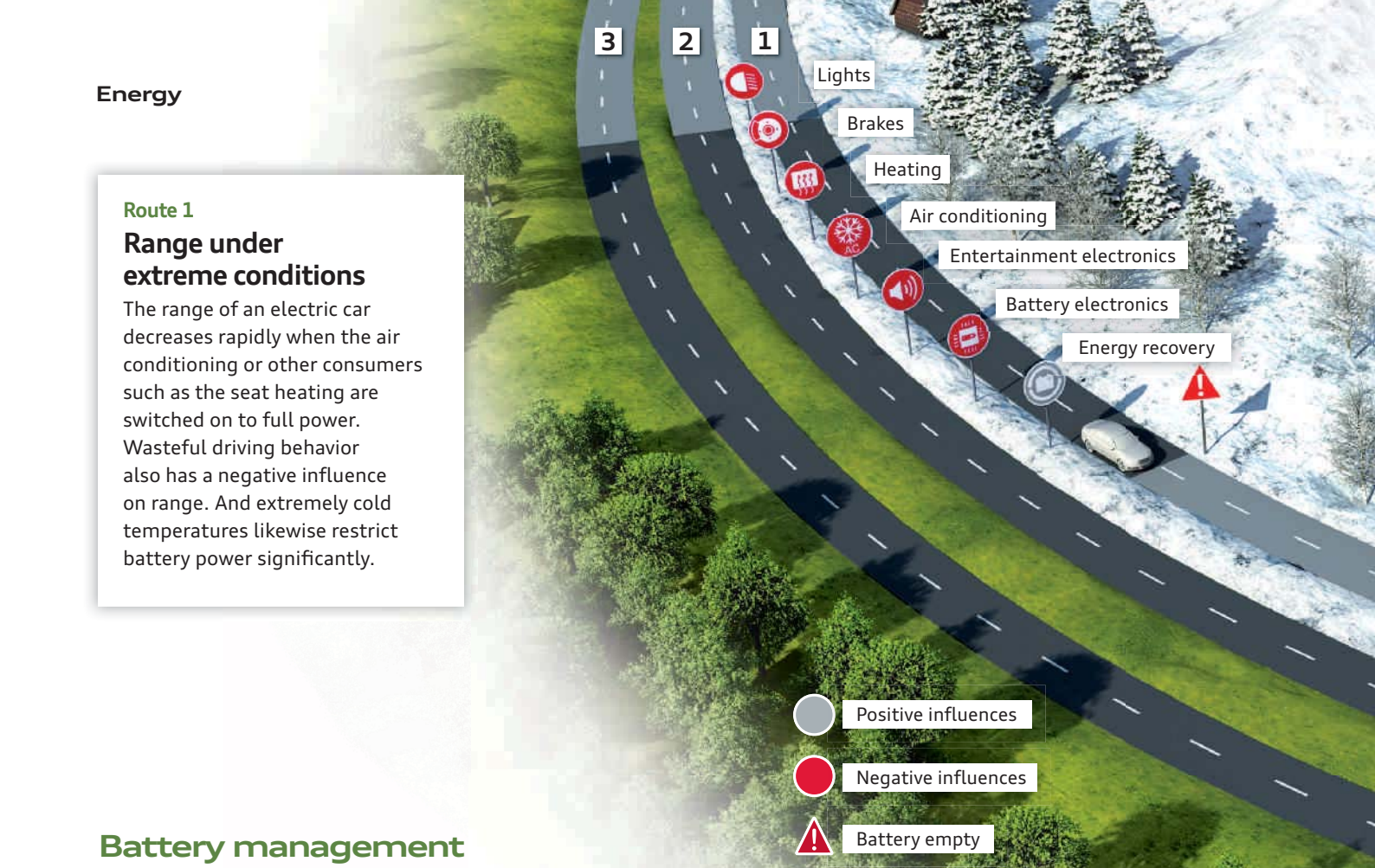


Offshore wind parks generate eco-energy for electric cars (p. 104).

Route 1

Range under extreme conditions

The range of an electric car decreases rapidly when the air conditioning or other consumers such as the seat heating are switched on to full power. Wasteful driving behavior also has a negative influence on range. And extremely cold temperatures likewise restrict battery power significantly.



Battery management

Every cell counts

There is one thing that electric cars have in common with humans: Their success depends on using scarce energy resources as intelligently as possible.

Drivers of today's all-electric cars have to do more than just carefully plan their intended route. In order to calculate their range, they also have to account for factors such as the outside temperature, which is at least as important as the route when it comes to reaching a destination.

"Many drivers of conventional cars become nervous as soon as the fuel warning light comes on, even though the next gas station can't be all that far away," says Jens Kötz, Head of Networking and Energy Systems at AUDI AG. "But anyone climbing into a fully charged electric car is essentially running on reserve from the outset," continues the engineer.

Confronted with limited battery capacities and scarce recharging options, Kötz and his team hone the electric Audi models for maximum efficiency. Energy consumers such as the seat heating or air conditioning have to be cut back in the interest of greater range. "So that you don't have to offer more basic concepts, the key to success lies in the intelligent networking of an electric car," explains Kötz.
"The incorporation of weather data, route planning, thermal pre-conditioning, use of comfort and convenience features and road characteristics adapted to the planned route ultimately contributes to a significant increase in range."

Peak torque can be reduced and energy can even be recovered, for example. The recuperation system feeds electricity back into the battery during braking. In terms of intelligent energy management, the efficiency strategies of an electric car are comparable to those of a biological organism. Sophisticated electronics carefully monitor consumers in a car; in the human body, priorities are set by the pituitary gland, among other things. When the body is under stress, this gland tells the adrenal cortex to secrete cortisol in order to mobilize emergency reserves, for example.

Flexibility is the key to success

If the battery runs empty on the open road, the Audi A1 e-tron study has a range extender that springs into action. The compact rotary engine generates energy with which the vehicle is powered via the electric motor and the cells are recharged. Strictly speaking, the human body also includes a type of hybrid system. When push comes to shove and the blood sugar level is no longer able to meet the muscles' energy requirements, hormones such as noradrenaline or glucagon cause the body to burn fat.

A particular challenge with regard to battery management: cold temperatures when high performance is wanted.

ILLUSTRATION | CHRISTIAN EISENBERG

Route 2

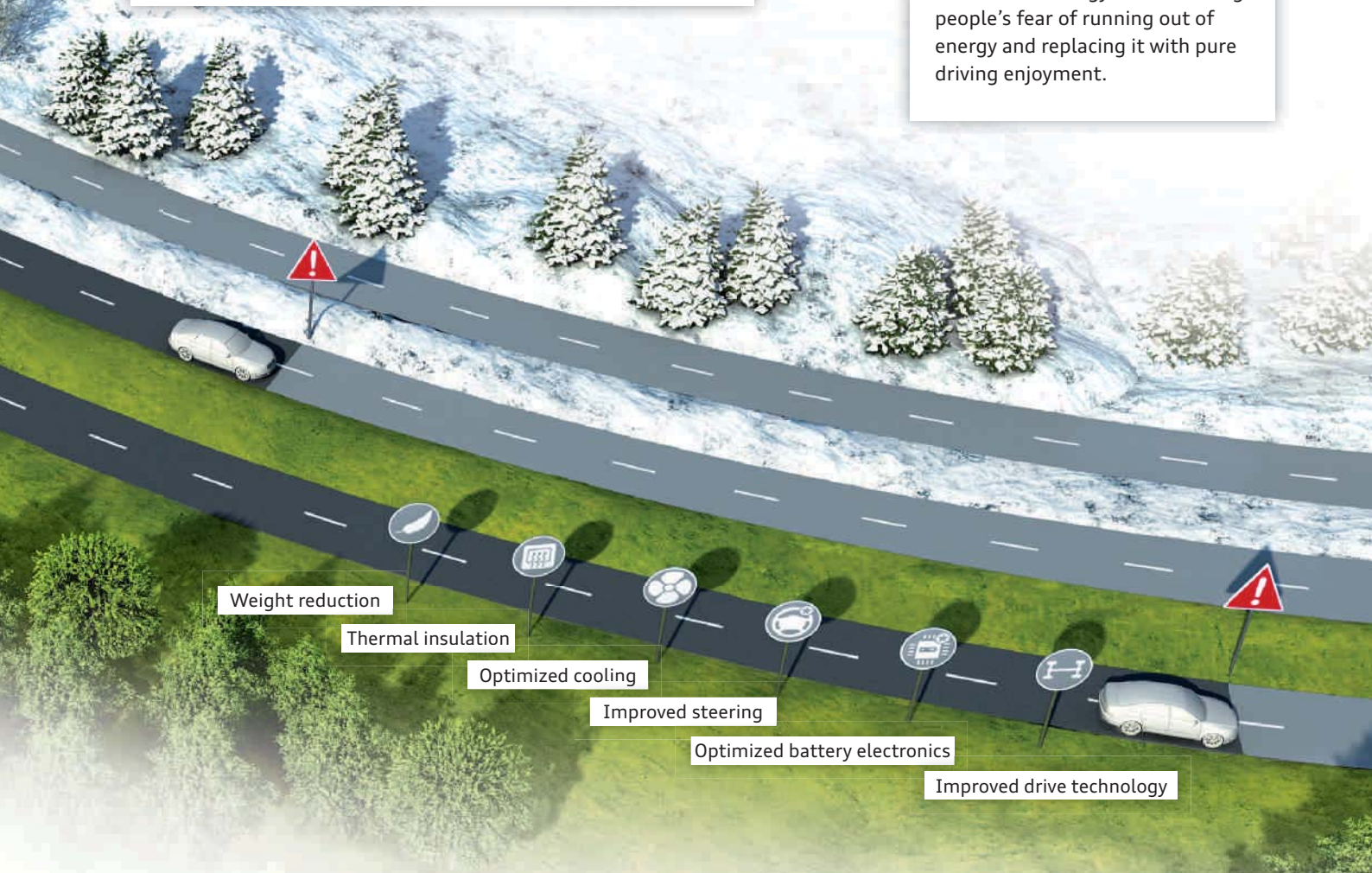
Range with normal driving behavior

Prudence and effective technology already enable good ranges today. Recuperation allows energy to be recovered, adjustments to torque save electricity when starting off, and economical use of electrical consumers enables electric vehicles to cover longer distances.

Route 3

Range – the ultimate goal

The evolution of battery technology is still in its infancy. Greater capacities and improved battery management will increase the range of electric vehicles substantially. Lower-weight cells and vehicles as well as progress in drive technology are alleviating people's fear of running out of energy and replacing it with pure driving enjoyment.



The temperature inside a lithium-ion battery should always be between 25 and 55 degrees Celsius. If it is too cold, the cells' internal resistance increases rapidly – by as much as a factor of ten. Battery output plummets. Heat, on the other hand, greatly accelerates the aging of the cells.

Audi engineers are therefore investing particularly large amounts of expertise into optimal temperature management. This is also essential elsewhere, as the human body must likewise maintain its temperature within a narrow normal range at all times in order to survive.

Caution: chain reaction!

Chain reactions, such as when overcharging destroys a cell, represent a major risk for an electric car's battery block. "The overall functionality of a battery is determined by its weakest cell," warns Kötz. Safety intervals and good heat dissipation are therefore used in addition to charge status monitoring to protect the battery against secondary damage. After all, slight damage should not result in the failure of the overall system. The human body uses new blood vessels to bypass a blood clot for similar reasons.

Lithium-ion batteries are a still relatively young technology and unlike humans do not require millions of years to achieve gains in efficiency. Audi uses a trick to speed up their "evolution." The development engineers subject test batteries to permanent charge and discharge cycles on battery test rigs. This accelerated aging helps them to quickly develop new high-voltage batteries with greater energy capacities while maintaining a constant level of safety and extending service life. Such fast-paced generational changes mean that even reluctant people can overcome their nerves and partake in the electric mobility of the future. ●

FALKO BLASK

An audio version of this article is available at: www.audi.com/ar2010/battery

Electric mobility

The power of nature

Water, wind and sun: Renewable sources of energy are revolutionizing energy supply – without them, climate-friendly driving would be impossible.

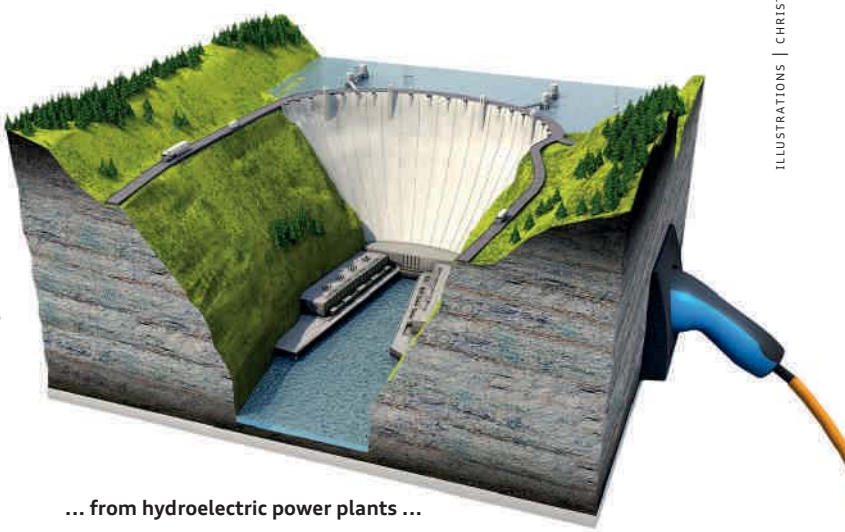
The trinity of future energy supply:
Electricity from offshore wind parks, …

It is an ambitious goal. The National Electromobility Development Plan approved by the German government in 2009 envisions more than five million electric vehicles on Germany's roads in 2030. To this end, some four billion euros in subsidies are to be invested to promote research and development as well as the training of specialists in coming years. And the automotive industry plans to invest a further 10 to 12 billion euros just on the development of alternative drive systems.

It is already a certainty that many people will drive electric vehicles in times to come. "And Audi is working at top speed on the future of mobility," confirmed Rupert Stadler, Chairman of the Board of Management of AUDI AG, at the unveiling of the fleet trial with the Audi A1 e-tron. The increasing importance of electrification and renewable energy is an impetus for – and the outcome of – a fundamental paradigm shift with regard to the global energy supply. Not only are petroleum, natural gas and coal finite resources – their use is also a cause of global warming. The solution lies in a complete changeover to energy supplied via renewable sources. This would not only satisfy the world's continuously increasing appetite for energy, but also limit warming of the Earth's atmosphere during the 21st century to the two degrees Celsius which climatologists argue would be just barely tolerable.

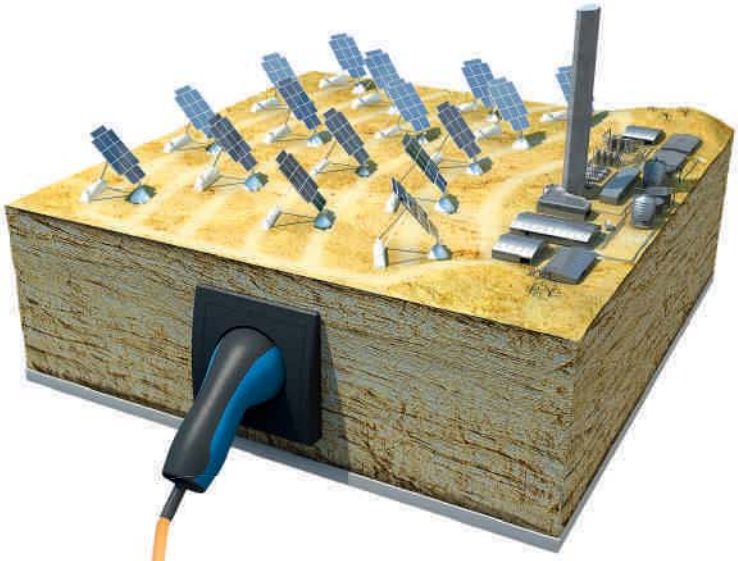
Electricity comes from decentralized units as well as wind and hydroelectric plants.

A number of studies show that this changeover is possible. According to a recent study by Germany's Environment Agency, Germany could "always use electricity generated using exclusively renewable energies" as soon as 2050. A meticulously researched roadmap by one of the world's largest audit firms came to the same conclusion – for all of Europe and northern Africa.



… from hydroelectric power plants …

ILLUSTRATIONS | CHRISTIAN EISENBERG



… and photovoltaic systems …

For now, however, some 80 percent of Europe's electricity is produced in large-scale centralized power plants, transmitted to energy providers, and ultimately sold to consumers. Power grids in the future, conversely, will be fed by very different sources. Electricity will be generated not only in decentralized wind, photovoltaic, biogas and geothermal plants, but also by offshore wind parks in the Baltic Sea and the North Sea, hydroelectric power plants in Scandinavia and large-scale solar installations in the Sahara.

Wind-generated and solar electricity from deserts could supply power to Europe and northern Africa.

Desert areas in particular offer great potential. The energy radiated by the sun onto deserts just in the Middle East and northern Africa equates to 630,000 terawatt hours annually. That is 30 times as much electricity as the entire world generated in 2010. If the globe's sunniest regions had thermal solar power plants encompassing 83,000 square kilometers – about the size of Austria – then the world's current demand for electricity would be satisfied, mathematically speaking.

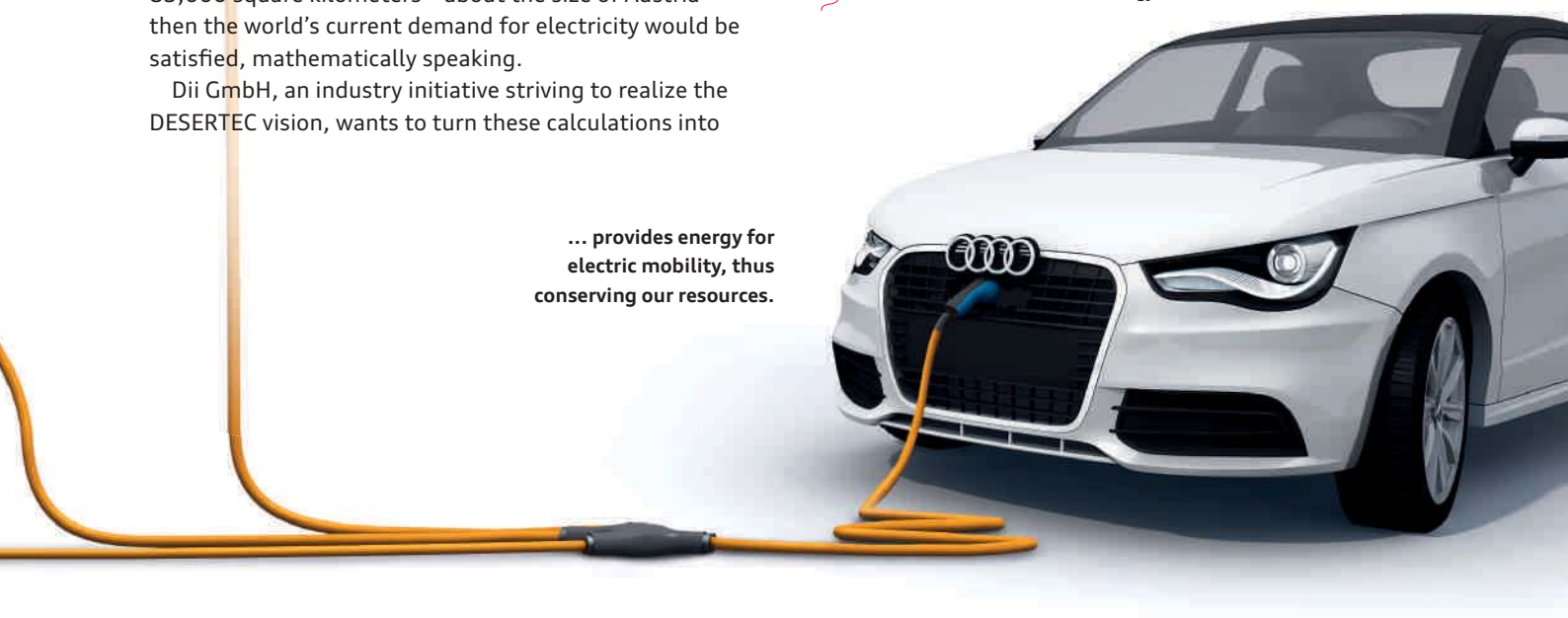
Dii GmbH, an industry initiative striving to realize the DESERTEC vision, wants to turn these calculations into reality. AUDI AG supports Dii GmbH as an associated partner. The industry initiative's stated objective: to supply most of northern Africa and the Middle East and at least 15 percent of Europe with electricity generated by wind and the sun in the deserts between Mauritania and Sudan by the year 2050. A high-voltage direct-current (DC) system is therefore scheduled to connect northern Africa and Europe. Prof. Dr. Hans Müller-Steinhagen, chairman of Dii's International Advisory Committee, estimates a need for some 1,000 solar power plants and a good 400 billion euros – spread out over 40 years – to be invested in power plants and DC cables. A high-voltage cable has already been laid between Morocco and Spain; a second cable between Algeria and Italy is being planned, as is the construction of the first power plants in Morocco and Egypt.

Audi already feeds electricity from renewable sources into Germany's power grid.

Audi is actively working on this path to a resource-efficient future. During the transitional period, the carmaker will continue to improve the fuel efficiency and reduce the CO_2 emissions of combustion engines. Engines will also be modified for use with biofuels, which are obtained from plant raw materials. Last but not least, Audi will of course continuously enhance hybrid and electric drive systems – which are already being put to the test in e-tron models.

Yet new vehicle concepts are not the Audi Group's sole contribution to this move toward alternative forms of energy. The carmaker already obtains a a substantial percentage of the electricity required for producing vehicles from renewable sources – and photovoltaic systems on the Audi production buildings already feed green electricity into Germany's power grid. ● JÜRGEN BISCHOFF

An audio version of this article is available at www.audi.com/ar2010/energy



… provides energy for electric mobility, thus conserving our resources.

Bjørn Dæhlie and Axel Strotbek (right) in front of the 13.5-meter high Audi hill at Munich Airport. It was constructed for the presentation of the new A6.

Axel Strotbek and Bjørn Dæhlie

"The next success matters, not the previous one"

Cross-country skier Bjørn Dæhlie and Audi CFO Axel Strotbek discuss goals, discipline, success and the common ground between competitive sport and being the market leader.

Axel Strotbek has been Member of the Board of Management for Finance and Organization at AUDI AG since fall 2007. Prior to that he was Executive Vice President Finance for Volkswagen Group China in Beijing. In his free time he participates in endurance sports.
Bjørn Dæhlie is the most successful athlete in the history of the Winter Olympics, with eight gold and four silver medals to his name. The Norwegian cross-country skier now runs a skiing and sportswear company and develops wind farms for power generation.

Strotbek: You are one of the most successful winter athletes of all time and are renowned for your disciplined training. Is that the secret to your success?
Dæhlie: Discipline is naturally a part of it. But it all started with something else: a dream. You know, cross-country skiing enjoys a very special place in Norwegian culture and people are passionate about it perhaps in the same way that the Germans are about soccer. In Norway every boy and girl

PHOTOS | FRANK BAUER/GETTY IMAGES

learns how to cross-country ski. I was no exception. And when I saw the winners on television at the Winter Olympics, even as a small boy I had the dream of one day standing on that podium myself. Then I started to train. I learned the technique, I loved skiing and with each year that passed I improved a little. But I was never satisfied. I always wanted more. After I had won my first international race, I cried because I sensed that I really could achieve something.

Strotbek: If I understand you rightly, for you it was all about perfecting your technique, a passion for sport and the fulfillment of a dream. I can certainly empathize with that. Here at Audi, we are motivated by similar things: technology and passion. It can take a long time for the first big success to come. But the secret then is not to ease off, and to stay in a leading position.

Dæhlie: That's another common area between sport and business: When you've won a gold in sport, it's tempting to rest on your laurels and relax. The same applies in the world of business. Some companies lose their drive, creativity, powers of innovation and customer focus once they become market leader.

Strotbek: How do you resist the temptation to ease off?

Dæhlie: My motto was: You aren't Olympic Champion, you're capable of becoming Olympic Champion. Even if you've just won gold your competitors still want to beat you, and if you don't keep improving they will succeed. I didn't hang my medals on the wall, I didn't want to have them in front of me all the time. I put them in the basement. The medals that you own are the past. I was focused on the future, on the next success – not the previous one. That was my personal approach. But how does Audi handle the necessity never to ease up and to keep improving?

Strotbek: The main reason why Audi is so successful is that our brand is remarkably innovative, sporty and progressive. We've introduced quattro drive, TDI technology and extremely high-quality design at Audi. That has already made us number one in Europe, but we're not quite top of the pile worldwide. Yet precisely that is our declared ambition, which is why we are highly motivated. We have clearly formulated timescales and criteria for gauging success on various local markets worldwide. I sense that the entire organization is working passionately towards achieving the goals we have set ourselves, however ambitious they may sound. But after all, competition in our industry is extremely tough.

Dæhlie: I keep discovering similarities between the toughest years of my sporting career and the challenges that I have to contend with in my business. Bj SPORT is not comparable to Audi, we occupy a small niche with our sportswear for cross-country skiing. But there are parallels: the hunger to be better than the competition, and the unflinching will to overcome

Audi Board of Management member Axel Strotbek (left) and the successful winter athlete and entrepreneur Bjørn Dæhlie met for talks at the Audi Forum at Munich Airport.

“My philosophy: pure function. Everything must be necessary and perfect.”

Bjørn Dæhlie, eight-time Olympic champion

“Our business has a great deal in common with sport. It is about competition.”

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

boundaries. That is what I have carried over from sport into the world of business. And there’s a second realization: Succeeding on your own is very difficult. I always feel I am part of a team. I always tried to remember that when I set up my company. It was clear to me that I couldn’t do it on my own and that I needed team players to help me. I looked for people who shared the same spirit as me and wanted to join me in creating the best cross-country ski wear from a technical viewpoint. I think that’s one of the benchmarks of success for my brand.

Strotbek: What does mobility mean to you?

Dæhlie: I’ve a confession to make: When I was at school I designed cars. My friends and I ran an unofficial competition to produce the best sports car designs. Cars have fascinated me ever since. In fact, my first sponsored car in 1990 was an Audi 100 quattro. I was very proud of it, particularly because it had the rally design. But it’s my turn to ask you something: Is it true that you go running every morning?

Strotbek: As well as our enthusiasm for Audi this is another thing we have in common. Sport plays a major role in my life. I try to go running every day. As well as helping me to tank up energy, it clears my mind. Both these aspects are very useful in my job. I’m absolutely convinced that experience gleaned from sport helps you in your professional life: the need for discipline to raise your performance, the ability to handle defeat, and the concentration it takes to succeed. That is why I also encourage my management team to take part in sport. Our business has a great deal in common with sport, it is about competition. For it to perform well, it needs a fit organization, quick-thinkers, fast reactions, motivation and the will to win. That’s what I try to convey to my team.

Dæhlie: I think there’s a kind of sporting ethos that is a fundamental attribute of the business world. I want to become world market leader with Bj SPORT, but at the same time I’m working on erecting a huge wind farm of 100 turbines on the Swedish-Norwegian border. That is also a sporting challenge. But I’m adamant that green energy is the way forward.

Strotbek: Audi, too, sees green energy as the shape of things to come. Energy consumption and CO_2 emissions need to be cut – those are two core objectives of our research and development work. We are already well on the way to achieving them: Our A3 TDI clean diesel was voted Green Car of the Year 2010 in the United States, the Audi e-tron models are charged up on our factory site in Ingolstadt with power from a photovoltaic plant around 19,000 square meters in size, and the 150,000 vehicles that we ship from Emden are brought there by trains running on green electricity. But that’s just the start. Audi now also wants to underscore its claim to lead the way in such areas of ecology. We are already considering how to access renewable solar energy sources in the Middle East and North Africa. And wind power will fundamentally also increasingly gain in importance. I am certain that Northern Europe in particular is an excellent region in which to generate wind power. Renewable sources of energy will play a major role in the future. For you, and for Audi. ●

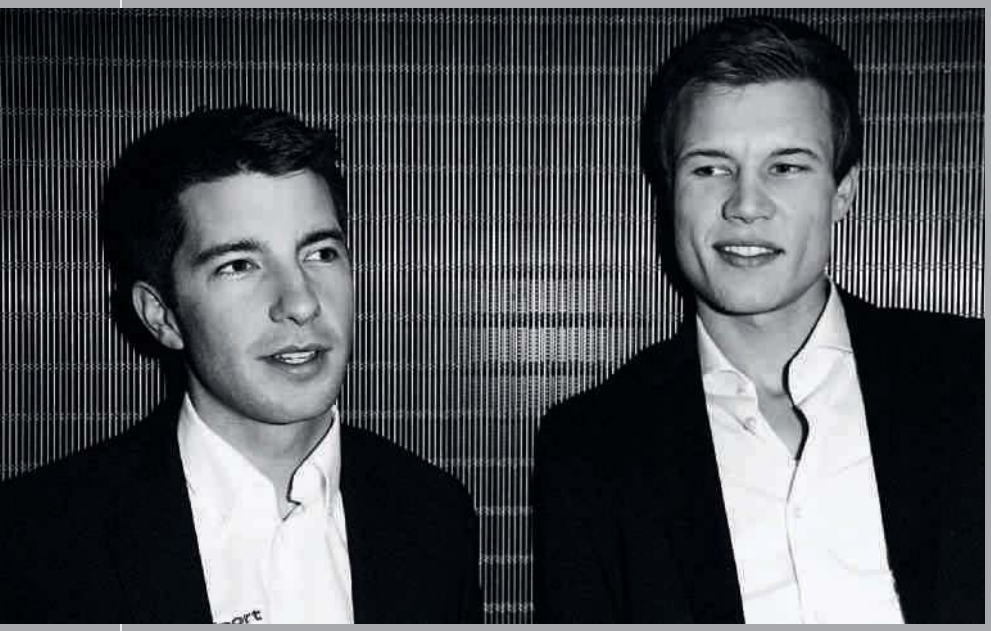
HOST | MICHAEL KNEISSLER

Watch the interview about goals, discipline and success here: www.audi.com/ar2010/success

PHOTOS | FRANK BAUER/GETTY IMAGES (2); WOLFANGO; DAVID KÖNIGSMANN/TANK MANAGEMENT

Time for new best times

Flowing forms:
The Aventador* sets new standards in the supercar category (p. 116).



A discussion between Audi factory driver Mike Rockenfeller and soccer player Holger Badstuber (p. 122).

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

Against the wind

Whether ski jumpers, swimmers or the latest cars – the road to success leads through the wind tunnel. A visit to the storm front.

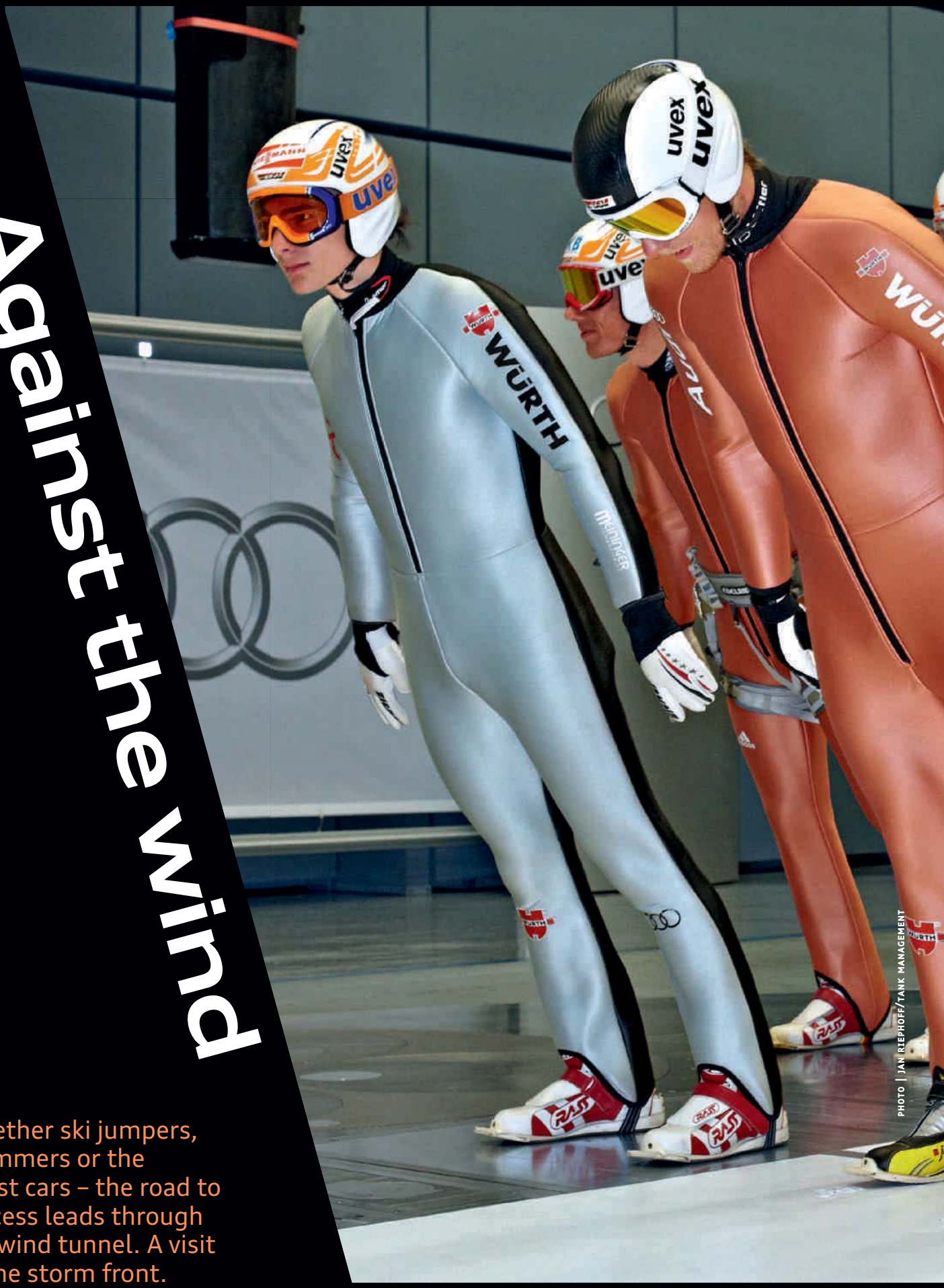


PHOTO | JAN RIEPHOFF/TANK MANAGEMENT

Storm-tested

The German national Nordic Combined ski team in the Audi wind tunnel.

Into the wind

Nordic Combined skier Björn Kircheisen uses the wind tunnel to practice the perfect flight off the ski jump.

A hurricane is raging in Hall 25. While the Audi employees are enjoying their lunch break in the sun outside the flat-roofed building on the Ingolstadt site, a storm with Force 10 winds is raging inside. Six men in ski suits brace themselves against it. **90 kilometers per hour.** The men lean forward, toward the tunnel opening from which the nozzle is blowing the wind. **100 kilometers per hour.** Björn Kircheisen squeezes his eyes shut; one foot slips backward and he pulls it forward again. **110 kilometers per hour.** The six men lean ever farther forward. They are at an angle of nearly 45 degrees. Without the wind in their faces they would fall over. Their faces are distorted. One of them wants to say something, but only manages to utter an unintelligible sound.

Acoustics test: Noises inside the car are measured using mannequins to which microphones have been attached.

115 kilometers per hour. The athletes slide backward. The wind has won this round. The six step to the side.

The men are medalists, World Cup winners, national champions: the German national Nordic Combined ski team. They train at the Audi Wind Tunnel Center, one of the most modern anywhere in the world. Opened in 1999, it was expanded three years ago. There are now three different wind tunnels in Hall 25, in which Audi has invested around 40 million euros.

The facility is used to measure wind resistance and wind noise, simulate weather and test aerodynamics. Every new Audi model makes around 250 trips to the wind tunnel before being launched. Air rushes through tunnel openings in front of and behind the cars at speeds of up to 300 kilometers per hour. The wind tunnel is reconfigured for athlete training, with cable winches mounted on the ceiling of the hall, for example.

What is it like to stand still at 100 kilometers per hour? “You just have to lean forward,” says Kircheisen with a grin just like the one he flashed in Vancouver last year when he won Olympic bronze. The odd-looking exercise trains his feel for flight. “Thanks to the wind tunnel, I am not easily surprised by a gust of wind on the hill,” says the 27-year-old.

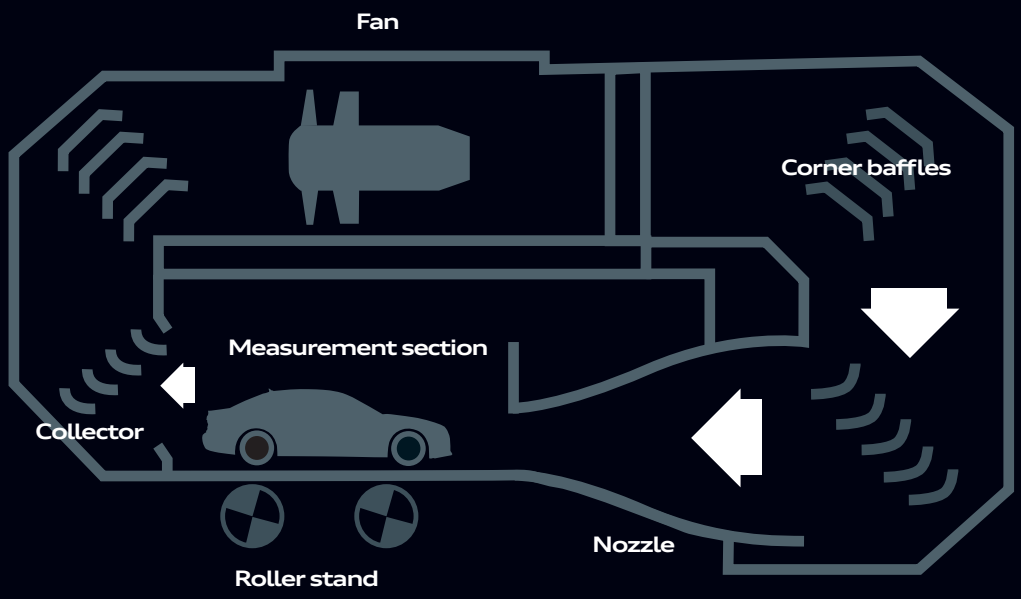
Training resumes. Kircheisen and his five team colleagues go back to the center of the hall to where the wind is blowing. He and his teammates once again slide slowly backward, take a step forward and slide back again. “Straighten up!” calls the coach.

Robby Pyttel sits at a control panel in the control room, separated from the wind tunnel by a pane of glass. After

PHOTOS | BENJAMIN MAERZKE; JAN RIEPHOFF/TANK MANAGEMENT (2) GRAPHIC | AUDI AG

The wind circuit

All three Audi wind tunnels are configured as rings. A fan measuring up to 5 meters in diameter generates airflow. Corner baffles ensure that this airflow reaches the nozzle evenly and without turbulence. The nozzle further accelerates the airflow. The air should be uniform when it arrives at the measurement section. The cars to be tested are placed on roller stands to simulate actual driving situations. A collector gathers up the air again and returns it to the fan.



Speedy descent

Simulating the approach on the ski jump. Wind resistance is a determining factor for the take-off speed and length of the jump.

In a tuck

Austrian skier Stephan Görgl tests the wind resistance of his racing suit.

PHOTOS | IMAGO/GEPA PICTURES, UDI AG

five minutes he presses the black button. The hurricane subsides. The athletes stumble forward, towards the tunnel opening. There is not the slightest of breezes – this lull in the wind means it's time for a break.

Pyttel has worked as an engineer in the wind tunnel for three years. He now opens the metal door of the control room and goes to where the storm was recently raging, directly into the tunnel opening. The 31-year-old points to the steel walls and the slots in the floor that catch any items blown away by the wind. Finally, the five-meter-tall turbine with the 2.6 megawatt motor that had the Nordic Combined skiers sliding backward.

Audi cars undergo 6,500 hours of testing each year in the three wind tunnels. The tunnels are used by special guests the rest of the time. Australian swimmer Ian Thorpe tested his swim suit here, and Alpine skiers from Germany, Austria and Switzerland train here almost every year. The ski jumpers of the German Ski Association leaned into the man-made wind a few days before the Nordic Combined skiers. The bob sledders are also scheduled to return soon from Switzerland.

Siberian cold: Wind Tunnel staff test the heating and air conditioning system of an Audi A4 at an outside temperature of minus 25 degrees Celsius.

A train manufacturer also chose the Audi wind tunnel for testing a model of its latest high-speed train. And, of course, the Audi DTM and Le Mans racing cars are brought to the wind tunnel for aerodynamic optimizations to the chassis and suspension, spoilers and the nose to shave off the decisive thousandths of a second.

"This is the most diverse job I could ever imagine," says Pyttel as he walks past covered prototypes and life-size clay models of cars. No photos are allowed in this secure area! The new models of the future are sent to the wind tunnel four to five years before they are launched; during the design and development phase, in other words. The newest section of the facility starts behind the next metal door. You could call it an oven, but it would be equally correct to call it a refrigerator depending on when you enter it. Drains can be seen in the floor of the measurement section; heat lamps are mounted on the ceiling. Weather from around the world can be recreated in the climate wind tunnel, which was opened back in 2008. All the way from Siberian cold at minus 25 degrees Celsius to bone-dry, 55-degree Saharan heat.

At this very moment, an Audi A4 is demonstrating that it can free windows from a millimeter-thick layer of ice in just a few minutes. Pyttel points to the heat lamps on the ceiling, which produce actual UV light. The engineer explains that you would get sunburned if you were to stand under the lamps while they were switched on.

Pyttel continues forward past an A1 in which mannequins with microphones are sitting. A case for the acoustics wind tunnel, where wind noises are recorded inside the car. Every irritating source of noise is tracked down here to deliver the ride comfort expected of a premium vehicle.

There are further tests that enhance safety. How does a car behave aerodynamically at 150 kilometers per hour? What happens if there is a sudden gust of wind from the side? What measures reduce wind resistance and thus fuel consumption? These are the types of questions that Pyttel and his more than 60 colleagues working in two shifts at the Wind Tunnel Center have to answer.

But these questions will have to wait this afternoon. Right now it's the Nordic Combined team's turn. Next training session. Kircheisen is hanging from two ropes as his coaches pull him up under the ceiling. Facing into a strong headwind, he is supposed to simulate the flight following takeoff from the hill. A ski jumper normally lands in the snow after no more than four or five seconds. In the wind tunnel, Kircheisen practices a perfect flight lasting two minutes. "There is nowhere else we can log so many flight miles," he says.

The man with the red helmet spreads his legs slightly so that his skis form a large V. "Tense up your body!" says Kircheisen's coach. Then he raises his hand and says, "Go!"

In the control room Pyttel presses the black button again, and the next storm breaks out. ● STEPHAN SEILER

Watch the German ski jumpers in the Audi Wind Tunnel Center at: www.audi.com/ar2010/windtunnel

Lamborghini Aventador

The fiery Italian

Tradition and future with lightweight design. Completely new – yet with a long history. With the Aventador, Lamborghini reveals the fastest manifestation of Italy yet. The supercar generates 515 kW (700 hp) with its 12 cylinders.

They are the same three questions that everyone asks – no matter how old or experienced – when they first confront the Lamborghini Aventador*. How fast is it? How powerful? How many cylinders? But these questions can't initially be expressed upon first meeting the car. The senses are still too dazzled when the latest supercar from the Lamborghini brand swoops past you at its top speed of 350 km/h on the Pista di Nardò, the famous high-speed testing track in South Italy. Its first appearance leaves no room, not even for a short question, as wordless astonishment spreads over the Apulian countryside like the untamed symphony of the 515 kW (700 hp) 12-cylinder engine. Your head is still virtually empty minutes later, as if the airstream created by the supercar had swept your thoughts away with a hurricane-strength gust.

That was mid-November 2010. At that time the Aventador had not yet been given its name. "Our team called it 834 – short and sweet," explained Anna Trevissoi, Research and Development Project Manager

PHOTO | WOLFANGO

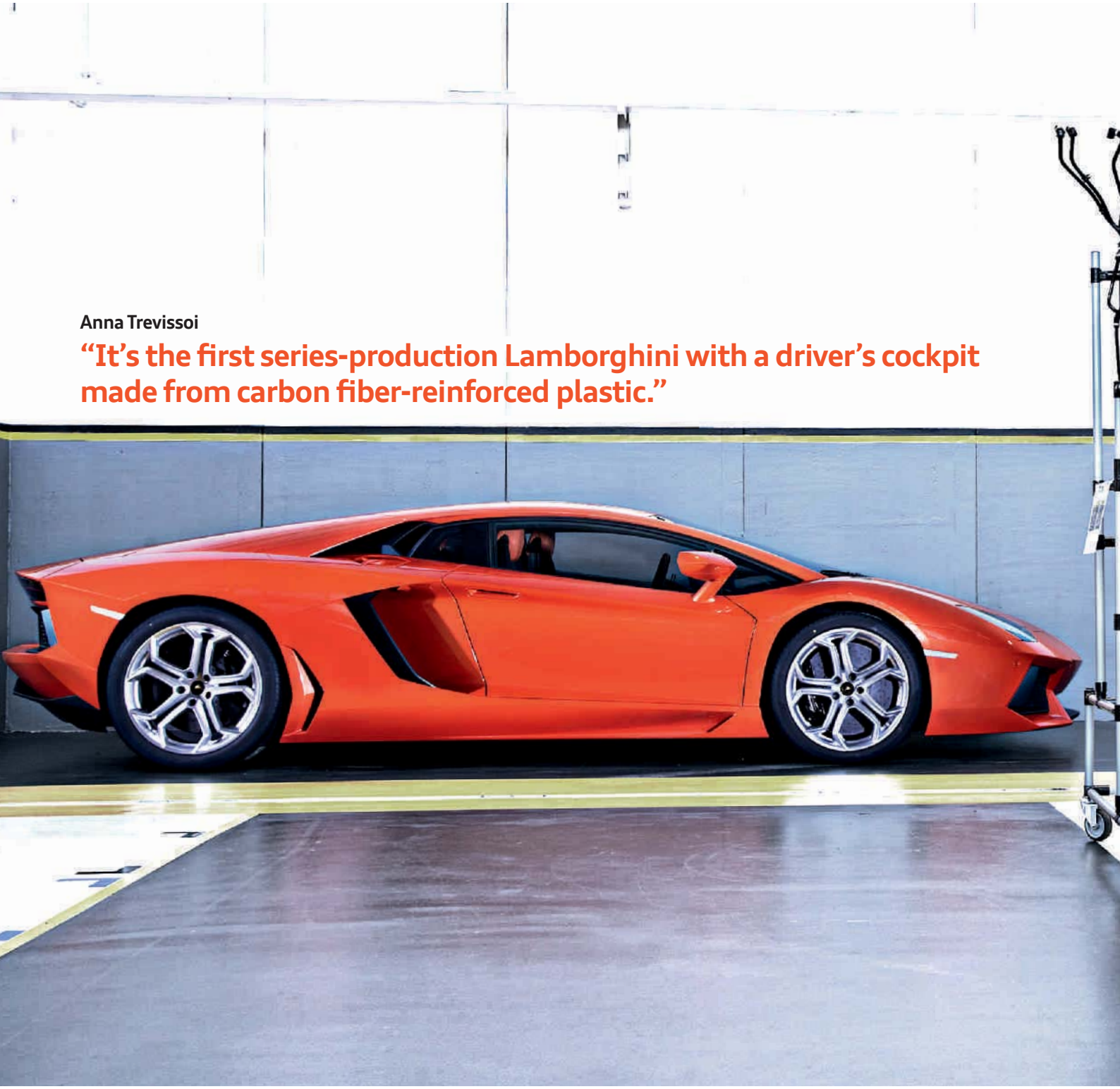
 * Fuel consumption and emission figures at the end of the Annual Report

Distinctive wedge shape: the Lamborghini Aventador

for the new Lamborghini. Her primary responsibility as project manager was to arrange the technical work, establish a timeline for the project, and manage the flow of information between the departments at Lamborghini and Audi. And "834" is her baby. Since the beginning of the development work, the engineer has guided the challenging, ambitious and trendsetting project. Challenging because the car was not the only thing that needed to be fast – the development needed to be fast as well. Trevissoi: "We started with the work at the end of 2007. We only had three years to have the car ready. That's a very tight schedule." Ambitious primarily because the Lamborghini is not a revised version. "One challenge in the construction was that everything is completely new. We simultaneously developed a new steering system, new mechanics, a new engine and a new design – in other words, a completely new car." And trendsetting because the Aventador* uses innovative materials and technologies. "Our car is a great example of how carbon fiber can be used. It's the first series-production

Anna Trevissoi

“It’s the first series-production Lamborghini with a driver’s cockpit made from carbon fiber-reinforced plastic.”



Lamborghini with a driver’s cockpit made from carbon fiber-reinforced plastic,” Trevissoi explained. The fact that the supporting architecture is made from carbon fiber – the highly stable lightweight material known from aerospace construction – offers significant benefits. It reduces the weight of the car, while also increasing the stiffness of the entire vehicle.

The development efforts are especially clear when you take a look at the all-new heart of the Aventador*, which was developed in Sant’Agata Bolognese. The 6.5-liter 12-cylinder engine has an impressive 515 kW (700 hp) output with 8,250 rpm and maximum torque of 690 Nm. Plus a torque curve that promises extremely responsive behavior under acceleration. The Aventador takes 2.9 seconds to sprint from zero to 100 km/h. But even at over 250 km/h, it continues to drive on powerfully to its top speed as if the natural laws of air and road resistance do not apply.

But the engine is not just extremely powerful and high-revving – it’s also very compact and light. From each kilogram of engine weight, the engineers have been able to squeeze out nearly three horsepower! In all, the engine weighs no more than 235 kilograms thanks to its crankcase and four-valve cylinder heads made from an aluminum-silicon alloy.

PHOTOS | WOLFANGO

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

The engineers have been able to squeeze out nearly three horsepower from each kilogram of engine weight.

The light 12-cylinder engine is joined by a high-tech transmission featuring a completely new construction for supercars. This weighs a mere 79 kilograms. The Lamborghini ISR is an automated manual transmission that combines minimal shifting times with the convenience needed for everyday use. Gear changes are almost twice as fast as with its predecessors.

Setting technology trends rather than merely following them – a standard that every Lamborghini must fulfill. But a car with the bull on the hood also has to embody a tradition, and the number of cylinders is just one parameter. The Aventador* links with the past primarily through its design, just like its predecessor, the Murciélago. It does so by continuing to develop and update the extreme stylistic elements and the aerodynamics. The design elements that the Murciélago drew from its three predecessors – the Miura, Countach and Diablo – are also reflected in the Aventador. These include the rear louvers which make the Murciélago reminiscent of the legendary Miura, an automotive cornerstone in the history of carmaking and one of the first designs by the still-young company established by Ferruccio Lamborghini in 1963. The Miura was produced from 1966 to 1973. It ensured the continued existence of the carmaker, enabled the development of new models, and was a technical sensation in itself. Up to that point, mid-engines transversely mounted directly behind the seats were known only in racing. Named after Eduardo Miura, a breeder of Spanish fighting bulls, the sports car with the pop-up headlights also influenced the naming of all of its successors. It became the tradition to select names for the models from the field of bullfighting. The Espada of 1968 was named after the sword of the toreros, and the Gallardo of 2003 was named for a race of fighting bulls. But most of the names selected for the cars can be traced to the names of famous fighting bulls – the Islero, the Reventón, and now the Aventador, whose namesake thrilled audiences in Zaragoza in 1993. And of course there was also the Murciélago, with which Lamborghini honored a legendary animal that was granted clemency in 1879 after a fight in the arena of Córdoba, due to the courage it displayed.

With its wedge profile, which is also a distinguishing element of the Aventador, the Murciélago recalls the angular shape of the Countach, built from 1974 to 1990. That car, with its speeds of up to 330 km/h, was the flagship model at the time for the Lamborghini brand. Often equipped with a truly massive rear wing, it was naturally also powered by a V12 engine.

Lamborghini employees at the plant in Sant'Agata Bolognese pull the camouflage film from the Aventador, a completely new development (left). Its 515 kW (700 hp) 12-cylinder engine is located behind the sports seats – following the tradition at Lamborghini.

An interview with Anna Trevissoi

"It's got that typically masculine Lamborghini sound"

Do you like to drive fast?
Yes I do, and always have. I like driving cars in general.
So you drive your company Lamborghini to work?
Oh, no. I drive my Audi A3. It's a great car.
The project for the successor to the Murciélago started in 2007. Was it a challenge?
When I started, I was actually a little worried about how I could bring together the many highly talented engineers. They all have tremendous abilities. We had to communicate a lot, and the short timetable required close cooperation.
Did the Aventador* turn out to be a true Italian?
I think that the car as a whole is in the tradition of Lamborghini – from the handcrafted interior to the new 12-cylinder engine.
How does it sound?
It's got that typical Lamborghini sound, yet it is still different from its predecessors. It's a really penetrating, masculine sound.
Masculine?
Yes, because the sound is strong, aggressive. You can't help but turn around to look when you hear it.
Which part of the finished car do you like best?
My favorite is the extendable rear spoiler. It makes the car look even more impressive.
Do environmental aspects play a role in the construction?
A very important one. The engine has been developed for unsurpassed efficiency. The goal was 8 percent more power with 20 percent lower consumption when compared with the predecessor. We've succeeded in that.
Lower consumption? People who buy a Lamborghini don't really need to worry about fuel prices ...
But the Aventador is not exclusively developed for people who have a lot of money. It is a high-tech car – even when it comes to fuel consumption and emissions.

Elemental force from behind: The rear signals power, confidence and character. The wedge-shaped front lights evoke the company's history.

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

PHOTOS | WOLFANGO

The Murciélago itself is a symbol of automotive art with a mixed Italian and German heritage. The speedy roadster continued to show its capability in the final months before production ended with models like the LP 670-4 SV and the Reventón. And it pointed to the path into the future that the Aventador* is now following.

But before that point arrived, Anna Trevissoi had to drive many laps on the test track in Nardò with her 834. "Driving it is a huge surprise, since because of its design you expect it to be a very dangerous car." But behind the wheel, the driver quickly discovers the opposite. "Due to the stability of the suspension, the responsive all-wheel drive, the precision of the steering and the exact response of the engine, each drive is an emotional experience, but you still feel safe all the same." ● SVEN SCHULTE-RUMMEL

Watch a film about the Lamborghini legend at www.audi.com/ar2010/lamborghini

Holger Badstuber (left) and Mike Rockenfeller agree: In both soccer and motor racing, being the fastest really does matter.

Athletes talk shop

“Start reflecting, and you’ll make mistakes”

Mike Rockenfeller is a racing driver who has been interested in soccer ever since his childhood. Holger Badstuber is a soccer player who likes driving fast cars. The two professionals met up to swap notes on the importance of speed, endurance and strategy in their sports, and maybe learn from each other.

PHOTO | DAVID KONGISMANN/TANK MANAGEMENT

France, June 13, 2010. Only two minutes remain in the 24 Hours of Le Mans. A throng of people squeezes into the confined space on the command post. Just 100 meters to go, then 50, 40, 30, 20, 10: All three Audi R15 TDI cars cross the finishing line in succession. Mike Rockenfeller is one of the three drivers of the winning car. He throws his arms into the air, while jubilant team colleagues hoist him onto their shoulders. He has earned his top spot on the podium.

South Africa, June 13, 2010. Germany are playing Australia in the group stage of the soccer World Cup. The packed stadium resounds to the chants of a 63,000 crowd and the drone of vuvuzelas. You can barely hear yourself think, but Holger Badstuber remains calm. This is his first World Cup appearance in his still-young career.

At first glance, soccer player Holger Badstuber and racing driver Mike Rockenfeller seem to have little in common. But last year was a very important one for both of them. A regular in Bayern Munich's first team since 2009, Badstuber played his first two international games for Germany in 2010. Aged only 21 at the time, he was one of the team's youngest players and is regarded as one of the top defenders of the future. Mike Rockenfeller has been driving for Audi in the DTM and at Le Mans since 2007. He also drives the R8 LMS in the GT3 class. Now 27, he has made history as the youngest Audi driver ever to have won the 24 Hours of Le Mans.

The car needs to be fast, to start with. Then a racing driver needs to drive fast and have good reactions if he wants to win. But every race presents the drivers with a different set of challenges. In a sprint race like the DTM, top speed on bends and straights are important, but nothing beats a fast lap time. "In endurance races the driver and engines also need staying power," says Rockenfeller. "Those qualities are particularly important when you're engaged in a duel with an opponent."

Badstuber nods. Winning a one-on-one is also important in soccer. "The game is getting faster all the time," explains the soccer player, turning to Rockenfeller. Recent studies have shown that players spend almost one-third of every 90 minutes running at high speeds. Short sprints cover an average distance of 17 meters. That makes the game increasingly tight and calls for more dynamic actions. Players therefore "fundamentally need to show pace and be fast on the ball," explains Badstuber with a smile.

Endurance involves being able to withstand exertion for as long as possible without flagging either physically or mentally. These are two sides of the same coin for both Badstuber and Rockenfeller. Mental endurance "provides the very foundations of physical endurance," explains the racing driver. "There are plenty of people with a talent for driving fast, but not many with the necessary mental resilience," remarks Rockenfeller, tapping his temple with the index finger of his right hand. "That's what makes the difference."

Endurance also includes being able to recover from exertion quickly. Between DTM sprint races, Rockenfeller finds

Chess is a good way of training strategic thinking.

Mike Rockenfeller (left) and Holger Badstuber are motivated by the same things: speed, endurance and strategy.

new energy by spending time with his family and with friends. There is no time for that during an endurance race such as Le Mans. Being in action for 24 hours, including right through the night, is a real drain. You need to find some peace and quiet so that you can concentrate and recharge your batteries quickly. "I never lose focus during a race," declares the racing driver. "But when you're in the lead, you suddenly start to reflect on your next moves." Things can then get precarious. "That's when mistakes happen."

Badstuber, too, recognizes the danger. "You need to keep your concentration going throughout the whole game." As a soccer player, he makes intensive mental preparations and plays through the moves in his mind – over and over again. "In soccer, strategy is even more important than speed," he concludes. "As a professional, you need to know your opponents, analyze their weaknesses and play to your own strengths." Badstuber is left-footed, so he hits the ball more powerfully with his left foot than with his right. He is also highly regarded by his team colleagues for his passing technique and positional play. Those are his strengths, and the reason why coaches prefer to play him on the left side of central defense.

Rockenfeller agrees that strategy is also important in motor sport. "Our 2010 win at Le Mans is a good example," explains the 27-year-old. "We soon worked out that we weren't going to be the fastest." Instead, a change of strategy was called for: to protect the engines and concentrate on endurance, rather than push the cars to the limits and drive on full throttle. At various times a number of other contenders held a commanding lead. But one by one, they were forced out of the race by technical faults.

Rockenfeller's ambitions for 2011 are to "drive a lot and compete in both the DTM and Le Mans. Winning Le Mans again would be just brilliant." And the soccer player? "I want to keep developing as an individual and a player," he declares, with ambitions to remain at the top of his game in the Bundesliga, the Champions League and the next World Cup. ●

LEONIE THIM

An audio version of this article is available at: www.audi.com/ar2010/athletes

Audi and Bayern Munich

Strong partners

AUDI AG has also been a shareholder of FC Bayern München AG since 2010. The association that dates back to 2002 has consequently been taken to a new level. AUDI AG is also the exclusive vehicle partner of the record-breaking German league champions.

In 2010, coach Louis van Gaal secured the German league title and won the German Cup with his team Bayern Munich.

PHOTOS | DAVID KÖNIGSMANN/TANK MANAGEMENT (4); FRED JOCH

Authors and team

The faces behind the stories in the Audi Annual Report

Former world rally champion Stig Blomqvist at the photo shoot on the Audi testing grounds in Munich.

Olaf Tamm

Photographer, Hamburg

"For me, the most exciting thing about photography is that you can capture moments, situations and moods," says Olaf Tamm, 48. He has been photographing people and cars for magazines such as Stern, Spiegel, Mare and Merian since 1992.

Thomas Ammann

Journalist and film producer, Hamburg

He's the specialist: Thomas Ammann, 54, first trained as a car mechanic before becoming a journalist and film producer. The car expert likes nothing better than tinkering with his classic cars in his workshop at home.

Prof. Peter Wippermann

Trend researcher, Hamburg

He knows what tomorrow will bring: Prof. Peter Wippermann, 61, is always far ahead of his time. The communications consultant and founder of Trendbüro in Hamburg has been researching the future for almost two decades now.

Sven Schulte-Rummel

Freelance journalist, Berlin

When he was 12, he stood in amazement at rally courses; today he prefers to do the driving himself. Automotive and technical editor Sven Schulte-Rummel, 33, loves racing at classic car events.

Nele Justus

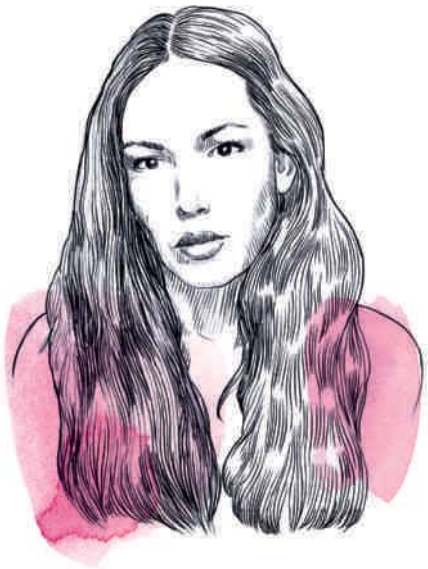
Freelance journalist, Hamburg

She loves nice things and writes about them too: Nele Justus, 31, enjoys good design, jazz and – ever since she spent time studying in Seville – Spanish cuisine. When she's not looking for new stories, she likes to go traveling. Her favorite destination is South America, and next time she's going to the Carnival in Colombia.

Tim Gutke

Freelance journalist, Munich

There's no risk that Tim Gutke, 33, won't take for his stories: For example, he cycled 1,600 kilometers through Greenland, and on another occasion he spent a week with a shaman. And when he's not writing? He teaches, develops new magazines, assists in art projects or plans his next adventure.



Katharina Hesse

Photographer, Beijing

Having studied Chinese and Japanese, she moved permanently to China. Katharina Hesse, 42, has worked as a photographer in Beijing for 17 years now.

ILLUSTRATIONS | ANJE JAGER PHOTO | OLAF TAMM/AGENTUR FOCUS

Record year 2010

Audi continues pattern of growth

In the past fiscal year the Audi Group displayed its international competitiveness impressively and achieved historic peak figures for production, deliveries and in all key financial performance indicators.

Deliveries to customers

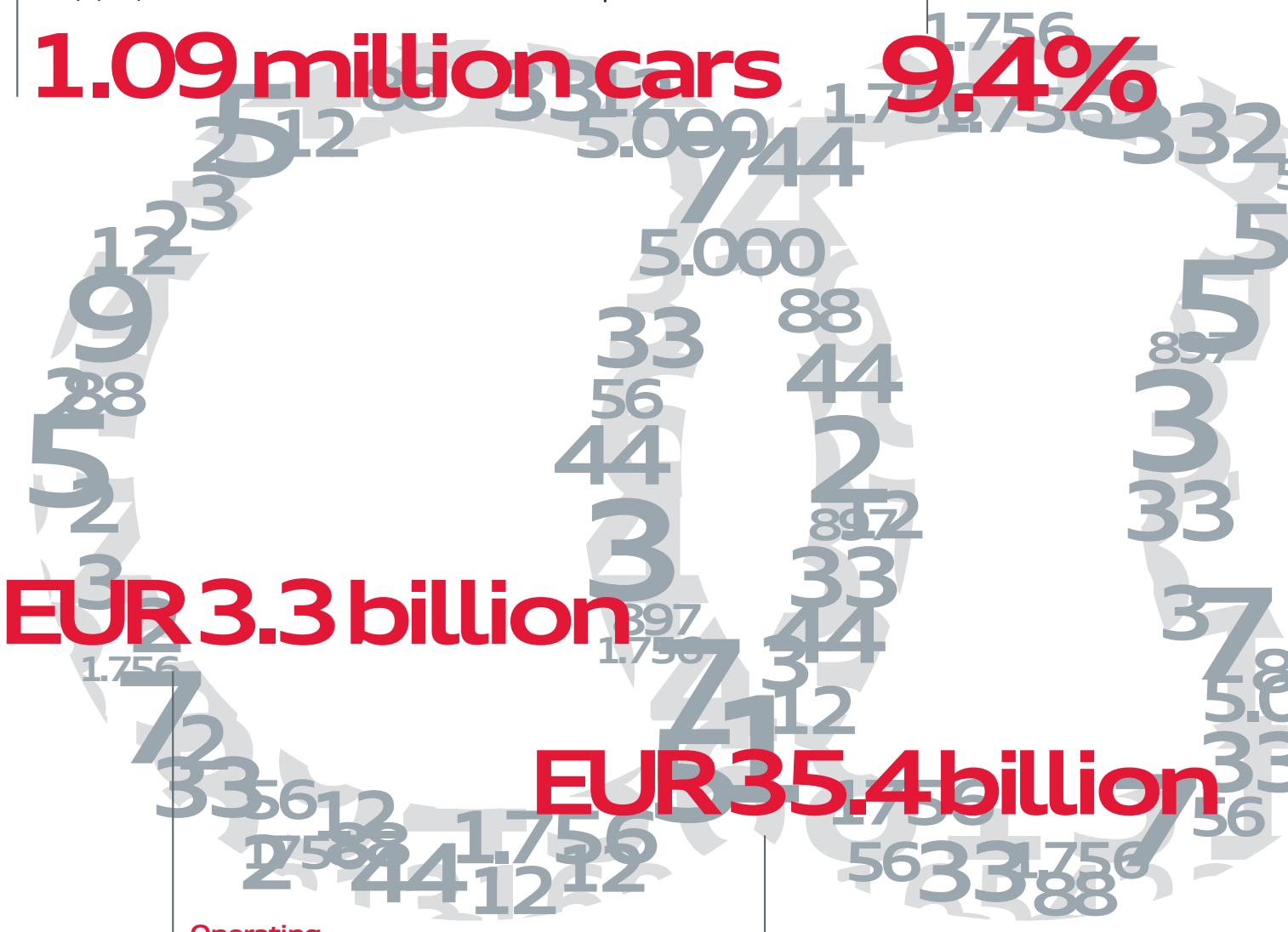
The Audi brand achieved the strongest sales figures in its history in 2010. In all, 1,092,411 Audi cars were sold worldwide – an increase of 15.0 percent.

1.09 million cars

Operating return on sales

The operating return on sales, at 9.4 percent, represents a new peak for the Audi Group. This once again places the Ingolstadt-based premium car manufacturer among the world's most profitable carmakers.

9.4%



EUR 3.3 billion

Operating profit

The Audi Group more than doubled its operating profit in 2010 to over EUR 3.3 billion. The Company achieved the highest profit from operating activities in its history and made further convincing advances in its quest for sustainable and profitable growth.

EUR 35.4 billion

Revenue

The Audi Group increased its revenue in 2010 by 18.8 percent to a new record level of EUR 35.4 billion. The most decisive factor in this was the increase in worldwide demand for the Audi brand's attractive and efficient cars.

Net cash flow

With a net cash flow of more than EUR 3.5 billion, the Audi Group was able to fully finance the investment activities for current operations from the Company's own funds, as has been the case in recent years. The Company meanwhile achieved the biggest surplus in its history.

Employees

The Audi Group employed an average of 59,513 people worldwide in 2010 – more than ever before. Another 1,200 specialists will be hired in 2011, primarily for the areas of electric mobility and lightweight design.

EUR3.5billion

59,513

24.7%

EUR2.1billion

Return on investment

Return on investment, at 24.7 percent, significantly surpassed the previous record figure of 19.8 percent from 2008. This is further evidence of the Company's high profitability.

Investments

The Audi Group increased its total investment volume in 2010 by more than 16 percent to EUR 2.1 billion. The investments were focused primarily on new products and technologies of the future. At the same time, the largest investment program in the Company's history was adopted for the years 2011 to 2016.

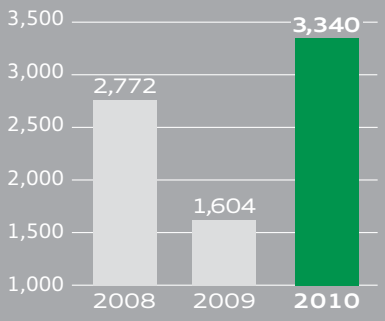
Audi: the number one premium brand. This is the clearly formulated vision for the Audi Group. It calls for Audi to assume worldwide leadership in the premium segment in the long term. To achieve this ambitious goal, the Company is focusing above all on delighting its customers. With expertise, passion and agility, Audi wants to win customers by offering the best brand experience along with innovative and emotional products. The plan calls for 1.5 million Audi brand cars to be delivered to customers in 2015. The Company is therefore intensifying its involvement in international automotive markets and is further developing its worldwide network of dealers and service centers accordingly. Aside from the United States, particular focus is on the growth markets of China and India. At the same time, the attractive product portfolio will be expanded to 42 models by 2015.

As part of the long-term model initiative, the Audi brand also again expanded its range in 2010 with several new arrivals. In addition to the new generation of the Audi A8 and the new Audi R8 Spyder*, the new A1 and A7 Sportback* models in particular have delighted customers with their emotional design, sporty handling, efficiency and a fun driving experience.

The newly introduced models already had a positive impact on the growth of total deliveries in 2010. The Audi Group increased deliveries of Audi brand cars to the new record amount of 1,092,411 units. With a 15.0 percent increase, the brand with the four rings grew at an above-average pace in comparison with worldwide demand for cars. At the same time, the Audi Group's revenue rose by 18.8 percent to a new record amount of more than EUR 35.4 billion. As part of its qualitative growth strategy, the Audi Group is striving for sustainable, superior financial strength. In addition to stable revenue growth, the Company is primarily focusing on effective and efficient processes and structures, continuous optimization of costs and systematic investment management. The Audi Group more than doubled its operating profit in the past fiscal year and achieved a new record profit of more than EUR 3.3 billion from operating activities. With this, the operating return on sales also reached a new record level of 9.4 percent, after reaching 5.4 percent in the previous year, and once again secured the Audi Group's position among the world's most profitable car manufacturers.

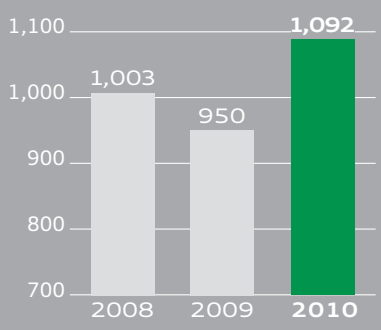
At the same time the Company once again displayed its impressive ability to self-finance. Although investments increased from the previous year, the Audi Group was able to finance these investments completely from its cash flow from operating activities. In the process, the Company actually achieved a significant surplus and increased net cash flow to more than EUR 3.5 billion. This also resulted in an increase in net liquidity to a new record amount of EUR 13.4 billion.

Operating profit
(EUR million)

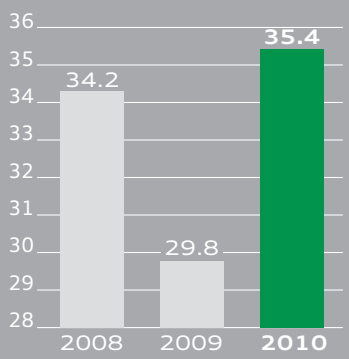


The 2010 fiscal year was another important milestone for the Audi Group on its way to becoming the world's number one premium brand – and the Company will continue to follow this path to growth in 2011. In addition to the successful market launches of the past year, the new generation of the Audi A6, the new Audi Q3 and other derivatives of the A1 model line in particular will stimulate additional demand. The Audi brand will also offer a full hybrid this year with the new Audi Q5 hybrid quattro*. The A6 hybrid and the A8 hybrid will follow at a later time, along with a small production series of the Audi e-tron supercar, which is powered solely by electricity. The Audi Group's plans calling for the biggest investment program in company history are primarily aimed at developing new, attractive products and advanced technologies such as hybridization and electric mobility. Over the next five years more than EUR 11 billion will be invested in achieving sustainable, profitable growth over the long term, and thereby becoming the world's leading car manufacturer in the premium segment. ●

Deliveries of Audi vehicles
(thousands)



Revenue
(EUR billion)



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

Audi Group Finances 2010

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

AUDI GROUP
STRUCTURE

Company

Comprising the two brands Audi and Lamborghini, the Audi Group is one of the world's leading carmakers in the premium and supercar segments.
At the core of the Company is the Audi brand, whose vehicles delight customers with their outstanding, modern design, technological innovations and high build quality. The focus is always on the ambition to develop pioneering automotive concepts that therefore fulfill customers' high expectations. This philosophy is manifested in the brand essence "Vorsprung durch Technik" – which encompasses the brand values sportiness, sophistication and progressiveness – and is demonstrated to customers through the steadily growing array of Audi models.
Thanks to generally rising demand as well as its attractive product range, the Audi brand increased its vehicle deliveries in over 80 markets in fiscal 2010, achieving the record tally of 1,092,411 vehicles sold.

AUDI VEHICLE DELIVERIES BY REGION

	2010	Share in %
Germany	**229,157**	21.0
Europe excluding Germany	**418,474**	38.3
China (incl. Hong Kong)	**227,938**	20.9
USA	**101,629**	9.3
Other	**115,213**	10.5
Total	**1,092,411**	100.0

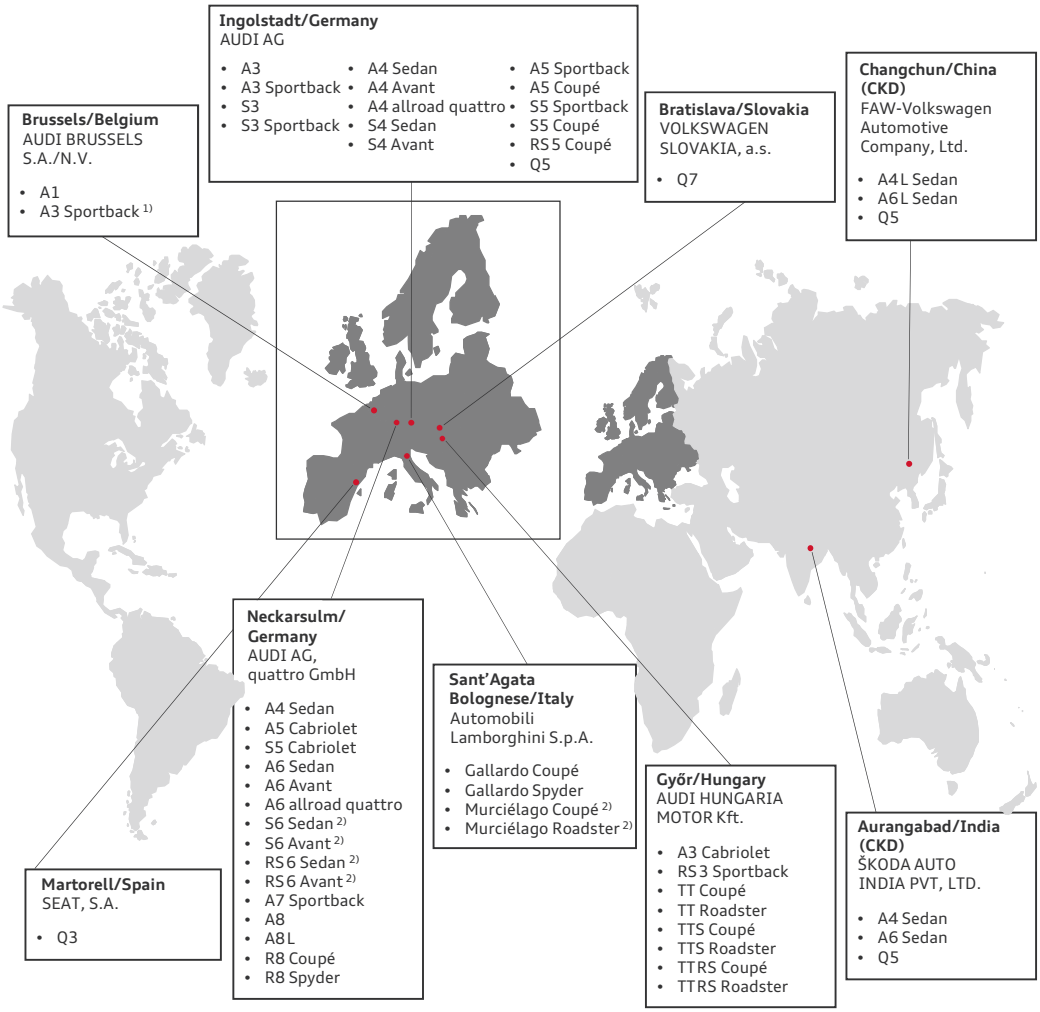
With its exclusive, uncompromising supercars the Italian traditional brand Lamborghini embodies fascinating design, technological expertise and impressive driving dynamics.
In addition to the models of the Audi and Lamborghini brands, the Audi Group supplies vehicles of other Volkswagen Group brands 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 greater part of vehicle manufacturing operations are based. The Audi A3 and A3 Sportback models, the A4 car line, the A5 Sportback and the A5 Coupé, RS 5 Coupé and Q5 models are built there. Bodies for the A3 Cabriolet and for the TT car line are also made in Ingolstadt.
Neckarsulm is where the models A4 Sedan and A5 Cabriolet, the A6 car line and the A8 luxury sedan are manufactured. Volume production of the new Audi A7 Sportback commenced in 2010. The head offices of quattro GmbH are also located there. This fully owned subsidiary of AUDI AG manufactures high-performance vehicles such as the Audi Q7 V12 TDI and is also responsible for the bespoke manufacturing of the R8 Coupé and R8 Spyder mid-engine sports cars. As well as the vehicles it manufactures, quattro GmbH's product range includes an extensive customization program for all Audi models and exclusive lifestyle articles that embody the spirit of the brand with the four rings.
During the past fiscal year AUDI BRUSSELS S.A./N.V., Brussels (Belgium), commenced volume production of the Audi A1, which appeared on the market in 2010, and also built the Audi A3 Sportback until May. To prepare the Belgian plant as thoroughly as possible for the role of exclusive production plant for the A1, a total of some EUR 300 million has been invested there since 2007. The Brussels plant celebrated the production milestone of its seven millionth vehicle in total during the period under review.

AUDI HUNGARIA MOTOR Kft., Győr (Hungary), manufactures engines for the Audi brand, for other Volkswagen Group companies and for third-party customers, and also builds the models of the TT car line jointly with the Ingolstadt plant. This location, the expansion of which was announced in 2010, is also where the A3 Cabriolet and the RS 3 Sportback are assembled. The Hungarian subsidiary, which reached the production milestone of 500,000 vehicles last year, has evolved into one of the country's leading exporters since its establishment in 1993.
In 2010 Automobili Lamborghini S.p.A. built the Lamborghini Gallardo and Lamborghini Murciélago supercars at Sant'Agata Bolognese, in Northern Italy.
The Audi Group has the Q7 and Q3 models built at the VW Group plants Bratislava (Slovakia) and Martorell (Spain).

MANUFACTURING PLANTS



1) Production of the A3 Sportback at Brussels was halted in 2010 to create the necessary capacity for building the A1 there.

2) Production of these models, which had reached the end of their life-cycle, ceased in 2010.

Consolidated companies

Volkswagen AG, Wolfsburg, is the major shareholder of AUDI AG and controls around 99.55 percent of the share capital. Volkswagen AG includes the Consolidated Financial Statements of the Audi Group in its own Consolidated Financial Statements. Control and profit transfer agreements exist both between Volkswagen AG and AUDI AG, and between AUDI AG and its principal German subsidiaries.

The following companies were consolidated within the Audi Group during the course of 2010: Audi (China) Enterprise Management Co. Ltd., Beijing (China), Audi Zentrum Leipzig GmbH, Leipzig, Audi Zentrum Stuttgart GmbH, Stuttgart, and Audi Zentrum Frankfurt GmbH, Frankfurt. In order to satisfy the requirements of IAS 27.13, Sentence 2 (c), Automobili Lamborghini America, LLC, Wilmington, Delaware (United States) was added to the group of consolidated companies. Further additions were STAR DESIGN S.R.L., Turin (Italy), Italdesign Giugiaro S.p.A., Turin (Italy) and Audi Japan Sales K.K., Tokyo (Japan). The first-time inclusion of these subsidiaries had no overall material effect on the presentation of the situation of the Company.

The Audi Group furthermore acquired 100 percent of the shares in AUDI BRUSSELS S.A./N.V., Brussels (Belgium), which had already previously been consolidated within the Audi Group in accordance with IAS 27.13, Sentence 2 (c), from Volkswagen AG.

FULLY CONSOLIDATED COMPANIES WITHIN THE AUDI GROUP

STRATEGY

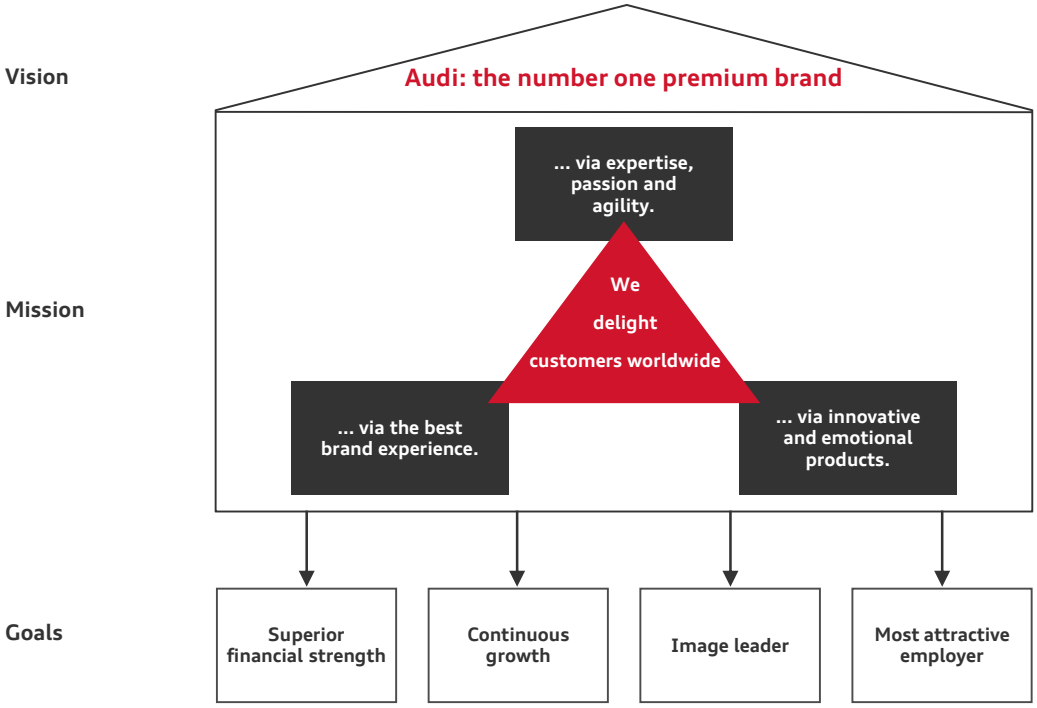
Audi: the number one premium brand

The debate on climate change, the future availability of fossil fuels and social megatrends such as increasing urbanization are presenting new issues of interest to customers.

In the light of these changes, the Audi Group placed its core brand Audi on a more future-proof footing in the past fiscal year through Strategy 2020. With its vision of “Audi: the number one premium brand,” it has set itself the goal of taking on the lead role in the premium segment worldwide.

The goals of Strategy 2020 focus on lasting corporate success, underpinned by sustainable actions. The Audi Group therefore regards it as a self-evident aspect of corporate responsibility that it takes account of the issues of ecology and social responsibility when defining the strategic direction of its core business (cf. “Social and ecological aspects,” p. 159 ff.).

THE AUDI BRAND'S STRATEGY 2020



Mission: "To delight customers worldwide"

The mission statement "We delight customers worldwide" is at the very core of the Company's drive to become the number one in the premium segment. This means in practice that the Audi brand offers its customers emotional, technologically advanced products that are particularly noted for their sophistication and reliability. The brand with the four rings furthermore intends to delight its customers with the best brand experience available – hard evidence of the Audi brand values "sophisticated," "progressive" and "sporty" is provided at every point of contact with the customer.

A highlight of 2010 for the Audi brand was the innovative market launch of the Audi A1. As well as making intensive use of the Internet and social media channels, it set up the "A1 City" world of discovery at Munich Airport. Between June and October 2010 the public was given the opportunity for an in-depth encounter with the new model. With the aid of the new showroom configurator, those interested were quickly able to configure their personalized A1 on large-dimension flat screens, giving them lifelike, three-dimensional impressions of their chosen version.

Product and investment decisions likewise focus on delivering customer benefit. Their successful implementation hinges on the employees, who demonstrate immense expertise, agility and passion for the products of the Audi brand.

Superior financial strength

In keeping with a value-oriented corporate management approach, growth only meets the premium standards of the Audi Group if it is simultaneously profitable. It therefore remains a key focus of Strategy 2020 that qualitative growth is a priority strategic corporate goal.

Long-term superior financial strength can be achieved above all through effective and efficient structures and processes, the ongoing optimization of costs and systematic investment management. A high level of self-financing furthermore helps to preserve the Audi Group's ability to invest and act. The aim therefore remains to cover investment from self-generated cash flow.

Continuous growth

The basis for continuous growth is the Audi brand's attractive product range, to which numerous new models were again added in the 2010 fiscal year as part of the long-term model initiative. The new Audi A8 as well as the Audi A1 and A7 Sportback models are delighting customers with their emotional design, sportiness, efficiency and everyday suitability. The market launch of the ultra-sporty models S5 Sportback, RS 5 Coupé and R8 Spyder as well as improved versions of the Audi A3 and Audi TT car lines were also part of the stunning new product portfolio. The model range of the Audi brand will continue to grow – it is set to reach 42 models by 2015.
The Company intends to achieve a delivery volume of 1.5 million vehicles of the Audi brand by 2015. The Audi Group will continue to place the focus on quality alongside continuity of growth. In order to realize its growth plans, the Company is furthermore stepping up its activities in international auto markets. The Audi Group is thus steadily expanding its production network and increasing the number of dealer and service outlets in important sales markets.

Image leader

A strong brand is the basis for lasting success. The Audi Group is therefore eager to keep steadily improving its image position above all through the Audi brand's attractive product range, and to establish an emotional bond between its customers and the brand.
The public's enthusiasm for the Audi brand and its products was again reflected in numerous national and international awards in the 2010 fiscal year.
Audi received the ADAC "Yellow Angel" award and was thus voted the best brand for the third year in a row (ADAC Motorwelt, issue 2/2010, p. 26 ff.).
Audi was in addition voted the brand with the best-looking cars in winning the "Design Trophy 2010" reader poll held by the motoring magazine AUTO ZEITUNG (issue 8/2010, p. 82).
In the renowned reader poll "The Best Cars of 2010" sponsored by the trade publication auto motor und sport, the brand with the four rings maintained the successful track record of recent years (issue 4/2010, p. 132 ff.). The models Audi A4, Audi Q5 and Audi R8 Spyder all came in at the top of their respective categories. This outstanding set of results was rounded off with second places for the Audi A3, Audi A6 and Audi R8 Coupé models.
In the "Golden Steering Wheel" awards for the best new car models each year, the A1 and A8 came in at the top of their respective categories in 2010. With a total of 20 Golden Steering Wheel awards to its name, the Audi brand now enjoys the status of currently the most successful brand in the 35-year history of the competition, which is run by the publications BILD am SONNTAG and AUTO BILD (AUTO BILD, issue 44/2010, p. 51 ff.).
The brand attribute of sportiness also attracted multiple awards in the past fiscal year – the RS 5 Coupé, for instance, was among the winners in the coveted reader poll "SPORTSCARS 2010" sponsored by the magazine AUTO BILD SPORTSCARS (issue 1/2011, p. 84 ff.). The R8 GT and R8 Spyder 5.2 FSI quattro each came in second in their respective categories. On top of this, the Audi R8 5.2 FSI quattro was voted "World Performance Car 2010" ("World Car Awards," April 1, 2010).
The awards of "4WD Car of the Year" for the quattro versions of the Audi A4 and Audi A8 (AUTO BILD, issue 15/2010, p. 15) as well as numerous other awards in the areas of design, safety, technology and customer satisfaction rounded off the Audi brand's success in the past fiscal year.
The Lamborghini brand, too, received various awards for its supercars in 2010. The Lamborghini Gallardo LP 570-4 Superleggera, for example, was voted the "Sportiest Car of 2010" in its category in the reader poll held by the periodical sport auto (issue 7/2010, p. 22 ff.).

Most attractive employer

Steadily improving its appeal as an employer is of particular strategic importance to the Audi Group, because the Company is reliant both now and in the future on having well-qualified, dedicated employees if it is to realize its strategic goal of becoming the number one premium brand.

As well as being able to offer them challenging tasks, the Audi Group provides its personnel with attractive working conditions, commensurate pay and high job security.
Regular internal surveys of the workforce confirm a high level of employee satisfaction. Numerous external surveys have additionally confirmed the high appeal of the Audi Group as an employer – in 2010 AUDI AG was voted the most attractive employer in such leading graduate surveys as those conducted by the consultants trendence and Universum among both engineering and business students ("trendence Graduate Barometer 2010 – Business and Engineering Edition," May 21, 2010; "Universum Student Survey 2010 – Germany," May 3, 2010).

Strategic target

One of the Audi Group's principal objectives is to consistently increase the value of the Company. The return on investment (RoI) is used as an instrument of internal steering to evaluate the return on the capital employed for different types and scales of investment project. 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	2010	2009
Operating profit after tax	**2,338**	1,123
Average operating assets	**13,327**	13,329
– Average non-interest-bearing liabilities	**3,855**	3,557
= Average invested assets	**9,472**	9,772
Return on investment (in %)	**24.7**	11.5

The return on investment of 24.7 percent was both higher than in the previous year (11.5 percent) and up on the previous record level dating from 2008 (19.8 percent). In terms of return on investment, the Audi Group therefore ranks as one of the most profitable companies in the automotive industry worldwide.

SHARES

Stock market developments

In the early part of 2010 the situation on international stock and capital markets was dominated by the loss of confidence in the stability of the budgets of certain EU countries with large budget deficits. Concerns about the possible consequences of Greece's sovereign debt spilling over into the banking sector and into the European real economy undermined morale. Against this backdrop international stock markets suffered significant downturns, with particularly high losses in the trading prices of financial institutes. Then, from mid-2010, stock markets worldwide by and large staged a recovery. Underpinned by the brighter economic prospects and increasingly positive profit forecasts, trading prices picked up again. The positive trend was further bolstered by companies' surprisingly good quarterly figures. Trading prices worldwide therefore continued to climb through the end of 2010.
German stock markets were initially dominated by price losses at the start of the year. The German Share Index DAX touched its year-low of 5,434 points in February 2010 – a loss of around ten percent compared with the start of the year. The German stock market rallied from March on, at first very strongly. The lead index then moved sideways up until the end of the third quarter, amid high volatility. In the final quarter the index once more made appreciable gains, reaching a year-high of 7,078 points on December 21. The DAX closed the year on 6,914 points, almost 16 percent up on the position at the start of 2010.

Audi trading price trend

Audi shares bucked the trend at the start of the year. While the shares of most German automotive manufacturers mirrored the downward trend in the DAX lead index and initially suffered losses of up to 15 percent in the first quarter, Audi shares started 2010 with gains. In the very first two weeks of trading, its shares were a good 15 percent up on the position at the start of the year. Between then and May, the trading price moved sideways in a corridor between EUR 535 and 598.

The shares temporarily came under pressure mid-way through the second quarter. However, the general uncertainty prompted by the conflicting opinions among experts about the debt crisis and the regulation of the financial market was only short-lived, with the result that Audi shares added 30.0 percent to reach EUR 650 by year-end. Audi shares thus substantially outperformed the DAX, which rose by 15.7 percent over the same period.

Over a five-year horizon, Audi shares have put in an impressive performance notwithstanding the global financial and economic crisis. The trading price has doubled (+111.0 percent) since January 2006 and thus performed much better than the DAX (+27.8 percent). This development reflects the capital market's deep faith in the Company's strategic direction, future fitness and competitiveness when considered in the context of the forthcoming challenges facing the automotive industry.

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

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 of AUDI AG receive a compensatory payment. The level of this payment is equivalent to the dividend paid on one Volkswagen AG ordinary share for the same fiscal year, as determined by the Annual General Meeting of Volkswagen AG on May 3, 2011.

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, 2010, 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.

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

The appointment and dismissal of members of the Board of Management are stipulated in Sections 84 and 85 of the German Stock Corporation Act. Members of the Board of Management are accordingly appointed by the Supervisory Board for a period of no more than five years. Reappointment or an extension of the term of office, in each case for no more than five years, is permitted. Section 6 of the Articles of Incorporation and Bylaws further stipulates that the number of members of the Board of Management is to be determined by the Supervisory Board and that the Board of Management must comprise at least two persons.

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.

COMPLIANCE

Responsible, lawful action is as much a core element of Audi's success as its power to innovate. Complying with statutory requirements and internal company guidelines as well as with ethical standards is therefore an integral aspect of Audi's corporate culture. To underpin the compliance process and as a preventive measure, AUDI AG's Board of Management has installed Group-wide compliance structures. These specify that the Chief Compliance Officer of the Audi Group reports directly to the Chairman of the Board of Management of AUDI AG and advises him on all matters of compliance. The former in addition initiates preventive measures, manages and oversees compliance activities and ensures that rules are observed. Through the network that includes Central Risk Management, he ensures that comprehensive, regular risk reports are submitted to the Board of Management and Supervisory Board (Governance, Risk & Compliance – GRC).
AUDI AG continued to expand its Group-wide compliance organization in 2010. Relevant, current compliance topics are analyzed internally on a regular basis and incorporated into new compliance programs.
At the start of 2011, AUDI AG further substantiated the Code of Conduct that is valid Group-wide. The Code of Conduct describes the key principles of action within the Group and serves as an aid to handling legal and ethical challenges in everyday working life. It serves as a binding benchmark for the actions of all employees. The task of the compliance organization in this respect is to ensure that the Code of Conduct is observed.
All Audi Group employees moreover have the opportunity to contact the compliance organization at an internal e-mail address.
Combating corruption and educating Audi Group employees in how to do so are major priorities. Corruption is combated both through the compliance organization and through Audi Group Auditing. The latter is supported in its work by the Volkswagen Group's anti-corruption system, which takes the form of an ombudsman system: Two highly respected lawyers are available for consultation as neutral ombudsmen. Employees and business partners can contact one of the ombudsmen, who are bound by the lawyer's duty of confidentiality, if they have information on corruption to disclose. All such information is treated in the strictest confidence.

SYSTEM OF REMUNERATION FOR THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Information on the system of remuneration for the Supervisory Board and Board of Management is provided in the Notes to the Consolidated Financial Statements under “Details relating to the Supervisory Board and Board of Management” and constitutes part of the Group Management Report.

BUSINESS AND UNDERLYING SITUATION

ECONOMIC ENVIRONMENT

Global economic situation

2010 saw the global economy recover unexpectedly quickly from the global economic crisis, even if the speed of the upturn slowed somewhat in the second half of the year. In 2010 as a whole, global economic output grew by 4.1 (–1.9) percent. This development owed much to expansive monetary policies worldwide, as well as to the rapid progress of emerging countries, most notably China. By contrast, the economic recovery in many industrial countries was weaker. Despite price increases for energy and raw materials, the inflation rate in most countries remained low.

The economy in Western Europe expanded by 1.8 (–4.1) percent in 2010, with the debt crisis clouding the economic environment throughout the whole year. Gross domestic product grew by 1.5 (–4.9) percent in the UK, by 1.5 (–2.5) percent as well in France and by 1.0 (–5.1) percent in Italy. Spain, on the other hand, remained in recession with economic output falling by –0.2 (–3.7) percent.

Germany recovered surprisingly fast in 2010, with economic growth reaching 3.6 (–4.7) percent. The economy benefited in particular from high export demand and a recovery in consumer spending thanks to the improved state of the labor market and higher consumer confidence.

Most Central and Eastern European countries regained a course of moderate growth in the year under review. In particular the Russian economy enjoyed clear expansion of 4.0 (–7.9) percent thanks to higher exports of raw materials.

In the United States, the economy cooled in the course of the year after having made a good start. Private consumer spending in particular remained muted because of high unemployment. Overall, gross domestic product in the United States grew by 2.9 (–2.6) percent in 2010.

In Latin America the economic situation improved markedly in 2010. Above all in Brazil and Argentina, gross domestic product bounced back with growth rates of 7.5 (–0.6) and 8.3 (0.9) percent.

Asia’s emerging countries, the economies of which had already been expanding again since early 2009, achieved the highest economic growth rates anywhere in the world during the period under review. In China, gross domestic product was up 10.3 (9.2) percent, while the Indian economy likewise grew vigorously by 8.5 (6.5) percent.

Following the sharp slump in the economy in the previous year, Japan regained an upward trend in 2010 and achieved economic growth of 4.3 (–6.3) percent mainly thanks to increased export demand.

International car market

Global demand for cars exhibited a marked upward trend in 2010, on the back of the global economic upturn, and gained 11.4 percent to 58.7 (52.7) million passenger cars. The powerhouses of growth were principally the Asian car markets, which expanded at a rapid rate. The car market moreover improved in the United States and in the major Latin American markets. By contrast, demand for passenger cars in Western Europe remained weak.

Registrations of new cars in Western Europe (excluding Germany) edged up only slightly by 1.9 percent in the year under review, to 10.1 (9.9) million. Market growth was still high especially in the first half of the year thanks to government incentives; registrations of new cars then fell in the latter part of the year along with the expiry of these subsidy programs. Of Western Europe's major car markets, Spain and the UK posted slight growth of 3.0 and 1.8 percent respectively in 2010, after contracting sharply in the previous year. On the other hand, the car market in Italy shed all of 9.2 percent. The French car market, too, shrank by 2.6 percent.
Demand for autos remained weak in most countries of Central and Eastern Europe in 2010. The exception was the Russian car market, which grew by 29.0 percent to 1.8 (1.4) million passenger cars thanks to state subsidies for those purchasing locally built vehicles.
The economic recovery in the United States also helped to stimulate the car market. In a turnaround from the sharp slump in sales in preceding years, vehicle sales rose once more in 2010, growing by 11.1 percent to 11.6 (10.4) million passenger cars and light commercial vehicles.
In Latin America the Brazilian car market achieved a new record of 2.6 (2.5) million vehicles sold, with growth of 6.9 percent. The car market in Argentina, too, gained 27.6 percent to reach a record level of 0.5 (0.4) million passenger cars.
In the Asia-Pacific region the pace of growth increased still further in 2010 compared with its already dynamic performance in the previous year. The sales volume there grew by 24.0 percent to 22.1 (17.8) million passenger cars in total. This development was principally driven by the Chinese car market, which – supported by state incentives – grew by 35.1 percent to 11.5 (8.5) million cars. The car market in India enjoyed similarly high expansion, increasing by 29.8 percent to 2.2 (1.7) million passenger cars. Tax breaks and an environment bonus in Japan fueled market growth of 7.4 percent to 4.2 (3.9) million new car registrations.

German car market

The German car market suffered a sharp drop of 23.4 percent in 2010 compared with the previous year, when growth had been exceptionally high thanks to the availability of the environment bonus. Registrations of new cars slipped to 2.9 million, the lowest level since German reunification. The manufacturers of small cars and vehicles in the compact category, which had been the main beneficiaries of the environment bonus for private customers in 2009, bore the brunt of this downturn in sales volume in the year under review. By contrast the premium segment remained largely stable, with the result that the suppliers of premium vehicles saw their market shares recover.
The diesel share of total first-time registrations in 2010 rose year on year by 11.2 percentage points to 41.9 percent and thus approached the long-term level again. In 2009 the sharp rise in car purchases by private customers, who mainly wanted gasoline models, temporarily led to a drop in this diesel share.
Along with the worldwide recovery in demand for cars, the export situation of German car manufacturers improved substantially compared with the weak previous year. German car exports in 2010 climbed to 4.2 million units – a growth rate of 23.7 percent. As in previous years, Western European countries remained the most important sales region for German car manufacturers, to which they exported a total of 2.2 million passenger cars (+ 7.5 percent). Exports to the United States also performed highly positively, rising by 44.4 percent to 0.5 million vehicles. The mainstay of German export growth was the Chinese car market.
Strong export demand prompted a rise in domestic production by German car manufacturers during the period under review. The production volume of 5.6 million passenger cars bettered the prior-year figure by 11.8 percent and thus neared the pre-crisis level achieved in 2007. The number of German-brand cars built abroad also increased year on year by 25.4 percent to 6.1 million units.

Management's overall assessment

Against the backdrop of the global economy's unexpectedly swift recovery from the consequences of the financial and economic crisis, along with the resulting upturn in numerous car markets, the Audi Group operated very successfully in the past fiscal year.
The Audi Group sold 1,092,411 Audi models, the highest deliveries total in the history of the Company. As well as the positive development in overall market demand, the substantial growth in vehicle deliveries by 15.0 percent is mainly down to the attractive product range, to which numerous sporty and efficient models were again added.
Furthermore, the long-term corporate policy again paid dividends because it focuses on steadily improving processes and cost structures along the entire value chain, and therefore on progressively optimizing productivity.
The Company's success in 2010 is reflected in the operating profit of EUR 3,340 million and an operating return on sales of 9.4 percent. These outstanding key financial indicators mean that last year the Audi Group was one of the most profitable businesses in the automotive industry worldwide.

RESEARCH AND DEVELOPMENT

The Audi brand is strongly associated with the development of progressive technological concepts through its declared mission statement of "Vorsprung durch Technik." The Company again brought a large number of innovations to production maturity in the past fiscal year.
An average total of 6,987 (6,599) people were employed in the Research and Development area of the Audi Group in 2010. This total comprised 6,365 (6,308) at AUDI AG, 134 (126) at AUDI HUNGARIA MOTOR Kft. Győr (Hungary), and 187 (165) at Automobili Lamborghini S.p.A., Sant'Agata Bolognese (Italy), as well as 274 at Italdesign Giugiaro S.p.A., Turin (Italy).

RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

EUR million	2010	2009
Research expense and non-capitalized development costs	**1,901**	1,569
Impairment losses (reversals) on capitalized development costs	**567**	480
Total	**2,469**	2,050

Technical innovations

30 years of quattro

The Audi brand's quattro technology celebrated its 30th anniversary in 2010. Since the unveiling of the first Audi quattro in 1980, the Company has built around 3,700,000 vehicles with permanent all-wheel drive.
By distributing the propulsive power among all four wheels, a vehicle with quattro drive can generate a higher cornering force at each wheel than rear-wheel-drive or front-wheel-drive vehicles, and thus produce better traction and superior cornering behavior. As well as evoking technological expertise, the term quattro encapsulates emotion and a dynamic driving feel, serving to combine superlative sports performance with a high degree of everyday suitability.
The Audi brand has steadily increased its technology lead in the domain of all-wheel drive over the past 30 years. At the 2010 Geneva Motor Show the Company presented a further evolutionary stage – quattro drive with crown gear center differential and torque vectoring. This technology, making its first appearance in the RS 5 Coupé, is even more efficient, effective and precise.

2.5 TFSI engine is “International Engine of the Year”

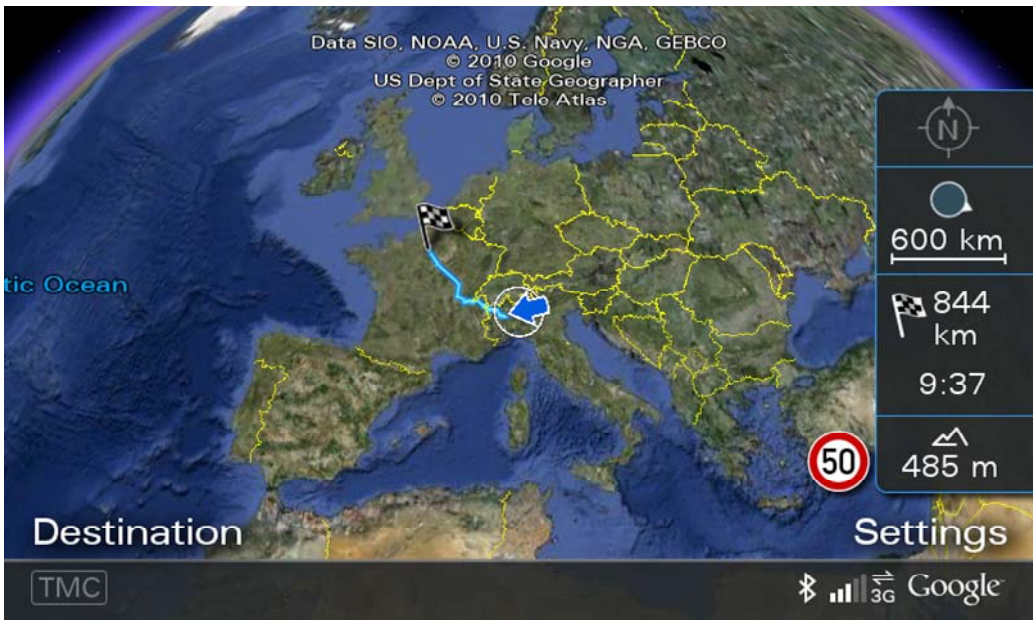
In the past fiscal year an international jury of 71 leading trade journalists voted the 2.5 TFSI engine “International Engine of the Year” (June 23, 2010). The Audi brand’s TFSI technology has thus emerged from this renowned competition as best in class for the sixth year in succession. The engine is equipped with FSI direct injection and turbocharging, combining two key technologies of the Audi brand in a single power unit. This engine made its debut in summer 2009 in the guise of a powerful five-cylinder power unit in the TT RS – extending a lengthy Audi tradition stretching back to the 1980s of powerful five-cylinder engines that brought victory to the Audi brand’s racing cars. The RS 3 Sportback that will be available from 2011 will also feature the award-winning engine.

Audi pioneering automotive connectivity

Along with the A8 and A7 Sportback models launched in 2010 and the appearance of the new A6, the Audi brand is providing the option of a WLAN hotspot for wireless on-board Internet access in combination with the optional Bluetooth car phone online. This feature enables rear passengers to connect up to eight mobile terminal devices to the Internet simultaneously via a UMTS module built into the vehicle. Encryption using the WPA2 standard provides the necessary degree of security for data transmission.

The Google Earth service has moreover been incorporated into an automotive navigation system for the first time in the world. Google Earth images and a three-dimensional terrain model are combined with the road network from the navigation database in the Audi Multi Media Interface (MMI) navigation system plus. The user can also search for places online in Google directly from the MMI, via free-text input – the results can then be used directly for calculating a route.

INTEGRATION OF GOOGLE EARTH INTO MMI NAVIGATION SYSTEM PLUS



In June 2010 the brands Google and Audi, which unveiled the prototype version of their online services back in January 2006, received the award for “Best Embedded Telematics Navigation Product” at the Telematics Awards in recognition of the result of their collaboration (June 7, 2010). In the new Audi A6 a voice-controlled online search facility and the “Audi traffic information online” function have been added to the range of mobile online services. These new features take account of the current traffic flow and permit much more accurate route guidance along freeways, highways and important secondary roads by means of a more easily understood color concept. These innovations will also be made available in the A7 Sportback and A8 models in the course of 2011.

Cylinder management for improved efficiency

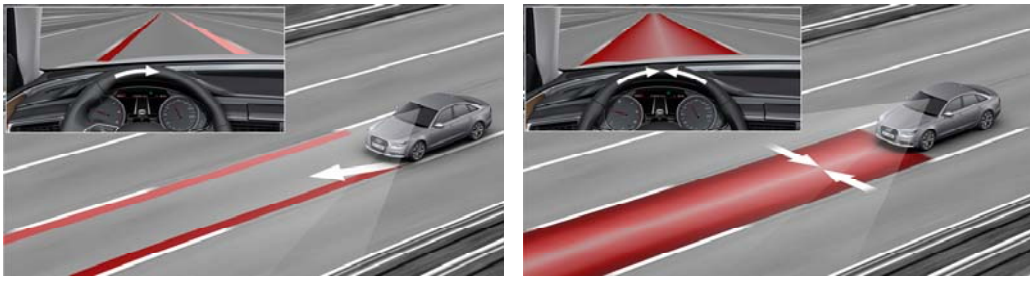
Audi engineers have turned to cylinder management as a solution to the problem that large-capacity, high-performance engines run predominantly at low to moderate part loads in normal driving conditions, leading to high specific fuel consumption and high CO_2 emissions. Shutting down several cylinders – for instance four cylinders on an eight-cylinder TFSI engine – produces the result that the remaining cylinders operate more efficiently, improving fuel economy and emissions. The changeover process goes unnoticed by the customer. Thanks to the use of active engine mounts and Active Noise Cancellation ANC, comfort and acoustics remain outstanding even when running on four cylinders. Cylinder management will be introduced from fall 2011 in the Audi brand's new turbocharged eight-cylinder gasoline engines.

Innovations for safety

Audi active lane assist

An evolutionary version of Audi lane assist, the driver assistance system Audi active lane assist, made its first appearance in the Audi A7 Sportback in 2010. The system actively helps the driver to stay in the lane by means of gentle steering impulses, bringing greater driving comfort particularly on highways and main roads. If the activated system detects lane markings and the car is traveling at a speed of at least 65 km/h, Audi active lane assist intervenes by gently manipulating the steering wheel shortly before the car leaves its lane, and unintentional drifting out of lane is prevented if necessary. If the driver wishes to take this form of assistance to the next level, Audi active lane assist can also provide ongoing assistance to keep the vehicle traveling right in the center of its lane. The driver remains fully in control of the car throughout these intuitive prompts by Audi active lane assist.

OPERATING PRINCIPLE OF AUDI ACTIVE LANE ASSIST



Audi active lane assist can either intervene shortly before the vehicle leaves its lane (left picture) or provide continuous assistance in keeping it in lane (right picture).

"Euro NCAP Advanced" seal for A4 with Audi side assist

In October 2010 the renowned European vehicle safety testing body "European New Car Assessment Programme" (Euro NCAP) awarded the A4 with Audi side assist the "Euro NCAP Advanced" seal (October 1, 2010). The lane-change assistant, active from a speed of 30 km/h, uses two rear radar sensors to monitor traffic behind the vehicle. As soon as another vehicle is detected there, the sensors establish its distance and the speed with which it is approaching. The driver is informed by a warning lamp that lights up in the side mirror if a detected vehicle is assessed to represent a hazard when changing lane. If the driver nevertheless sets the turn indicator, Audi side assist switches to the warning mode – the yellow LED display becomes brighter and flashes at high frequency. This coveted award endorses the Audi brand philosophy of promoting comfort and safety through active driver assistance systems.

Audi A1 successful in Euro NCAP crash test

The Euro NCAP consortium, which tests the crash properties of new vehicles, confirmed the outstanding crash safety of the Audi A1 in 2010 and gave the model its top rating of five stars (November 24, 2010). The vehicle impressed the testers with its standard of safety for the driver and front passenger in frontal, rear and side impact tests, as well as in the child protection category. The Audi A1's road safety is further boosted by the inclusion of the ESP electronic stabilization program with electronic differential lock as standard.

Electric mobility

Electric mobility at Audi

The Audi Group expects to see electric mobility play a decisive role in the future, alongside efficient combustion engines and hybrid concepts (cf. "Product-based environmental aspects," p. 167 ff.). The Company continues to pursue the broad-based policy of coordinating all systems and components in order to exploit the full potential of electric drive.

To achieve the goal of making the Audi brand the leading premium manufacturer of electric vehicles in the long term, the Audi Group again put considerable effort into developing electric drive in the past fiscal year. In Ingolstadt the Company opened a new development and test center for electrified drivetrains in 2010, having already invested some EUR 65 million in it over the past two years; this center will now facilitate the optimization of drivetrains, batteries and power electronics. With all activities housed under one roof, a highly integrated approach to working should keep communication channels short and pave the way for efficient solutions.

Audi e-tron

After the unveiling of the Audi brand's first showcar with electric drive in 2009, the Audi e-tron, three further electric studies followed in 2010. The name e-tron is to become the brand name for all electrically powered Audi models, in the same way that the term quattro denotes all-wheel-drive Audi vehicles.

The Detroit showcar Audi e-tron, powered by two electric motors mounted on the rear axle, was unveiled at the Detroit Auto Show at the very start of the year. The A1 e-tron intended predominantly for city driving was showcased at the Geneva Motor Show in the spring. The showcar can travel exclusively electrically, but as well as an electric motor it has a Wankel engine on board to charge up the battery if necessary in order to extend the car's range. Most recently, the Company exhibited the Audi e-tron Spyder at the Paris Motor Show, an open-top sports car with plug-in hybrid drive with both a 3.0 TDI engine and two electric motors.

AUDI E-TRON STUDIES

In June 2010 the Audi A1 e-tron was voted winner of the “e-car award” created by the motoring magazine AUTO TEST by over 36,000 readers (issue 8/2010, p. 64 ff.).
An Audi e-tron technology demonstrator based on the R8 fended off 23 other electric vehicles to capture first place in its first outing in the “Silvretta E-Auto Rally Montafon 2010” in summer 2010.

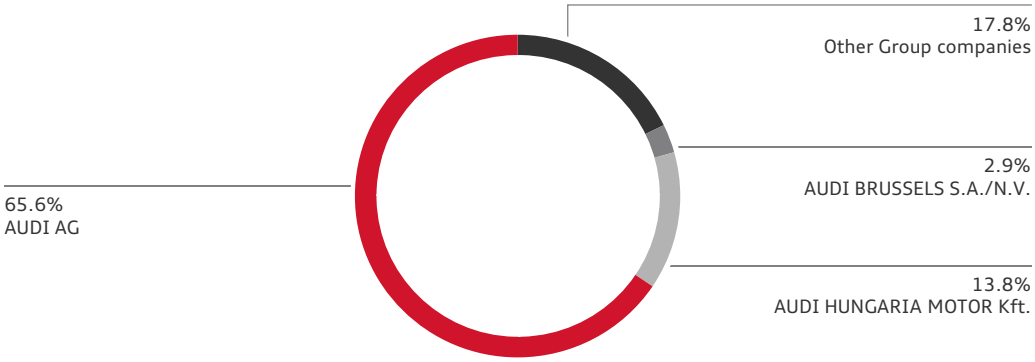
Audi helping to prepare the way for electric mobility

The creation of a functioning infrastructure is a critically important preliminary task that will pave the way for implementing electric mobility concepts.
AUDI AG is therefore actively involved in the “National Platform for Electric Mobility” initiative launched in May 2010, through which Germany’s politicians have set themselves the objective of making the country a lead market for electric mobility. Michael Dick, member of the Board of Management of AUDI AG with responsibility for Technical Development, is chairing the “Standardization and Certification Work Group” that is part of this initiative. The work group has already drawn up a “German Standardization Roadmap for Electric Mobility” that both identifies the framework that must be put in place and recommends specific action.
In addition, AUDI AG has joined forces with other German carmakers to promote a modular plug system for charging electric vehicles. The aim is to create a globally uniform standard that will ensure customers have easy access to the grid supply irrespective of their make of car and the energy supplier.
Another initiative comes in the guise of the “eflott” fleet trial of the A1 e-tron that got under way in fall 2010 with the support of the German Federal Ministry of Transport. The project based in and around the model region of Munich is investigating such aspects as the data transfer between driver, vehicle and charging point. For this venture AUDI AG is being partnered by the Technical University of Munich, the energy supplier E.ON and the public utility Stadtwerke München. In particular the Audi brand intends to find out more about the behavior and expectations of customers when they use electric vehicles. The first A1 e-tron models should take to the region’s roads by mid-2011 and around 200 new charging stations are to be installed.
With an eye to the overall energy balance, the Company is also involved in projects to exploit renewable energy sources. In 2010, AUDI AG entered into a partnership with the industrial initiative Dii GmbH, Munich, whose long-term goal is to transform the DESERTEC vision into reality. This vision describes the prospects for capturing solar and wind power in desert regions to supply Europe, the Middle East and North Africa.

PROCUREMENT

Establishing long-term partnerships with the world’s top-performing suppliers is one of the core procurement targets for the Audi Group. As well as overall economy, suppliers are selected according to other factors such as reliability, innovation and quality. To make optimum use of synergy potential, the selection process is handled in close partnership with Volkswagen Group Procurement.
The cost of materials for the Audi Group in the 2010 fiscal year amounted to EUR 21,802 (18,512) 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 as a result of the steady expansion of the Audi product range. Collaboration with the supply industry is gradually being intensified as a result. The latter's involvement makes it possible to find joint solutions at an early stage of the development process, for example as a means of reducing the amount of material consumed. As well as cost savings, non-economic aspects such as the use of recyclable materials are also part of the equation.
A smooth supply process for the Audi Group's production network hinges on a clear delivery chain and a close, efficient partnership between the Purchasing Division and the direct suppliers. The growing product range of the Audi brand confronts the Purchasing Division with the challenge of assuring the reliable supply and quality of purchased parts for an ever growing number of models and equipment versions. Reliability is therefore a cornerstone of partnership between the Audi Group's Purchasing Division and its many suppliers and service providers.
Potential partners can demonstrate their range of products and services as well as how innovative they are at "TechShows" organized jointly by the Audi Group's Technical Development and Purchasing Divisions. The Company also organizes events for suppliers with the objective of promoting informal exchanges and networking. In partnership with the Volkswagen Group, the Audi Group also operates a web-based B2B supplier platform to increase the efficiency of the procurement process by speeding up communication for all parties involved.

PRODUCTION

The Audi Group substantially increased car production in fiscal 2010 to the record total of 1,150,018 (932,260) vehicles, reflecting the market's positive development and the launching of a large number of new products. It built 1,148,791 (931,007) models of the Audi premium brand as well as 1,227 (1,253) supercars of the Lamborghini brand.

VEHICLE PRODUCTION BY MODEL

	2010	2009
Audi A1	**51,937**	226
Audi A3	**35,126**	43,641
Audi A3 Sportback	**151,486**	153,074
Audi A3 Cabriolet	**12,309**	9,782
Audi Q3	**108**	24
Audi TT Coupé	**20,413**	18,010
Audi TT Roadster	**5,804**	4,811
Audi A4 Sedan	**190,884**	163,897
Audi A4 Avant	**109,474**	111,283
Audi A4 allroad quattro	**10,788**	9,291
Audi A4 Cabriolet	**–**	2,409
Audi A5 Sportback	**49,803**	20,613
Audi A5 Coupé	**40,213**	48,858
Audi A5 Cabriolet	**20,924**	15,388
Audi Q5	**155,052**	109,117
Audi A6 Sedan	**166,455**	139,704
Audi A6 Avant	**40,279**	37,895
Audi A6 allroad quattro	**5,551**	4,104
Audi A7 Sportback	**8,496**	251
Audi Q7	**47,769**	27,929
Audi A8	**22,435**	8,599
Audi R8 Coupé	**1,610**	2,024
Audi R8 Spyder	**1,875**	77
Total, Audi brand	**1,148,791**	931,007
Lamborghini Gallardo	**1,064**	922
Lamborghini Murciélago [1)]	**163**	331
Total, Lamborghini brand	**1,227**	1,253
Total, Group	**1,150,018**	932,260

1) Including Murciélago successor

At the Ingolstadt Group headquarters the Company manufactured 553,010 (514,493) vehicles in total in the past fiscal year, a substantial rise on the previous year. The higher production output is largely attributable to high demand for the Audi A4, A5 and Q5 car lines. In addition, it manufactured 105,341 (51,665) parts sets for CKD assembly at the Changchun plant (China), and at the Indian plant in Aurangabad. The production volume at the Ingolstadt plant consequently totaled 658,351 (566,158) units.
The number of vehicles built at Neckarsulm also rose sharply to 216,322 (177,820). The Neckarsulm plant, too, produced 118,761 (100,276) parts sets for CKD assembly in China and India. Neckarsulm witnessed the arrival of various major new products in 2010: The new-generation Audi A8 and Audi A8 L, as well as the new Audi R8 Spyder and Audi A7 Sportback models, all got off to a successful start of volume production. The new generation of the Audi A6 also went into production at Neckarsulm in December 2010. The Neckarsulm plant produced a total of 335,083 (278,096) units.
AUDI HUNGARIA MOTOR Kft. produced a total of 38,541 (32,603) vehicles at its Győr (Hungary) plant. It built 26,217 (22,821) models of the TT car line and, jointly with the Ingolstadt plant, 12,309 (9,782) of the Audi A3 Cabriolet on behalf of AUDI AG. Production of the RS 3 Sportback also commenced recently at Győr.
At AUDI BRUSSELS S.A./N.V., Brussels (Belgium), activities in 2010 focused on the launch of the Audi A1, of which 51,937 models were built in its very first year in production. The Belgian location in addition built 17,002 (23,562) vehicles of the A3 car line; production of this model at Brussels was halted in May 2010 to free up the necessary capacity for high-volume production of the A1.

ENGINE PRODUCTION

	2010	2009
Audi Group	**1,648,193**	1,384,240
of which AUDI HUNGARIA MOTOR Kft.	**1,648,030**	1,383,909
of which Automobili Lamborghini S.p.A.	**163**	331

The Audi Group stepped up engine production to 1,648,193 (1,384,240) units in the past fiscal year. The 44.7 (42.7) percent share of diesel engines continues to underscore the Company's extensive expertise in the domain of TDI technology.
The Group subsidiary AUDI HUNGARIA MOTOR Kft., Győr (Hungary), built a total of 1,648,030 (1,383,909) engines in 2010, of which 812,176 (698,133) units were supplied to Audi Group companies, 682,856 (560,954) to other Volkswagen Group companies and 114,168 (102,131) to third parties.
Furthermore, Automobili Lamborghini S.p.A. in Sant'Agata Bolognese (Italy) built 163 (331) 12-cylinder engines.

Investments in production locations

In order to maintain its course of growth and achieve the goals of its Strategy 2020, the Audi Group is creating the capacity needed first and foremost through investing steadily in its production locations.
The Company announced plans to expand the Győr location. In future, the vehicle manufacturing operations there will include body manufacturing and a paint shop, in addition to the existing assembly line. From 2013 Győr will host the production of a further A3 derivative model for which a production turntable with the Ingolstadt location is to be introduced. The Audi Group envisages building a total of 125,000 vehicles per year in this way. Toolmaking operations at the Hungarian plant are also to be expanded in 2011.
The huge market success of the Audi A1 has furthermore prompted the Audi Group to increase the Brussels plant's capacity for 2011 by 20 percent, to 120,000 units. A sum of EUR 300 million was already invested in the Belgian plant to prepare it for becoming the exclusive production plant for the A1. The Company has plans to invest a further EUR 270 million there.
The production start of the Audi Q3 at Martorell (Spain) meant a further location from within the Volkswagen Group was added to the Audi Group's production network.

The Company is also extending the production network at the Ingolstadt Group headquarters. Work on the new A3 body shop progressed during the period under review. The first vehicle bodies are due to leave the hall, which has a total floor area of around 50,000 square meters, from mid-2011. It will be home to some 800 employees, and over 700 robots will be in operation. AUDI AG is investing a total of more than EUR 300 million in the new production facility, EUR 200 million of this amount being earmarked for plant engineering. A new toolmaking building has also gone into use.
As well as extensions to production facilities to accommodate the five new model launches, last year the Neckarsulm location celebrated the topping-out ceremony for a new engine test center that is due for completion by 2012, at a total outlay of EUR 90 million. It was also announced that the Audi e-tron, of which a small number will come onto the market at the end of 2012, will be built at Neckarsulm.

Automotive Lean Production Award
In September 2010, AUDI AG repeated the previous year's feat of winning the coveted "Automotive Lean Production Award" (AUTOMOBIL PRODUKTION, issue 9/2010, p. 20 f.). For the first time the "Manufacturers" prize was awarded not simply to an individual production area, but to an entire automotive production line – that of the Audi A4, A5 and Q5 models at Ingolstadt.
The prize, which focuses on improvements to production processes, was jointly sponsored for the fifth time by the trade publication AUTOMOBIL PRODUKTION and the management consultants Agamus Consult. Over 60 companies in five categories took part in the competition.

DELIVERIES AND DISTRIBUTION

In the past fiscal year the Audi Group profited fully from the recovery in global demand for cars thanks to its young, attractive product portfolio and extensive range of modern, highly efficient engines. The Company was able to boost worldwide deliveries to customers by 12.9 percent to 1,293,453 (1,145,360) vehicles.
The core brand Audi grew faster than the worldwide auto market overall; it increased by 15.0 percent to take its tally to 1,092,411 (949,729) cars, comfortably beating the previous deliveries record of just over one million premium vehicles established in 2008.
The brand with the four rings also set new records for deliveries of vehicles in major national markets. Deliveries were stimulated in particular by the A5 Sportback and Audi Q5, which enjoyed considerable demand. Additionally, the A1, the A7 Sportback and A8 were successfully brought onto markets in the year under review.
In the home market Germany, which contracted by 23.4 percent in 2010 following the expiry of the environment bonus, the Audi brand kept total deliveries stable compared with the previous year at 229,157 (228,844) Audi vehicles. Its market share thus rose from 6.2 to 7.8 percent.
The Audi brand increased its deliveries in almost all Western European export markets in the past fiscal year. In the UK, 99,705 (90,513) Audi vehicles were delivered to customers, a rise of 10.2 percent. In France and Italy, too, the Audi brand bucked the general market trend and increased its deliveries by 9.4 and 5.5 percent respectively. Overall, the Company delivered 382,748 (359,465) Audi models in Western Europe (excluding Germany), a rise of 6.5 percent, thus reasserting its position as market leader in the premium segment.

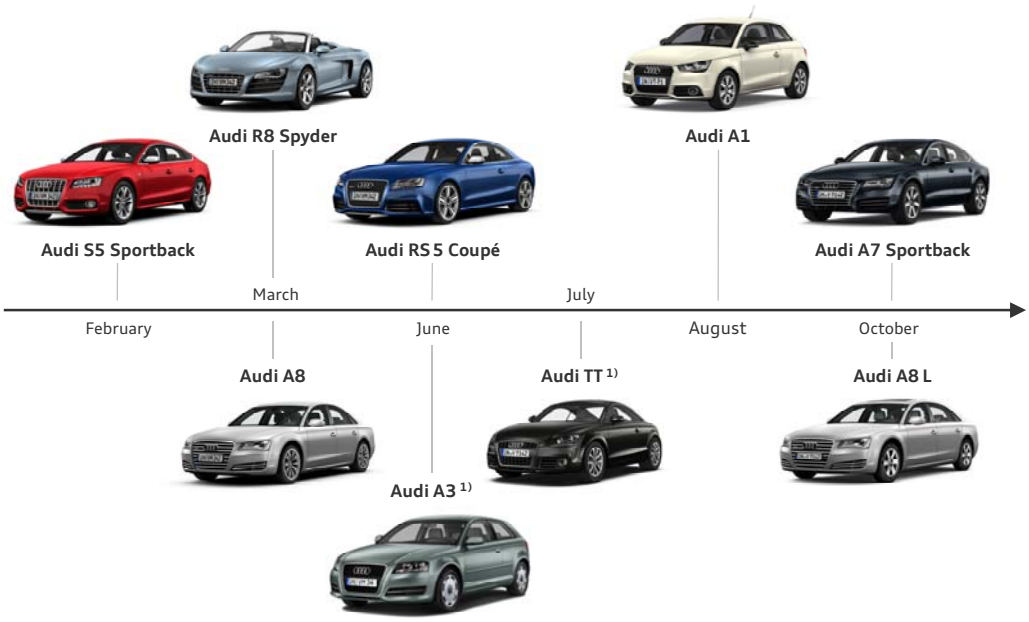
In Central and Eastern Europe the Audi brand saw its deliveries increase once more in 2010, whereas the Company had been unable to stave off the high impact of the overall slump in these markets in the previous year. Deliveries in the Russian car market climbed by 23.3 percent to 18,510 (15,009) vehicles.
The Audi brand enjoyed a very successful fiscal year in the U.S. car market in 2010. With growth of 22.9 percent to the new record total of 101,629 (82,716) vehicles, the brand with the four rings increased its deliveries much more steeply than the market as a whole. This makes the Audi brand one of the fastest-growing players in the premium segment. A major source of growth was the Audi Q5, which proved to be very popular in the United States.
The Asia-Pacific region represented a cornerstone of the Audi Group's growth strategy in the past fiscal year. In China (including Hong Kong), the Audi brand continued to grow unabated last year and remains the undisputed leader in the premium segment. Deliveries rose by 43.4 percent to 227,938 (158,941) vehicles, crossing the threshold of 200,000 Audi models sold for the first time. Major factors in its success included most notably the Audi A4 L and A6 L models with long wheelbase created specially for the Chinese market, along with the gradual expansion of the dealer and service network. There was also an upward trend in Audi deliveries in Japan in 2010. 17,251 (15,854) vehicles, 8.8 percent more Audi models than in the previous year, were delivered to customers.

DELIVERIES TO CUSTOMERS BY MODEL

	2010	2009
Audi A1	**27,898**	116
Audi A3	**37,322**	45,146
Audi A3 Sportback	**154,574**	150,684
Audi A3 Cabriolet	**12,429**	12,987
Audi TT Coupé	**19,534**	20,770
Audi TT Roadster	**5,374**	6,209
Audi A4 Sedan	**180,125**	164,854
Audi A4 Avant	**110,297**	118,642
Audi A4 allroad quattro	**11,477**	7,162
Audi A4 Cabriolet	**161**	7,461
Audi A5 Sportback	**51,844**	10,021
Audi A5 Coupé	**41,365**	49,785
Audi A5 Cabriolet	**21,324**	10,937
Audi Q5	**147,088**	99,812
Audi A6 Sedan	**159,213**	149,079
Audi A6 Avant	**39,606**	40,154
Audi A6 allroad quattro	**5,490**	5,387
Audi A7 Sportback	**3,795**	140
Audi Q7	**43,251**	35,606
Audi A8	**17,039**	11,703
Audi R8 Coupé	**1,916**	2,985
Audi R8 Spyder	**1,250**	89
Internal vehicles before launch	**39**	–
Total, Audi brand	**1,092,411**	949,729
Lamborghini Gallardo	**1,052**	1,112
Lamborghini Murciélago	**250**	403
Total, Lamborghini brand	**1,302**	1,515
Other Volkswagen Group brands	**199,740**	194,116
Total, Group	**1,293,453**	1,145,360

The Audi Group maintained its model initiative by unveiling numerous new products.

NEW MODELS OF THE AUDI BRAND IN 2010



1) Product improvement

Audi A1

2010 saw the Audi brand make a very successful entry into the segment of premium subcompact vehicles with the new A1. Between its market launch in August and the end of the year, 27,898 vehicles were already delivered to customers. The Audi A1 appeals above all to a youthful, urban, lifestyle-oriented target group and is notable for its emotionally charged design and the sporty driving experience it delivers. Customers can also choose from a wide range of exterior and interior customization options, as well as modern information and communication technologies. Three attractive, efficient engine versions were available at market launch – the 1.2 TFSI, the 1.4 TFSI and the 1.6 TDI. All engine versions feature direct injection and turbocharging, plus a start-stop system with braking energy recovery. The A1 is the only car in this segment to combine a start-stop system with automatic transmission.
In September the brand with the four rings then unveiled a new top engine version for the car line. This model has a twin-charged 1.4 TFSI engine developing 136 kW (185 hp) which, combined with the 7-speed S tronic dual-clutch transmission, provides sporty handling. The A1 1.4 TFSI (136 kW) is also pioneering for its efficiency – it uses an average of 5.9 liters of Super Plus fuel per 100 kilometers, equating to CO_2 emissions of just 139 g/km.

Audi A3

The popular Audi A3 car line underwent improvements in the early summer. The premium character of all models was made even more explicit both inside and out thanks to various new details. In November the brand with the four rings then unveiled the new top model in the A3 car line – the Audi RS 3 Sportback. This vehicle has a five-cylinder gasoline engine with turbocharging and direct injection. From a displacement of 2.5 liters, this unit produces 250 kW (340 hp) of power and 450 Nm of torque. Its average consumption is only 9.1 liters of Super Plus fuel per 100 kilometers and its CO_2 emissions are 212 g/km. The 7-speed S tronic and quattro permanent all-wheel drive provide outstanding power transmission and traction.
Of the A3 car line, a total of 204,325 (208,817) vehicles were delivered to customers in the period under review.

Audi TT
The Company further enhanced the appeal of the TT car line in the past fiscal year. The improved versions of the compact sports car models TT Coupé and TT Roadster have been available from July 2010, with an evolutionary design for the hybrid aluminum/steel body and improved fuel economy. There was a new addition to the range of engines in the shape of a powerful, efficient 2.0 TFSI engine that accelerates the Coupé with 155 kW (211 hp) output and manual transmission from 0 to 100 km/h in only 6.1 seconds and consumes an average of only 6.6 liters of premium-grade fuel per 100 kilometers, equivalent to CO_2 emissions of 154 g/km.
A total of 24,908 (26,979) Audi TT models were delivered in the period under review.

Audi A4
The brand with the four rings realized further efficiency improvements for its highest-volume car line. The new A4 models now use technologies from the modular efficiency platform such as tires with lower rolling resistance, improved aerodynamics and the on-board computer that displays the recommended gearshift point for optimum fuel economy. The fuel consumption of the A4 2.0 TDI with 100 kW (136 hp) engine averages only 4.4 liters of diesel fuel – and its CO_2 emissions are an exemplary 115 g/km.
Of the popular A4 car line, 302,060 (298,119) vehicles in total were delivered to customers in 2010.

Audi A5
Two particularly sporty models were added to the A5 car line in 2010: the S5 Sportback and the RS 5 Coupé. The S5 Sportback was available from the start of the year, equipped with the powerful 3.0 TFSI engine with an output of 245 kW (333 hp), plus 7-speed S tronic and quattro permanent all-wheel drive as standard. It achieves impressively good fuel economy for its performance category in averaging 9.4 liters of premium-grade fuel per 100 kilometers and CO_2 emissions of 219 g/km over the combined cycle.
The high-performance model Audi RS 5 Coupé, a dynamic and powerfully elegant car, became available in June 2010. The model possesses a high-revving 4.2 FSI engine that propels the car from 0 to 100 km/h in 4.6 seconds thanks to its output of 331 kW (450 hp). The latest-generation quattro permanent all-wheel drive provides outstanding traction and agility.
The A5 car line again enjoyed strong demand in the past fiscal year. In 2010 a total of 114,533 (70,743) Audi models were delivered to customers, an increase of 61.9 percent.

Audi Q5
The Audi Q5, a midsize SUV, saw its popularity rise further in the past fiscal year thanks to its sportiness and versatility. Deliveries of the Q5 rose by 47.4 percent to 147,088 (99,812); since being launched in fall 2008 it has now emerged as a high-volume car line.
The Audi Q5 hybrid quattro was unveiled at the Geneva Motor Show in March. The model has a 2.0 TFSI engine with an output of 155 kW (211 hp) and an electric motor generating 40 kW (54 hp) of power. As a genuine full hybrid, the Q5 hybrid quattro can run exclusively on the combustion engine, on just the electric motor, or in the hybrid mode where both drives operate in tandem. The Audi Q5 hybrid quattro is scheduled to appear on the market in 2011.

Audi A6
The Audi brand took the wraps off the new generation of its successful full-size sedan, the Audi A6, in December 2010. This model, which is set to arrive on markets from early 2011, boasts innovative technical solutions in a wide variety of areas. As well as the lightweight body with high aluminum content and modern, efficient engines, it is particularly notable for its wide selection of new assistance and multimedia systems.

There are five powerful, highly efficient engines to choose from at launch. The two gasoline and three TDI units have power outputs ranging from 130 kW (177 hp) to 220 kW (300 hp) and use important technologies from the modular efficiency platform: the start-stop system, energy recovery and innovative thermo-management. The car line's most efficient engine at the time of its launch is the 2.0 TDI. In combination with the manual transmission, it requires only 4.9 liters of diesel fuel on average per 100 kilometers – representing CO_2 emissions of 129 g/km. Compared with its predecessor the fuel economy of the new A6 has been improved by as much as 19 percent across the entire car line, making the new A6 one of the most economical models in its field of competitors. Other versions that will eventually follow include the derivative models Avant and allroad quattro, as well as the A6 hybrid, which combines the power of a large six-cylinder engine with the fuel economy of a four-cylinder version thanks to its 2.0 TFSI and electric motor with a combined output of 180 kW (245 hp).
The A6 car line impressively reasserted its huge popularity in the full-size category in 2010. In the period under review 204,309 (194,620) vehicles were delivered worldwide.

Audi A7
The Audi A7 Sportback, a new model, was launched in October 2010. The five-door car combines the emotional character of a coupe with the comfort and prestige of a sedan and the functionality of an Avant. The A7 Sportback is the benchmark in many different respects – as well as the lightweight body with numerous aluminum components, its most notable features are its array of innovative assistance, infotainment and safety systems. For example the optional head-up display that projects important driver information such as speed and navigation instructions onto the windshield puts in its first appearance. At launch, the engine range for the new model comprises two gasoline and two diesel engines, these powerful units spanning outputs from 150 kW (204 hp) to 220 kW (300 hp).
The A7 Sportback already achieved a delivery volume of 3,795 vehicles.

Audi Q7
New, more efficient engines were introduced in the Q7 car line in the past fiscal year. All power units combine the technologies of turbocharging and direct fuel injection. An energy recovery system that captures braking energy and the newly developed 8-speed tiptronic with tall top gears also help to improve efficiency. The Q7 3.0 TDI with an output of 150 kW (204 hp) thus consumes only 7.2 liters of diesel fuel on average over 100 kilometers. CO_2 emissions are 189 g/km.
There was a marked increase in demand for the Audi Q7 in the period under review. At 43,251 (35,606) units, the delivery volume was 21.5 percent up on the prior-year total.

Audi A8
The new generation of the Audi A8 made a successful market debut in the early part of 2010. The new flagship model in the Audi range blends alluring sportiness with superb comfort and innovative technology, and demonstrates the Audi brand's clear "Vorsprung durch Technik." The new A8 is equipped with a lightweight all-aluminum body using the Audi Space Frame principle, with powerful, highly efficient engines and a luxurious interior with a finish of handcrafted standard. The A8 also redefines the benchmark when it comes to technical innovations. Thanks to an optional touchpad, the Multi Media Interface (MMI) is now even easier and more convenient to operate. Furthermore, numerous driver assistance systems such as the night vision assistant and the Audi pre sense safety system make their first appearance in the new A8. With the option of all-LED headlights, which realize all lighting functions by means of light-emitting diodes, the Audi brand is making cutting-edge lighting technology available on a volume scale.
The A8's engine range comprises two diesel and two gasoline power units, which achieve outstanding fuel economy figures thanks to intelligent efficiency technologies such as energy recovery and thermo-management. For instance the 3.0 TDI quattro developing 184 kW (250 hp) averages just 6.6 liters of diesel fuel per 100 kilometers and thus emits only 174 g CO_2/km.

The A8 L, the long-wheelbase version of the A8, was launched in fall 2010. The A8 L W12 quattro was also given its first public showing. With a 130 millimeter longer wheelbase, these models offer the benefit of a substantially more comfortable and spacious rear compartment. Exclusively for the A8 L W12 quattro, there is a 12-cylinder engine with a displacement of 6.3 liters and gasoline direct injection. This accelerates the long-wheelbase A8 from 0 to 100 km/h in only 4.7 seconds thanks to its output of 368 kW (500 hp) and gives its occupants a superbly refined ride. Demand for the A8 luxury sedan reached an excellent level in its very first year on the market. In 2010 a total of 17,039 (11,703) vehicles were delivered, a rise of 45.6 percent.

Audi R8

The Audi brand extended its product range in the supercar segment during the past fiscal year. In March 2010 the first specimens of the R8 Spyder 5.2 FSI quattro were delivered to customers. This vehicle blends breathtaking dynamism with the experience of open-top driving. As in the Coupé, a 386 kW (525 hp) V10 high-revving mid-engine with gasoline direct injection delivers spectacular road performance. The light aluminum body using the Audi Space Frame principle (ASF), all-LED headlights and the quattro permanent all-wheel drive system which directs more of the propulsive power to the rear wheels demonstrate the high technological standards of the brand with the four rings.

The top version of the R8 car line, the R8 GT, was unveiled in May 2010. This supercar is available in a limited edition of 333 units. The R8 GT's curb weight is just 1,525 kilograms thanks to the use of innovative lightweight materials such as carbon fiber and magnesium, some 100 kilograms lighter than the R8 5.2 FSI quattro. The ten-cylinder engine's output was increased to 412 kW (560 hp). The Audi R8 GT consequently has a power-to-weight ratio of 2.72 kg/hp and accelerates from 0 to 100 km/h in a breathtaking 3.6 seconds. In July 2010 the model range gained a new member, the R8 Spyder 4.2 FSI quattro, with an eight-cylinder 4.2-liter engine and developing 316 kW (430 hp).

In total, 3,166 (3,074) vehicles of the R8 car line were delivered to customers in the period under review.

Supercars of the Lamborghini brand

The Italian supercar manufacturer Lamborghini added to its product range in the year under review. In March 2010 this fully-owned subsidiary of AUDI AG introduced the new top model of the Gallardo car line, the Lamborghini Gallardo LP 570-4 Superleggera. It weighs 70 kilograms less than the Gallardo LP 560-4, at 1,340 kilograms. The use of carbon fibers on the interior and exterior, a core competence of the brand with the bull, was the key to this weight reduction. In conjunction with an output of 419 kW (570 hp) from the ten-cylinder engine with 5.2 liters displacement, the Gallardo LP 570-4 Superleggera achieves a power-to-weight ratio of 2.35 kg/hp, opening the way for remarkable road performance.

In addition, the new Lamborghini Gallardo LP 570-4 Spyder Performante was unveiled to the public in November 2010. The model marks the brand's systematic application of its lightweight design strategy to the Gallardo Spyder. This model is now 65 kilograms lighter than the Gallardo LP 560-4 Spyder at just 1,485 kilograms – an outstanding figure in the exclusive segment of open-top supercars. Like the Gallardo Superleggera, the Gallardo LP 570-4 Spyder Performante is fitted with a ten-cylinder engine with an output of 419 kW (570 hp) that delivers a particularly intense open-top driving experience.

Lamborghini deliveries totaled 1,302 (1,515) vehicles in 2010. While the Gallardo car line was slightly down on the previous year at 1,052 (1,112) sports cars delivered, the top model Murciélago did not match the previous year's figure because its production ceased in May 2010, with a total of 250 (403) units built. Over a production period of almost ten years, 4,099 of the Murciélago were delivered to customers, making the most-built Lamborghini model with 12-cylinder engine the most popular supercar in the world.

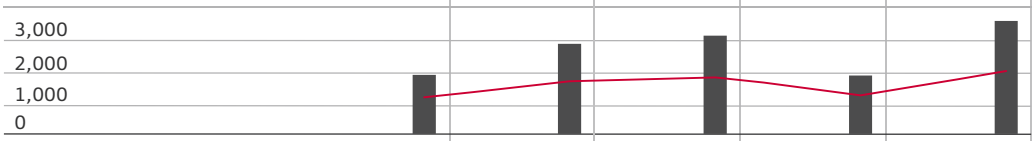
Other Volkswagen Group brands
In the 2010 fiscal year 199,740 (194,116) vehicles of other Volkswagen Group brands were delivered to customers by the sales companies VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), Audi Volkswagen Korea Ltd., Seoul (South Korea), and Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates).

FINANCIAL PERFORMANCE INDICATORS
FINANCIAL PERFORMANCE

The Audi Group increased its revenue by 18.8 percent to EUR 35,441 (29,840) million in fiscal 2010 – the highest level in the Company's history, which now goes back over a century. Increased vehicle sales and higher revenue from sales of engines were the main factors behind this positive development.
The Company increased revenue brought in by sales of Audi brand cars by 21.1 percent to EUR 27,423 (22,652) million.
Thanks to high demand, the Audi A4 car line reasserted its position as the revenue mainstay. Meanwhile there was a substantial boost to revenue from increased unit sales of the A5 and Q5 models. These two car lines thus successfully carved out a place in the Audi brand's portfolio. Following the gradual market launch of the new-generation A8 model, revenue from the luxury sedan was more than doubled. The revenue realized from sales of the Audi Q7 in particular also developed highly satisfactorily.
The two new models Audi A1 and A7 Sportback only appeared on individual markets from the third and fourth quarters respectively. The high level of demand that they generated is already reflected in the extremely positive development in revenue.
Revenue for the Lamborghini brand reached the previous year's level. 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 rose in line with the increased demand that they enjoyed.
The cost of sales increased to EUR 29,706 (25,649) million in the past fiscal year as a result of the dynamic business performance. However, thanks to the positive effects of further productivity advances and process improvements, this rise of 15.8 percent was below the rate of increase in revenue.
The Audi Group thus generated a gross profit of EUR 5,735 (4,191) million, 36.8 percent more than in the previous year.
The Audi Group succeeded in reducing distribution costs to EUR 3,038 (3,138) million in the past fiscal year, a drop of 3.2 percent, despite the substantially higher volume and numerous market launches. Lower costs from residual value risks were one of the determining factors. The rise in administrative expenses to EUR 374 (301) million was largely attributable to the first-time consolidation of various companies.

The other operating result was improved to EUR 1,017 (852) million in 2010.
The Audi Group therefore more than doubled its operating profit in the past fiscal year, with the figure of EUR 3,340 (1,604) million the highest operating profit in its history. This keeps the Company emphatically on the course of growth that it has been following for the past few years. The financial result almost matched the previous year's figure, at EUR 293 (324) million. It was diminished in particular by the lower market interest rate for cash and cash equivalents invested. On the other hand, the investment result performed very positively.

DEVELOPMENT OF PROFIT BEFORE TAX AND RETURN ON SALES BEFORE TAX



	2006	2007	2008	2009	**2010**
Profit before tax (EUR million)	1,946	2,915	3,177	1,928	**3,634**
Return on sales before tax (%)	6.2	8.7	9.3	6.5	**10.3**

In all, the Audi Group therefore improved its profit before tax by 88.5 percent to EUR 3,634 (1,928) million. After deduction of income tax expense, the Company posted a profit after tax of EUR 2,630 (1,347) million for the period under review, an increase of 95.2 percent.

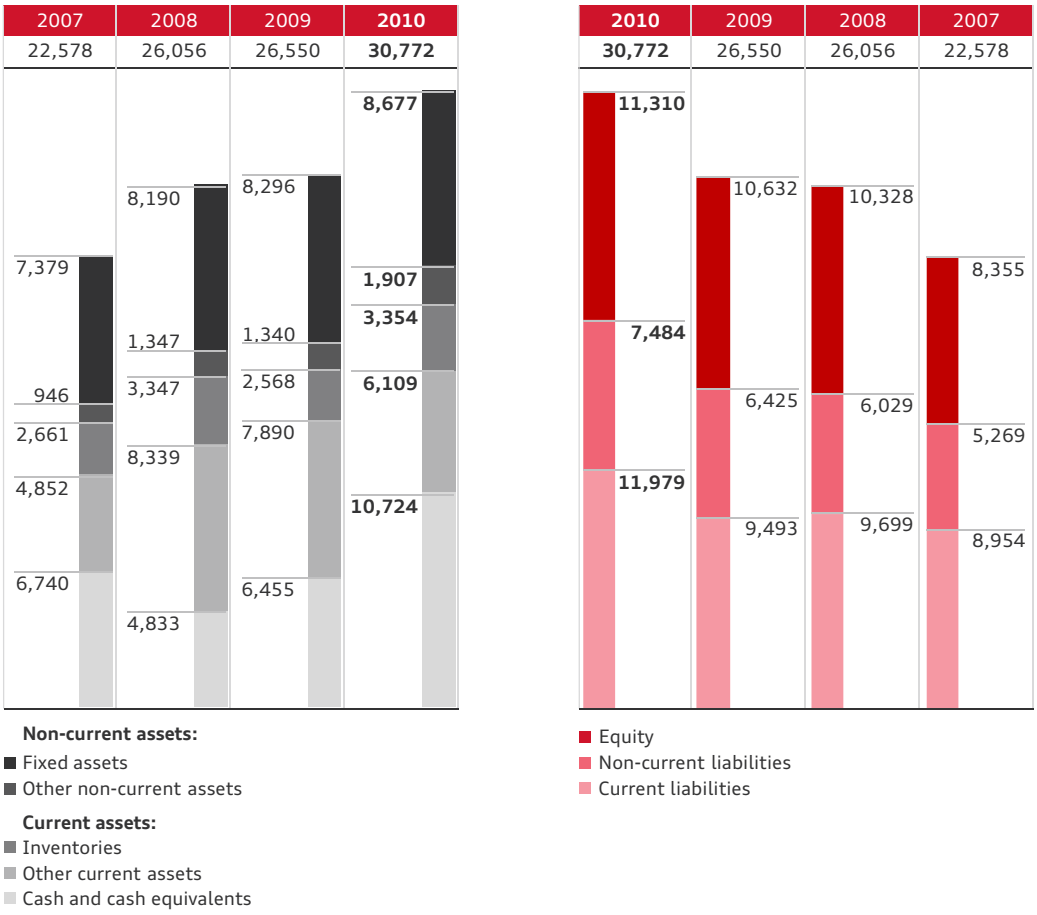
KEY EARNINGS DATA

%	**2010**	2009
Operating return on sales	**9.4**	5.4
Return on sales before tax	**10.3**	6.5
Equity return after tax	**24.0**	12.9
Return on investment	**24.7**	11.5

The Company's high profitability is also reflected in all key return ratios.
For example, the Audi Group increased its operating return on sales to 9.4 (5.4) percent and its return on sales before tax to 10.3 (6.5) percent in the past fiscal year. The Company's return on investment over the same period was an impressive 24.7 (11.5) percent. This meant the Audi Group was again one of the most profitable premium-segment automotive manufacturers in the world in 2010.

NET WORTH

BALANCE SHEET STRUCTURE (EUR MILLION)



The Audi Group's balance sheet total increased to EUR 30,772 (26,550) million in the past fiscal year.

Non-current assets were up on the previous year's level at EUR 10,584 (9,637) million. This change is attributable to both higher long-term investments and, for example, the rise in other financial assets that stems from the higher market values of long-term hedging transactions.

Current assets increased substantially to EUR 20,188 (16,913) million. After the crisis-led elimination of inventories in the previous year, the dynamic business performance in 2010 meant that inventories were increased accordingly again. The rise in this line item is also due in particular to the higher amount of cash and cash equivalents as well as to higher investments in securities.

The Audi Group increased its total capital investments to EUR 2,146 (1,844) million in the 2010 fiscal year. In allocating its financial resources the Company focused on new products and technologies. All investment measures were completed as planned, without cutbacks.

The equity of the Audi Group rose by 6.4 percent to EUR 11,310 (10,632) million in the period under review. The rise is attributable primarily to the cash infusion of EUR 586 million by Volkswagen AG, Wolfsburg, into the capital reserve of AUDI AG. Furthermore, the balance of EUR 576 million remaining after the transfer of profit was allocated to the other retained earnings. The equity ratio for the Audi Group consequently reached 36.8 (40.0) percent.

Non-current liabilities were up on the prior-year figure at EUR 7,484 (6,425) million. Higher other liabilities, provisions for pensions and other provisions all contributed towards this increase.

Current liabilities climbed to EUR 11,979 (9,493) million due to such factors as the sales-related rise in trade payables, higher effective income tax obligations and the higher transfer of profit to Volkswagen AG.

FINANCIAL POSITION

The Audi Group enjoyed a substantial increase in cash flow from operating activities to EUR 5,797 (4,119) million in the past fiscal year.
In the same period, the cash used in investing activities for current operations amounted to EUR 2,260 (1,798) million. Investments in property, plant and equipment in 2010 reached EUR 1,362 (1,172) million. The investment focus was mainly on new products and the further development of pioneering technologies in the spheres of drive technology, lightweight design and electrification.
Including cash deposits in securities and the change in fixed deposits and loans extended, the cash used in investing activities totaled EUR 946 (1,433) million. The year-on-year decrease is essentially attributable to the change in fixed deposits and loans.
The Audi Group again succeeded in financing capital investments entirely from its own resources, at the same time generating an easily positive net cash flow of EUR 3,536 (2,321) million. This underlines the enduring financial strength of the Company.
The net liquidity on December 31, 2010 of EUR 13,383 (10,665) million was once again well up on the prior-year figure.
The other financial obligations as of year-end amounted to EUR 2,192 (1,813) million, mainly in the form of ordering commitments. Further details are provided in Section 39 of the Notes: “Other financial obligations.”

SOCIAL AND ECOLOGICAL ASPECTS
EMPLOYEES

Workforce

Average for the year	2010	2009
Domestic companies	**45,914**	45,408
of which:		
AUDI AG	**44,299**	44,344
Ingolstadt plant	**31,344**	31,409
Neckarsulm plant	**12,955**	12,935
Foreign companies	**11,038**	10,200
of which:		
AUDI BRUSSELS S.A./N.V.	**2,145**	2,153
AUDI HUNGARIA MOTOR Kft.	**5,833**	5,614
Lamborghini Group	**803**	1,000
VOLKSWAGEN GROUP ITALIA S.P.A.	**883**	902
Employees	**56,952**	55,608
Apprentices	**2,269**	2,115
Employees of Audi Group companies	**59,221**	57,723
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	**292**	288
Workforce	**59,513**	58,011

The Audi Group employed an average of 59,513 (58,011) people in fiscal 2010.
The slight increase compared with the previous year is largely down to the one-time creation of 100 positions for apprentices at AUDI AG and the first-time consolidation of various companies. The personnel total at AUDI HUNGARIA MOTOR Kft., Győr (Hungary), likewise rose slightly as a result of the increased production volume.

EMPLOYEE STRUCTURAL DATA (AUDI AG)

		2010	2009
Average age [1]	Years	**40.8**	40.5
Average length of service [1]	Years	**16.0**	15.8
Proportion of women [1]	Percent	**12.6**	12.3
Proportion of academics [2]	Percent	**36.3**	35.1
Proportion of foreign nationals	Percent	**7.7**	7.9
Proportion of people with severe disabilities	Percent	**6.0**	5.7
Contracts to workshops for people with mental disabilities	EUR million	**6.2**	5.6
Frequency of accidents [3]		**2.3**	2.4
Attendance rate	Percent	**96.4**	96.8
Savings through Audi suggestions award program	EUR million	**51.2**	51.1
Implementation quota	Percent	**57.5**	54.8

1) Audi Group

2) Proportion of indirect employees

3) The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked.

The Audi Group's human resources policy

As part of its strategic corporate plan, the Audi Group has set itself the goal of being the most attractive employer. Having already achieved top ratings in surveys of engineering and business graduates and students in Germany, the Audi Group is now aiming to secure an equivalent status in the international context.

A core attribute of an attractive employer is good relations between the company and its employees. In other words, the general and working conditions must be both conducive to a good economic performance and suitably meet the needs of employees. Furthermore, the employees' elected representatives play a major role: At AUDI AG, codetermination is regarded as the sharing of responsibility.

Job security is another key attribute of an attractive employer. To flank the plant extensions at AUDI HUNGARIA MOTOR Kft., Győr (Hungary), the management and Works Council therefore recently agreed on a guarantee of employment for AUDI AG employees until the end of 2014. The employment guarantee enshrined in the agreement "Audi's Future – Performance, Success, Sharing" was previously valid through December 2011.

One key component of the human resources policy is that the Company's success translates into success for the employees. Bonuses averaging EUR 3,500 per employee were therefore paid out in 2010. These bonuses included a one-off special payment of EUR 1,200, which was made in June 2010 in recognition of the exceptional dedication shown by employees throughout the global financial and economic crisis. Last fall the management and Works Council moreover agreed to bring forward the collectively negotiated pay increase from April 2011 to February 2011.

Regular surveys serve to confirm that employee satisfaction is very high. In addition, numerous external surveys have attested that the Audi Group is a highly attractive employer.

Top ratings in attractiveness surveys

In 2010 AUDI AG emerged from the attractiveness surveys conducted by the consultants trendence ("trendence Graduate Barometer 2010 – Business and Engineering Edition," May 21, 2010) and Universum ("Universum Student Survey 2010 – Germany," May 3, 2010) as the most popular employer in Germany. AUDI AG became the first company ever to achieve a quartet of first places by topping the categories "Engineers" and "Economists" in both studies. Compared to the previous year's findings, AUDI AG gained ground most notably among economists – in 2009 the Company had only come fourth (Universum) and second (trendence) among that group. Among engineers the Company retained top spot, giving it three wins in a row.

In a Universum study of engineers already in employment, AUDI AG again came first in the survey to find the most attractive employer ("The German Professional Survey 2010," December 6, 2010).

520 experts newly recruited

AUDI AG recruited around 520 experts in 2010 – first and foremost for the growth area of electric mobility as well as for lightweight automotive design and production planning. Over and above increasing its workforce in line with growth, AUDI AG provides specific training and advancement for its existing employees.

Health, job and family

The corporate benchmarking study "oekom Industry Report Automobile" published in 2010 awarded AUDI AG the top grade of A+ in the categories "Work-Life Balance" and "Health and Safety" ("oekom Industry Report Automobile," April 2010). The subject of this rating report, in which a total of 15 carmakers from the United States, Europe and Asia participated, was management sustainability. AUDI AG's positive results for the above criteria are down to its programs designed to steadily improve ergonomics, a very high standard of health and safety at work, and the wide-ranging options for flexible working hours and health protection.
The Company has further stepped up its preventive measures since summer 2006. By the end of 2010, for example, a total of around 30,000 employees had taken a voluntary health check-up. This thorough preventive health check can be taken during working hours and includes lab tests and an in-depth consultation with a physician.
The number of Audi employees taking up the option of parental leave rose to around 900 (780) in the period under review. The popularity of parental leave has thus gradually increased since its introduction in 2001. The length of parental leave taken by AUDI AG employees averages 12 months. 79 percent of the men entitled to parental leave take advantage of this arrangement.

Training and advancement

788 young people started apprenticeships at AUDI AG in September 2010. Behind this record figure lay the pledge made by the Company in the previous year – when the Audi brand celebrated its 100th anniversary – to create an additional 100 positions for apprentices. As of the end of 2010 there were slightly more than 2,350 apprentices at the two German locations Ingolstadt and Neckarsulm, spanning about 20 different vocations. The figure includes around 100 young people embarking on a sandwich course leading to the entrance qualification for a university of applied science. In parallel with training as an automotive mechatronics engineer, electronics engineer for automation technology or tool mechanic, they can acquire a subject-specific university entrance qualification.
The StEP scheme (Study and Experience in Practice) is a program offered by AUDI AG combining vocational training with studies of a technical subject. To accommodate the double number of school-leavers produced by the introduction of the higher school-leaving certificate after 12 school years, the Company is to double the number of places available. For the extra places in the StEP program, priority will be given to school-leavers from those federal states where there will be a particularly high number of young people commencing their studies as a result of the elimination of the thirteenth high-school year.
In March 2010 the first graduates of the new "Automotive technology electrician" qualification received their certificates. The concept for certifying further training was developed by experts from AUDI AG in partnership with IHK Akademie München in response to the electrification of the driveline. The qualification, which takes a maximum of eight weeks, centers on working with high-voltage technology and health and safety at work. From the 2010 intake on, this qualification is integrated into the apprenticeship for automotive mechatronics engineers at AUDI AG. All apprentices are furthermore receiving training in hybrid technology and electric mobility.
The topic of lightweight design is also extensively covered during vocational training. Additional course content on new joining techniques and combinations of materials has been added for existing vocations. The new vocation of foundry mechanic is a new addition to the training range.

In the sphere of further training, diverse qualification projects were held in 2010 in preparation for model launches. In view of the growing complexity of products and technologies and the increased number of launches to be handled over the next few years, a new process was adopted for this. It has already been implemented for launch training for the new Audi A8, A7 Sportback and A6 models at Neckarsulm and the Q3 at the SEAT S.A. plant in Martorell (Spain).

AUDI IN SOCIETY

Donations by employees and Company reach record level

In 2010 the Christmas fundraising campaign brought in EUR 770,000 – the highest amount since it was introduced in 1977. 99 percent of employees at Neckarsulm and Ingolstadt contributed towards the campaign, with the total topped up by the Company. Charities and organizations in the regions around these two Company locations were the beneficiaries of the fundraising campaign, which was pioneered by the Works Council.
Audi employees also raised funds to help the victims of the natural disasters in Pakistan and Haiti. Along with other fundraising campaigns and a donation of EUR 500,000 by the Company to help those affected by the chemical accident in western Hungary, the total amount raised by the employees and management at AUDI AG was EUR 1.8 million.

Additional research partnerships

Last year AUDI AG built on the research partnerships it has been establishing since 2003 by establishing ties with new partner universities and providing the funding for professorships. The partnership with the renowned Tongji University of Shanghai in the field of electric drive development was sealed at an event attended by the Chinese Minister of Science and the Chairman of the Board of Management of AUDI AG, Rupert Stadler. The first project for the “Audi Tongji Joint Lab” is to develop an electric driveline for the Chinese-built Audi A6 L with long wheelbase. Heilbronn University became a new research partner of the existing Audi Neckarsulm University Institutes in April 2010. This new research partnership will be working mainly in the research fields of engine development and lightweight design. A new research partnership with the Universität der Bundeswehr (University of the Federal Armed Forces) in Munich will concentrate on the subject areas of leadership and electric mobility.
In addition, the Company funded its first endowed chair and guest professorship in 2010. AUDI AG joined forces with Stifterverband für die Deutsche Wissenschaft, a German industry initiative promoting science and learning, to set up a five-year professorship in the area of “Acoustics and Technical Mechanics” at Ingolstadt University of Applied Science, because vehicle acoustics is increasingly becoming a differentiating feature particularly in the premium car market. At the Catholic University of Eichstätt-Ingolstadt, AUDI AG is funding a three-year guest professorship for “International Trends in Economics and Research.” The first incumbent of this post, in summer 2010, was a Chinese economics professor from the Sun Yat-sen Business School in Guangzhou.
AUDI AG organized its own series of lectures last year under the banner of “Hands-On University,” where lecturers from partner universities presented the latest findings from their research (INI. and HIN. seminar). Together with the partners Friedrich-Alexander University Erlangen-Nuremberg, the University of Stuttgart and the Karlsruhe Institute of Technology (KIT), the Company also offered half-day advanced events (INI. and HIN.JUGEND.KOLLEG), which introduced school students from eighth to tenth grade to the world of technology. A total of over 2,000 school students and adults attended the “Hands-On University” in 2010.
Last summer AUDI AG was also involved in setting up the University Foundation of the Technical University of Munich, in the capacity of institutional benefactor. The purpose of the foundation is to provide both moral and material support for research and teaching at the Technical University of Munich, including in the form of funding for outstanding students and lecturers.

AUDI GROUP PARTNERSHIPS WITH UNIVERSITIES

Ingolstadt location

- INI.KU – Ingolstadt Institutes of the Catholic University of Eichstätt-Ingolstadt
  Since 2008; focus:
  Human Resources, Leadership, Purchasing
- INI.FAU – Ingolstadt Institutes of Friedrich-Alexander University Erlangen-Nuremberg
  Since 2006; focus: Information Technology and New Materials
- INI.TUM – Ingolstadt Institutes of the Technical University of Munich
  Since 2003; focus: Driving Analysis, Simulation
- INI.LMU – Ingolstadt Institutes of Ludwig-Maximilian University of Munich
  Since 2008; focus:
  Human Resources, Marketing and Sales
- IAF – Institute for Applied Research, Ingolstadt University of Applied Science
  Since 2004; focus:
  Development and Production
- INI.UniBw – University of the Federal Armed Forces, Munich
  Since 2010; focus:
  Leadership and Electric Mobility

Neckarsulm location

- HIN –Neckarsulm University Institutes: Karlsruhe Institute of Technology (KIT), University of Stuttgart and Heilbronn University
  Since 2005; focus: Engines and Lightweight Design; Human Resources, Production and Logistics

Győr location

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

Other cooperation partners

- 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

LOCATION-BASED ENVIRONMENTAL ASPECTS

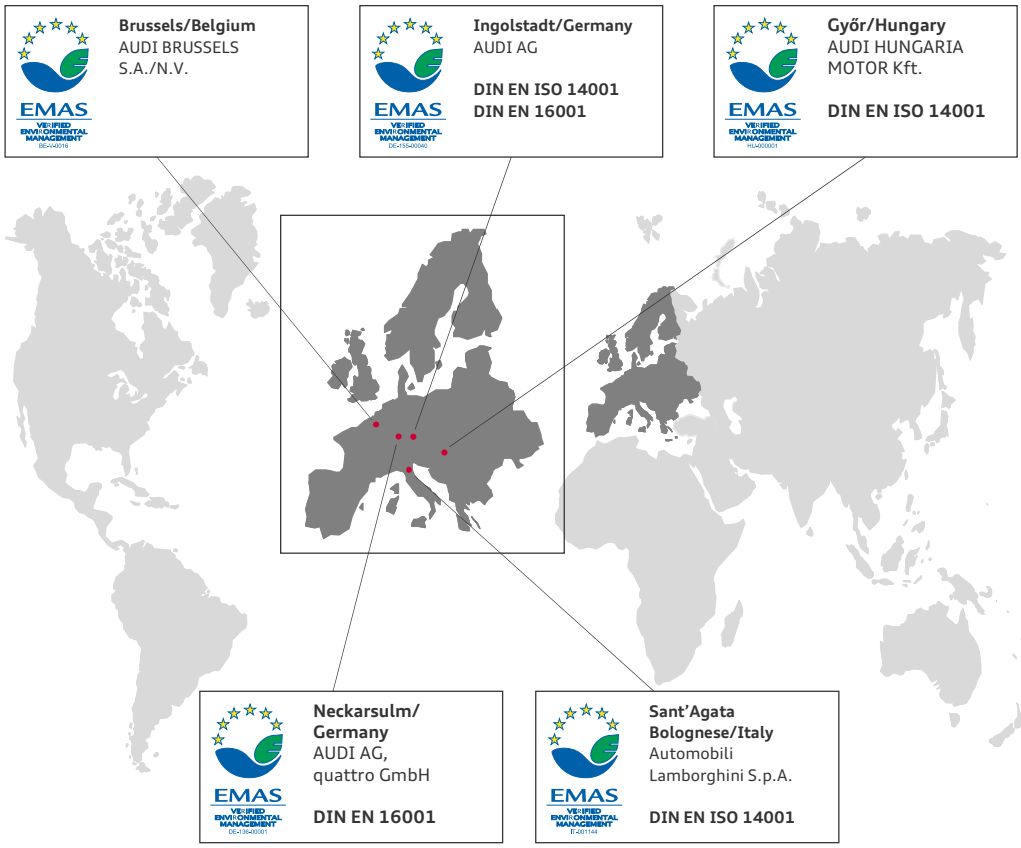
As a company that operates worldwide, the Audi Group actively embraces the principle of social responsibility. The idea of sustainable management, resting on ongoing efforts to reconcile economy and ecology, is therefore an integral aspect of the corporate strategy. The Audi Group recognizes the importance of maximum efficiency and the preservation of resources in every area of the Company and is therefore a pioneer of location-based environmental protection in the automotive industry both in Germany and abroad. Environmental compatibility is thus a fundamental consideration in the development and production of an Audi vehicle. As well as continually implementing measures to improve the efficient use of resources, the Audi Group exercises its environmental responsibility 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 renewed participation in now the fourth 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.

Accreditation

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 testify to these ongoing efforts. In recognition of its environmental activities, the Company bears the European Union's symbol of environmental excellence as a mark of its efforts to protect the environment. All locations in the Audi Group are thus validated under 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 for its Neckarsulm

location. The two production plants Ingolstadt and Győr (Hungary) followed in 1997 and 1999. The Belgian plant in Brussels has held the EMAS certificate since 2002, being joined in 2009 by the Lamborghini location Sant'Agata Bolognese (Italy). The Ingolstadt, Győr and Sant'Agata Bolognese manufacturing plants are moreover accredited under the worldwide DIN EN ISO 14001 standard. In addition, the environmental management systems of the Ingolstadt and Neckarsulm plants already satisfy the new European standard DIN EN 16001, which sets particularly ambitious targets for the gradual, systematic reduction of energy consumption.

ACCREDITATION OF AUDI GROUP LOCATIONS



The environmental declarations for the individual locations are each available in the local language on the respective companies' websites.

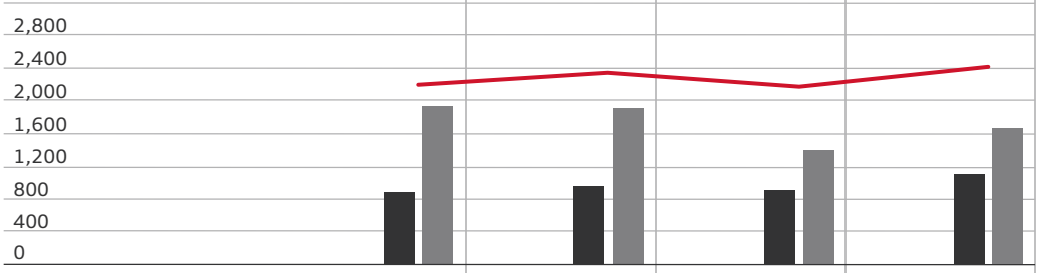
Emissions reduction and resource efficiency

Environmental activities place particular focus on reducing energy consumption and related emissions; the potential for saving energy is already taken into account in the planning phase. AUDI AG has set itself the overall goal of reducing location-based and company-specific CO_2 emissions by 30 percent by 2020, against the base year of 1990, through a wide range of ongoing measures.

As well as infrastructure and logistics, the production and supply facilities are key areas offering scope for permanent efficiency gains. For example, when the engine test benches at Neckarsulm are running, they can generate power for use at the plant by being connected up to generators. The use of an extra-light body manufacturing tool made largely from carbon fiber and developed by the Audi Toolmaking Shop cuts power consumption by around 43 percent compared with a

conventional tool. The adoption of innovative joining techniques in body manufacturing, such as spot welding, laser welding and bonding techniques, also cuts consumption of operating materials and energy. 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 furthermore proved very successful for the Audi Group. The district heating contract for the Ingolstadt plant concluded in 2009 means that the amount of waste heat from neighboring industrial enterprises being used will continue to rise in the future.

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



	2007	2008	2009	**2010**
Vehicle production (thousand units)	867	953	902	**1,102**
Engine production (thousand units)	1,916	1,902	1,384	**1,648**
Total energy consumption (GWh)	2,193	2,337	2,157	**2,407**

1) Ingolstadt, Neckarsulm, Brussels (from 2008; excluding Volkswagen Polo), Győr and Sant'Agata Bolognese plants; 2010 figures provisional

The slight rise in overall energy consumption and CO_2 emissions is mainly attributable to the increased production volume. The pattern of recent years demonstrates that total energy consumption has nevertheless been kept virtually stable.
The other key environmental figures that the Audi Group observes over and above energy consumption also reflect the increased production volume.

ENVIRONMENTAL STRUCTURAL DATA [1)]

		2010	2009
VOC emissions [2)]	t	**1,945**	1,750
Direct CO_2 emissions [3)]	t	**206,370**	188,339
Volume of waste water	m³	**2,080,582**	1,708,808
Fresh water purchased	m³	**2,991,498**	2,702,821
Total volume of waste	t	**57,103**	51,896
of which recyclable waste	t	**48,970**	42,624
of which disposable waste	t	**8,133**	9,272
Metallic waste (scrap)	t	**306,533**	282,517

1) Ingolstadt, Neckarsulm, Brussels (excluding Volkswagen Polo), Győr and Sant'Agata Bolognese plants; 2010 figures provisional

2) VOC emissions (volatile organic compounds): This figure comprises emissions from the paint shops, test rigs and other facilities. From 2010 new calculation basis for the Ingolstadt plant to comply with new statutory requirements.

3) Direct CO_2 emissions: This figure is made up of CO_2 emissions generated by the use of fuel at the plant, and CO_2 emissions produced by the operation of test rigs.

NEW ENVIRONMENTAL PROJECTS IN 2010

Oak Forest project

Rail freight on green power

Solar power from the desert

Oak Forest project makes further progress

Amid the international drive to implement a sustainable environmental policy, AUDI AG gave an important lead in fall 2009 by establishing the charitable environmental foundation "Audi Stiftung für Umwelt GmbH." 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 of the first projects of the newly established foundation involves providing 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 CO_2 and for biodiversity on the other. AUDI AG had already paved the way for the project in 2008 in planting around 36,000 English oaks in Kösching Forest, not far from the Group headquarters in Ingolstadt, in partnership with the Bavarian State Forestry and the Chair of Forest Yield Science at the Technical University of Munich. A second area was added near the Hungarian site in Győr in 2009, and planted with over 13,000 English oaks. Most recently, an additional 10,000 trees were planted near the Audi Neckarsulm plant in late November 2010. Additional sites at international Audi Group locations are currently in the pipeline.

Audi vehicles shipped using green power

The Audi Group has been using resource-saving logistics for many years now. Up to 70 percent of all vehicles are shipped to their destination on freight trains. Ingenious systems help to make optimum use of the packaging and transport facilities. In August 2010 the Audi Group became the first company in Germany to ship its cars from its headquarters in Ingolstadt to Emden, the port of loading on the North Sea coast, by trains running on power generated from renewables. In becoming the first company to use green power for freight traffic and as a development partner of DB Schenker, the transport and logistics division of Deutsche Bahn, Berlin, the Audi Group yet again underscores its pioneering position in the automotive industry.

Use of renewables

As well as taking measures to reduce its consumption of energy and resources, the Audi Group is mindful of how energy is sourced and therefore eager to increase its use of renewables. One such example is its collaboration with Green City Energy GmbH, Munich. AUDI AG allowed the energy service provider to install photovoltaic modules for power generation on various roofs at the Ingolstadt factory site, initially over an area of 11,600 square meters.

Photovoltaic modules covering a further 7,500 square meters of the new body shop for the Audi A3 were subsequently installed in 2010, bringing the total area set aside for this technology to around 19,000 square meters. The newer modules bring the total yield of all photovoltaic systems at the Ingolstadt plant to around 1,500 MWh per year. Around one-third of this is used directly in situ, reducing transmission losses. As well as new charging stations for electric cars, various production machinery will use this green power.
A photovoltaic plant comprising 10,700 modules was also installed on the parking lot roofs at the Neckarsulm plant in October 2010 to generate power from the sun's rays.
A 17,000 square meter photovoltaic system was commissioned at Automobili Lamborghini S.p.A. in 2010 at its Sant'Agata Bolognese plant. In 2010, VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy), completed the installation of a photovoltaic plant covering a total of 28,500 square meters on the roof of its own parts store.
Furthermore, in April 2010 AUDI AG entered into a partnership with the industrial initiative Dii GmbH, Munich, whose long-term goal is to transform the DESERTEC vision into reality. This vision describes the prospects for capturing solar and wind power in desert regions to supply Europe, the Middle East and North Africa.

Emissions trading

The European Union assumed a pioneering role in matters of climate protection when it introduced the CO_2 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. Thanks to the early adoption of measures to improve energy efficiency and the targeted reduction of emissions, the Audi Group does not currently expect to incur any costs from emissions trading in this second trading period.

PRODUCT-BASED ENVIRONMENTAL ASPECTS

Future mobility

For many years the Audi brand has been steadily helping to define efficiency standards in automotive manufacturing through its wide range of innovations. The Company advocates a diversified concept based on a variety of technologies and energy sources, so that customers can choose the option that best meets their individual requirements from a wide range of drive technologies.
For the time being, the combustion engine will remain the principal drive assembly. The Audi brand will therefore systematically optimize its TDI and TFSI engines by consistently implementing advanced technologies from its modular efficiency platform, and thus build on its success. The Company is also investigating the scope for further reducing CO_2 emissions through the use of biofuels. Over the next few years hybrid drive in particular will play a major role in preparing the way for electric travel – two Audi-brand full hybrids in the shape of the Q5 hybrid quattro and the A6 hybrid are set to appear from 2011 and early 2012 respectively. In unveiling e-tron studies illustrating various different technical concepts in 2010, the Company also demonstrated that developments in electric mobility have advanced by leaps and bounds (cf. "Electric mobility" under "Research and Development," p. 146 f.). By blending sportiness, dynamism and driving pleasure with an efficient form of travel, the Audi brand will continue to live up to its claim to technology leadership.

THE AUDI BRAND'S MILESTONES IN EFFICIENCY TECHNOLOGY

2011
- Launch of Q5 hybrid quattro
- Audi A1 fleet trial "eflott"

2010
- 52 engine versions < 140 g CO_2/km
- Presentation of e-tron models:
  Detroit showcar Audi e-tron; Audi A1 e-tron with range extender; Audi e-tron Spyder
- 1st place for Audi e-tron Silvretta in the "Silvretta E-Auto Rally Montafon 2010"

2009
- Launch of start-stop system and driver information system with efficiency program
- Presentation of Audi e-tron and test drives
- "Green Car of the Year Award" for the A3 TDI clean diesel

2006
- 1st win for Audi R10 with 12-cylinder TDI engine in 24 Hours of Le Mans
- Launch of Audi valvelift system (AVS)

2003
- Launch of Audi S tronic

2002
- Launch of FSI technology

2001
- Five-door three-liter car: Audi A2 1.2 TDI

1999
- Volume-produced car with all-aluminum body: Audi A2

1994
- Launch of Audi Space Frame (ASF)

1989
- Launch of TDI technology
- Audi duo hybrid model

1982
- Audi 100 achieves impressively low Cd of 0.30

Hybrid models

The Audi brand will be launching its first hybrid model, the Audi Q5 hybrid quattro, in 2011, to be followed by the Audi A6 hybrid at the start of 2012. As full hybrids, these two vehicles can drive on their combustion engine, on solely their electric motor or in the hybrid mode. Moreover, during retardation phases they recover energy, and activate both the engine and the electric motor simultaneously when accelerating rapidly.

This enables them to travel at a speed of up to 100 km/h purely electrically – with a range of up to three kilometers at a constant 60 km/h.

The two drive units, a 2.0 TFSI and an electric motor arranged one directly after the other in a parallel hybrid system, produce extremely dynamic road performance with a system output of 180 kW (245 hp) and 480 Nm system torque. The average fuel consumption and the combined CO_2 emissions of the Q5 hybrid quattro are 6.9 liters of premium-grade fuel and 159 g CO_2/km.

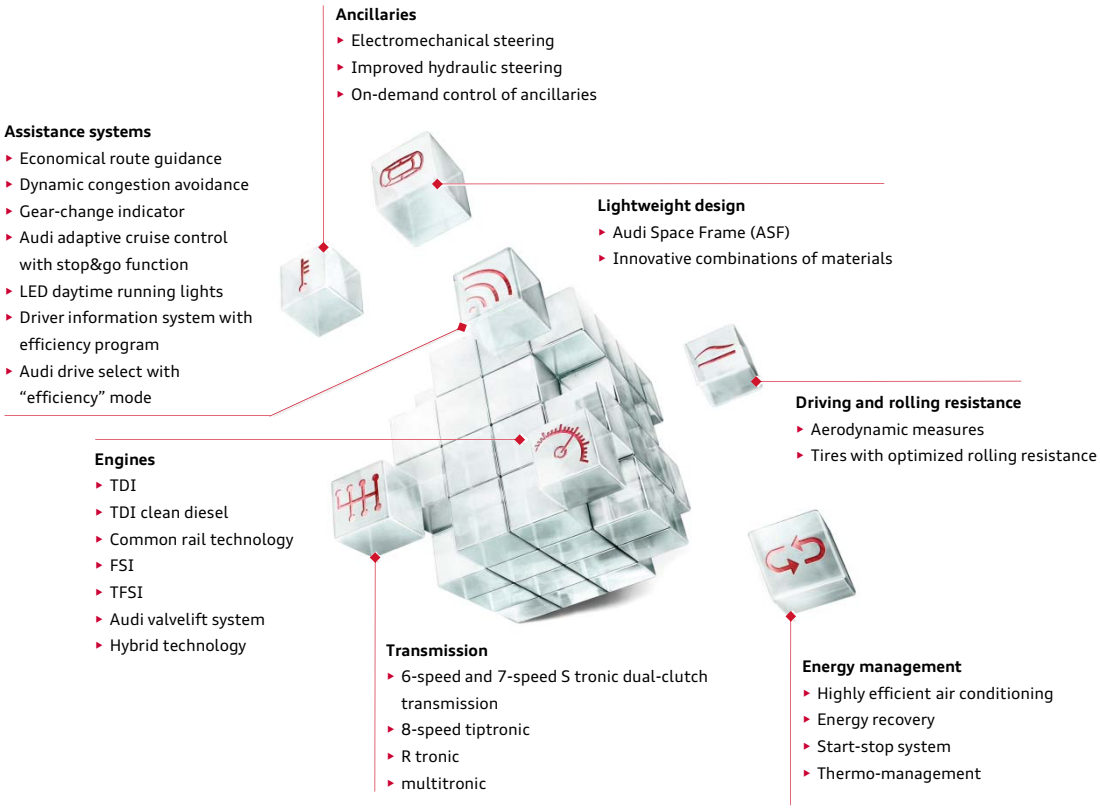
The A6 hybrid, too, achieves standard average consumption of 6.1 liters of premium-grade fuel per 100 kilometers, equating to CO_2 emissions of 142 g/km (fuel consumption and emissions figures provisional).

In the course of 2012, the A8 hybrid will also go on sale; this model was already showcased as a technology study at the Geneva Motor Show in early 2010.

Modular efficiency platform

The innovative technologies that constitute the modular efficiency platform play an important part in improving fuel efficiency and cutting CO_2 emissions in all Audi brand vehicles. The steadily growing range encompasses various efficiency modules that have already been adopted as standard features in numerous Audi models. The technologies are continually being refined – for instance the start-stop system became available for automatic as well as manual models in fiscal 2010.

THE AUDI MODULAR EFFICIENCY PLATFORM



Predictive gearshift strategy

Advances in transmission technology, under the umbrella of the modular efficiency platform, likewise improve efficiency. Transmission functions have already previously been improved by incorporating information from other sensors and control units – for instance, the driver can now see on a gear-change indicator how best to time gearshifts from an efficiency viewpoint. A new feature is that route data from the navigation system is now evaluated in order to optimize changes of gear. This supplementary information for example avoids unnecessary upshifts just before a curve, promoting an altogether more economical driving style. The "predictive gearshift strategy" was adopted for the first time in 2010 in the 8-speed tiptronic in the new Audi A8.

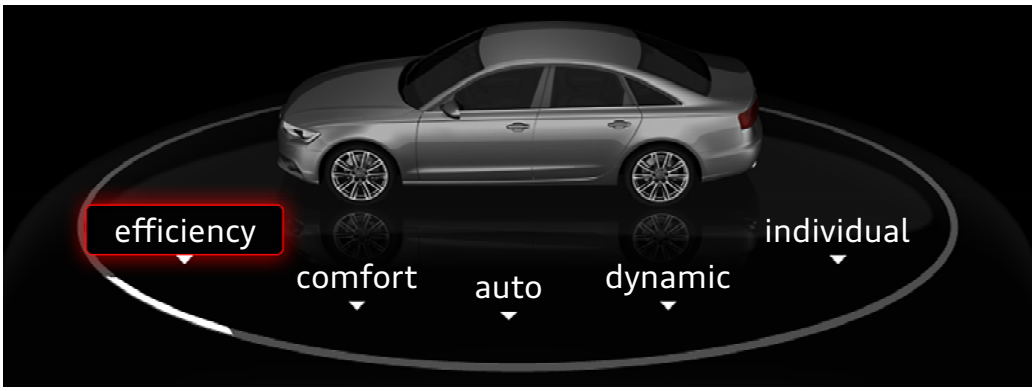
Aerodynamics

Vehicle aerodynamics are another important element of the modular efficiency platform because tractive resistance has a major impact on efficiency. Much effort was again made to ensure that the models launched in 2010 exhibited good aerodynamics:
The new Audi A7 Sportback is among the best in its category for aerodynamics, with a drag coefficient (Cd) of 0.28. The Audi A6 unveiled at the end of 2010 is also aerodynamically outstanding. With a drag coefficient of 0.26, the new Audi A8 is moreover the most aerodynamically efficient luxury-class vehicle in the world.
Low aerodynamic driving resistance combines with other efficiency measures to produce outstanding fuel consumption and CO_2 emissions.

The "efficiency" mode in Audi drive select

The "efficiency" mode is available for the first time in the driving dynamics system Audi drive select in the new-generation Audi A6. The new driving mode promotes a consumption-optimized driving style that brings together the individual vehicle systems such as engine, transmission, suspension and air conditioning to realize an efficiency gain of up to 13 percent. Thanks to its integration into Audi drive select, it is activated conveniently simply at the push of a button.

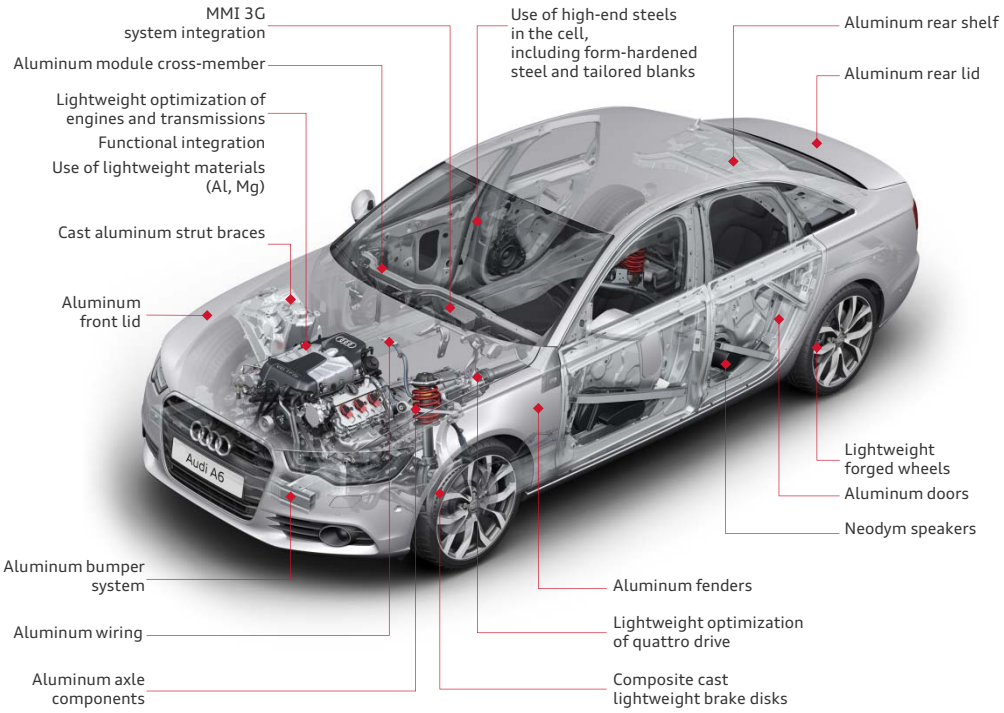
THE NEW "EFFICIENCY" MODE



Core competence of lightweight design

Vehicle weights have spiraled upwards in recent years, above all as a result of new statutory requirements and rising comfort and convenience expectations. Because fuel consumption falls by about 0.3 liters per 100 kilometers for every 100 kilograms of weight saved, reversing this spiral is a vital aspect of improving efficiency. Lightweight design is also becoming ever more important as electric mobility takes shape, because the heavy battery's weight needs to be compensated for.
Lightweight automotive design is traditionally a forte of the Audi brand – the Company already pioneered developments in this field over 15 years ago when it launched its Audi Space Frame technology (ASF). Today, the Audi Group implements an intelligent approach to lightweight design that centers on using the right materials at the right points in order to reverse spiraling weights. As well as aluminum, a wide range of other materials such as high-strength steels, magnesium and fiber-reinforced plastics are used.
The body harbors considerable potential for weight savings. Over 600,000 vehicles with bodies built using the ASF principle – and made entirely from aluminum or from a composite aluminum design – have been manufactured and delivered to customers since 1994. In fall 2010 the all-aluminum body of the new Audi A8, which is around 40 percent lighter than an equivalent steel structure, received the renowned "EuroCarBody Award" declaring it the most innovative volume-production body ("Euro Car Body 2010," October 21, 2010). The body of the new Audi A6, again a hybrid aluminum construction, is around 15 percent lighter than a conventional steel design. Despite its improved comfort and convenience features and enhanced safety technology, this model thus weighs as much as 80 kilograms less than its predecessor.

LIGHTWEIGHT DESIGN IN THE NEW AUDI A6



Considerably greater use will be made of fiber-reinforced plastics in the future. The models of the R8 car line, for example, already feature not just design components, but also exterior skin elements and supporting structural components withstanding high mechanical loads made from carbon-fiber-reinforced plastic (CFRP). In addition, the volume use of fiber-reinforced plastics as well as suitable production methods are being propagated at a specially established facility at the Lightweight Design Center in Neckarsulm.
The group brand Lamborghini is also a major proponent of automotive lightweight design in its supercars. For example, the Lamborghini Sesto Elemento technology study that it exhibited at the 2010 Paris Motor Show weighs a mere 999 kilograms despite having a ten-cylinder engine and all-wheel drive. Its weight was largely reduced thanks to the use of CFRP, with the outer skin and numerous structural components, for instance, made from carbon-fiber-reinforced plastic.

Efficiency modules launched: A7 Sportback and A6

In the A7 Sportback and the new A6, the Audi brand has again achieved the goal of blending a dynamic driving feel with good fuel economy by using a large number of items from the modular efficiency platform.
The systematic application of lightweight design for the body, engine and transmission has reduced the vehicle weight, for example. Highly efficient automatic air conditioning, innovative thermo-management, the start-stop system and energy recovery furthermore result in excellent energy management.
Aerodynamic measures and low-resistance tires also help to improve efficiency. On-demand control of ancillaries, electromechanical power steering and the use of assistance systems have likewise helped to improve fuel efficiency and CO_2 emissions.

The combined effect of these measures is that the front-wheel-drive version of the A7 Sportback with the new-generation 3.0 TDI engine developing 150 kW (204 hp) achieves average fuel consumption of only 5.3 liters of diesel per 100 kilometers, which translates into emissions of 139 g CO_2/km. Likewise the new A6 Sedan with front-wheel drive and developing 150 kW (204 hp) uses just 5.2 liters of diesel over 100 kilometers, representing CO_2 emissions of 137 g/km. The even more sporty version of the six-cylinder model with an output of 180 kW (245 hp) and quattro drive manages on a mere 6.0 liters per 100 kilometers in both the A7 Sportback and the new A6, amounting to emissions of 158 g CO_2/km.

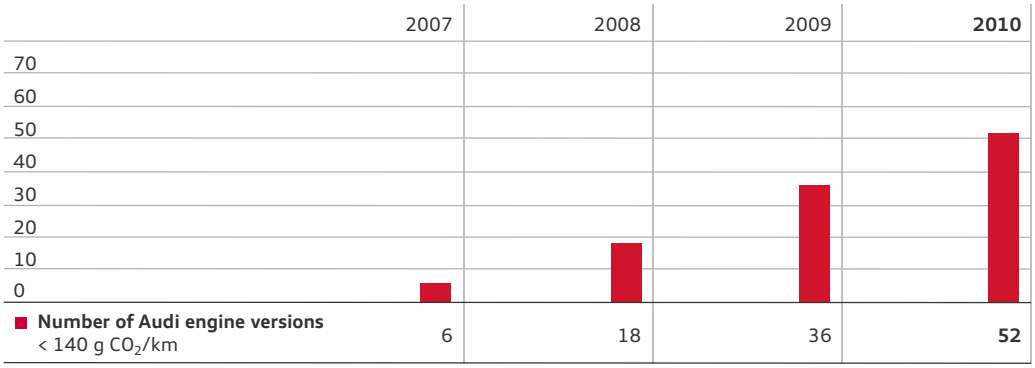
Second generation of 3.0 TDI engine

The second generation of the 3.0 TDI engine brings many new features that optimize its output and efficiency. The most outstanding features of the six-cylinder engine with a displacement of 3.0 liters are its low weight, low friction and modern cooling concept. These attributes and the way they combine with other items from the modular efficiency platform produce outstanding fuel efficiency and CO_2 emissions.
The 3.0 TDI engine is used in a variety of Audi models, its output ranging from 150 kW (204 hp) to 184 kW (250 hp). Alongside the A7 Sportback and the new Audi A6, it appeared in the Q7 family in fall 2010, for example. The new Audi Q7 3.0 TDI quattro with an output of 150 kW (204 hp) has average fuel economy of 7.2 liters of diesel per 100 kilometers, corresponding to 189 g CO_2/km. This particularly efficient engine version will also become available in the Audi A8. With an output of 150 kW (204 hp), the A8 Sedan with front-wheel drive consequently averages only 6.0 liters of diesel per 100 kilometers and achieves emissions of 158 g CO_2/km.

Models below 140 g CO_2/km

Thanks to the use of efficiency technologies from the modular efficiency platform, numerous Audi models with powerful TDI and TFSI engines already achieve fuel economy figures that prove there is no inherent contradiction between sportiness and efficiency.
The Audi brand has thus significantly increased the number of models with CO_2 emissions below 140 g/km in recent years. At the end of 2010 it already had 52 engine versions in this bracket, one-third of which actually achieved CO_2 emissions of less than 120 g CO_2/km.
As well as economical TDI engines, these efficient models include many TFSI versions. For example the powerful 1.4 TFSI engine in the Audi A1 with an output of 90 kW (122 hp) and S tronic transmission uses a mere 5.2 liters of premium-grade fuel per 100 kilometers and therefore emits 119 g CO_2/km.

AUDI MODELS BELOW 140 G CO_2/KM (YEAR-END POSITION)



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.

The risk management system within the Audi Group

Further development of risk management

The Audi Group's entrepreneurial activity naturally entails risks as well as opportunities. For this reason, the Audi Group has operated a Company-wide risk management system for many years. It has proven invaluable particularly in the wake of the global financial and economic crisis. Thanks especially to its ability to identify potential risks early on and take appropriate countermeasures, the Company has succeeded in generating a clear profit even throughout the most severe economic crisis of the post-war era.

Along with the passing of the German Accounting Law Modernization Act (BilMoG), the statutory framework for risk management in Germany became even more tightly regulated. The rapid, drastic downturn in economic activity in the crisis followed by an immediate recovery furthermore suggests that there will be growing volatility in global markets in future. This makes it more difficult for companies to draw up long-term plans and forecasts, which are consequently significantly less reliable.

The Audi Group has comprehensively responded to this development and installed a central risk management system in the past fiscal year, over and above its non-central risk organization. The objective is to identify the many risks inseparably associated with the Company's business activities as early as possible in order to minimize or eliminate them, amid an increasingly difficult environment. Entrepreneurial risks are deliberately taken only where they are controllable and commensurate with the anticipated benefit from that business activity.

Risk management approach

The operational tasks involved in risk management continue to be implemented in the business processes through non-central organizational processes at the individual divisions and subsidiaries. The additional function of Central Risk Management acts as partner to the non-central risk managers and passes Group-wide processes and standards on the identification and evaluation of risks. It also monitors the effectiveness of the risk management instruments used non-centrally (internal controlling system) and ensures that they are continually optimized. At the same time Central Risk Management observes and analyzes developments in the Company's environment in respect of changing or new risk indicators and thus endeavors to ensure that preventive measures are implemented early on by the risk managers.

THE RISK MANAGEMENT SYSTEM WITHIN THE AUDI GROUP

This broad-based policy is designed to increase risk transparency and risk awareness at the Company. An ongoing structured dialog between Central Risk Management and the non-central risk managers seeks to boost the effectiveness of the early warning system for risks. Meanwhile this continuing dialog promotes an open risk culture within the Audi Group.
Greater transparency makes it easier to manage risks effectively and promotes the stability of the business model. It thus helps to ensure that the strategic corporate objectives are achieved. Central Risk Management, together with the compliance organization, reports to the Board of Management and Supervisory Board on an ongoing basis and thus supports the strategic decision-making process in the Company. The risks identified in the Audi Group and the corresponding countermeasures adopted are an integral part of corporate planning and management.

Integrated internal control and risk management system for the financial reporting process

Particular importance is attached to the integrated internal control and risk management system for the financial reporting process.
The aim of this control system is to minimize the risk of misstatements both in the bookkeeping and in external reporting. The internal control process for financial reporting purposes for the Financial Statements of the Audi Group thus comprises those measures that ensure the prompt, complete and accurate communication of the information needed for the preparation of the Consolidated Financial Statements and Group Management Report.
Within the Audi Group, the accounting system is fundamentally decentralized. 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. A commercial encryption product is then used to assure data security for subsequently forwarding them to Audi Group Accounting.
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. Specific requirements for the reporting and treatment of intra-Group business transactions and for the reconciliation of balances on that basis as well as specific subjects to be covered by the Group companies are furthermore defined.
At Group level, the individual financial statements prepared by the subsidiaries are evaluated and discussed. 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 individual matters concerning the subsidiaries are considered at this point.
A clear separation between spheres of responsibility and use of the “dual control principle” as well as plausibility checks are other significant instruments of control that serve as the basis for the preparation of the Group companies’ individual financial statements. Group Auditing in addition conducts examinations to support the internal control process for financial reporting purposes.
Group Accounting at AUDI AG has used the Volkswagen Consolidation and Corporate Steering System (VoKUs) in close consultation with Volkswagen AG, Wolfsburg, since 2009. This system permits the consolidation and analysis of data from Accounting and Controlling. It therefore constitutes a future-proof technical 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 benefit from it in equal measure.
To minimize potential sources of error within the financial reporting process, VoKUs offers various additional functions. These include a multi-stage validation system for data consistency 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 also assists with the conducting of other plausibility checks on the data material.

Risk documentation

The risk exposure of the Audi Group is documented in line with the statutory requirements. Appropriate risk surveys are sent out by Central Risk Management to the risk managers of the individual AUDI AG divisions and subsidiaries from which considerable risks to the parent company could spread.
For each identified individual risk the probability, an assessment of the potential loss, the risk management instruments and their effectiveness are determined.
The plausibility and appropriateness of the risk reports are examined by Central Risk Management. Talks involving the independent auditors are also held on a case-by-case basis. Based on the risk reports, Central Risk Management compiles a risk profile for the Audi Group.
In their examination the independent auditors assess whether the Board of Management has taken the measures incumbent upon it as defined in Section 91, Para. 2 of the German Stock Corporation Act (AktG) in an appropriate manner, and whether the monitoring system to be set up under this act is fit for purpose.
The Audi Group thus satisfies the requirements of German corporate governance legislation (KonTraG). The requirements under KonTraG are furthermore gradually incorporated into reporting to comply with the new German Accounting Law Modernization Act (BilMoG).

Ongoing examination and refinement

The processes of the internal control and risk management system within the Audi Group are continually being revised and optimized. The recommendations of internal audits and the independent auditors are also incorporated, as independent bodies monitoring their correctness and effectiveness.

Individual risks

The business activities of the Audi Group involve a wide variety of risk areas, which are explained in greater detail below. The risks described relate to the period 2011 to 2013.

Economic risks

As a globally active company, the Audi Group is highly dependent on the development in the global economic framework. The sales markets that are of major importance to the Company – Europe, North America, China and Japan – are especially relevant in this respect.
In the past fiscal year the global economy recovered with surprising vigor from the consequences of the global financial and economic crisis. The performance of individual car markets was distinctly mixed and volatile. Whereas car markets particularly in Asia, Latin America and the United States achieved high growth rates, demand in Western European auto markets remained predominantly slack. The expiry of state aid programs in various Western European countries proved a particular burden. Although premium manufacturers were only marginally affected by the impact of state aid, demand for premium-segment vehicles remains exposed to certain risks because of the high volatility in car markets that has been observed.

The Audi Group performed exceptionally well amid this environment and posted new record levels of vehicle deliveries and profit.
One major factor behind this success has been the Audi Group's young, attractive product range. Another has been the extensive, sustained measures implemented by the Company in the past to improve costs and processes, optimize structures and reduce fixed costs in order to respond more flexibly to major fluctuations in demand.
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. Additional flexibility is created by its ability to transfer production between the various locations under the production turntable principle and the effective use of timebanking.
The development of international raw materials markets presents a further risk for the Audi Group. All raw materials markets of relevance for the Company are continually monitored in order to secure adequate supplies of production materials and minimize the cost risks. In addition, comprehensive hedging strategies are implemented.
As a car manufacturer, the development in the crude oil price is moreover hugely significant to the Audi Group. An unremitting rise in the price of oil, coupled with higher production and energy costs for the Company, could also lead to rising fuel costs. This would then potentially make customers more reluctant to buy cars. The Audi Group has already responded promptly by steadily optimizing conventional drive systems, implementing far-reaching efficiency measures on vehicles and developing alternative fuels and new drive concepts such as hybrid and electric vehicles. The Company is already able to offer its customers a wide range of vehicles that are ideal for those eager to drive particularly efficient, progressive automotive concepts.
As a company with worldwide operations, the Audi Group generates a large portion of its revenue in foreign currency. This exposes it to unforeseeable exchange rate fluctuations in the euro, which could adversely affect consolidated net profit. The main foreign exchange risks involve the pound sterling, the Japanese yen and the U.S. dollar. To counter these risks, the Audi Group employs appropriate hedging instruments to an economically reasonable extent and in close, continuous consultation with the Volkswagen Group.
Other risk factors constitute 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. The Audi Group restricts such risks by preparing emergency plans and taking out adequate insurance cover.

Industry risks

Now that the financial and economic crisis has been overcome, the situation on international financial markets has further eased. There has been a marked improvement in access to borrowed capital and banks' elevated risk surcharges for 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 without needing recourse to external financial resources.
Along with the sharp rise in global demand for cars, the situation in the used-car market has likewise improved substantially. This has ultimately had a positive effect on the measurement of residual value risks. 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 by the residual value committee 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 generally more difficult conditions in the automotive industry have engendered increased predatory competition, characterized by the growing use of sales subsidies. This may result in price erosion and higher marketing costs particularly in the Company's key sales regions of Europe, the United States, China and Japan, which would in turn adversely affect its revenue and earnings performance. Any trend among direct competitors towards reducing prices will likewise undermine revenue and profit, because the Audi Group will be unable to entirely ignore such practices in the long term. Moreover, potential state subsidies for individual manufacturers or vehicle categories could distort competition, thereby having a major adverse effect on the financial position of the Audi Group.
A further major challenge for the entire automotive industry stems from the growing pressure to reduce the fuel consumption and emissions of vehicles.
For example, various legal requirements are being discussed and introduced in various parts of the world, such as CO_2 limits. Furthermore, 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 that a permanent shift in the demand profile in individual markets towards smaller vehicles cannot be excluded.
The Audi Group is prepared to tackle this challenge and not only through the expansion of its product range to include smaller models like the Audi A1. It has employed a wide range of technological innovations in the fields of drive technology, lightweight design, aerodynamics and energy efficiency to improve the fuel economy and CO_2 emissions of the entire vehicle fleet quite substantially over the past few years. The Company is also intensively researching alternative fuels and will respond decisively to its customers' desire for sustainable mobility by developing advanced hybrid and electric vehicles.

Risks from operating activities

Through its operating activities the Audi Group is exposed to a number of risks that could lastingly affect its net worth, financial position and financial performance.
These include, most notably, events with serious consequences such as explosions and major fires which destroy or damage the Group's assets but also hinder the production process. Major production problems could also be precipitated by disruptions to the energy supply or technical disruptions, in particular to information technology.
Although such risks tend to harbor considerable potential for losses, their probability is viewed as being relatively low. The Audi Group counteracts these risks through preventive measures, such as fire protection systems and emergency plans, company fire departments and health centers, as well as through adequate insurance coverage. The high flexibility of the Audi production network makes it possible to move production capacity to other locations and thus additionally reduces the risk.
Delivery delays or non-delivery by suppliers and logistics providers as a result of tool breakage, emergency losses and strikes represent a further potential source of disruptions to the production process. The financial and economic crisis has moreover 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.
There is evidence of increasingly close partnerships between manufacturers and suppliers in the automotive industry. As well as bringing economic advantages, this trend is creating greater dependence and is gaining added momentum from the exclusive use of innovative technologies created by globally active suppliers. In order to protect itself against the risks that this trend is creating, the Audi Group for example defines appropriate contractual terms or retains title over tools used by third-party companies.

As an innovative carmaker, the Audi Group is gradually broadening its model range and entering diverse new product segments. The Company is also continually adopting new technologies such as production methods, assistance or safety systems and drive concepts in volume production. The entire decision-making process for new products and technologies is based on careful planning and extensive market research. In spite of these comprehensive preparations, the market success of new products and technologies cannot always be taken for granted.
The development of new products and technologies moreover goes hand in hand with many other potential risks. In addition to delays and changes to the product at short notice, these include the loss of expertise to service providers outside the Group. The Audi Group protects itself against this risk by methodically safeguarding its intellectual proprietorship of core competences and consciously selecting reliable system partners.

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 takes a larger number of measures to ensure that all actions taken are lawful. For example, Group-wide codes of conduct are handed out to all employees and regular employee training on new legal requirements is offered.
In light of the growing complexity of legal requirements, the expansion of business activities and the high international spread of the Audi Group, there is nevertheless an increasing risk of unwittingly and therefore unintentionally acting unlawfully. In addition, it is impossible to rule out deliberate misdemeanors by individual persons.
The compliance organization within the Company was further expanded in the past fiscal year in order to actively counter these risks.
As a manufacturer of premium vehicles, the Audi Group has set itself the objective of comprehensively satisfying its customers' high quality expectations. Like every company, it is impossible to exclude product liability claims altogether. These can have major financial consequences, particularly if they lead to lawsuits in the U.S. market. In addition the Audi brand's image can come to considerable harm, permanently undermining the financial performance of the Company. The Audi Group counteracts this risk through effective, systematic quality management and by assuring the high quality standard of its products. Furthermore, insurance cover is taken out and provisions are created to guard against product liability risks.
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 hinge on the high commitment and qualifications of its specialists and managers. Targeted human resources development and further training for the workforce are therefore a focal area of human resources management. As an attractive employer, the Audi Group moreover occupies an excellent position amid intense competition to recruit well-qualified employees, and its comprehensive in-house training program actively helps to create resources of junior personnel.
The Audi Group seeks to minimize a potential loss of expertise through fluctuation or partial early retirement by creating high employee satisfaction, implementing wide-ranging, demand-based incentive systems and applying intensive skills management. These involve in particular the systematic transfer of knowledge from departing experts and managers to their successors.
The demographic change observed in Germany, which has an aging, shrinking population, presents all companies with a major challenge. The Audi Group identified this long ago and took prompt initiatives in order to counter this development correctly. 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. They also include in-house preventive health care programs and strengthening employee awareness about taking responsibility for their own financial future.

Information and IT risks

A key success factor behind ongoing, sustainable productivity advances is efficient, cost-effective processes and information technologies that meet the business requirements of the Audi Group. Moreover, the ready availability of data and information flows across all corporate locations is of growing importance in keeping procedures throughout the Company swift and efficient. At the same time the growing prevalence of electronic networks does, however, harbor potential information and IT risks, which could have a lasting impact on financial performance.
The principal risks are the failure of important IT systems within the value chain, unauthorized access to the system, and the creation of heterogeneous system landscapes.
These risks are largely mitigated through stable, highly available IT infrastructures. Furthermore, Group-wide security standards play a major role in assuring high continuity in internal processes and protect the Company against external intervention.

Financial risks

The Audi Group is exposed to financial risks through its business activities. These comprise market price risks such as from interest rates and raw material prices, as well as issuer 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 special relevance.
Further 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 provided in the Notes in "Additional disclosures" under Section 34 "Management of financial risks," and constitutes part of this Management Report.

Overall assessment of the risk position

Although worldwide demand for cars has recovered much more quickly than expected from the consequences of the global financial and economic crisis, the further fortunes of the industry remain very difficult to predict. In particular, the fact that the performance of car markets worldwide is expected to remain both volatile and heterogeneous represents a substantial risk to all businesses in the automotive industry.
However, on the basis of all known circumstances and facts, no risks currently exist that could endanger the Company's survival in the foreseeable future.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events of material significance after December 31, 2010.

REPORT ON EXPECTED DEVELOPMENTS

Anticipated development of the economic environment

General economic situation

The Audi Group believes that the upturn in the global economy will continue in 2011. The emerging countries of Asia and Latin America will make dynamic progress, while the pace of growth in many industrial countries will remain slow.
The Audi Group estimates that most Western European countries will enjoy moderate economic growth in 2011. Germany's stable upward trend in the business cycle will be maintained, though with slightly less vigorous growth. Export activity is likely to decline somewhat, while domestic demand will become more solid thanks to rising corporate investment and stronger consumer spending. A further improvement in the labor market will have a positive influence.

The economic performance of Central and Eastern European countries is likely to gain increasing momentum in 2011. Russia in particular will benefit from rising demand for raw materials and achieve strong economic growth.
In the United States, economic growth should be slightly higher than in the previous year. Nevertheless, consumer spending is expected to deliver only little impetus for overall economic activity due to the continuing tight state of the labor market and high levels of household debt.
The Audi Group estimates that in Latin America economic growth will be down on the previous year in 2011. In international terms, however, the region's economies continue to expand at above-average rates.
The Audi Group believes economic growth in emerging Asian countries will remain dynamic in 2011. The Chinese economy is likely to expand by a similarly steep rate as in the previous year. The Indian economy, too, will be a strong performer. By contrast, the Audi Group expects to see a marked weakening of growth in the Japanese economy.
The Audi Group moreover expects that the global economy will remain buoyant in 2012. There is likely to be continuing variation in economic vigor between individual regions.

The car industry

The Audi Group expects to see car markets globally put in a mixed performance in 2011. All sales regions worldwide, with the exception of Western Europe, will register rising demand for new vehicles. However, the pace of growth in Asian and Latin American markets will be slower. Overall, demand for automobiles worldwide will be bolstered by the upturn in the global economy and will grow further.
The Audi Group estimates that in Germany the car market will gradually return to normal in 2011, after experiencing major fluctuations in the previous two years as a result of the temporary introduction of the government environment bonus. The Audi Group therefore expects the current year to bring a moderate recovery compared with the low level of 2010.
On the other hand new car registrations elsewhere in Western Europe, but especially in major markets such as the UK and France, will be down. Factors adversely affecting demand include the expiry of government incentives and consumer reticence against the backdrop of the sovereign debt crisis in certain EU countries.
The car market in Central and Eastern European countries will enjoy better fortunes in the current year. In Russia in particular, the Audi Group expects the upward trend in car sales to continue.
The Audi Group estimates that demand for automobiles in the United States will continue to recover in 2011, though the market's development will remain muted especially because of high fuel prices.
The Asia-Pacific region is expected to maintain its vigorous market growth in 2011, further cementing its position as the world's major sales region. Nevertheless, growth in China is expected to weaken slightly from the previously high level. As well as tougher emission standards and reduced state aid, further regulatory intervention by the central government and city authorities is to be expected, damping sales mainly in the volume segment. Likewise in the Indian car market, the rate of growth in 2011 will be slightly down on the previous year. On the other hand the Audi Group estimates that there will be a substantial fall in the Japanese car market this year.
The Audi Group expects to see a further rise in global demand for cars in 2012. All sales regions worldwide should see new vehicle registrations rise.

Anticipated development of the Audi Group

The economic environment improved significantly in the past fiscal year. The recent huge fluctuations in demand for cars worldwide and the decidedly mixed performance of major car markets nevertheless remain a major challenge for the Audi Group. On top of this, competition is becoming noticeably more intense and the automotive industry is in the throes of a technological revolution as it prepares for electric mobility. The Board of Management nevertheless believes that the Company is well prepared to maintain the Audi Group's course of growth over the next two years and develop Audi into the world's leading premium brand under the auspices of Strategy 2020.

Anticipated development of deliveries

The Audi Group is planning to be able to increase deliveries over the next two years beyond the previous year's figure as the result of a widely forecast rise in worldwide demand for cars. It expects, for example, to deliver over 1.2 million cars of the Audi brand to customers in 2011. The objective is to further increase the Company's market shares in numerous major sales markets, in order to extend its strong competitive position in the premium segment worldwide.
It plans to achieve that goal by adding many more new models and derivative versions to Audi's young, attractive product range. The brand with the four rings already has the broadest product range of any premium brand, with vehicles from the Audi A1 to the Audi R8 Spyder. Over the next two years, amid an increasingly intensive competitive environment, innovative and highly emotional vehicle concepts should help to access new customer segments and give the Audi brand's appeal a lasting boost. Over and above the new vehicles very successfully introduced last year – the Audi A1, Audi A7 Sportback and Audi A8 – the new-generation Audi A6, the new Audi Q3 and additional models in the A1 car line in particular should provide a further positive impetus. Steady efficiency improvements across the entire model and engine range mean the Audi brand will continue to fulfill its customers' expectations of sporty yet economical mobility concepts in every respect. In addition, the Company intends to provide attractive technical solutions to the mobility requirements of the future, in the shape of modern hybrid and electric drive systems. In March of last year, the hybrid study of the Audi A8 luxury sedan was unveiled to the world public. With the new Audi Q5 hybrid quattro scheduled for launch in the course of 2011, the brand with the four rings will have a full hybrid model in its range. Its appearance will be followed shortly by the new Audi A6 hybrid, an attractive hybrid version of the popular business sedan. 2012 will then see the arrival on the market of the Audi e-tron, a low-volume supercar with all-electric drive. The Audi e-tron study generated a huge amount of interest at the 2009 International Motor Show (IAA) in Frankfurt thanks to its technologically pioneering concept.
In the German auto market, the Audi brand is planning a further increase in deliveries to customers over the next two years, producing a higher market share of the premium segment. Despite the difficult conditions that it is expected to encounter in Western European export markets, the brand with the four rings nevertheless expects to achieve further growth in vehicle sales and thus strengthen its leading position in the premium segment.
In the Central and Eastern European region, especially Russia, the Company is striving for a substantial rise in deliveries to customers in 2011 and 2012. The Audi brand plans to build on its good competitive position here.
At some point in the next two years the Chinese auto market is likely to overtake Germany as the biggest market for Audi vehicles. The brand with the four rings is planning to maintain its expansion of recent years in the Chinese premium market and consolidate its leading position in 2011 and 2012. It intends to do so by further increasing local production capacity and the brand's product range in China, and expanding the dealer network to over 400 establishments by 2013.

India will remain a major growth market for the Audi brand. The Company intends to further expand the sales and dealer structure in that country over the next two years, keep improving the brand's image and significantly increase the number of vehicles it sells there.
The Audi brand aims to maintain its positive momentum in the U.S. market throughout 2011 and 2012. By launching new, attractive Audi models and promoting its high-performance but economical diesel engine technology, the Audi brand is targeting new record deliveries in the United States.

Anticipated financial performance

The increase in vehicle sales being targeted for fiscal 2011 and 2012 is also likely to bring a substantial rise in revenue for the Audi Group. In addition, the Company is planning to increase its operating profit in parallel on the basis of its effective and efficient structures and processes and by realizing steady cost optimizations and adopting a systematic approach to investment management in all divisions. The operating return on sales is set to remain at the high level of 2010.

Anticipated financial position

The Audi Group again intends to finance its planned growth entirely from internally generated cash flow in the next two fiscal years. Despite the much higher planned use of cash in investing activities for the continuing long-term model initiative and the development of new technologies, it is set to earn a comfortable profit. The cash flow from operating activities of the Audi Group is likely to rise further in 2011 and 2012.

Capital investments

The Audi Group's investment plans envisage customer-oriented additions to the model and engine range, along with the expansion of development and production structures necessitated by these. These plans also focus on improving the productivity and quality of process chains, and on building up the dealer and service network in order to increase customer delight. Another priority area involves efficiency measures for the overall vehicle, the further optimization of conventional drive concepts, and the development of alternative fuels and new mobility concepts such as electric and hybrid models. 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.
Overall, the Audi Group is planning property, plant and equipment spending in excess of EUR 11 billion over the period 2011 through 2015. In embarking on the biggest investment program in the Company's history, the Audi Group is preparing the ground for sustainable, profitable growth and underlining its ambition to become the world's leading manufacturer of premium vehicles. 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 Audi Group's workforce is expected to increase slightly in 2011 and 2012 in line with the Company's scheduled growth.

Opportunities for future development

Under the umbrella strategy of developing Audi into the world's leading premium brand, the Audi Group's management is pursuing a large number of measures designed to safeguard the Company's sustainable, profitable growth. These also give rise to potential and opportunities that are continually incorporated into the plans so that they can be realized rapidly.
Systematically following through with the product initiative is among the top priorities in this respect. After nine successful model launches in 2010, a large number of new models due to appear in 2011 and 2012 will generate extra sales potential. The rejuvenation of the high-volume

Audi A6 car line is one of the major product events in the period in question. The Audi Q3 will in addition increase the range of premium SUV models. Having already made a very successful market entry, the Audi A1 car line will be extended by the arrival of new, attractive variants.
The Company wants to continue to demonstrate its “Vorsprung durch Technik” through a great many automotive innovations. There are immense opportunities to develop, for example, competition-beating technologies that pave the way for electric mobility. The Audi Group has both the necessary infrastructure and suitably trained specialists and engineers to carve out a technological advantage in this domain.
The Audi brand has seen its recognition and popularity ratings rise sharply over the past few years. The four rings are now regarded as being synonymous with innovation, quality, sportiness and efficiency in many sales markets. This brand image gives the Company an opportunity to build effectively on its qualitative growth in the years ahead.
It plans to increase its market shares yet further in key sales markets. In markets that are already saturated, the Audi Group intends to step up its efforts to defend and strengthen its outstanding position in the premium segment. There are bright growth prospects for the Audi brand especially in the United States.
The Company aims to maintain its very good performance in young, burgeoning growth markets over the next two years. It will be giving prime importance to the Indian and Chinese car markets, where the Audi brand actively seeks to tap into their huge growth potential by extending the exclusive Audi dealer and service network and tailoring the range of vehicles available to local requirements.
In addition to the strategic determinants, external factors could create opportunities for the Audi Group. The global economic environment and the associated demand for premium vehicles, as well as social and political developments, all harbor potential for business progress.

Overall assessment of anticipated future developments

In the past fiscal year the Audi Group returned to the path of growth enjoyed in recent years, interrupted in 2009 by the crisis. The Company moreover impressively demonstrated its high profitability and competitiveness in posting new record deliveries and profit.
The Board of Management equally believes that the Company is well positioned to tackle future challenges and should continue to achieve sustained, profitable growth.
The measures already underway that seek to improve processes and costs in all divisions in the long term will be rigorously pursued. The Audi brand’s attractive product range will also gradually be extended. Furthermore, 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 aspired long-term growth early on in the process. The successful implementation of these plans will serve as a huge motivation for the workforce and help it to identify closely with the Company.
For fiscal 2011 and 2012, the Audi Group expects to see a further rise in worldwide demand for premium automobiles. The Audi Group’s goal is for this development and the Company’s very competitive position to be reflected positively in the key ratios for the Group. The Audi Group would consequently like to adhere to its course of growth in vehicle deliveries and the key financial indicators.

DISCLAIMER

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

Consolidated Financial Statements of the Audi Group at December 31, 2010

Income Statement of the Audi Group

EUR million	Notes	2010	2009
Revenue	1	**35,441**	29,840
Cost of sales	2	**–29,706**	–25,649
Gross profit		**5,735**	4,191
Distribution costs	3	**–3,038**	–3,138
Administrative expenses	4	**–374**	–301
Total other operating income	5	**1,684**	1,475
Total other operating expenses	6	**–667**	–622
Operating profit		**3,340**	1,604
Result from investments accounted for using the equity method	7	**220**	110
Financing costs	8	**–294**	–269
Total other financial results	9	**368**	483
Financial result		**293**	324
Profit before tax		**3,634**	1,928
Income tax expense	10	**–1,004**	–581
Profit after tax		**2,630**	1,347
of which profit share of minority interests		**45**	48
of which profit share of AUDI AG stockholders		**2,586**	1,300
Appropriation of profit share due to AUDI AG stockholders			
Profit transfer to Volkswagen AG	11	**–2,010**	–1,172
Transfer to retained earnings		**576**	128

EUR	Notes	2010	2009
Earnings per share	12	**60.13**	30.23
Diluted earnings per share	12	**60.13**	30.23

Statement of Recognized Income and Expense of the Audi Group

EUR million	2010	2009
Profit after tax	**2,630**	1,347
Securities available for sale		
Changes in fair value recognized directly in equity without affecting income	**15**	16
Included in the Income Statement	**–25**	13
Cash flow hedges		
Changes in fair value recognized directly in equity without affecting income	**–402**	163
Included in the Income Statement	**–46**	–341
Currency translation differences		
Changes recognized directly in equity without affecting income	**31**	6
Included in the Income Statement	**–**	–
Deferred tax items netted directly against equity	**190**	78
Actuarial gains and losses	**–186**	–113
Income and expenditure after tax from equity-accounted investments recognized directly in equity	**19**	–1
Other result after tax	**–404**	–178
Overall result	**2,227**	1,169
Attributable to AUDI AG stockholders	**2,176**	1,126
Attributable to minority interests	**50**	43

Of the overall result during the 2010 fiscal year, EUR –402 million relates to changes in the fair value of effective portions of cash flow hedges, primarily due to a change in the external value of the euro as of December 31, 2010.
However, due to the effectiveness of the hedges, these negative changes in the fair value of cash flow hedges exist alongside corresponding profit potential in almost the same amount from the underlying transactions (vehicle sales, purchases of materials). This profit potential will not yet be recognized as of December 31, 2010 and will only be incorporated into the Statement of Recognized Income and Expense for future periods at the time of performance of the underlying transactions.

The breakdown of the overall result between Audi stockholders and minority interests is as follows:

EUR million	Audi stockholders		Minority interests		Total	
	2010	2009	**2010**	2009	**2010**	2009
Profit after tax	**2,586**	1,300	**45**	48	**2,630**	1,347
Securities available for sale	**–10**	29	**–**	–	**–10**	29
Attributable deferred taxes	**3**	–8	**–**	–	**3**	–8
Cash flow hedges	**–448**	–178	**–**	–	**–448**	–178
Attributable deferred taxes	**132**	53	**–**	–	**132**	53
Currency translation differences	**25**	10	**6**	–3	**31**	6
Actuarial gains and losses	**–186**	–110	**–**	–2	**–186**	–113
Attributable deferred taxes	**55**	33	**–**	1	**55**	34
Investments accounted for using the equity method after tax	**19**	–1	**–**	–	**19**	–1
Other result after tax	**–410**	–174	**6**	–4	**–404**	–178
Overall result	**2,176**	1,126	**50**	43	**2,227**	1,169

Balance Sheet of the Audi Group

ASSETS in EUR million	Notes	Dec. 31, 2010	Dec. 31, 2009
Non-current assets		**10,584**	9,637
Fixed assets		**8,677**	8,296
Intangible assets	14	**2,357**	2,171
Property, plant and equipment	15	**5,803**	5,795
Investment property	16	**12**	12
Investments accounted for using the equity method		**326**	212
Other long-term investments	17	**180**	107
Deferred tax assets	18	**1,347**	919
Other receivables and other financial assets	19	**560**	422
Current assets		**20,188**	16,913
Inventories	20	**3,354**	2,568
Trade receivables	21	**2,099**	2,281
Effective income tax assets	22	**13**	23
Other receivables and other financial assets	19	**2,658**	4,764
Securities	23	**1,339**	821
Cash and cash equivalents	23	**10,724**	6,455
Balance sheet total		**30,772**	**26,550**

LIABILITIES in EUR million	Notes	Dec. 31, 2010	Dec. 31, 2009
Equity		**11,310**	10,632
AUDI AG stockholders' interests	24	**11,172**	10,221
Issued capital	24	**110**	110
Capital reserve	24	**2,510**	1,924
Retained earnings	24	**8,552**	8,187
Minority interests	24	**138**	411
Liabilities		**19,462**	15,918
Non-current liabilities		**7,484**	6,425
Financial liabilities	25	**15**	2
Deferred tax liabilities	26	**22**	45
Other liabilities	27	**712**	527
Provisions for pensions	28	**2,331**	2,098
Effective income tax obligations	29	**636**	773
Other provisions	30	**3,768**	2,979
Current liabilities		**11,979**	9,493
Financial liabilities	25	**810**	577
Trade payables	31	**3,510**	3,114
Effective income tax obligations	29	**857**	405
Other liabilities	27	**4,447**	2,895
Other provisions	30	**2,354**	2,502
Balance sheet total		**30,772**	26,550

Cash Flow Statement of the Audi Group

from January 1 to December 31

EUR million	2010	2009
Profit before profit transfer and income taxes	**3,634**	1,928
Income tax payments	**–941**	–574
Impairment losses (reversals) on capitalized development costs	**567**	480
Impairment losses (reversals) on property, plant and equipment and other intangible assets	**1,542**	1,285
Impairment losses (reversals) on financial assets	**1**	9
Depreciation of investment property	**1**	1
Result from the disposal of assets	**3**	–5
Result from investments accounted for using the equity method	**–95**	–60
Change in inventories	**–599**	827
Change in receivables	**213**	103
Change in liabilities	**969**	–339
Change in provisions	**600**	327
Change in investment property	**0**	–8
Other non-cash income and expenses	**–97**	144
Cash flow from operating activities	**5,797**	4,119
Additions of capitalized development costs	**–630**	–528
Investments in property, plant and equipment and other intangible assets	**–1,449**	–1,265
Acquisition of subsidiaries and shares	**–207**	–42
Sale of shares	**–**	2
Other cash changes	**26**	36
Change in investments in securities	**–498**	–12
Change in fixed deposits and loans extended	**1,812**	377
Cash flow from investing activities	**–946**	–1,433
Capital contributions	**586**	308
Transfer of profit	**–1,172**	–1,230
Capital transactions with non-controlling minority interests	**–125**	–
Change in financial liabilities	**61**	–138
Lease payments	**0**	–1
Cash flow from financing activities	**–650**	–1,061
Change in cash and cash equivalents due to changes in exchange rates	**68**	–3
Change in cash and cash equivalents	**4,268**	1,622
Cash and cash equivalents at beginning of period	**6,455**	4,833
Cash and cash equivalents at end of period	**10,724**	6,455

EUR million	2010	2009
Cash and cash equivalents	**10,724**	6,455
Fixed deposits, securities and loans extended	**3,484**	4,789
Gross liquidity	**14,208**	11,244
Credit outstanding	**–825**	–579
Net liquidity	**13,383**	10,665

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, 2009	110	1,617	
Profit after tax	–	–	
Other result after tax	–	–	
Overall result	–	–	
Capital increase	–	308	
Profit transfer to Volkswagen AG	–	–	
Position as of Dec. 31, 2009	110	1,924	
Position as of Jan. 1, 2010	110	1,924	
Profit after tax	–	–	
Other result after tax	–	–	
Overall result	–	–	
Capital increase	–	586	
Profit transfer to Volkswagen AG	–	–	
Capital transactions producing a change of participating interests	–	–	
Position as of Dec. 31, 2010	**110**	**2,510**	

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**
7,865	–6	538	–24	–129	–11	9,960	368	**10,328**
1,300	–	–	–	–	–	1,300	48	**1,347**
–	10	–126	20	–78	–1	–174	–4	**–178**
1,300	10	–126	20	–78	–1	1,126	43	**1,169**
–	–	–	–	–	–	308	–	**308**
–1,172	–	–	–	–	–	–1,172	–	**–1,172**
7,993	3	412	–4	–206	–11	10,221	411	**10,632**
7,993	3	412	–4	–206	–11	10,221	411	**10,632**
2,586	–	–	–	–	–	2,586	45	**2,630**
–	25	–316	–7	–131	19	–410	6	**–404**
2,586	25	–316	–7	–131	19	2,176	50	**2,227**
–	–	–	–	–	–	586	–	**586**
–2,010	–	–	–	–	–	–2,010	–	**–2,010**
208	–	–	–	–9	–	199	–324	**–125**
8,776	**28**	**97**	**–11**	**–346**	**8**	**11,172**	**138**	**11,310**

Notes to the Consolidated Financial Statements

DEVELOPMENT OF FIXED ASSETS IN THE 2010 FISCAL YEAR

EUR million	Gross carrying amounts							
	Costs Jan. 1, 2010	Changes in group of consolidated companies	Currency changes	Additions	Changes from measurement at equity	Transfers	Disposals	Costs Dec. 31, 2010
Intangible assets	4,684	150	1	717	–	7	26	5,532
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	509	78	1	87	–	7	6	676
Goodwill	–	72	–	–	–	–	–	72
Capitalized development costs, products currently under development	866	–	–	502	–	–468	–	900
Capitalized development costs, products currently in use	3,307	–	–	128	–	468	21	3,883
Payments on account for intangible assets	1	0	–	0	–	0	–	1
Property, plant and equipment	20,145	100	20	1,362	–	–7	534	21,085
Land, land rights and buildings, including buildings on land owned by others and leased buildings	4,121	55	17	156	–	62	16	4,396
Plant and machinery	4,789	13	0	127	–	137	219	4,848
Other plant and office equipment, as well as leased plant and office equipment	10,616	28	2	686	–	298	285	11,345
Payments on account and assets under construction	618	3	0	393	–	–503	15	496
Investment property	17	–	2	–	–	–	0	19
Investments accounted for using the equity method	212	–	24	–	91	–	–	326
Other long-term investments	140	–22	2	67	–	–	4	183
Investments in affiliated companies	126	–24	2	4	–	–	1	106
Shares in associated companies and participating interests	11	2	–	63	–	–	–	76
Securities	2	–	–	–	–	–	2	–
Total fixed assets	**25,197**	**227**	**49**	**2,146**	**91**	**–**	**564**	**27,145**

					Value adjustments in gross carrying amounts				Carrying amounts	
Cumulative depreciation and amortization Jan. 1, 2010	Changes in group of consolidated companies	Currency changes	Additions, scheduled	Additions, unscheduled	Transfers	Disposals	Write-ups	Cumulative depreciation and amortization Dec. 31, 2010	**Dec. 31, 2010**	Dec. 31, 2009
2,512	5	1	531	210	1	26	58	3,176	**2,357**	2,171
327	5	1	94	21	1	6	–	444	**232**	182
–	–	–	–	–	–	–	–	–	**72**	–
49	–	–	–	30	–15	–	0	64	**836**	817
2,136	–	–	437	159	15	21	58	2,668	**1,215**	1,171
–	–	–	–	–	–	–	–	–	**1**	1
14,351	9	3	1,173	253	–1	506	–	15,281	**5,803**	5,795
2,047	4	3	165	–	–	13	–	2,206	**2,190**	2,075
3,565	2	0	335	1	0	214	–	3,689	**1,159**	1,224
8,738	3	1	673	252	–2	279	–	9,386	**1,958**	1,879
–	–	–	–	–	–	–	–	–	**496**	618
6	–	1	1	–	–	0	–	8	**12**	12
–	–	–	–	–	–	–	–	–	**326**	212
33	–31	2	–	1	–	1	–	3	**180**	107
31	–31	2	–	0	–	1	–	0	**106**	95
2	–	–	–	1	–	–	–	3	**73**	9
–	–	–	–	–	–	–	–	–	**–**	2
16,900	**–18**	**7**	**1,706**	**464**	**–**	**533**	**58**	**18,468**	**8,677**	**8,296**

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	Disposals	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**

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.

The Board of Management prepared the Consolidated Financial Statements on February 8, 2011. This date marks the end of the adjusting events period.

Effects of new or revised standards

The Audi Group has implemented all of the accounting standards whose application became mandatory with effect from the 2010 fiscal year.
The revised version of IAS 27/IFRS 3 changes the way in which future corporate mergers are presented. In particular, there is the option of capitalizing the pro rata amount of goodwill attributable to minority shareholders. Old interests that were already recognized in the balance sheet prior to the transfer of control are measured at fair value through profit or loss at the time of acquisition. Additionally, interests in a subsidiary that continue to be held following loss of control are recognized at fair value through profit or loss at initial consolidation. Changes in the proportion of shares held in fully consolidated subsidiaries that do not result in a loss of control continue to be recognized directly in equity.
In accordance with the revision of IFRS 8 as part of the improvement of the 2009 International Financial Reporting Standards, no disclosures are made of segment assets. This capital key figure does not form part of the Audi Group's internal reporting.

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: First-time Adoption of IFRS (revised)
- IFRS 1: Additional Exceptions for First-time Adopters
- IFRS 1/IFRS 5: Improvement of 2008 International Financial Reporting Standards
- IFRS 2: Group Cash-settled Share-based Payment Transactions
- IFRS 39/IFRS 7: Reclassification of Financial Assets – Effective Date and Transition
- IAS 39: Eligible Hedged Items – Changes to IAS 39
- Improvements to the 2009 International Financial Reporting Standards – Minor changes to a variety of standards (IFRS 2, IFRS 5, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) and resulting changes
- IFRIC 12: Service Concession Arrangements
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedge of a Net Investment in a Foreign Operation
- IFRIC 17: Distribution of Non-cash Assets to Owners
- IFRIC 18: Transfers of Assets from Customers

New or revised standards not applied

The following new or revised accounting standards already approved by the IASB were not applied in the Consolidated Financial Statements for the 2010 fiscal year because their application was not yet mandatory:

Standard/Interpretation		Published by the IASB	Mandatory effective [1]	Endorsed by EU [2]	Effects
IFRS 1	Limited Exemption from Capital Comparative IFRS 7 Disclosures for First-time Adopters	Jan. 28, 2010	Jan. 1, 2011	Yes	None
IFRS 1	Hyperinflation and Fixed Changeover Date	Dec. 20, 2010	Jan. 1, 2012	No	None
IFRS 7	Disclosures on Transfer of Financial Instruments in the Notes	Jan. 7, 2009	Jan. 1, 2012	No	Extended disclosures on transfer of financial instruments in the Notes
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2013	No	Modified reporting of fair value changes relating to financial instruments previously classed as available for sale
IAS 12	Deferred Taxes – Realization of the Carrying Amount of an Asset	Dec. 20, 2010	Jan. 1, 2012	No	No significant changes
IAS 24	Related Party Disclosures	Nov. 4, 2009	Jan. 1, 2011	Yes	Simplification of reporting to public institutions and their subsidiaries
IAS 32	Classification of Rights Issues	Oct. 8, 2009	Jan. 1, 2011	Yes	None
	Improvement of 2010 International Financial Reporting Standards [3]	May 6, 2010	Jan. 1, 2011	No	Change to disclosures on financial instruments in the Notes
IFRIC 14	Advance Payments as part of Minimum Funding Requirements	Nov. 26, 2009	Jan. 1, 2011	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Nov. 26, 2009	Jan. 1, 2011	Yes	None

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

2) By December 31, 2010

3) Minor changes to a variety of standards and interpretations (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) and resulting changes

GROUP OF CONSOLIDATED COMPANIES

In addition to AUDI AG, the Consolidated Financial Statements include all principal companies in which AUDI AG can directly or indirectly determine the financial and business policy in order to benefit from the activities of the companies (subsidiaries) in question. Consolidation begins at that point in time when AUDI AG acquires the opportunity for control; it ends when that opportunity ceases to be available.
Associated companies are accounted for using the equity method.
Non-consolidated subsidiaries as well as participating interests are always reported at amortized cost because no active market exists for the shares of these companies and no fair value can reliably be determined with a justifiable amount of effort. Where there is evidence that the fair value is lower, this fair value is recognized. These subsidiaries are principally companies with only limited business operations.

The group of consolidated companies has grown since December 31, 2009 to include the following companies that have been founded or acquired:
- Audi (China) Enterprise Management Co. Ltd., Beijing (China)
- Audi Japan Sales K.K., Tokyo (Japan)
- Audi Zentrum Frankfurt GmbH, Frankfurt
- Audi Zentrum Leipzig GmbH, Leipzig
- Audi Zentrum Stuttgart GmbH, Stuttgart
- Italdesign Giugiaro S.p.A., Turin (Italy)
- STAR DESIGN S.R.L., Turin (Italy)

Additionally, Automobili Lamborghini America, LLC, Wilmington, Delaware (USA), was consolidated for the first time on the basis of the condition set out in IAS 27.13, Sentence 2 (c).
The first-time inclusion of these subsidiaries had no significant individual or overall impact on the presentation of the Company's situation.

With effect from June 1, 2010, the Group acquired 100 percent of the shares in AUDI BRUSSELS S.A./N.V., Brussels (Belgium). This company has been included in the Audi Group since 2008 based on the conditions set out in IAS 27.13, Sentence 2 (c).

The following table shows the composition of the Audi Group:

Total	**2010**	2009
AUDI AG and fully consolidated subsidiaries		
Germany	**10**	7
Other countries	**20**	15
Investments accounted for using the equity method		
Other countries	**1**	1
Non-consolidated subsidiaries		
Germany	**12**	14
Other countries	**15**	14
Total	**58**	51

The principal companies within the Audi Group are listed following the Notes. The full list of companies in which shares are held is provided in AUDI AG's published Annual Financial Report 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, the following companies have fulfilled the requirements of Section 264, Para. 3 of the German Commercial Code and make use of the exemption rule:

- quattro GmbH, Neckarsulm
- Audi Retail GmbH, Ingolstadt
- Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt
- Audi Zentrum Berlin GmbH, Berlin
- Audi Zentrum Frankfurt GmbH, Frankfurt
- Audi Zentrum Hamburg GmbH, Hamburg
- Audi Zentrum Hannover GmbH, Hanover
- Audi Zentrum Leipzig GmbH, Leipzig
- Audi Zentrum Stuttgart GmbH, Stuttgart

Fully consolidated subsidiaries

To expand its design and development capacities, the Audi Group acquired 90.1 percent of the voting rights in the design and development service provider Italdesign Giugiaro S.p.A., Turin (Italy), on July 27, 2010 via Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese (Italy), an AUDI AG subsidiary. The remaining shares in Italdesign Giugiaro S.p.A. remain in the hands of the previous owners. The total purchase price of EUR 180 million includes options granted to these shareholders to sell the outstanding shares, measured at fair value. In conjunction with the acquisition, existing contractual relations of Italdesign Giugiaro S.p.A. were dissolved in advance by mutual consent with the agreement that no claims for damages or other claims would be asserted by either side. The value of these relations, totaling EUR 35 million, was classed as a separate transaction and recognized as other operating expenses for the fiscal year. The total purchase price can be broken down as follows:

EUR million	2010
Purchase price for 90.1 % of voting rights	**194**
+ Option on outstanding voting rights	**21**
– Settlement for termination of existing contracts	**35**
= Total purchase price	**180**

The merger resulted in goodwill of EUR 72 million, primarily determined by expected synergies in the Audi Group's automotive business as a cash-generating unit that determines value. The allocation of the purchase price to the assets and liabilities of Italdesign Giugiaro S.p.A. is shown in the following table:

EUR million	Carrying amount immediately prior to time of acquisition	Purchase price allocation	Fair value at time of acquisition
Brand name	18	36	55
Other non-current assets [1]	82	37	119
Current assets	45	0	45
of which cash and cash equivalents	6	0	6
Total assets	145	73	218
Non-current liabilities [2]	40	23	62
Current liabilities	49	0	49
Total liabilities	88	23	111

1) Excluding goodwill

2) Including deferred taxes

The gross carrying amount of the acquired claims at the time of purchase totaled EUR 42 million, with the net carrying amount (corresponding to fair value) amounting to EUR 39 million.
The inclusion of the company increased the Audi Group's revenue by EUR 37 million and reduced its profit after tax by EUR 4 million. If Italdesign Giugiaro S.p.A. had been included with effect from January 1, 2010, Group sales before consolidation would have been EUR 57 million higher; profit after tax would have risen by EUR 3 million.
The fair values of the assets and liabilities were primarily determined using observable market prices. Where it was not possible to determine a market price based on observable market values, processes based on income value were used to measure the acquired assets and assumed liabilities.

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	2010	2009
Non-current assets	**252**	187
Current assets	**733**	404
Non-current liabilities	**67**	53
Current liabilities	**592**	324
Revenues	**1,748**	1,232
Net profit for the period	**220**	110

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.

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 are, with the exception of equity, 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, until the disposal of the subsidiary.
The development of the exchange rates serving as the basis for currency translation is shown below:

1 EUR in foreign currency		**Dec. 31, 2010**	Dec. 31, 2009	**2010**	2009
		Year-end exchange rate		Average exchange rate	
Australia	AUD	**1.3136**	1.6008	**1.4423**	1.7727
Brazil	BRL	**2.2177**	2.5113	**2.3314**	2.7674
Japan	JPY	**108.6500**	133.1600	**116.2386**	130.3366
Canada	CAD	**1.3322**	1.5128	**1.3651**	1.5850
South Korea	KRW	**1,499.0600**	1,666.9700	**1,531.8212**	1,772.9039
USA	USD	**1.3362**	1.4406	**1.3257**	1.3948
People's Republic of China	CNY	**8.8220**	9.8350	**8.9712**	9.5277

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, when the risk and reward is transferred to the customer).
Proceeds from the sale of vehicles for which buy-back agreements exist are not realized immediately, but instead are realized 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.
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. These values are amortized in the subsequent year. If the purchase price of the investment exceeds the fair value of the identified assets minus liabilities, goodwill is created.
The goodwill resulting from company acquisitions is assigned to the identifiable groups of assets (cash flow-generating units) that are expected to benefit from the synergies created by the acquisition.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition cost or cost of construction, with scheduled straight-line depreciation applied pro rata temporis.
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 reassessed yearly:

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

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

INVESTMENT PROPERTY

Investment property 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 testing of goodwill and intangible assets with a non-determined useful life is generally carried out in the Audi Group on the basis of the useful value of the Group's automotive business as a cash flow-generating unit. The current planning prepared by management provides the basis for this process. As a general rule the planning period covers a period of five years. Plausible assumptions about future development are made for the subsequent years. The planning premises are in each case adjusted in line with current findings. Appropriate assumptions based on macroeconomic trends and historical developments are taken into account. Cash flows are generally calculated on the basis of the expected growth rates in the automotive markets concerned. When calculating useful value as part of goodwill impairment testing, a country-specific discounting rate of 5.5 percent before taxes is applied.
Impairment tests are carried out for development activities, acquired property rights, 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 other intangible assets and fixed tangible assets are discounted with country-specific discount rates that adequately reflect the risk and amount to 6.4 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. If necessary, an impairment loss resulting from this test is recognized.

FINANCIAL INSTRUMENTS

Financial assets and liabilities (financial instruments) are recognized and measured in accordance with IAS 39.
Pursuant to 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.

Assignment to a category depends on the purpose for which the financial instruments were acquired and is reviewed at the end of each reporting period.

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.
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, impairment losses or uncollectible debts.
In the case of current financial assets and liabilities, the amortized cost basically corresponds to the nominal value or the repayment value. Fair value generally corresponds to the market value or trading price. 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.
Measurement of financial instruments at fair value is based on a three-level hierarchy which describes the proximity of the measurement factors used to an active market (cf. Note 33, "Additional disclosures on financial instruments in the Balance Sheet").
Recognizable credit risks associated with "Loans and receivables" are accounted for by carrying out specific value adjustments. "Available-for-sale financial assets" are impaired if there is objective evidence of a long-term loss of value.
Financial instruments are abandoned if the rights to payments from the investment have expired or been transferred and the Audi Group has substantially transferred all risks and opportunities associated with their title.
Financial assets and liabilities 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,
- cash and cash equivalents.

Assets and liabilities in foreign currency are measured at the exchange rate on the reporting date.

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. Securities and other financial assets that are not valued according to the equity method both fall into this category.

In the case of listed financial instruments – exclusively securities in the case of the Audi Group – the fair value corresponds to its market value on the balance sheet date.

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.

As there is no active market for the other long-term investments, they are carried at amortized cost. Where there is evidence that the fair value is lower, corresponding value adjustments are carried out.

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 against exchange rate risks from future cash flows (cash flow hedges), 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.”
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 relating to carryforward of unused tax losses that can be realized in the future and deferred tax assets 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 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 net realizable 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, scheduled production-related depreciation, and expenses attributable to the products from the scheduled 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 net realizable 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 net realizable 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 within one year (owing to buy-back agreements). These vehicles are capitalized at cost of sales and valued in accordance with the expected loss of value and likely useful life. Based on local factors and historical values from used car marketing, updated internal and external information is incorporated into the measurement 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 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 2.1 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. In particular, the circumstances at the time of preparation of the Consolidated Financial Statements as well as the realistically assumed future development of the global and industry-specific environment are used as a basis for estimating expected future business development. Developments in this environment that deviate from assumptions and are beyond the management's sphere of influence may cause the actual amounts to differ from 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.
At the time of preparation of the Consolidated Financial Statements, the underlying assumptions and estimates were not exposed to any material risks. At present, the management does not therefore believe that there will be a requirement in the following fiscal year for any material adjustment to the carrying amounts of assets and liabilities reported in the Consolidated Balance Sheet.
Estimates and assumptions by the management were based on assumptions that are explained in the report on expected developments in the Management Report.

NOTES TO THE INCOME STATEMENT

1 Revenue

The composition of the revenue of the Group, by brand, is as follows:

EUR million	2010	2009
Audi brand	**27,423**	22,652
Lamborghini brand	**227**	227
Other Volkswagen Group brands	**3,047**	2,707
Vehicle sales	**30,697**	25,586
Other car business	**4,744**	4,254
Revenue	**35,441**	29,840

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, Wolfsburg, which amounted to EUR 456 million during the previous year.

2 Cost of sales

Amounting to EUR 29,706 (25,649) 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. Cost of sales includes unscheduled impairment losses on intangible assets and property, plant and equipment amounting to EUR 463 (72) million. 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 3,038 (3,138) 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 374 (301) million include labor and materials costs, as well as depreciation attributable to administrative operations.

5 Other operating income

EUR million	2010	2009
Income from derivative hedging transactions	**297**	488
Income from rebilling	**379**	325
Income from the processing of payments in foreign currency	**181**	137
Income from the dissolution of provisions	**174**	125
Income from ancillary business	**162**	128
Income from the write-up of intangible assets	**58**	–
Income from the disposal of assets	**6**	8
Income from the reversal of reductions for impairment on receivables and other assets	**3**	2
Miscellaneous operating income	**423**	261
Total other operating income	**1,684**	1,475

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 (0.4) 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	2010	2009
Expenses from the processing of payments in foreign currency	**126**	122
Expenses from derivative hedging transactions	**246**	224
Expenses from the allocation and recharging of costs	**35**	43
Impairment losses on receivables	**12**	76
Losses on the disposal of assets	**8**	4
Miscellaneous operating expenses	**241**	153
Total other operating expenses	**667**	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 220 (110) million.

8 Financing costs

EUR million	2010	2009
Interest and similar expenses	**–82**	–78
of which to affiliated companies	**–78**	–73
Interest expense	**–82**	–78
Interest effect from the measurement of provisions for pensions	**–112**	–111
Interest effect from the measurement of other provisions	**–101**	–80
Interest on provisions	**–212**	–191
Financing costs	**–294**	–269

Interest expense is attributed on an accrual basis.

9 Other financial results

EUR million	2010	2009
Investment result	**49**	21
of which income from investments	**45**	45
of which income from profit transfer agreements	**5**	5
of which expenses from the transfer of losses	**0**	–20
of which expenses from investments	**–1**	–9
Net income from the sale of securities	**–3**	–18
Income and expense from the measurement of non-derivative financial instruments	**2**	–3
Income and expense from fair value measurement of derivative financial instruments	**–98**	106
Interest and similar income	**157**	274
of which from affiliated companies	**99**	235
Other income	**261**	103
of which from affiliated companies	**261**	103
Total other financial results	**368**	483

Income from investments primarily relates to a share in the profits of Volkswagen Logistics GmbH & Co. OHG, Wolfsburg.
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	2010	2009
Actual income tax expense	**1,356**	789
of which for Germany	**1,174**	680
of which for other countries	**182**	109
of which income from the reversal of tax provisions	**–22**	–6
Deferred tax income	**–352**	–208
of which for Germany	**–171**	–185
of which for other countries	**–181**	–23
Income tax expense	**1,004**	581
of which non-periodic tax expenses	**0**	15

EUR 1,160 (673) 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 135 (104) million, of which the amount of EUR 50 (46) million can be used indefinitely. The realization of tax losses led to a reduction in current income tax expense of EUR 1 (2) million in the 2010 fiscal year. Deferred tax assets of EUR 106 (160) million were not reported due to impairment. Of this amount, unused tax loss carryforwards accounted for EUR 10 (7) million, and tax relief for EUR 96 (153) 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, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	**112**	100	**524**	476
Property, plant and equipment	**365**	279	**235**	224
Long-term investments	**158**	157	**1**	–
Inventories	**64**	61	**36**	41
Receivables and other assets	**179**	37	**230**	226
Other current assets	**73**	50	**–**	–
Provisions for pensions	**140**	105	**3**	1
Other provisions	**908**	878	**–**	0
Liabilities	**181**	121	**4**	3
Loss carryforwards	**27**	18	**–**	–
Gross value	**2,207**	1,806	**1,032**	971
of which non-current	**1,458**	1,272	**685**	580
Offsetting measures	**–1,010**	–931	**–1,010**	–931
Consolidation measures	**150**	44	**0**	5
Carrying amount	**1,347**	919	**22**	45

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 higher 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	**2010**	2009
Profit before tax	**3,634**	1,928
Anticipated income tax expense 29.5 % (29.5 %)	**1,072**	569
Reconciliation:		
Divergent foreign tax burden	**–38**	–2
Tax portion for:		
tax-exempt income	**–277**	–123
expenses not deductible for tax purposes	**27**	18
temporary differences and losses for which no deferred tax has been recorded	**207**	132
Non-periodic tax expenses	**0**	15
Effects of tax rate changes	**34**	2
Other tax effects	**–21**	–30
Income tax expense reported	**1,004**	581
Effective tax rate in %	**27.6**	30.1

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 190 (78) million was recorded with a resulting increase in equity, without influencing the Income Statement. The individual effects are shown below:

EUR million	**Dec. 31, 2010**			Dec. 31, 2009		
	Profit before tax	**Taxes**	**Profit after tax**	Profit before tax	Taxes	Profit after tax
Foreign currency translation differences	**31**	**–**	**31**	6	–	6
Actuarial gains and losses	**–186**	**55**	**–131**	–113	34	–79
Cash flow hedges	**–448**	**132**	**–316**	–178	53	–126
Available-for-sale financial assets (securities)	**–10**	**3**	**–7**	29	–8	20
Income and expenditure after tax from equity-accounted companies recognized directly in equity	**19**	**–**	**19**	–1	–	–1
Income (+) and expenditure (–) recognized directly in equity	**–594**	**190**	**–404**	–256	78	–178

11 Profit transfer to Volkswagen AG

The amount of EUR 2,010 (1,172) 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, 2010 or December 31, 2009.

	2010	2009
Profit share of AUDI AG stockholders (EUR million)	**2,586**	1,300
Weighted average number of shares (basic and diluted totals are identical)	**43,000,000**	43,000,000
Earnings per share in EUR	**60.13**	30.23

Outside stockholders of AUDI AG will receive a compensatory payment for each no-par share in lieu of a dividend for the 2010 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 May 3, 2011.

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	2010	2009
Financial instruments measured at fair value through profit or loss	**–15**	–248
Loans and receivables	**175**	179
Available-for-sale financial assets	**78**	29
Financial liabilities measured at amortized cost	**–27**	–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 interest income and expenses, impairment losses on receivables, and factoring expenses. The net result for available-for-sale financial assets predominantly comprises income from other long-term investments not accounted for using the equity method and from 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	2010	2009
Interest income	**125**	248
Interest expense	**–21**	–24
Interest income and expense	**104**	224

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 income primarily covers interest from the Audi Group's cash and cash equivalents, fixed deposits and loans extended. Interest expense largely comprises factoring expenses arising in connection with the loan asset sales to subsidiaries of Volkswagen AG, Wolfsburg, that are not part of the Audi Group.

Impairment losses for financial assets by category

EUR million	2010	2009
Measured at fair value	**–**	3
Measured at amortized cost	**13**	84
Impairment losses	**13**	87

The impairment losses relate to value adjustments of financial assets, such as impairment losses on receivables, securities and non-consolidated subsidiaries.

Gains and losses from hedging activities

From the cash flow hedge reserve, the sum of EUR 46 (341) million was included under cost of sales and other operating expenses.

NOTES TO THE BALANCE SHEET

14 Intangible assets

EUR million	Dec. 31, 2010	Dec. 31, 2009
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	**232**	182
Goodwill	**72**	–
Capitalized development costs	**2,051**	1,989
of which products currently under development	**836**	817
of which products currently in use	**1,215**	1,171
Payments on account for intangible assets	**1**	1
Total	**2,357**	2,171

Research and development expenditure recognized as an expense

EUR million	2010	2009
Research expense and non-capitalized development costs	**1,901**	1,569
Impairment losses (reversals) on capitalized development costs	**567**	480
Total	**2,469**	2,050

A total of EUR 2,531 (2,098) million was spent on research and development during the 2010 fiscal year. Of this total, EUR 630 (528) million fulfilled the capitalization criteria set out in IAS 38.

15 Property, plant and equipment

EUR million	Dec. 31, 2010	Dec. 31, 2009
Land, land rights and buildings, including buildings on land owned by others	**2,190**	2,075
Plant and machinery	**1,159**	1,224
Other plant and office equipment	**1,958**	1,879
Payments on account and assets under construction	**496**	618
Total	**5,803**	5,795

Payments totaling EUR 102 (85) million for assets rented on the basis of operating lease agreements were recognized as an expense.

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, totaled EUR 6 (5) million. Investment property in the form of leased vehicles with a contractual term of more than one year amounted to EUR 7 (7) million.

Total payments of EUR 3 million are expected from irrevocable vehicle leasing agreements in the period from 2011 to 2015, of which EUR 2 million will fall due in fiscal 2011.

17 Other long-term investments

EUR million	Dec. 31, 2010	Dec. 31, 2009
Investments in affiliated companies	**106**	95
Investments in associated companies and participating interests	**73**	9
Securities	**–**	2
Total	**180**	107

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, 2010	Dec. 31, 2009
Loans advanced	**96**	75
of which to affiliated companies	**95**	74
Positive fair values of derivative financial instruments	**417**	310
of which to affiliated companies	**362**	310
Other tax assets	**1**	6
Other assets	**45**	31
Total	**560**	422

With regard to loans advanced, the fair values correspond to the carrying amounts. Miscellaneous non-current assets have a fair value of EUR 463 (347) 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.”

Current other receivables and other financial assets

EUR million	Dec. 31, 2010	Dec. 31, 2009
Fixed deposits and loans extended	**2,040**	3,891
of which to affiliated companies	**2,040**	3,891
Positive fair values of derivative financial instruments	**210**	505
of which to affiliated companies	**210**	502
Other tax assets	**135**	99
Other receivables and assets	**273**	269
of which to affiliated companies	**122**	33
of which to associated companies	**–**	20
Total	**2,658**	4,764

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, 2010	Dec. 31, 2009
Cash flow hedges to hedge against		
currency risks from future payment streams	**355**	606
commodity price risks from future payment streams	**125**	90
Other derivative financial instruments	**147**	118
Positive fair values of derivative financial instruments	**628**	815

20 Inventories

EUR million	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	**353**	324
Work in progress	**368**	297
Finished goods and merchandise	**2,118**	1,619
Current leased assets	**515**	328
Total	**3,354**	2,568

Inventories amounting to EUR 26,866 (23,401) million were recorded as cost of sales at the same time that the revenue from them was realized.
The impairment resulting from the measurement of inventories on the basis of sales markets amounted to EUR 63 (83) 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 180 (142) million has been pledged as collateral for commitments toward employees, in particular 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 515 (328) million. Payments in the amount of EUR 38 million are expected in the 2011 fiscal year from irrevocable leasing relationships.

21 Trade receivables

EUR million	Dec. 31, 2010	Dec. 31, 2009
Trade receivables from		
third parties	**1,155**	1,125
affiliated companies	**755**	803
associated companies and participating interests	**189**	353
Total	**2,099**	2,281

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 0 (5) million. Impairment losses on trade receivables are detailed under Note 34.1 “Credit risks.”

22 Effective income tax claims

Entitlements to income tax rebates, predominantly for foreign Group companies, are reported under this item.

23 Securities, cash and cash equivalents

Securities include fixed or variable-interest securities and equities in the amount of EUR 1,339 (821) million.
Cash and cash equivalents essentially comprise credit balances with banks and affiliated companies amounting to EUR 10,724 (6,455) million. The credit balances with banks are held at various banks in various different currencies. Balances with affiliated companies include daily and short-term investments with only marginal risk of fluctuations in value.

24 Equity

Information on the composition and development of equity is provided on pages 188 and 189 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 of the issued 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 2,510 million as a result of a contribution in the amount of EUR 586 million by Volkswagen AG, Wolfsburg, to the capital reserve of AUDI AG.
The opportunities and risks under foreign exchange, currency option, commodity price and interest 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 operating profit.
Unrealized gains and losses from the measurement at fair value of securities 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.
With effect from June 1, 2010, the Group acquired 100 percent of the shares in AUDI BRUSSELS S.A./N.V., Brussels (Belgium), for a purchase price of EUR 125 million. The equity of AUDI BRUSSELS S.A./N.V. remaining after deduction of the purchase price was reclassified from minority interests to AUDI AG stockholders' interests.
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 Canada Inc., Ajax (Canada)	Volkswagen Group Canada, Inc., Ajax (Canada)
Audi of America, LLC, Herndon (USA)	VOLKSWAGEN GROUP OF AMERICA, INC., Herndon (USA)
Automobili Lamborghini America, LLC, Wilmington, Delaware (USA)	VOLKSWAGEN GROUP OF AMERICA, INC., Herndon (USA)

The balance of EUR 576 (128) million remaining after the transfer of profit to Volkswagen AG is allocated to the other retained earnings.

LIABILITIES

25 Financial liabilities

Non-current financial liabilities

Non-current financial liabilities amount to EUR 15 (2) million and have a time to maturity of between one and five years. The carrying amounts correspond to the fair values.

Current financial liabilities

EUR million	Dec. 31, 2010	Dec. 31, 2009
Liabilities to affiliated factoring companies	**714**	514
Loans from affiliated companies	**88**	62
Liabilities to banks	**8**	–
Total	**810**	577

Measurement of the non-current and current financial lease agreements is based on market interest rates in each case.
The carrying amounts correspond to the fair values due to the short-term maturities.

26 Deferred tax liabilities

The temporary differences between tax bases and carrying amounts in the Consolidated Financial Statements are explained under "Deferred tax" in the recognition and measurement principles, and under Note 10, "Income tax expense." Pursuant to IAS 1, deferred tax liabilities are reported as non-current liabilities, irrespective of their maturities.

27 Other liabilities

The derivative currency hedging instruments reported under other liabilities are measured at market values. The total item of currency hedging instruments is presented under Note 34, "Management of financial risks."

Non-current other liabilities

EUR million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
		Carrying amounts		Fair values
Negative fair values of derivative financial instruments	**229**	179	**229**	179
of which to affiliated companies	**204**	33	**204**	33
Liabilities from other taxes	**24**	9	**24**	9
Social security liabilities	**33**	28	**33**	28
Liabilities from payroll accounting	**71**	61	**71**	61
Other liabilities	**355**	250	**353**	235
of which to affiliated companies	**208**	249	**206**	234
of which advances received	**126**	1	**126**	1
Total	**712**	527	**710**	512

Liabilities having a time to maturity of more than five years amount to EUR 91 (181) million.

Current other liabilities

EUR million	Dec. 31, 2010	Dec. 31, 2009
Advances received	**544**	443
of which from affiliated companies	**64**	84
of which from associated companies	**112**	71
Negative fair values of derivative financial instruments	**291**	120
of which to affiliated companies	**188**	40
Liabilities from other taxes	**205**	176
of which to affiliated companies	**56**	46
Social security liabilities	**121**	84
Liabilities from payroll accounting	**742**	470
Other liabilities	**2,545**	1,603
of which to affiliated companies	**2,350**	1,445
Total	**4,447**	2,895

The negative fair values of derivative financial instruments are composed as follows:

EUR million	Dec. 31, 2010	Dec. 31, 2009
Cash flow hedges to hedge against		
currency risks from future payment streams	**389**	61
commodity price risks from future payment streams	**0**	2
Other derivative financial instruments	**132**	236
Negative fair values of derivative financial instruments	**521**	298

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 269 (261) million. Of this, contributions of EUR 251 (249) 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, 2010**	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Present value of externally funded defined benefit obligations	**679**	586	464	368	306
Fair value of plan assets	**670**	583	471	368	306
Financing status (balance)	**9**	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	**2,322**	2,096	1,946	1,957	1,974
Provisions for pensions recognized in the Balance Sheet	**2,331**	2,098	1,946	1,957	1,974

The present value of the defined benefit commitments changed as follows:

EUR million	2010	2009
Present value on January 1	**2,681**	2,410
Changes in the group of consolidated companies and first-time adoption of IAS 19	**12**	–
Service cost	**80**	74
Interest cost	**142**	135
Actuarial gains (–) / losses (+)	**+180**	+148
Pension payments from company assets	**–87**	–79
Effects from transfers	**–2**	–1
Pension payments from fund assets	**–5**	–4
Currency differences	**1**	–
Present value on December 31	**3,001**	2,681

The reconciliation for the fair value of the plan assets is as follows:

EUR million	2010	2009
Plan assets on January 1	**583**	471
Changes in the group of consolidated companies and first-time adoption of IAS 19	**–**	–
Expected return on plan assets	**30**	24
Actuarial gains (+) / losses (–)	**–6**	+36
Employer contributions	**68**	64
Benefits paid	**–5**	–4
Effects of transfers	**0**	–
Other reconciliation effects	**–**	–7
Plan assets on December 31	**670**	583

In the past fiscal year, actual gains from the plan assets amounted to EUR 24 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 67 (65) million are expected for the following fiscal year.
The composition of fund assets is as follows, by category:

% of fund assets	2010	2009
Shares	**31.2**	31.1
Fixed-income securities	**42.4**	42.8
Cash	**9.3**	7.4
Real estate	**3.1**	3.3
Other	**14.0**	15.5
Total	**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	2010	2009
Current service cost for services provided by the employees in the fiscal year	**–80**	–74
Interest cost	**–142**	–135
Expected return on plan assets	**30**	24
Total	**–192**	–185

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	2010	2009
Provisions for pensions on January 1	**2,098**	1,946
Changes in the group of consolidated companies and first-time adoption of IAS 19	**12**	–
Employee benefit expenses	**192**	185
Actuarial gains (–) / losses (+)	**+186**	+113
Pension payments from company assets	**–87**	–79
Contributions paid to external pension funds	**–68**	–64
Effects from transfers	**–2**	–1
Currency differences	**1**	0
Provisions for pensions on December 31	**2,331**	2,098

The experience-based adjustments, i.e. the effects of differences between actuarial assumptions and what has actually transpired, are presented in the following table:

%	2010	2009	2008	2007	2006
Difference between anticipated and actual performance					
as % of the present value of the obligation	**–0.31**	1.37	0.17	–1.46	0.29
as % of fair value of plan assets	**0.84**	–4.86	–9.88	–5.26	1.65

In detail, the calculation of the retirement benefit obligation for staff employed in Germany is based on the following actuarial assumptions:

%	Dec. 31, 2010	Dec. 31, 2009
Remuneration trend	**2.70**	2.50
Retirement benefit trend	**1.60**	1.60
Discount rate	**4.90**	5.40
Staff turnover rate	**1.00**	1.00
Anticipated yield on plan assets	**4.25**	5.00

The “2005 G Reference Tables” published by HEUBECK-RICHTTAFELN-GmbH served as the biometric basis for calculation of retirement benefits.

29 Effective income tax obligations

Effective income tax obligations consist primarily of tax liabilities to Volkswagen AG, Wolfsburg, under allocation plans.

30 Other provisions

EUR million	Dec. 31, 2010		Dec. 31, 2009	
	Total	**Of which due within one year**	Total	Of which due within one year
Obligations from sales operations	**4,651**	**1,459**	4,161	1,673
Workforce-related provisions	**570**	**194**	517	115
Other provisions	**901**	**702**	804	715
Total	**6,122**	**2,354**	5,482	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. Warranty claims 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 39 percent in the following year, 55 percent in the years 2012 through 2015 and 6 percent thereafter.

The provisions developed as follows:

EUR million	Jan. 1, 2010	Currency differences	Changes in the group of consolidated companies	Utilization	Dissolution	Addition	Interest effect from measurement	**Dec. 31, 2010**
Obligations from sales operations	4,161	46	15	1,281	62	1,680	92	**4,651**
Workforce-related provisions	517	0	4	250	8	300	7	**570**
Other provisions	804	0	9	223	104	414	2	**901**
Total	5,482	46	28	1,754	174	2,394	101	**6,122**

31 Trade payables

EUR million	Dec. 31, 2010	Dec. 31, 2009
Trade payables to		
third parties	**2,986**	2,592
affiliated companies	**511**	512
associated companies and participating interests	**13**	9
Total	**3,510**	3,114

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. In particular, management is focused on achieving the minimum return demanded by the capital market on the invested assets. 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, 2010. For this purpose, the development of key cost and value factors are analyzed regularly; appropriate optimization measures are then defined and their implementation is monitored on an ongoing basis. To ensure that resources are deployed as efficiently as possible, and to measure success in this regard, the Audi Group has been using the return on investment as an indicator based on capital expenditure for several years now.
The equity and financial liabilities from the transfer of profit are summarized in the following table:

EUR million	Dec. 31, 2010	Dec. 31, 2009
Equity	**11,310**	10,632
as % of total capital	**80**	86
Financial liabilities from the transfer of profit	**2,835**	1,751
Current financial liabilities	**810**	577
Non-current financial liabilities	**15**	2
Liabilities from the transfer of profit	**2,010**	1,172
as % of total capital	**20**	14
Total capital	**14,144**	12,383

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 2010 fiscal year, equity rose by 6.4 percent compared with the prior year. This is primarily due to the allocation to other retained earnings and a cash injection to the capital reserve by Volkswagen AG.

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, 2010	Measured at fair value through profit or loss	Available for sale	Loans and receivables
ASSETS				
Non-current				
Other long-term investments	**190**	–	182	9
Other receivables and assets	**550**			
of which from positive fair values of derivative financial instruments	**417**	72	–	–
of which miscellaneous other receivables and assets	**132**	–	–	114
Current				
Trade receivables	**2,099**	–	–	2,099
Other receivables and assets	**2,658**			
of which from positive fair values of derivative financial instruments	**210**	75	–	–
of which miscellaneous other receivables and assets	**2,448**	–	–	2,228
Securities	**1,339**	–	1,339	–
Cash and cash equivalents	**10,724**	–	–	10,724
Total financial assets	**17,560**	147	1,521	15,173
LIABILITIES AND SHAREHOLDERS' EQUITY				
Non-current				
Financial liabilities	**15**	–	–	–
Other liabilities	**712**			
of which from negative fair values of derivative financial instruments	**229**	25	–	–
of which miscellaneous other liabilities	**483**	–	–	–
Current				
Financial liabilities	**810**	–	–	–
Trade payables	**3,510**	–	–	–
Other liabilities	**4,447**			
of which from negative fair values of derivative financial instruments	**291**	107	–	–
of which miscellaneous other liabilities	**4,156**	–	–	–
Total financial liabilities	**9,494**	132	–	–

For the purposes of harmonizing the IAS 39 measurement categories in the Audi Group, cash and cash equivalents in the amount of EUR 10,724 (6,455) million were recategorized within the IAS 39 categories during the 2010 fiscal year. They are no longer recognized as "available for sale" but are posted as "Loans and receivables" at cost of acquisition. To facilitate comparisons, the previous year's figures have also been adjusted accordingly. This reclassification did not result in any changes in value or effects on the overall result due to the short-term nature of the assets.

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, 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.

Assignment to IAS 39 categories		Division into classes of IFRS 7				
		Measured at fair value				
Financial liabilities measured at amortized cost	No IAS 39 category allocated	Level 1	Level 2	Level 3	Measured at amortized cost	Not under scope of IFRS 7
–	–	–	–	–	190	–
–	345	–	347	70	–	–
–	18	–	–	–	114	18
–	–	–	–	–	2,099	–
–	136	–	210	0	–	–
–	220	–	–	–	2,228	220
–	–	1,339	–	–	–	–
–	–	–	–	–	10,724	–
–	719	1,339	557	71	15,355	238
15	–	–	–	–	15	–
–	204	–	206	24	–	–
22	461	–	–	–	22	461
810	–	–	–	–	810	–
3,510	–	–	–	–	3,510	–
–	185	–	188	103	–	–
2,510	1,646	–	–	–	2,510	1,646
6,866	2,496	–	394	127	6,866	2,107

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. Additionally, rights to acquire shares in companies are also assigned to fair value level 3, where input factors that are not derived from active markets can be used for measurement.

The fair values of financial assets within the “measured at amortized cost” category amount to EUR 15,355 (13,019) million 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 6,864 (5,282) million and are indicated under the notes to the relevant Balance Sheet items. In the case of current financial assets and liabilities measured at amortized cost, the fair values correspond to the carrying amounts.

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	928	12,914
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	–	–

Assignment to IAS 39 categories		Division into classes of IFRS 7				
		Measured at fair value				
Financial liabilities measured at amortized cost	No IAS 39 category allocated	Level 1	Level 2	Level 3	Measured at amortized cost	Not under scope of IFRS 7
–	–	–	2	–	105	–
–	282	–	255	55	–	–
–	6	–	–	–	105	6
–	–	–	–	–	2,281	–
–	415	–	505	–	–	–
–	186	–	–	–	4,073	186
–	–	821	–	–	–	–
–	–	–	–	–	6,455	–
–	890	821	762	55	13,019	193
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	1,519

Reconciliation statement for financial instruments measured according to level 3

EUR million	2010	2009
Positive fair values of level 3 derivative financial instruments as of Jan. 1	**55**	–
Income and expense (–) recognized in the operating profit	**56**	–
Income and expense (–) recognized in the financial result	**0**	15
Income and expense (–) recognized in equity	**4**	53
Reclassification from level 3 to level 2	**–45**	–12
Positive fair values of level 3 derivative financial instruments as of Dec. 31	**71**	55
Income and expense (–) recognized in the operating profit from level 3 derivative financial instruments still held at Dec. 31	**56**	–
Income and expense (–) recognized in the financial result from level 3 derivative financial instruments still held at Dec. 31	**1**	4
Negative fair values of level 3 derivative financial instruments as of Jan. 1	**–224**	–23
Income and expense (–) recognized in the operating profit	**43**	–224
Income and expense (–) recognized in the financial result	**–2**	2
Income and expense (–) recognized in equity	**0**	11
Realizations	**55**	–
Reclassification from level 3 to level 2	**2**	10
Negative fair values of level 3 derivative financial instruments as of Dec. 31	**–127**	–224
Income and expense (–) recognized in the operating profit from level 3 derivative financial instruments still held at Dec. 31	**43**	–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 fair value fluctuations in 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, 2010 would impact on equity in the amount of EUR 20 (21) million. The effect on profit of this rise (fall) would be EUR 3 million.

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, 2010**	Neither past due nor impaired	Past due and not impaired	Impaired
Measured at amortized cost				
Trade receivables	**2,145**	1,646	437	62
Other receivables	**7,152**	7,054	43	55
of which receivables from loans	**6,897**	6,891	–	6
of which miscellaneous receivables	**255**	163	43	49
Total	**9,297**	8,700	480	116

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

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 8,700 (5,814) million, are allocable to risk category 1. Risk category 1 is the highest rating category within the Volkswagen Group; it exclusively comprises "receivables owing from 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. In fiscal 2010, specific value adjustments of EUR 2 million relating to securities measured at fair value were reversed at the Audi Group. During the prior year, individual bad debt allowances were made for securities measured at fair value with a cost of purchase of EUR 18 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, 2010	Up to 30 days	30 to 90 days	More than 90 days
Measured at amortized cost				
Trade receivables	**437**	310	81	46
Other receivables	**43**	26	14	2
Total	**480**	337	96	48

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
Total	615	287	275	53

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 owing 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 2010 and 2009 fiscal years:

EUR million	**2010**	**Specific value adjustment**	2009	Specific value adjustment
Position as of January 1	**98**	**98**	37	37
Addition as of January 1 from changes in group of consolidated companies	**6**	**6**	–	–
Addition	**12**	**12**	76	76
Utilization	**–18**	**–18**	–13	–13
Dissolution	**–3**	**–3**	–2	–2
Position as of December 31	**94**	**94**	98	98

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 211 (170) million. This collateral is used by contractual parties primarily as soon as credit periods for secured liabilities are exceeded.

Conversely, the Audi Group also receives collateral, primarily for trade receivables. Vehicles, bank guarantees and banker's bonds are primarily used as collateral.

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 undiscounted, contractually agreed cash used for financial instruments is categorized separately by maturity date in the following table:

EUR million	Total	Residual contractual maturities		
	Dec. 31, 2010	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities	**825**	810	15	–
Trade payables	**3,510**	3,510	0	0
Other financial liabilities and obligations	**2,742**	2,720	22	–
Derivative financial instruments	**21,370**	6,310	15,047	13
Total	**28,447**	13,350	15,084	13

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 and obligations	1,599	1,473	5	120
Derivative financial instruments	9,413	4,608	4,780	25
Total	14,705	9,772	4,786	147

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 2010 fiscal year focused on the U.S. dollar, the pound sterling and the Japanese yen.
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 securities funds created using surplus liquidity are exposed, in particular, to an equity and bond price risk that may arise from fluctuations in 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 securities funds, are quantified separately in the corresponding notes on “Currency risks” and “Interest rate risks.”
Risks from securities 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 securities 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 and also through interest rate swaps.
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

Residual value risks arise from hedging arrangements with the retail trade or partner companies according to which, in the context of buy-back obligations resulting from concluded lease agreements, effects on profit caused by market-related fluctuations in residual values are partly borne by the Audi Group.
The hedging arrangements are based on residual value recommendations, as adopted on a quarterly 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, 2010		Dec. 31, 2009	
	+10 %	**–10 %**	+10 %	–10 %
Currency relation				
EUR/USD				
Hedging provision	**1,249**	**–1,181**	487	–365
Profit before tax	**20**	**–49**	–24	–40
EUR/GBP				
Hedging provision	**325**	**–325**	184	–182
Profit before tax	**0**	**–0**	–3	8
EUR/JPY				
Hedging provision	**126**	**–126**	49	–49
Profit before tax	**–1**	**1**	–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	2010		2009	
Fund price risks					
Change in share prices	Percent	**+10**	**–10**	+10	–10
Effects on equity capital	EUR million	**8**	**–9**	4	–4
Commodity price risks					
Change in commodity prices	Percent	**+10**	**–10**	+10	–10
Effects on equity capital	EUR million	**46**	**–46**	41	–41
Effects on results	EUR million	**44**	**–44**	16	–16
Interest rate change risks					
Change in market interest rate	Basis points	**+100**	**–100**	+100	–100
Effects on equity capital	EUR million	**–12**	**14**	–11	12
Effects on results	EUR million	**7**	**–8**	–3	4
Residual value risks					
Change in market prices of used cars	Percent	**+10**	**–10**	+10	–10
Effects on results	EUR million	**226**	**–127**	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).
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 as of the year-end date.
In 2010, there was ineffectiveness resulting from cash flow hedges amounting to EUR 10 (3) million.

Nominal volume of cash flow hedges

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				
	Dec. 31, 2010	Residual time to maturity up to 1 year	Residual time to maturity up to 5 years	Residual time to maturity more than 5 years	Dec. 31, 2009
Cash flow hedges	**21,664**	6,508	15,129	28	9,289
Foreign exchange contracts	**20,330**	5,692	14,624	14	7,143
Currency option transactions	**989**	728	261	–	1,806
Commodity futures	**345**	87	244	14	340

The derivative financial instruments used exhibit a maximum hedging term of six years.

35 Cash Flow Statement

The Cash Flow Statement details the payment streams for both the 2010 fiscal year and the previous year, categorized according to cash used and received for operating, investing and financing activities. The effects of changes in 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.

Cash flow from operating activities included payments for interest received amounting to EUR 98 (292) million and for interest paid amounting to EUR 19 (25) million. The Audi Group received dividends and profit transfers totaling EUR 173 (91) million in 2010. 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 and fixed deposits are similarly reported in cash flow from investing activities.

The purchase of participating interests resulted in a cash outflow of EUR 208 (42) million, mainly due to the acquisition of Italdesign Giugiaro S.p.A., Turin (Italy), and a stake in FC Bayern München AG, Munich. The change in cash and cash equivalents due to first-time consolidations was offset against the purchase prices.

Cash flow from financing activities includes cash used for the transfer of profit, as well as changes in financial liabilities.

Capital transactions with minorities related to the acquisition, with an effect on cash, of AUDI BRUSSELS S.A./N.V., Brussels (Belgium).

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.

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, 2010	Dec. 31, 2009
Liabilities from guarantees	**39**	54
Furnishing of collateral for outside liabilities	**49**	108
Total	**89**	162

37 Litigation

Neither AUDI AG nor any of its Group companies are involved in ongoing or prospective legal or arbitration proceedings which could have a significant influence on their economic position. Appropriate provisions have been created within each Group company, or adequate insurance benefits are anticipated, for potential financial charges resulting from other legal or arbitrational proceedings.

38 Change of control agreements

Change of control clauses are contractual agreements between a company and third parties to provide for legal succession should there be a direct or indirect change in the ownership structure of any party to the contract.

The 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, 2010				Due Dec. 31, 2009	
	Within 1 year	1 to 5 years	Over 5 years	Total	Over 1 year	Total
Ordering commitments for						
property, plant and equipment	**844**	**465**	**–**	**1,309**	350	1,311
intangible assets	**136**	**22**	**–**	**158**	42	177
Commitments from long-term rental and lease agreements	**55**	**172**	**68**	**295**	82	113
Miscellaneous financial obligations	**129**	**267**	**35**	**431**	180	213
Total	**1,164**	**925**	**103**	**2,192**	654	1,813

40 Discontinued operations

There are no plans to discontinue or cease operations as defined by IFRS 5.

41 Cost of materials

EUR million	2010	2009
Raw materials and consumables used, as well as purchased goods	**19,665**	16,945
Purchased services	**2,137**	1,567
Total	**21,802**	18,512

42 Personnel costs

EUR million	2010	2009
Wages and salaries	**3,573**	2,872
Social insurance and expenses for retirement benefits and support payments	**701**	646
of which relating to retirement benefit plans	**88**	98
of which defined contribution pension plans	**269**	261
Total	**4,274**	3,519

Subsidies from the German Federal Employment Agency in the amount of EUR 5 (17) 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 1 (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

	2010	2009
Domestic companies	**45,914**	45,408
Foreign companies	**11,038**	10,200
Employees	**56,952**	55,608
Apprentices	**2,269**	2,115
Employees of Audi Group companies	**59,221**	57,723
Staff employed from other Volkswagen Group companies not belonging to the Audi Group	**292**	288
Workforce	**59,513**	58,011

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 50.74 percent on December 31, 2010,
- 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	**2010**	2009
Sales and services supplied to		
Volkswagen AG	**3,586**	4,078
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**7,860**	6,147
Purchases and services received from		
Volkswagen AG	**5,156**	4,427
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**2,804**	2,088
Receivables from		
Volkswagen AG	**8,059**	7,776
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**5,861**	3,985
Liabilities to		
Volkswagen AG	**4,361**	2,866
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**1,296**	1,122
Contingent liabilities to		
Volkswagen AG	**–**	–
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**68**	131
Collateral posted with		
Volkswagen AG	**–**	–
Volkswagen AG subsidiaries and participating interests not belonging to the Audi Group	**150**	62

As of December 31, 2010, sales of receivables to Volkswagen AG subsidiaries not belonging to the Audi Group amounted to EUR 2,290 (1,927) 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 subsidiaries and associated companies of AUDI AG as well as other related parties is presented in the following tables:

EUR million	**2010**	2009	**2010**	2009
	Goods and services supplied		Goods and services received	
Associated companies of AUDI AG	**2,789**	1,905	**77**	34
Non-consolidated subsidiaries of AUDI AG	**227**	562	**86**	103
Porsche companies	**818**	728	**41**	42

EUR million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
	Receivables from		Liabilities to	
Associated companies of AUDI AG	**169**	352	**123**	71
Non-consolidated subsidiaries of AUDI AG	**39**	111	**48**	28
Porsche companies	**10**	9	**2**	3

The “Porsche companies” group encompasses the business relationships with Porsche Holding GmbH, Salzburg (Austria), and its subsidiaries. No business relations existed with Porsche Automobil Holding SE (Stuttgart).
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 200 (418) thousand 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 2010 Annual Financial Report 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 443 (572) thousand were procured from this group of individuals during the reporting year, with services in the amount of EUR 23 (16) 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	2010	2009
Auditing of the financial statements	**732**	851
Other certification or valuation services	**169**	98
Tax consultancy services	**87**	–
Other services	**103**	87
Total	**1,091**	1,035

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 consolidated companies.

46 Segment reporting

The segmentation of business activities is based on the internal management of the Company in accordance with IFRS 8.

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.

EUR million	2010	2009
Operating profit	**3,340**	1,604

The full Board of Management regularly monitors, among others, the following financial and economic key figures (also on a Group basis):

		2010	2009
Profit before tax	EUR million	**3,634**	1,928
Deliveries to customers – Audi brand	Vehicles	**1,092,411**	949,729
Audi brand sales	Vehicles	**1,124,295**	954,802
Audi brand production	Vehicles	**1,148,791**	931,007
Investments in property, plant and equipment and intangible assets (without development work)	EUR million	**1,449**	1,266
Capex ratio [1]	%	**4.1**	4.2
Inventories (including current leased assets)	EUR million	**3,354**	2,568
Net liquidity	EUR million	**13,383**	10,665
Workforce at Dec. 31		**60,395**	58,046
Return on investment	%	**24.7**	11.5
Capital turnover [2]		**3.7**	3.1

1) Capex ratio = Investments in property, plant and equipment and intangible assets (without development work)/revenue

2) Capital turnover = Revenue/average invested assets

Investment and depreciation and amortization developed as follows:

EUR million	2010	2009
Investments in property, plant and equipment and intangible assets	**1,449**	1,266
Additions of capitalized development work	**630**	528
Long-term investments	**67**	42
Investments in leased assets	**–**	8
Total	**2,146**	1,844

EUR million	2010	2009
Impairment losses on property, plant and equipment and intangible assets	**1,542**	1,285
Amortization of capitalized development work	**626**	480
Impairment losses on long-term investments	**1**	9
Depreciation of leased assets	**1**	1
Total	**2,170**	1,775

During the 2010 fiscal year, write-ups of capitalized development costs totaled EUR 58 million. The Audi Group primarily generates revenues from the sale of cars. In addition to the Audi brand, sales also comprise vehicles of the Lamborghini brand and vehicles of the other brands in the Volkswagen Group.

EUR million	2010	2009
Audi brand	**27,423**	22,652
Lamborghini brand	**227**	227
Volkswagen brand	**2,611**	2,281
SEAT brand	**189**	218
Škoda brand	**235**	197
Bentley brand	**11**	11
Vehicle sales	**30,697**	25,586
Other car business	**4,744**	4,254
Revenue	**35,441**	29,840

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	2010		2009	
	EUR million	%	EUR million	%
Volkswagen AG, Wolfsburg	**3,156**	**8.9**	3,350	11.2
Affiliated companies of the Volkswagen Group excluding fully consolidated companies of the Audi Group	**7,747**	**21.9**	6,356	21.3

The Audi Group's revenue was generated in the following regions:

Sales revenues by region	2010		2009	
	EUR million	%	EUR million	%
Germany	**8,546**	**24.1**	8,727	29.2
Rest of Europe	**15,017**	**42.4**	13,176	44.2
Asia-Pacific	**7,044**	**19.9**	4,650	15.6
North America	**4,125**	**11.6**	2,856	9.6
Africa	**337**	**1.0**	240	0.8
South America	**371**	**1.0**	193	0.6
Total	**35,441**	**100.0**	29,840	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 29, 2010, 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 as well as with the recommendations 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 2010 fiscal year was EUR 10,136 (7,547) thousand, of which EUR 6,875 (4,525) thousand related to variable components. Fixed components paid to the members of the Board of Management in the 2010 fiscal year totaled EUR 3,261 (3,022) 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.

The variable remuneration component paid to each member of the Board of Management comprises a bonus in relation to the business performance of the previous two years and, since 2010, a long-term incentive (LTI). Using a launch scenario, the LTI will be granted to the Board for the first time in 2011, based on the 2010 fiscal year and the anticipated performance in 2011. In 2012, the performance of the 2010 and 2011 fiscal years will be taken into account; in 2013, the performance of 2010 to 2012 will be considered. From 2014 onwards, the preceding four years will be used as a basis.
Under certain circumstances, members of the Board of Management are entitled to retirement benefits and a disability pension. EUR 3,419 (2,218) thousand was allocated to the provisions for pensions for current members of the Board of Management in the 2010 fiscal year. The provisions totaled EUR 10,070 (9,842) thousand as at December 31, 2010.
Former members of the Board of Management and their dependents received EUR 4,193 (2,388) thousand. This included payments resulting from termination of office of EUR 2,600 (368) thousand. The provisions for pensions for this group of individuals amount to EUR 25,520 (22,241) 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 and Section 125, Para. 1, Sentence 3 of the German Stock Corporation Act (AktG) – are listed in the Notes to the Annual Financial Report 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 2010 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 698 (638) thousand, of which EUR 195 (189) thousand related to fixed components and EUR 503 (450) thousand to variable components.

EXPENSES FOR REMUNERATION OF THE SUPERVISORY BOARD

EUR	Fixed	Variable	**Total 2010**
Prof. Dr. rer. nat. Martin Winterkorn	–	–	**–**
Berthold Huber [1)]	19,500	54,400	**73,900**
Dr. rer. pol. h.c. Bruno Adelt	11,000	27,200	**38,200**
Senator h.c. Helmut Aurenz	11,000	27,200	**38,200**
Heinz Eyer [1)]	11,000	27,200	**38,200**
Wolfgang Förster (until May 20, 2010) [1)]	6,250	15,867	**22,117**
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	–	–	**–**
Johann Horn [1)]	10,500	27,200	**37,700**
Peter Kössler	11,000	27,200	**38,200**
Peter Mosch [1)]	15,500	40,800	**56,300**
Wolfgang Müller [1)]	11,000	27,200	**38,200**
Prof. Dr. rer. pol. Horst Neumann	–	–	**–**
Dr.-Ing. Franz-Josef Paefgen	–	–	**–**
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch	15,500	40,800	**56,300**
Dr. jur. Hans Michel Piëch	11,000	27,200	**38,200**
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	–	–	**–**
Dr. jur. Ferdinand Oliver Porsche	15,500	40,800	**56,300**
Norbert Rank [1)]	15,500	40,800	**56,300**
Jörg Schlagbauer [1)]	13,763	35,549	**49,312**
Helmut Späth (from May 25, 2010) [1)]	6,400	16,320	**22,720**
Max Wäcker [1)]	11,000	27,200	**38,200**
Total	195,413	502,936	**698,349**

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 2011, pursuant to Section 16 of the Articles of Incorporation and Bylaws.

Supervisory Board [1]

As of December 31, 2010	
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
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 [5]
Helmut Späth	Employee representative
Max Wäcker	Employee representative
Prof. 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 Annual Financial Report 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

EVENTS OCCURRING SUBSEQUENT TO THE BALANCE SHEET DATE

There were no events after December 31, 2010 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, 2010

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 Frankfurt GmbH, Frankfurt	100.0
Audi Zentrum Hamburg GmbH, Hamburg	100.0
Audi Zentrum Hannover GmbH, Hanover	100.0
Audi Zentrum Leipzig GmbH, Leipzig	100.0
Audi Zentrum Stuttgart GmbH, Stuttgart	100.0
Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt	100.0
quattro GmbH, Neckarsulm	100.0
Audi Australia Pty Ltd., Zetland (Australia)	100.0
Audi Brasil Distribuidora de Veículos Ltda., São Paulo (Brazil)	100.0
AUDI BRUSSELS S.A./N.V., Brussels (Belgium)	100.0
Audi (China) Enterprise Management Co. Ltd., Beijing (China)	100.0
AUDI HUNGARIA MOTOR Kft., Győr (Hungary)	100.0
Audi Japan K.K., Tokyo (Japan)	100.0
Audi Japan Sales 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
STAR DESIGN S.R.L., Turin (Italy)	100.0
Italdesign Giugiaro S.p.A., Turin (Italy)	90.1
VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy)	100.0
VOLKSWAGEN GROUP FIRENZE S.P.A., Florence (Italy)	100.0
Audi Canada Inc., Ajax (Canada) [1]	–
Audi of America, LLC, Herndon, Virginia (USA) [1]	–
Automobili Lamborghini America, LLC, Wilmington, Delaware (USA) [1]	–
Companies accounted for using the equity method	
FAW-Volkswagen Automotive Company Ltd., Changchun (China)	10.0

1) AUDI AG exercises control pursuant to IAS 27.13, Sentence 2 (c).

Corporate Governance

Code amended in 2010
On July 2, 2010, the Federal Ministry of Justice announced a new version of the German Corporate Governance Code dated on May 26, 2010. The Board of Management and Supervisory Board of AUDI AG discussed the amendments at length during the past fiscal year and passed the appropriate resolutions.

Implementation of the recommendations and suggestions
The recommendations of the Code in the version of June 18, 2009 were generally adhered to during the period until the announcement of the new version on July 2, 2010. However, the Supervisory Board did not form a nominating committee (Section 5.3.3 of the Code) and the elections to the Supervisory Board were not held as elections of individuals (Section 5.4.3, Sentence 1 of the Code). Since November 23, 2009 a cap on severance payments has been agreed when entering into new contracts with members of the Board of Management, in compliance with Section 4.2.3 of the Code.
Contracts that were signed prior to this date remain unaffected by the new rules due to the protection of vested rights. With effect from January 1, 2010 the D&O insurance arrangements have made provision for an excess in accordance with the recommendation set out in Section 3.8 of the Code, ensuring compliance with this recommendation. The new remuneration system adopted for members of the Board of Management with effect from February 22, 2010, as approved by the Annual General Meeting on May 20, 2010 in accordance with Section 120, Para. 4 of the German Stock Corporation Act (AktG), also ensures compliance with the recommendations of Section 4.2.3 of the Code (challenging, appropriate comparison parameters for variable remuneration and no subsequent change of performance targets or of comparison parameters).

Since the announcement of the new version dated July 2, 2010, the recommendations in the Code have been met with the following exceptions:
The Supervisory Board has not formed a nominating committee (Section 5.3.3 of the Code). In the opinion of the Board, such a committee would merely increase the number of committees without noticeably improving the work 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. The recommendations of Section 5.4.1 of the Code have been newly created. Following consultation, the Supervisory Board has set out specific goals in relation to its composition, thereby meeting the recommendations of Section 5.4.1 of the Code since November 29, 2010. In accordance with the Company's own specific situation, the Supervisory Board has named the following objectives for its composition, which are also to be taken into account in the proposals for election which it makes to the Annual General Meeting:
- Two seats on the Supervisory Board are to be filled with persons who fulfill the criteria of internationality to a particular extent.
- One seat on the Supervisory Board is to be filled with a person who has no business or personal ties with AUDI AG or its Board of Management and performs no advisory or executive functions at customers, suppliers, lenders or other business partners of the Audi Group.
- At least two non-executive directorships are to be held by women, at least one of whom is to be a stockholder representative.
- An age limit for the members of the Supervisory Board was already specified in its rules of procedure. According to these rules, normally only persons who have not yet reached the age of 70 at the time of the election are to be proposed for election as members of the Supervisory Board. The Supervisory Board has confirmed this age limit.

The response to the suggestions made in the Code is as follows:
From now on, AUDI AG will broadcast the Annual General Meeting on the Internet up until the start of the discussion. This strikes a balance between the need for information and the general right to privacy of the individual stockholder. This procedure means that there is no need to ensure that stockholders who are not attending the meeting can contact a voting proxy of the Company during the Annual General Meeting (Section 2.3.3, Sentence 3, 2nd half of sentence of the Code). Additionally, the performance-based remuneration paid to members of the Supervisory Board does not contain any components relating to the long-term business performance of the Company (Section 5.4.6, Para. 2, Sentence 2 of the Code). Public discussion of this issue among experts will continue to be monitored.

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 relating to 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 29, 2010.

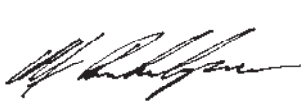
Responsibility Statement

“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 8, 2011

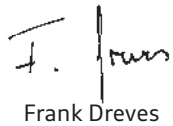
The Board of Management

Rupert Stadler

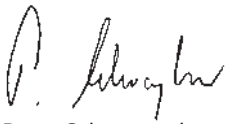


Ulf Berkenhagen

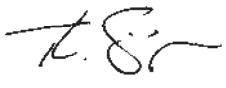
Michael Dick



Frank Dreves



Peter Schwarzenbauer



Thomas Sigi

Axel Strotbek

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 Aktiengesellschaft, Ingolstadt – 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, 2010. 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 Section 315a, Para. 1 of the German Commercial Code (HGB) 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 Section 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 Section 315a, Para. 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 8, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner
Wirtschaftsprüfer

Klaus Schuster
Wirtschaftsprüfer

Declaration of the AUDI AG Board of Management

on the 2010 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 previous page.

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.

AUDI AG Finances 2010

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

AUDI AG

STRUCTURE

Company

The products of AUDI AG make it one of the world's leading carmakers in the premium segment. The vehicles of the Audi brand delight customers with their modern, outstanding design, technological innovations and high build quality. The focus is always on the ambition to develop pioneering automotive concepts that therefore fulfill customers' high expectations. This philosophy is manifested in the brand essence "Vorsprung durch Technik" – which encompasses the brand values sportiness, sophistication and progressiveness – and is demonstrated to customers through the steadily growing array of Audi models.
Thanks to generally rising demand as well as its attractive product range, the Audi brand increased its vehicle deliveries in over 80 markets in fiscal 2010, achieving the record tally of 1,092,411 vehicles sold.

AUDI VEHICLE DELIVERIES BY REGION

	2010	Share in %
Germany	**229,157**	21.0
Europe excluding Germany	**418,474**	38.3
China (incl. Hong Kong)	**227,938**	20.9
USA	**101,629**	9.3
Other	**115,213**	10.5
Total	**1,092,411**	100.0

The headquarters of AUDI AG are located in Ingolstadt, where Technical Development, Sales and Administration as well as the greater part of vehicle manufacturing operations are based. The Audi A3 and A3 Sportback models, the A4 car line, the A5 Sportback and the A5 Coupé, RS 5 Coupé and Q5 models are built there. Bodies for the A3 Cabriolet and for the TT car line are also made in Ingolstadt.
Neckarsulm is where the models A4 Sedan and A5 Cabriolet, the A6 car line and the A8 luxury sedan are manufactured. Volume production of the new Audi A7 Sportback commenced in 2010. Other models are produced at subsidiaries of AUDI AG and elsewhere within the Volkswagen Group on behalf of the Audi brand.

Volkswagen AG, Wolfsburg, is the major shareholder of AUDI AG and controls around 99.55 percent of the share capital. A control and profit transfer agreement exists between Volkswagen AG and AUDI AG.

STRATEGY

Audi: the number one premium brand

The debate on climate change, the future availability of fossil fuels and social megatrends such as increasing urbanization are presenting new issues of interest to customers.
In the light of these changes, AUDI AG placed the Audi brand on a more future-proof footing in the past fiscal year through Strategy 2020. With its vision of "Audi: the number one premium brand," it has set itself the goal of taking on the lead role in the premium segment worldwide. The goals of Strategy 2020 focus on lasting corporate success, underpinned by sustainable actions. AUDI AG therefore regards it as a self-evident aspect of corporate responsibility that it takes account of the issues of ecology and social responsibility when defining the strategic direction of its core business (cf. "Social and ecological aspects," p. 269 ff.).

Mission: “To delight customers worldwide”

The mission statement “We delight customers worldwide” is at the very core of the Company’s drive to become the number one in the premium segment. This means in practice that the Audi brand offers its customers emotional, technologically advanced products that are particularly noted for their sophistication and reliability. The brand with the four rings furthermore intends to delight its customers with the best brand experience available – hard evidence of the Audi brand values “sophisticated,” “progressive” and “sporty” is provided at every point of contact with the customer.

A highlight of 2010 for the Audi brand was the innovative market launch of the Audi A1. As well as making intensive use of the Internet and social media channels, it set up the “A1 City” world of discovery at Munich Airport. Between June and October 2010 the public was given the opportunity for an in-depth encounter with the new model. With the aid of the new showroom configurator, those interested were quickly able to configure their personalized A1 on large-dimension flat screens, giving them lifelike, three-dimensional impressions of their chosen version.

Product and investment decisions likewise focus on delivering customer benefit. Their successful implementation hinges on the employees, who demonstrate immense expertise, agility and passion for the products of the Audi brand.

All activities of the Company are based on four strategic goals:

- Superior financial strength
- Continuous growth
- Image leader
- Most attractive employer

Superior financial strength

In keeping with a value-oriented corporate management approach, growth only meets the premium standards of AUDI AG if it is simultaneously profitable. It therefore remains a key focus of Strategy 2020 that qualitative growth is a priority strategic corporate objective.

Long-term superior financial strength can be achieved above all through effective and efficient structures and processes, the ongoing optimization of costs and systematic investment management. A high level of self-financing furthermore helps to preserve AUDI AG’s ability to invest and act. The aim therefore remains to cover investment from self-generated cash flow.

Continuous growth

The basis for continuous growth is the Audi brand’s attractive product range, to which numerous new models were again added in the 2010 fiscal year as part of the long-term model initiative. The new Audi A8 and the Audi A1 and A7 Sportback models are delighting customers with their emotional design, sportiness, efficiency and everyday suitability. The market launch of the ultra-sporty models S5 Sportback, RS 5 Coupé and R8 Spyder as well as improved versions of the Audi A3 and Audi TT car lines were also part of the stunning new product portfolio. The model range of the Audi brand will continue to grow – it is set to reach 42 models by 2015.

The Company intends to achieve a delivery volume of 1.5 million vehicles of the Audi brand by 2015. AUDI AG will continue to place the focus on quality alongside continuity of growth.

In order to realize its growth plans, the Company is furthermore stepping up its activities in international auto markets.

Image leader

A strong brand is the basis for lasting success. AUDI AG is therefore eager to keep steadily improving its image position above all through the attractive product range, and to establish an emotional bond between its customers and the brand.

The public’s enthusiasm for the Audi brand and its products was again reflected in numerous national and international awards in the 2010 fiscal year.

Audi received the ADAC "Yellow Angel" award and was thus voted the best brand for the third year in a row (ADAC Motorwelt, issue 2/2010, p. 26 ff.).
Audi was in addition voted the brand with the most attractive cars in winning the "Design Trophy 2010" reader poll held by the motoring magazine AUTO ZEITUNG (issue 8/2010, p. 82).
In the renowned reader poll "The Best Cars of 2010" sponsored by the trade publication auto motor und sport, the brand with the four rings maintained the successful track record of recent years (issue 4/2010, p. 132 ff.). The models Audi A4, Audi Q5 and Audi R8 Spyder all came in at the top of their respective categories. This outstanding set of results was rounded off with second places for the Audi A3, Audi A6 and Audi R8 Coupé models.
In the "Golden Steering Wheel" awards for the best new car models each year, the A1 and A8 came in at the top of their respective categories in 2010. With a total of 20 Golden Steering Wheel awards to its name, the Audi brand now enjoys the status of currently the most successful brand in the 35-year history of the competition, which is run by the publications BILD am SONNTAG and AUTO BILD (AUTO BILD, issue 44/2010, p. 51 ff.).
The brand attribute of sportiness likewise attracted multiple awards in the past fiscal year – the RS 5 Coupé, for instance, was among the winners in the coveted reader poll "SPORTSCARS 2010" sponsored by the magazine AUTO BILD SPORTSCARS (issue 1/2011, p. 84 ff.). The R8 GT and R8 Spyder 5.2 FSI quattro each came in second in their respective categories. On top of this, the Audi R8 5.2 FSI quattro was voted "World Performance Car 2010" ("World Car Awards," April 1, 2010).
The awards of "4WD Car of the Year" for the quattro versions of the Audi A4 and Audi A8 (AUTO BILD, issue 15/2010, p. 15) as well as numerous other awards in the areas of design, safety, technology and customer satisfaction rounded off the Audi brand's success in the past fiscal year.

Most attractive employer

Steadily improving its appeal as an employer is of particular strategic importance to AUDI AG, because the Company is reliant both now and in the future on having well-qualified, dedicated employees if it is to realize its strategic goal of becoming the number one premium brand.
As well as being able to offer them challenging tasks, AUDI AG provides its personnel with attractive working conditions, commensurate pay and high job security.
Regular internal surveys of the workforce confirm a high level of employee satisfaction. Numerous external surveys have additionally confirmed the high appeal of AUDI AG as an employer – in 2010 the Company was voted the most attractive employer in such leading graduate surveys as those conducted by the consultants trendence and Universum among both engineering and business students ("trendence Graduate Barometer 2010 – Business and Engineering Edition," May 21, 2010; "Universum Student Survey 2010 – Germany," May 3, 2010).

SHARES

Stock market developments

In the early part of 2010 the situation on international stock and capital markets was dominated by the loss of confidence in the stability of the budgets of certain EU countries with large budget deficits. Concerns about the possible consequences of Greece's sovereign debt spilling over into the banking sector and into the European real economy undermined morale. Against this backdrop international stock markets suffered significant downturns, with particularly high losses in the trading prices of financial institutes. Then, from mid-2010, stock markets worldwide by and large staged a recovery. Underpinned by the brighter economic prospects and increasingly positive profit forecasts, trading prices picked up again. The positive trend was further bolstered by companies' surprisingly good quarterly figures. Trading prices worldwide therefore continued to climb through the end of 2010.

German stock markets were initially dominated by price losses at the start of the year. The German Share Index DAX touched its year-low of 5,434 points in February 2010 – a loss of around ten percent compared with the start of the year. The German stock market rallied from March on, at first very strongly. The lead index then moved sideways up until the end of the third quarter, amid high volatility. In the final quarter the index once more made appreciable gains, reaching a year-high of 7,078 points on December 21. The DAX closed the year on 6,914 points, almost 16 percent up on the position at the start of 2010.

Audi trading price trend

Audi shares bucked the trend at the start of the year. While the shares of most German automotive manufacturers mirrored the downward trend in the DAX lead index and initially suffered losses of up to 15 percent in the first quarter, Audi shares started 2010 with gains. In the very first two weeks of trading, its shares were a good 15 percent up on the position at the start of the year. Between then and May, the trading price moved sideways in a corridor between EUR 535 and 598.

The shares temporarily came under pressure mid-way through the second quarter. However, the general uncertainty prompted by the conflicting opinions among experts about the debt crisis and the regulation of the financial market was only short-lived, with the result that Audi shares added 30.0 percent to reach EUR 650 by year-end. Audi shares thus substantially outperformed the DAX, which rose by 15.7 percent over the same period.

Over a five-year horizon, Audi shares have put in an impressive performance notwithstanding the global financial and economic crisis. The trading price has doubled (+111.0 percent) since January 2006 and thus performed much better than the DAX (+27.8 percent). This development reflects the capital market's deep faith in the Company's strategic direction, future fitness and competitiveness when considered in the context of the forthcoming 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 of AUDI AG receive a compensatory payment. The level of this payment is equivalent to the dividend paid on one Volkswagen AG ordinary share for the same fiscal year, as determined by the Annual General Meeting of Volkswagen AG on May 3, 2011.

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, 2010, 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.

Statutory requirements and provisions under the Articles of Incorporation and Bylaws on the appointment and dismissal of members of the Board of Management and on the amendment of the Articles of Incorporation and Bylaws
The appointment and dismissal of members of the Board of Management are stipulated in Sections 84 and 85 of the German Stock Corporation Act. Members of the Board of Management are accordingly appointed by the Supervisory Board for a period of no more than five years. Reappointment or an extension of the term of office, in each case for no more than five years, is permitted. Section 6 of the Articles of Incorporation and Bylaws further stipulates that the number of members of the Board of Management is to be determined by the Supervisory Board and that the Board of Management must comprise at least two persons.

Authorizations of the Board of Management in particular to issue new shares and to reacquire 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 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.

COMPLIANCE

Responsible, lawful action is as much a core element of Audi's success as its power to innovate. Complying with statutory requirements and internal company guidelines as well as with ethical standards is therefore an integral aspect of Audi's corporate culture. To underpin the compliance process and as a preventive measure, AUDI AG's Board of Management has installed Company-wide compliance structures. These specify that the Chief Compliance Officer reports directly to the Chairman of the Board of Management of AUDI AG and advises him on all matters of compliance. The former in addition initiates preventive measures, manages and oversees compliance activities and ensures that rules are observed. Through the network that includes Central Risk Management, he ensures that comprehensive, regular risk reports are submitted to the Board of Management and Supervisory Board (Governance, Risk & Compliance – GRC).
AUDI AG continued to expand its compliance organization in 2010. Relevant, current compliance topics are analyzed internally on a regular basis and incorporated into new compliance programs.
At the start of 2011, AUDI AG further substantiated the Code of Conduct that is valid throughout the Company. The Code of Conduct describes the key principles of action within the Company and serves as an aid to handling legal and ethical challenges in everyday working life. It serves as a binding benchmark for the actions of all employees. The task of the compliance organization in this respect is to ensure that the Code of Conduct is observed.
All AUDI AG employees moreover have the opportunity to contact the compliance organization at an internal e-mail address.
Combating corruption and educating employees in how to do so are major priorities at AUDI AG. Corruption is combated both through the compliance organization and through the internal Auditing Department. The latter is supported in its work by the Volkswagen Group's anti-corruption system, which takes the form of an ombudsman system: Two highly respected lawyers are available for consultation as neutral ombudsmen. Employees and business partners can contact one of the ombudsmen, who are bound by the lawyer's duty of confidentiality, if they have information on corruption to disclose. All such information is treated in the strictest confidence.

SYSTEM OF REMUNERATION FOR THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Information on the system of remuneration for the Supervisory Board and Board of Management is provided in the Notes to the Financial Statements under "Details of the Supervisory Board and Board of Management" and constitutes part of the Management Report.

BUSINESS AND UNDERLYING SITUATION
ECONOMIC ENVIRONMENT

Global economic situation

2010 saw the global economy recover unexpectedly quickly from the global economic crisis, even if the speed of the upturn slowed somewhat in the second half of the year. In 2010 as a whole, global economic output grew by 4.1 (– 1.9) percent. This development owed much to expansive monetary policies worldwide, as well as to the rapid progress of emerging countries, most notably China. By contrast, the economic recovery in many industrial countries was weaker. Despite price increases for energy and raw materials, the inflation rate in most countries remained low.

The economy in Western Europe expanded by 1.8 (– 4.1) percent in 2010, with the debt crisis clouding the economic environment throughout the whole year. Gross domestic product grew by 1.5 (– 4.9) percent in the UK, by 1.5 (– 2.5) percent as well in France and by 1.0 (– 5.1) percent in Italy. Spain, on the other hand, remained in recession with economic output falling by – 0.2 (– 3.7) percent.

Germany recovered surprisingly fast in 2010, with economic growth reaching 3.6 (– 4.7) percent. The economy benefited in particular from high export demand and a recovery in consumer spending thanks to the improved state of the labor market and higher consumer confidence.

Most Central and Eastern European countries regained a course of moderate growth in the year under review. In particular the Russian economy enjoyed clear expansion of 4.0 (– 7.9) percent thanks to higher exports of raw materials.

In the United States, the economy cooled in the course of the year after having made a good start. Consumer spending in particular remained muted because of high unemployment. Overall, gross domestic product in the United States grew by 2.9 (– 2.6) percent in 2010.

In Latin America the economic situation improved markedly in 2010. Above all in Brazil and Argentina, gross domestic product bounced back with growth rates of 7.5 (– 0.6) and 8.3 (0.9) percent.

Asia's emerging countries, the economies of which had already been expanding again since early 2009, achieved the highest economic growth rates anywhere in the world during the period under review. In China, gross domestic product was up 10.3 (9.2) percent, while the Indian economy likewise grew vigorously by 8.5 (6.5) percent.

Following the sharp slump in the economy in the previous year, Japan regained an upward trend in 2010 and achieved economic growth of 4.3 (– 6.3) percent mainly thanks to increased export demand.

International car market

Global demand for cars exhibited a marked upward trend in 2010, on the back of the global economic upturn, and gained 11.4 percent to 58.7 (52.7) million passenger cars. The powerhouses of growth were principally the Asian car markets, which expanded at a rapid rate. The car market moreover improved in the United States and in the major Latin American markets. By contrast, demand for passenger cars in Western Europe remained weak.

Registrations of new cars in Western Europe (excluding Germany) edged up only slightly by 1.9 percent in the year under review, to 10.1 (9.9) million. Market growth was still high especially in the first half of the year thanks to government incentives; registrations of new cars then fell in the latter part of the year along with the expiry of these subsidy programs. Of Western Europe's major car markets, Spain and the UK posted slight growth of 3.0 and 1.8 percent respectively in 2010, after contracting sharply in the previous year. On the other hand, the car market in Italy shed all of 9.2 percent. The French car market, too, shrank by 2.6 percent.

Demand for autos remained weak in most countries of Central and Eastern Europe in 2010. The exception was the Russian car market, which grew by 29.0 percent to 1.8 (1.4) million passenger cars thanks to state subsidies for those purchasing locally built vehicles.
The economic recovery in the United States also helped to stimulate the car market. In a turnaround from the sharp slump in sales in preceding years, vehicle sales rose once more in 2010, growing by 11.1 percent to 11.6 (10.4) million passenger cars and light commercial vehicles.
In Latin America the Brazilian car market achieved a new record of 2.6 (2.5) million vehicles sold, with growth of 6.9 percent. The car market in Argentina, too, gained 27.6 percent to reach a record level of 0.5 (0.4) million passenger cars.
In the Asia-Pacific region the pace of growth increased still further in 2010 compared with its already dynamic performance in the previous year. The sales volume there grew by 24.0 percent to 22.1 (17.8) million passenger cars in total. This development was principally driven by the Chinese car market, which – supported by state incentives – grew by 35.1 percent to 11.5 (8.5) million cars. The car market in India enjoyed similarly high expansion, increasing by 29.8 percent to 2.2 (1.7) million passenger cars. Tax breaks and an environment bonus in Japan fueled market growth of 7.4 percent to 4.2 (3.9) million new car registrations.

German car market

The German car market suffered a sharp drop of 23.4 percent in 2010 compared with the previous year, when growth had been exceptionally high thanks to the availability of the environment bonus. Registrations of new cars slipped to 2.9 million, the lowest level since German reunification. The manufacturers of small cars and vehicles in the compact category, which had been the main beneficiaries of the environment bonus for private customers in 2009, bore the brunt of this downturn in sales volume in the year under review. By contrast the premium segment remained largely stable, with the result that the suppliers of premium vehicles saw their market shares recover.
The diesel share of total first-time registrations in 2010 rose year on year by 11.2 percentage points to 41.9 percent and thus approached the long-term level again. In 2009 the sharp rise in car purchases by private customers, who mainly wanted gasoline models, temporarily led to a drop in this diesel share.
Along with the worldwide recovery in demand for cars, the export situation of German car manufacturers improved substantially compared with the weak previous year. German car exports in 2010 climbed to 4.2 million units – a growth rate of 23.7 percent. As in previous years, Western European countries remained the most important sales region for German car manufacturers, to which they exported a total of 2.2 million passenger cars (+7.5 percent). Exports to the United States also performed highly positively, rising by 44.4 percent to 0.5 million vehicles. However, the mainstay of German export growth was the Chinese car market.
Strong export demand prompted a rise in domestic production by German car manufacturers during the period under review. The production volume of 5.6 million passenger cars bettered the prior-year figure by 11.8 percent and thus neared the pre-crisis level achieved in 2007. The number of German-brand cars built abroad also increased year on year by 25.4 percent to 6.1 million units.

Management's overall assessment

Against the backdrop of the global economy's unexpectedly swift recovery from the consequences of the financial and economic crisis, along with the resulting upturn in numerous car markets, the Company operated very successfully in the past fiscal year.
AUDI AG sold 1,092,411 Audi models, the highest deliveries total in the history of the Company. As well as the positive development in overall market demand, the substantial growth in vehicle deliveries by 15.0 percent is mainly down to the attractive product range, to which numerous sporty and efficient models were again added.

Furthermore, the long-term corporate policy again paid dividends because it focuses on steadily improving processes and cost structures along the entire value chain, and therefore on progressively optimizing productivity.
The Company's success in 2010 is reflected in the significantly higher profit from ordinary business activities of EUR 3,552 million and a return on sales after tax of 6.6 percent.

RESEARCH AND DEVELOPMENT

The Audi brand is strongly associated with the development of progressive technological concepts through its declared mission statement of "Vorsprung durch Technik." The Company again brought a large number of innovations to production maturity in the past fiscal year.
The total number of employees in the Research and Development area at AUDI AG averaged 6,365 (6,308) in 2010.

Technical innovations

30 years of quattro

The Audi brand's quattro technology celebrated its 30th anniversary in 2010. Since the unveiling of the first Audi quattro in 1980, the Company has built around 3,700,000 vehicles with permanent all-wheel drive.
By distributing the propulsive power among all four wheels, a vehicle with quattro drive can generate a higher cornering force at each wheel than rear-wheel-drive or front-wheel-drive vehicles, and thus produce better traction and superior cornering behavior. As well as evoking technological expertise, the term quattro encapsulates emotion and a dynamic driving feel, serving to combine superlative sports performance with a high degree of everyday suitability.
The Audi brand has steadily increased its technology lead in the domain of all-wheel drive over the past 30 years. At the 2010 Geneva Motor Show the Company presented a further evolutionary stage – quattro drive with crown gear center differential and torque vectoring. This technology, making its first appearance in the RS 5 Coupé, is even more efficient, effective and precise.

2.5 TFSI engine is "International Engine of the Year"

In the past fiscal year an international jury of 71 leading trade journalists voted the 2.5 TFSI engine "International Engine of the Year" (June 23, 2010). The Audi brand's TFSI technology has thus emerged from this renowned competition as best in class for the sixth year in succession. The engine is equipped with FSI direct injection and turbocharging, combining two key technologies of the Audi brand in a single power unit. This engine made its debut in summer 2009 in the guise of a powerful five-cylinder power unit in the TT RS – extending a lengthy Audi tradition stretching back to the 1980s of powerful five-cylinder engines that brought victory to the Audi brand's racing cars. The RS 3 Sportback that will be available from 2011 will also feature the award-winning engine.

Audi pioneering automotive connectivity

Along with the A8 and A7 Sportback models launched in 2010 and the appearance of the new A6, the Audi brand is providing the option of a WLAN hotspot for wireless on-board Internet access in combination with the optional Bluetooth car phone online. This feature enables rear passengers to connect up to eight mobile terminal devices to the Internet simultaneously via a UMTS module built into the vehicle. Encryption using the WPA2 standard provides the necessary degree of security for data transmission.
The Google Earth service has moreover been incorporated into an automotive navigation system for the first time in the world. Google Earth images and a three-dimensional terrain model are combined with the road network from the navigation database in the Audi Multi Media Interface (MMI) navigation system plus. The user can also search for places online in Google directly from the MMI, via free-text input – the results can then be used directly for calculating a route.

In June 2010 the brands Google and Audi, which unveiled the prototype version of their online services back in January 2006, received the award for “Best Embedded Telematics Navigation Product” at the Telematics Awards in recognition of the result of their collaboration (June 7, 2010). In the new Audi A6 a voice-controlled online search facility and the “Audi traffic information online” function have been added to the range of mobile online services. These new features take account of the current traffic flow and permit much more accurate route guidance along freeways, highways and important secondary roads by means of a more easily understood color concept. These innovations will also be made available in the A7 Sportback and A8 models in the course of 2011.

Cylinder management for improved efficiency

Audi engineers have turned to cylinder management as a solution to the problem that large-capacity, high-performance engines run predominantly at low to moderate part loads in normal driving conditions, leading to high specific fuel consumption and high CO_2 emissions. Shutting down several cylinders – for instance four cylinders on an eight-cylinder TFSI engine – produces the result that the remaining cylinders operate more efficiently, improving fuel economy and emissions. The changeover process goes unnoticed by the customer. Thanks to the use of active engine mounts and Active Noise Cancellation ANC, comfort and acoustics remain outstanding even when running on four cylinders. Cylinder management will be introduced from fall 2011 in the Audi brand’s new turbocharged eight-cylinder gasoline engines.

Innovations for safety

Audi active lane assist

An evolutionary version of Audi lane assist, the driver assistance system Audi active lane assist, made its first appearance in the Audi A7 Sportback in 2010. The system actively helps the driver to stay in the lane by means of gentle steering impulses, bringing greater driving comfort particularly on highways and main roads. If the activated system detects lane markings and the car is traveling at a speed of at least 65 km/h, Audi active lane assist intervenes by gently manipulating the steering wheel shortly before the car leaves its lane, and unintentional drifting out of lane is prevented if necessary. If the driver wishes to take this form of assistance to the next level, Audi active lane assist can also provide ongoing assistance to keep the vehicle traveling right in the center of its lane. The driver remains fully in control of the car throughout these intuitive prompts by Audi active lane assist.

“Euro NCAP Advanced” seal for A4 with Audi side assist

In October 2010 the renowned European vehicle safety testing body “European New Car Assessment Programme” (Euro NCAP) awarded the A4 with Audi side assist the “Euro NCAP Advanced” seal (October 1, 2010). The lane-change assistant, active from a speed of 30 km/h, uses two rear radar sensors to monitor traffic behind the vehicle. As soon as another vehicle is detected there, the sensors establish its distance and the speed with which it is approaching. The driver is informed by a warning lamp that lights up in the side mirror if a detected vehicle is assessed to represent a hazard when changing lane. If the driver nevertheless sets the turn indicator, Audi side assist switches to the warning mode – the yellow LED display becomes brighter and flashes at high frequency. This coveted award endorses the Audi brand philosophy of promoting comfort and safety through active driver assistance systems.

Audi A1 successful in Euro NCAP crash test

The Euro NCAP consortium, which tests the crash properties of new vehicles, confirmed the outstanding crash safety of the Audi A1 in 2010 and gave the model its top rating of five stars (November 24, 2010). The vehicle impressed the testers with its standard of safety for the driver and front passenger in frontal, rear and side impact tests, as well as in the child protection category. The Audi A1's road safety is further boosted by the inclusion of the ESP electronic stabilization program with electronic differential lock as standard.

Electric mobility

Electric mobility at Audi

AUDI AG expects to see electric mobility play a decisive role in the future, alongside efficient combustion engines and hybrid concepts (cf. "Product-based environmental aspects," p. 274 ff.). The Company continues to pursue the broad-based policy of coordinating all systems and components in order to exploit the full potential of electric drive.

To achieve the goal of making the Audi brand the leading premium manufacturer of electric vehicles in the long term, AUDI AG again put considerable effort into developing electric drive in the past fiscal year. In Ingolstadt the Company opened a new development and test center for electrified drivetrains in 2010, having already invested some EUR 65 million in it over the past two years; this center will now facilitate the optimization of drivetrains, batteries and power electronics. With all activities housed under one roof, a highly integrated approach to working should keep communication channels short and pave the way for efficient solutions.

Audi e-tron

After the unveiling of the Audi brand's first showcar with electric drive in 2009, the Audi e-tron, three further electric studies followed in 2010. The name e-tron is to become the brand name for all electrically powered Audi models, in the same way that the term quattro denotes all-wheel-drive Audi vehicles.

The Detroit showcar Audi e-tron, powered by two electric motors mounted on the rear axle, was unveiled at the Detroit Auto Show at the very start of the year. The A1 e-tron intended predominantly for city driving was showcased at the Geneva Motor Show in the spring. The showcar can travel exclusively electrically, but as well as an electric motor it has a Wankel engine on board to charge up the battery if necessary in order to extend the car's range. Most recently, the Company exhibited the Audi e-tron Spyder at the Paris Motor Show, an open-top sports car with plug-in hybrid drive with both a 3.0 TDI engine and two electric motors.

In June 2010 the Audi A1 e-tron was voted winner of the "e-car award" created by the motoring magazine AUTO TEST by over 36,000 readers (issue 8/2010, p. 64 ff.).

An Audi e-tron technology demonstrator based on the R8 fended off 23 other electric vehicles to capture first place in its first outing in the "Silvretta E-Auto Rally Montafon 2010" in summer 2010.

Audi helping to prepare the way for electric mobility

The creation of a functioning infrastructure is a critically important preliminary task that will pave the way for implementing electric mobility concepts.

AUDI AG is therefore actively involved in the "National Platform for Electric Mobility" initiative launched in May 2010, through which Germany's politicians have set themselves the objective of making the country a lead market for electric mobility. Michael Dick, member of the Board of Management of AUDI AG with responsibility for Technical Development, is chairing the "Standardization and Certification Work Group" that is part of this initiative. The work group has already drawn up a "German Standardization Roadmap for Electric Mobility" that both identifies the framework that must be put in place and recommends specific action.

In addition, AUDI AG has joined forces with other German carmakers to promote a modular plug system for charging electric vehicles. The aim is to create a globally uniform standard that will ensure customers have easy access to the grid supply irrespective of their make of car and the energy supplier.
Another initiative comes in the guise of the “eflott” fleet trial of the A1 e-tron that got under way in fall 2010 with the support of the German Federal Ministry of Transport. The project based in and around the model region of Munich is investigating such aspects as the data transfer between driver, vehicle and charging point. For this venture AUDI AG is being partnered by the Technical University of Munich, the energy supplier E.ON and the public utility Stadtwerke München. In particular the Audi brand intends to find out more about the behavior and expectations of customers when they use electric vehicles. The first A1 e-tron models should take to the region’s roads by mid-2011 and around 200 new charging stations are to be installed.
With an eye to the overall energy balance, the Company is also involved in projects to exploit renewable energy sources. In 2010, AUDI AG entered into a partnership with the industrial initiative Dii GmbH, Munich, whose long-term goal is to transform the DESERTEC vision into reality. This vision describes the prospects for capturing solar and wind power in desert regions to supply Europe, the Middle East and North Africa.

PROCUREMENT

Establishing long-term partnerships with the world’s top-performing suppliers is one of the core procurement targets for AUDI AG. As well as overall economy, suppliers are selected according to other factors such as reliability, innovation and quality. To make optimum use of synergy potential, the selection process is handled in close partnership with Volkswagen Group Procurement.
The cost of materials for AUDI AG in the 2010 fiscal year amounted to EUR 19,072 (14,674) million. This figure includes all raw materials and consumables used, as well as purchased goods and services.
Procurement will continue to gain strategic importance in the future as a result of the steady expansion of the Audi product range. Collaboration with the supply industry is gradually being intensified as a result. The latter’s involvement makes it possible to find joint solutions at an early stage of the development process, for example as a means of reducing the amount of material consumed. As well as cost savings, non-economic aspects such as the use of recyclable materials are also part of the equation.
A smooth supply process for AUDI AG’s production network hinges on a clear delivery chain and a close, efficient partnership between the Purchasing Division and the direct suppliers. The growing product range of the Audi brand confronts the Purchasing Division with the challenge of assuring the reliable supply and quality of purchased parts for an ever growing number of models and equipment versions. Reliability is therefore a cornerstone of partnership between AUDI AG’s Purchasing Division and its many suppliers and service providers.
Potential partners can demonstrate their range of products and services as well as how innovative they are at “TechShows” organized jointly by AUDI AG’s Technical Development and Purchasing Divisions. The Company also organizes events for suppliers with the objective of promoting informal exchanges and networking. In partnership with the Volkswagen Group, AUDI AG also operates a web-based B2B supplier platform to increase the efficiency of the procurement process by speeding up communication for all parties involved.

PRODUCTION

AUDI AG substantially increased car production in fiscal 2010 to the record total of 1,122,574 (908,186) vehicles, reflecting the market’s positive development and the launching of a large number of new products.

VEHICLE PRODUCTION BY MODEL [1)]

	2010	2009
Audi A1	**51,937**	226
Audi A3	**35,126**	43,641
Audi A3 Sportback	**151,486**	153,074
Audi A3 Cabriolet	**12,309**	9,782
Audi Q3	**108**	24
Audi A4 Sedan	**190,884**	163,897
Audi A4 Avant	**109,474**	111,283
Audi A4 allroad quattro	**10,788**	9,291
Audi A4 Cabriolet	**–**	2,409
Audi A5 Sportback	**49,803**	20,613
Audi A5 Coupé	**40,213**	48,858
Audi A5 Cabriolet	**20,924**	15,388
Audi Q5	**155,052**	109,117
Audi A6 Sedan	**166,455**	139,704
Audi A6 Avant	**40,279**	37,895
Audi A6 allroad quattro	**5,551**	4,104
Audi A7 Sportback	**8,496**	251
Audi Q7	**47,769**	27,929
Audi A8	**22,435**	8,599
Audi R8 Coupé	**1,610**	2,024
Audi R8 Spyder	**1,875**	77
Total, AUDI AG	**1,122,574**	908,186

1) Including vehicles built for quattro GmbH

At the Ingolstadt location the Company manufactured 553,010 (514,493) vehicles in total in the past fiscal year, a substantial rise on the previous year. The higher production output is largely attributable to high demand for the Audi A4, A5 and Q5 car lines. In addition, it manufactured 105,341 (51,665) parts sets for CKD assembly at the Changchun plant (China), and at the Indian plant in Aurangabad. The production volume at the Ingolstadt plant consequently totaled 658,351 (566,158) units.
The number of vehicles built at Neckarsulm also rose sharply to 216,322 (177,820). The Neckarsulm plant, too, produced 118,761 (100,276) parts sets for CKD assembly in China and India. Neckarsulm witnessed the arrival of various major new products in 2010: The new-generation Audi A8 and Audi A8 L, as well as the new Audi R8 Spyder and Audi A7 Sportback models, all got off to a successful start of volume production. The new generation of the Audi A6 also went into production at Neckarsulm in December 2010. The Neckarsulm plant produced a total of 335,083 (278,096) units.

Investments in production locations

In order to maintain its course of growth and achieve the goals of its Strategy 2020, AUDI AG is creating the capacity needed first and foremost through investing steadily in its production locations.
Work on the new A3 body shop at Ingolstadt progressed during the period under review. The first vehicle bodies are due to leave the hall, which has a total floor area of around 50,000 square meters, from mid-2011. It will be home to some 800 employees, and over 700 robots will be in operation. AUDI AG is investing a total of more than EUR 300 million in the new production facility, EUR 200 million of this amount being earmarked for plant engineering. A new toolmaking building has also gone into use.
As well as extensions to production facilities to accommodate the five new model launches, last year the Neckarsulm location celebrated the topping-out ceremony for a new engine test center that is due for completion by 2012, at a total outlay of EUR 90 million. It was also announced that the Audi e-tron, of which a small number will come onto the market at the end of 2012, will be built at Neckarsulm.

Automotive Lean Production Award
In September 2010, AUDI AG repeated the previous year's feat of winning the coveted "Automotive Lean Production Award" (AUTOMOBIL PRODUKTION, issue 9/2010, p. 20 f.). For the first time the "Manufacturers" prize was awarded not simply to an individual production area, but to an entire automotive production line – that of the Audi A4, A5 and Q5 models at Ingolstadt.
The prize, which focuses on improvements to production processes, was jointly sponsored for the fifth time by the trade publication AUTOMOBIL PRODUKTION and the management consultants Agamus Consult. Over 60 companies in five categories took part in the competition.

DELIVERIES AND DISTRIBUTION

In the past fiscal year AUDI AG profited fully from the recovery in global demand for cars thanks to its young, attractive product portfolio and extensive range of modern, highly efficient engines. The Audi brand grew faster than the worldwide auto market overall; it increased by 15.0 percent to take its tally to 1,092,411 (949,729) cars, comfortably beating the previous deliveries record of just over one million premium vehicles established in 2008.
The brand with the four rings also set new records for deliveries of vehicles in major national markets. Deliveries were stimulated in particular by the A5 Sportback and Audi Q5, which enjoyed considerable demand. Additionally, the A1, the A7 Sportback and A8 were successfully brought onto markets in the year under review.
In the home market Germany, which contracted by 23.4 percent in 2010 following the expiry of the environment bonus, the Audi brand kept total deliveries stable compared with the previous year at 229,157 (228,844) Audi vehicles. Its market share thus rose from 6.2 to 7.8 percent.
The Audi brand increased its deliveries in almost all Western European export markets in the past fiscal year. In the UK, 99,705 (90,513) Audi vehicles were delivered to customers, a rise of 10.2 percent. In France and Italy, too, the Audi brand bucked the general market trend and increased its deliveries by 9.4 and 5.5 percent respectively. Overall, the Company delivered 382,748 (359,465) Audi models in Western Europe (excluding Germany), a rise of 6.5 percent, thus reasserting its position as market leader in the premium segment.
In Central and Eastern Europe the Audi brand saw its deliveries increase once more in 2010, whereas the Company had been unable to stave off the high impact of the overall slump in these markets in the previous year. Deliveries in the Russian car market climbed by 23.3 percent to 18,510 (15,009) vehicles.
The Audi brand enjoyed a very successful fiscal year in the U.S. car market in 2010. With growth of 22.9 percent to the new record total of 101,629 (82,716) vehicles, the brand with the four rings increased its deliveries much more steeply than the market as a whole. This makes the Audi brand one of the fastest-growing players in the premium segment. A major source of growth was the Audi Q5, which proved to be very popular in the United States.
The Asia-Pacific region represented a cornerstone of AUDI AG's growth strategy in the past fiscal year. In China (including Hong Kong), the Audi brand continued to grow unabated last year and remains the undisputed leader in the premium segment. Deliveries rose by 43.4 percent to 227,938 (158,941) vehicles, crossing the threshold of 200,000 Audi models sold for the first time. Major factors in its success included most notably the Audi A4 L and A6 L models with long wheelbase created specially for the Chinese market, along with the gradual expansion of the dealer and service network. There was also an upward trend in Audi deliveries in Japan in 2010. 17,251 (15,854) vehicles, 8.8 percent more Audi models than in the previous year, were delivered to customers.

DELIVERIES TO CUSTOMERS BY MODEL

	2010	2009
Audi A1	**27,898**	116
Audi A3	**37,322**	45,146
Audi A3 Sportback	**154,574**	150,684
Audi A3 Cabriolet	**12,429**	12,987
Audi TT Coupé	**19,534**	20,770
Audi TT Roadster	**5,374**	6,209
Audi A4 Sedan	**180,125**	164,854
Audi A4 Avant	**110,297**	118,642
Audi A4 allroad quattro	**11,477**	7,162
Audi A4 Cabriolet	**161**	7,461
Audi A5 Sportback	**51,844**	10,021
Audi A5 Coupé	**41,365**	49,785
Audi A5 Cabriolet	**21,324**	10,937
Audi Q5	**147,088**	99,812
Audi A6 Sedan	**159,213**	149,079
Audi A6 Avant	**39,606**	40,154
Audi A6 allroad quattro	**5,490**	5,387
Audi A7 Sportback	**3,795**	140
Audi Q7	**43,251**	35,606
Audi A8	**17,039**	11,703
Audi R8 Coupé	**1,916**	2,985
Audi R8 Spyder	**1,250**	89
Internal vehicles before launch	**39**	–
Total, Audi brand	**1,092,411**	949,729

The Audi brand maintained its model initiative in the year under review by unveiling numerous new products.

Audi A1

2010 saw the Audi brand make a very successful entry into the segment of premium subcompact vehicles with the new A1. Between its market launch in August and the end of the year, 27,898 vehicles were already delivered to customers. The Audi A1 appeals above all to a youthful, urban, lifestyle-oriented target group and is notable for its emotionally charged design and the sporty driving experience it delivers. Customers can also choose from a wide range of exterior and interior customization options, as well as modern information and communication technologies. Three attractive, efficient engine versions were available at market launch – the 1.2 TFSI, the 1.4 TFSI and the 1.6 TDI. All engine versions feature direct injection and turbocharging, plus a start-stop system with braking energy recovery. The A1 is the only car in this segment to combine a start-stop system with automatic transmission.
In September the brand with the four rings then unveiled a new top engine version for the car line. This model has a twin-charged 1.4 TFSI engine developing 136 kW (185 hp) which, combined with the 7-speed S tronic dual-clutch transmission, provides sporty handling. The A1 1.4 TFSI (136 kW) is also pioneering for its efficiency – it uses an average of 5.9 liters of Super Plus fuel per 100 kilometers, equating to CO_2 emissions of just 139 g/km.

Audi A3

The popular Audi A3 car line underwent improvements in the early summer. The premium character of all models was made even more explicit both inside and out thanks to various new details. In November the brand with the four rings then unveiled the new top model in the A3 car line – the Audi RS 3 Sportback. This vehicle has a five-cylinder gasoline engine with turbocharging and direct injection. From a displacement of 2.5 liters, this unit produces 250 kW (340 hp) of

power and 450 Nm of torque. Its average consumption is only 9.1 liters of Super Plus fuel per 100 kilometers and its CO_2 emissions are 212 g/km. The 7-speed S tronic and quattro permanent all-wheel drive provide outstanding power transmission and traction.
Of the A3 car line, a total of 204,325 (208,817) vehicles were delivered to customers in the period under review.

Audi TT
The Company further enhanced the appeal of the TT car line in the past fiscal year. The improved versions of the compact sports car models TT Coupé and TT Roadster have been available from July 2010, with an evolutionary design for the hybrid aluminum/steel body and improved fuel economy. There was a new addition to the range of engines in the shape of a powerful, efficient 2.0 TFSI engine that accelerates the Coupé with 155 kW (211 hp) output and manual transmission from 0 to 100 km/h in only 6.1 seconds and consumes an average of only 6.6 liters of premium-grade fuel per 100 kilometers, equivalent to CO_2 emissions of 154 g/km.
A total of 24,908 (26,979) Audi TT models were delivered in the period under review.

Audi A4
The brand with the four rings realized further efficiency improvements for its highest-volume car line. The new A4 models now use technologies from the modular efficiency platform such as tires with lower rolling resistance, improved aerodynamics and the on-board computer that displays the recommended gearshift point for optimum fuel economy. The fuel consumption of the A4 2.0 TDI with 100 kW (136 hp) engine averages only 4.4 liters of diesel fuel – and its CO_2 emissions are an exemplary 115 g/km.
Of the popular A4 car line, 302,060 (298,119) vehicles in total were delivered to customers in 2010.

Audi A5
Two particularly sporty models were added to the A5 car line in 2010: the S5 Sportback and the RS 5 Coupé. The S5 Sportback was available from the start of the year, equipped with the powerful 3.0 TFSI engine with an output of 245 kW (333 hp), plus 7-speed S tronic and quattro permanent all-wheel drive as standard. It achieves impressively good fuel economy for its performance category in averaging 9.4 liters of premium-grade fuel per 100 kilometers and CO_2 emissions of 219 g/km over the combined cycle.
The high-performance model Audi RS 5 Coupé, a dynamic and powerfully elegant car, became available in June 2010. The model possesses a high-revving 4.2 FSI engine that propels the car from 0 to 100 km/h in 4.6 seconds thanks to its output of 331 kW (450 hp). The latest-generation quattro permanent all-wheel drive provides outstanding traction and agility.
The A5 car line again enjoyed strong demand in the past fiscal year. In 2010 a total of 114,533 (70,743) Audi models were delivered to customers, an increase of 61.9 percent.

Audi Q5
The Audi Q5, a midsize SUV, saw its popularity rise further in the past fiscal year thanks to its sportiness and versatility. Deliveries of the Q5 rose by 47.4 percent to 147,088 (99,812); since being launched in fall 2008 it has now emerged as a high-volume car line.
The Audi Q5 hybrid quattro was unveiled at the Geneva Motor Show in March. The model has a 2.0 TFSI engine with an output of 155 kW (211 hp) and an electric motor generating 40 kW (54 hp) of power. As a genuine full hybrid, the Q5 hybrid quattro can run exclusively on the combustion engine, on just the electric motor, or in the hybrid mode where both drives operate in tandem. The Audi Q5 hybrid quattro is scheduled to appear on the market in 2011.

Audi A6

AUDI AG took the wraps off the new generation of its successful full-size sedan, the Audi A6, in December 2010. This model, which is set to arrive on markets from early 2011, boasts innovative technical solutions in a wide variety of areas. As well as the lightweight body with high aluminum content and modern, efficient engines, it is particularly notable for its wide selection of new assistance and multimedia systems.

There are five powerful, highly efficient engines to choose from at launch. The two gasoline and three TDI units have power outputs ranging from 130 kW (177 hp) to 220 kW (300 hp) and use important technologies from the modular efficiency platform: the start-stop system, energy recovery and innovative thermo-management. The car line's most efficient engine at the time of its launch is the 2.0 TDI. In combination with the manual transmission, it requires only 4.9 liters of diesel fuel on average per 100 kilometers – representing CO_2 emissions of 129 g/km. Compared with its predecessor the fuel economy of the new A6 has been improved by as much as 19 percent across the entire car line, making the new A6 one of the most economical models in its field of competitors. Other versions that will eventually follow include the derivative models Avant and allroad quattro, as well as the A6 hybrid, which combines the power of a large six-cylinder engine with the fuel economy of a four-cylinder version thanks to its 2.0 TFSI and electric motor with a combined output of 180 kW (245 hp).

The A6 car line impressively reasserted its huge popularity in the full-size category in 2010. In the period under review 204,309 (194,620) vehicles were delivered worldwide.

Audi A7

The Audi A7 Sportback, a new model, was launched in October 2010. The five-door car combines the emotional character of a coupe with the comfort and prestige of a sedan and the functionality of an Avant. The A7 Sportback is the benchmark in many different respects – as well as the lightweight body with numerous aluminum components, its most notable features are its array of innovative assistance, infotainment and safety systems. For example the optional head-up display that projects important driver information such as speed and navigation instructions onto the windshield puts in its first appearance. At launch, the engine range for the new model comprises two gasoline and two diesel engines, these powerful units spanning outputs from 150 kW (204 hp) to 220 kW (300 hp).

The A7 Sportback already achieved a delivery volume of 3,795 vehicles.

Audi Q7

New, more efficient engines were introduced in the Q7 car line in the past fiscal year. All power units combine the technologies of turbocharging and direct fuel injection. An energy recovery system that captures braking energy and the newly developed 8-speed tiptronic with tall top gears also help to improve efficiency. The Q7 3.0 TDI with an output of 150 kW (204 hp) thus consumes only 7.2 liters of diesel fuel on average over 100 kilometers. CO_2 emissions are 189 g/km.

There was a marked increase in demand for the Audi Q7 in the period under review. At 43,251 (35,606) units, the delivery volume was 21.5 percent up on the prior-year total.

Audi A8

The new generation of the Audi A8 made a successful market debut in the early part of 2010. The new flagship model in the Audi range blends alluring sportiness with superb comfort and innovative technology, and demonstrates the Audi brand's clear "Vorsprung durch Technik." The new A8 is equipped with a lightweight all-aluminum body using the Audi Space Frame principle, with powerful, highly efficient engines and a luxurious interior with a finish of handcrafted standard. The A8 also redefines the benchmark when it comes to technical innovations. Thanks to an optional touchpad, the Multi Media Interface (MMI) is now even easier and more convenient to operate. Furthermore, numerous driver assistance systems such as the night vision assistant

and the Audi pre sense safety system make their first appearance in the new A8. With the option of all-LED headlights, which realize all lighting functions by means of light-emitting diodes, the Audi brand is making cutting-edge lighting technology available on a volume scale.
The A8's engine range comprises two diesel and two gasoline power units, which achieve outstanding fuel economy figures thanks to intelligent efficiency technologies such as energy recovery and thermo-management. For instance the 3.0 TDI quattro developing 184 kW (250 hp) averages just 6.6 liters of diesel fuel per 100 kilometers and thus emits only 174 g CO_2/km.
The A8 L, the long-wheelbase version of the A8, was launched in fall 2010. The A8 L W12 quattro was also given its first public showing. With a 130 millimeter longer wheelbase, these models offer the benefit of a substantially more comfortable and spacious rear compartment. Exclusively for the A8 L W12 quattro, there is a 12-cylinder engine with a displacement of 6.3 liters and gasoline direct injection. This accelerates the long-wheelbase A8 from 0 to 100 km/h in only 4.7 seconds thanks to its output of 368 kW (500 hp) and gives its occupants a superbly refined ride.
Demand for the A8 luxury sedan reached an excellent level in its very first year on the market. In 2010 a total of 17,039 (11,703) vehicles were delivered, a rise of 45.6 percent.

Audi R8
The Audi brand extended its product range in the supercar segment during the past fiscal year. In March 2010 the first specimens of the R8 Spyder 5.2 FSI quattro were delivered to customers. This vehicle blends breathtaking dynamism with the experience of open-top driving. As in the Coupé, a 386 kW (525 hp) V10 high-revving mid-engine with gasoline direct injection delivers spectacular road performance. The light aluminum body using the Audi Space Frame principle (ASF), all-LED headlights and the quattro permanent all-wheel drive system which directs more of the propulsive power to the rear wheels demonstrate the high technological standards of the brand with the four rings.
The top version of the R8 car line, the R8 GT, was unveiled in May 2010. This supercar is available in a limited edition of 333 units. The R8 GT's curb weight is just 1,525 kilograms thanks to the use of innovative lightweight materials such as carbon fiber and magnesium, some 100 kilograms lighter than the R8 5.2 FSI quattro. The ten-cylinder engine's output was increased to 412 kW (560 hp). The Audi R8 GT consequently has a power-to-weight ratio of 2.72 kg/hp and accelerates from 0 to 100 km/h in a breathtaking 3.6 seconds. In July 2010 the model range gained a new member, the R8 Spyder 4.2 FSI quattro, with an eight-cylinder 4.2-liter engine and developing 316 kW (430 hp).
In total, 3,166 (3,074) vehicles of the R8 car line were delivered to customers in the period under review.

FINANCIAL PERFORMANCE INDICATORS
FINANCIAL PERFORMANCE

AUDI AG increased its revenue by 24.2 percent to EUR 30,233 (24,339) million in fiscal 2010 – the highest level in the Company's history, which now goes back over a century. This positive development was driven mainly by increased sales of vehicles.
The Company increased revenue brought in by sales of Audi brand cars by 25.8 percent to EUR 27,108 (21,554) million. Thanks to high demand, the Audi A4 car line confirmed its position as the revenue mainstay. Meanwhile there was a substantial boost to revenue from increased unit sales of the A5 and Q5 models. Both car lines have therefore already developed into key products in the Audi brand portfolio.
Following the gradual market launch of the new-generation A8 model, revenue from the luxury sedan was more than doubled. The revenue realized from sales of the Audi Q7 in particular also developed highly satisfactorily.

The two new models Audi A1 and A7 Sportback only appeared on individual markets from the third and fourth quarters respectively. The high level of demand that they generated is already reflected in the extremely positive development in revenue.
The cost of sales increased in the past fiscal year as a result of the dynamic business performance. However, thanks to the positive effects of further productivity advances and process improvements, this rise of 21.2 percent to EUR 26,038 (21,478) million was below the rate of increase in revenue.
AUDI AG thus generated a gross profit of EUR 4,195 (2,861) million, 46.6 percent more than in the previous year.
AUDI AG succeeded in reducing distribution costs to EUR 1,947 (2,260) million in the past fiscal year, a drop of 13.8 percent, despite the substantially higher volume and numerous market launches. Lower costs from residual value risks were the one of the determining factors. There was a moderate rise in administrative expenses to EUR 179 (157) million.
The other operating result was improved marginally to EUR 1,182 (1,082) million in 2010.
The investment result of EUR 422 (150) million developed very positively, mainly thanks to increased profit transfers by the subsidiaries. The fall in net interest income to EUR –112 (183) million was principally attributable to the compounding of provisions, which needed to be reported under net interest income for the first time in accordance with the German Accounting Law Modernization Act (BilMoG).
AUDI AG therefore achieved a clear increase in its profit from ordinary business activities in the past fiscal year and posted its highest ever total of EUR 3,552 (1,850) million. This keeps the Company emphatically on the course of growth that it has been following for the past few years.
Following the first-time application of the BilMoG, there arose an extraordinary result of EUR –368 (–) million for fiscal 2010.
After deduction of income tax expense, the Company posted a profit after tax of EUR 2,010 (1,172) million for the period under review, an increase of 71.5 percent. The return on sales after tax consequently reached a considerable 6.6 (4.8) percent.

NET WORTH

AUDI AG's balance sheet total increased to EUR 19,117 (16,832) million in the past fiscal year.
Fixed assets were up on the previous year at EUR 6,743 (6,414) million as a result of capital investments in new models.
AUDI AG increased its total capital investments to EUR 2,074 (1,508) million. In allocating its financial resources the Company focused on new products and technologies. All investment measures were completed as planned.
Current assets (including deferred charges) increased substantially to EUR 12,323 (10,418) million. After the crisis-led elimination of inventories in the previous year, the dynamic business performance in 2010 meant that inventories were increased accordingly again. The rise in this line item is also due in particular to the higher amount of term money placed, as well as to higher investments in securities.
Under the BilMoG, unit-linked retirement benefit obligations were netted against fund assets for the first time in the fiscal year. The asset-side difference from the netting of assets amounts to EUR 51 (–) million.
By virtue of the EUR 586 million cash infusion by Volkswagen AG, Wolfsburg, into the capital reserve, equity (including special items with an equity portion) rose by 16.9 percent to EUR 4,047 (3,461) million in the period under review. The equity ratio for AUDI AG consequently reached 21.2 (20.6) percent.

Borrowed capital (including deferred income) were higher than the prior-year level at EUR 15,070 (13,371) million. There was a largely volume-driven increase in provisions to EUR 8,889 (8,154) million.
Liabilities rose to EUR 6,124 (5,216) million due to such factors as higher income tax obligations and the higher transfer of profit to Volkswagen AG, Wolfsburg.

FINANCIAL POSITION

AUDI AG enjoyed a substantial increase in cash flow from operating activities to EUR 3,933 (2,876) million in the past fiscal year.
In the same period, the cash used in investing activities (excluding change in securities) amounted to EUR 2,063 (1,397) million. Including cash deposits in securities, it totaled EUR 2,575 (1,438) million. The investment focus was mainly on new products and the further development of pioneering technologies in the spheres of drive technology, lightweight design and electrification.
AUDI AG again succeeded in financing capital investments for current operations entirely from its own resources and, including the change in securities, still generated an easily positive net cash flow of EUR 1,358 (1,438) million. This underlines the enduring financial strength of the Company.
The net liquidity on December 31, 2010 of EUR 8,178 (6,879) million was well up on the prior-year figure.

EUR million	2010	2009
Cash flow from operating activities	**3,933**	2,876
Cash flow from investing activities [1]	**–2,063**	–1,397
Change in securities	**–512**	–41
Net cash flow	**1,358**	1,438
Cash flow from financing activities	**–581**	–922
Net liquidity	**8,178**	6,879

1) Excluding change in securities

SOCIAL AND ECOLOGICAL ASPECTS
EMPLOYEES

Workforce

Average for the year	2010	2009
Ingolstadt plant	**31,344**	31,409
Neckarsulm plant	**12,955**	12,935
Employees	**44,299**	44,344
Apprentices	**2,123**	2,028
Workforce	**46,422**	46,372

AUDI AG employed an average of 46,422 (46,372) people in fiscal 2010.
The slight increase compared with the previous year is largely down to the one-time creation of 100 positions for apprentices.

EMPLOYEE STRUCTURAL DATA

		2010	2009
Average age	Years	**41.2**	41.0
Average length of service	Years	**17.5**	17.2
Proportion of women	Percent	**13.0**	12.6
Proportion of academics [1)]	Percent	**36.3**	35.1
Proportion of foreign nationals	Percent	**7.7**	7.9
Proportion of people with severe disabilities	Percent	**6.0**	5.7
Contracts to workshops for people with mental disabilities	EUR million	**6.2**	5.6
Frequency of accidents [2)]		**2.3**	2.4
Attendance rate	Percent	**96.4**	96.8
Savings through Audi suggestions award program	EUR million	**51.2**	51.1
Implementation quota	Percent	**57.5**	54.8

1) Proportion of indirect employees

2) The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked.

AUDI AG's human resources policy

As part of its strategic corporate plan, AUDI AG has set itself the goal of being the most attractive employer. Having already achieved top ratings in surveys of engineering and business graduates and students in Germany, AUDI AG is now aiming to secure an equivalent status in the international context.

A core attribute of an attractive employer is good relations between the company and its employees. In other words, the general and working conditions must be both conducive to a good economic performance and suitably meet the needs of employees. Furthermore, the employees' elected representatives play a major role: At AUDI AG, codetermination is regarded as the sharing of responsibility.

Job security is another key attribute of an attractive employer. The management and Works Council therefore recently agreed on a guarantee of employment for AUDI AG employees until the end of 2014. The employment guarantee enshrined in the agreement "Audi's Future – Performance, Success, Sharing" was previously valid through December 2011.

One key component of the human resources policy is that the Company's success translates into success for the employees. Bonuses averaging EUR 3,500 per employee were therefore paid out in 2010. These bonuses included a one-off special payment of EUR 1,200, which was made in June 2010 in recognition of the exceptional dedication shown by employees throughout the global financial and economic crisis. Last fall the management and Works Council moreover agreed to bring forward the collectively negotiated pay increase from April 2011 to February 2011.

Regular surveys serve to confirm that employee satisfaction is very high. In addition, numerous external surveys have attested that AUDI AG is a highly attractive employer.

Top ratings in attractiveness surveys

In 2010 AUDI AG emerged from the attractiveness surveys conducted by the consultants trendence ("trendence Graduate Barometer 2010 – Business and Engineering Edition," May 21, 2010) and Universum ("Universum Student Survey 2010 – Germany," May 3, 2010) as the most popular employer in Germany. AUDI AG became the first company ever to achieve a quartet of first places by topping the categories "Engineers" and "Economists" in both studies. Compared to the previous year's findings, AUDI AG gained ground most notably among economists – in 2009 the Company had only come fourth (Universum) and second (trendence) among that group. Among engineers the Company retained top spot, giving it three wins in a row.

In a Universum study of engineers already in employment, AUDI AG again came first in the survey to find the most attractive employer ("The German Professional Survey 2010," December 6, 2010).

Health, job and family

The corporate benchmarking study “oekom Industry Report Automobile” published in 2010 awarded AUDI AG the top grade of A+ in the categories “Work-Life Balance” and “Health and Safety” (“oekom Industry Report Automobile,” April 2010). The subject of this rating report, in which a total of 15 carmakers from the United States, Europe and Asia participated, was management sustainability. AUDI AG’s positive results for the above criteria are down to its programs designed to steadily improve ergonomics, a very high standard of health and safety at work, and the wide-ranging options for flexible working hours and health protection.
The Company has further stepped up its preventive measures since summer 2006. By the end of 2010, for example, a total of around 30,000 employees had taken a voluntary health check-up. This thorough preventive health check can be taken during working hours and includes lab tests and an in-depth consultation with a physician.
The number of Audi employees taking up the option of parental leave rose to around 900 (780) in the period under review. The popularity of parental leave has thus gradually increased since its introduction in 2001. The length of parental leave taken by AUDI AG employees averages 12 months. 79 percent of the men entitled to parental leave take advantage of this arrangement.

Training and advancement

788 young people started apprenticeships at AUDI AG in September 2010. Behind this record figure lay the pledge made by the Company in the previous year – when the Audi brand celebrated its 100th anniversary – to create an additional 100 positions for apprentices. As of the end of 2010 there were slightly more than 2,350 apprentices at the two German locations Ingolstadt and Neckarsulm, spanning about 20 different vocations. The figure includes around 100 young people embarking on a sandwich course leading to the entrance qualification for a university of applied science. In parallel with training as an automotive mechatronics engineer, electronics engineer for automation technology or tool mechanic, they can acquire a subject-specific university entrance qualification.
The StEP scheme (Study and Experience in Practice) is a program offered by AUDI AG combining vocational training with studies of a technical subject. To accommodate the double number of school-leavers produced by the introduction of the higher school-leaving certificate after 12 school years, the Company is to double the number of places available. For the extra places in the StEP program, priority will be given to school-leavers from those federal states where there will be a particularly high number of young people commencing their studies as a result of the elimination of the thirteenth high-school year.
In March 2010 the first graduates of the new “Automotive technology electrician” qualification received their certificates. The concept for certifying further training was developed by experts from AUDI AG in partnership with IHK Akademie München in response to the electrification of the driveline. The qualification, which takes a maximum of eight weeks, centers on working with high-voltage technology and health and safety at work. From the 2010 intake on, this qualification is integrated into the apprenticeship for automotive mechatronics engineers at AUDI AG. All apprentices are furthermore receiving training in hybrid technology and electric mobility.
The topic of lightweight design is likewise extensively covered during vocational training. Additional course content on new joining techniques and combinations of materials has been added for existing vocations. The new vocation of foundry mechanic is a new addition to the training range.
In the sphere of further training, diverse qualification projects were held in 2010 in preparation for model launches. In view of the growing complexity of products and technologies and the increased number of launches to be handled over the next few years, a new process was adopted for this. It has already been implemented for launch training for the new Audi A8, A7 Sportback and A6 models at Neckarsulm.

AUDI IN SOCIETY

Donations by employees and Company reach record level

In 2010 the Christmas fundraising campaign brought in EUR 770,000 – the highest amount since it was introduced in 1977. 99 percent of employees at Neckarsulm and Ingolstadt contributed towards the campaign, with the total topped up by the Company. Charities and organizations in the regions around these two Company locations were the beneficiaries of the fundraising campaign, which was pioneered by the Works Council.
Audi employees also raised funds to help the victims of the natural disasters in Pakistan and Haiti. Along with other fundraising campaigns and a donation of EUR 500,000 by the Company to help those affected by the chemical accident in western Hungary, the total amount raised by the employees and management at AUDI AG was EUR 1.8 million.

Additional research partnerships

Last year AUDI AG built on the research partnerships it has been establishing since 2003 by establishing ties with new partner universities and providing the funding for professorships. The partnership with the renowned Tongji University of Shanghai in the field of electric drive development was sealed at an event attended by the Chinese Minister of Science and the Chairman of the Board of Management of AUDI AG, Rupert Stadler. The first project for the "Audi Tongji Joint Lab" is to develop an electric driveline for the Chinese-built Audi A6 L with long wheelbase. Heilbronn University became a new research partner of the existing Audi Neckarsulm University Institutes in April 2010. This new research partnership will be working mainly in the research fields of engine development and lightweight design. A new research partnership with the Universität der Bundeswehr (University of the Federal Armed Forces) in Munich will concentrate on the subject areas of leadership and electric mobility.
In addition, the Company funded its first endowed chair and guest professorship in 2010. AUDI AG joined forces with Stifterverband für die Deutsche Wissenschaft, a German industry initiative promoting science and learning, to set up a five-year professorship in the area of "Acoustics and Technical Mechanics" at Ingolstadt University of Applied Science, because vehicle acoustics is increasingly becoming a differentiating feature particularly in the premium car market. At the Catholic University of Eichstätt-Ingolstadt, AUDI AG is funding a three-year guest professorship for "International Trends in Economics and Research." The first incumbent of this post, in summer 2010, was a Chinese economics professor from the Sun Yat-sen Business School in Guangzhou.
AUDI AG organized its own series of lectures last year under the banner of "Hands-On University," where lecturers from partner universities presented the latest findings from their research (INI. and HIN. seminar). Together with the partners Friedrich-Alexander University Erlangen-Nuremberg, the University of Stuttgart and the Karlsruhe Institute of Technology (KIT), the Company also offered half-day advanced events (INI. and HIN.JUGEND.KOLLEG), which introduced school students from eighth to tenth grade to the world of technology. A total of over 2,000 school students and adults attended the "Hands-On University" in 2010.
Last summer AUDI AG was also involved in setting up the University Foundation of the Technical University of Munich, in the capacity of institutional benefactor. The purpose of the foundation is to provide both moral and material support for research and teaching at the Technical University of Munich, including in the form of funding for outstanding students and lecturers.

LOCATION-BASED ENVIRONMENTAL ASPECTS

As a company that operates worldwide, AUDI AG actively embraces the principle of social responsibility. The idea of sustainable management, resting on ongoing efforts to reconcile economy and ecology, is therefore an integral aspect of the corporate strategy. AUDI AG recognizes the importance of maximum efficiency and the preservation of resources in every area of the Company and is consequently a pioneer of location-based environmental protection in the automotive industry. Environmental compatibility is thus a fundamental consideration in the development and production of an Audi vehicle. As well as continually implementing measures to improve the

efficient use of resources, AUDI AG exercises its environmental responsibility 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 renewed participation in now the fourth Bavarian Environmental Pact emphasizes how AUDI AG'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.

Accreditation

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 testify to these ongoing efforts. In recognition of its environmental activities, the Company bears the European Union's symbol of environmental excellence as a mark of its efforts to protect the environment. All AUDI AG locations are thus validated under 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 for its Neckarsulm location. The Ingolstadt production plant followed in 1997, and is moreover certified according to the worldwide DIN EN ISO 14001 standard. In addition, the environmental management systems of the Ingolstadt and Neckarsulm plants already satisfy the new European standard DIN EN 16001, which sets particularly ambitious targets for the gradual, systematic reduction of energy consumption.

Emissions reduction and resource efficiency

Environmental activities place particular focus on reducing energy consumption and related emissions; the potential for saving energy is already taken into account in the planning phase. AUDI AG has set itself the overall goal of reducing location-based and company-specific CO_2 emissions by 30 percent by 2020, against the base year of 1990, through a wide range of ongoing measures.

As well as infrastructure and logistics, the production and supply facilities are key areas offering scope for permanent efficiency gains. For example, when the engine test benches at Neckarsulm are running, they can generate power for use at the plant by being connected to generators. The use of an extra-light body manufacturing tool made largely from carbon fiber and developed by the Audi Toolmaking Shop cuts power consumption by around 43 percent compared with a conventional tool. The adoption of innovative joining techniques in body manufacturing, such as spot welding, laser welding and bonding techniques, also cuts consumption of operating materials and energy. 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 furthermore proved very successful. The district heating contract for the Ingolstadt plant concluded in 2009 means that the amount of waste heat from neighboring industrial enterprises being used will continue to rise in the future.

Environmental protection activities

Amid the international drive to implement a sustainable environmental policy, AUDI AG gave an important lead in fall 2009 by establishing the charitable environmental foundation "Audi Stiftung für Umwelt GmbH." 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 of the first projects of the newly established foundation involves providing 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 CO_2 and for biodiversity on the other. AUDI AG had already paved the way for the project in 2008 in planting around 36,000 English oaks in Kösching Forest, not far from the headquarters in Ingolstadt, in partnership with the Bavarian State Forestry and the

Chair of Forest Yield Science at the Technical University of Munich. Most recently, an additional 10,000 trees were planted near the Audi Neckarsulm plant in late November 2010.

Audi vehicles shipped using green power
AUDI AG has been using resource-saving logistics for many years now. Up to 70 percent of all vehicles are shipped to their destination on freight trains. Ingenious systems help to make optimum use of the packaging and transport facilities. In August 2010, AUDI AG became the first company in Germany to ship its cars from its headquarters in Ingolstadt to Emden, the port of loading on the North Sea coast, by trains running on power generated from renewables. In becoming the first company to use green power for freight traffic and as a development partner of DB Schenker, the transport and logistics division of Deutsche Bahn, Berlin, AUDI AG yet again underscores its pioneering position in the automotive industry.

Use of renewables
As well as taking measures to reduce its consumption of energy and resources, AUDI AG is mindful of how energy is sourced and therefore eager to increase its use of renewables. One such example is its collaboration with Green City Energy GmbH, Munich. AUDI AG allowed the energy service provider to install photovoltaic modules for power generation on various roofs at the Ingolstadt factory site, initially over an area of 11,600 square meters.
Photovoltaic modules covering a further 7,500 square meters of the new body shop for the Audi A3 were subsequently installed in 2010, bringing the total area set aside for this technology to around 19,000 square meters. The newer modules bring the total yield of all photovoltaic systems at the Ingolstadt plant to around 1,500 MWh per year. Around one-third of this is used directly in situ, reducing transmission losses. As well as new charging stations for electric cars, various production machinery will use this green power.
A photovoltaic plant comprising 10,700 modules was also installed on the parking lot roofs at the Neckarsulm plant in October 2010 to generate power from the sun's rays.
Furthermore, in April 2010 AUDI AG entered into a partnership with the industrial initiative Dii GmbH, Munich, whose long-term goal is to transform the DESERTEC vision into reality. This vision describes the prospects for capturing solar and wind power in desert regions to supply Europe, the Middle East and North Africa.

Emissions trading
The European Union assumed a pioneering role in matters of climate protection when it introduced the CO_2 emissions trading scheme in 2005. The second trading period (2008 to 2012) in which the Ingolstadt and Neckarsulm manufacturing plants are participating already began in 2008. Thanks to the early adoption of measures to improve energy efficiency and the targeted reduction of emissions, AUDI AG does not currently expect to incur any costs from emissions trading in this second trading period.

PRODUCT-BASED ENVIRONMENTAL ASPECTS

Future mobility
For many years the Audi brand has been steadily helping to define efficiency standards in automotive manufacturing through its wide range of innovations. The Company advocates a diversified concept based on a variety of technologies and energy sources, so that customers can choose the option that best meets their individual requirements from a wide range of drive technologies.

For the time being, the combustion engine will remain the principal drive assembly. The Audi brand will therefore systematically optimize its TDI and TFSI engines by consistently implementing advanced technologies from its modular efficiency platform, and thus build on its success. The Company is also investigating the scope for further reducing CO_2 emissions through the use of biofuels. Over the next few years hybrid drive in particular will play a major role in preparing the way for electric travel – two Audi-brand full hybrids in the shape of the Q5 hybrid quattro and the A6 hybrid are set to appear from 2011 and early 2012 respectively. In unveiling e-tron studies illustrating various different technical concepts in 2010, the Company also demonstrated that developments in electric mobility have advanced by leaps and bounds (cf. "Electric mobility" under "Research and Development," p. 260 f.). By blending sportiness, dynamism and driving pleasure with an efficient form of travel, the Audi brand will continue to live up to its claim to technology leadership.

Hybrid models

The Audi brand will be launching its first hybrid model, the Audi Q5 hybrid quattro, in 2011, to be followed by the Audi A6 hybrid at the start of 2012. As full hybrids, these two vehicles can drive on their combustion engine, on solely their electric motor or in the hybrid mode. Moreover, during retardation phases they recover energy, and activate both the engine and the electric motor simultaneously when accelerating rapidly.
This enables them to travel at a speed of up to 100 km/h purely electrically – with a range of up to three kilometers at a constant 60 km/h.
The two drive units, a 2.0 TFSI and an electric motor arranged one directly after the other in a parallel hybrid system, produce extremely dynamic road performance with a system output of 180 kW (245 hp) and 480 Nm system torque. The average fuel consumption and the combined CO_2 emissions of the Q5 hybrid quattro are 6.9 liters of premium-grade fuel and 159 g CO_2/km. The A6 hybrid, too, achieves standard average consumption of 6.1 liters of premium-grade fuel per 100 kilometers, equating to CO_2 emissions of 142 g/km (fuel consumption and emissions figures provisional).
In the course of 2012, the A8 hybrid will also go on sale; this model was already showcased as a technology study at the Geneva Motor Show in early 2010.

Modular efficiency platform

The innovative technologies that constitute the modular efficiency platform play an important part in improving fuel efficiency and cutting CO_2 emissions in all Audi brand vehicles. The steadily growing range encompasses various efficiency modules that have already been adopted as standard features in numerous Audi models. The technologies are continually being refined – for instance the start-stop system became available for automatic as well as manual models in fiscal 2010.

Predictive gearshift strategy

Advances in transmission technology, under the umbrella of the modular efficiency platform, likewise improve efficiency. Transmission functions have already previously been improved by incorporating information from other sensors and control units – for instance, the driver can now see on a gear-change indicator how best to time gearshifts from an efficiency viewpoint.
A new feature is that route data from the navigation system is now evaluated in order to optimize changes of gear. This supplementary information for example avoids unnecessary upshifts just before a curve, promoting an altogether more economical driving style. The "predictive gearshift strategy" was adopted for the first time in 2010 in the 8-speed tiptronic in the new Audi A8.

Aerodynamics

Vehicle aerodynamics are another important element of the modular efficiency platform because tractive resistance has a major impact on efficiency. Much effort was again made to ensure that the models launched in 2010 exhibited good aerodynamics:
The new Audi A7 Sportback is among the best in its category for aerodynamics, with a drag coefficient (Cd) of 0.28. The Audi A6 unveiled at the end of 2010 is also aerodynamically outstanding. With a drag coefficient of 0.26, the new Audi A8 is moreover the most aerodynamically efficient luxury-class vehicle in the world.
Low aerodynamic driving resistance combines with other efficiency measures to produce outstanding fuel consumption and CO_2 emissions.

The "efficiency" mode in Audi drive select

The "efficiency" mode is available for the first time in the driving dynamics system Audi drive select in the new-generation Audi A6. The new driving mode promotes a consumption-optimized driving style that brings together the individual vehicle systems such as engine, transmission, suspension and air conditioning to realize an efficiency gain of up to 13 percent. Thanks to its integration into Audi drive select, it is activated conveniently simply at the push of a button.

Core competence of lightweight design

Vehicle weights have spiraled upwards in recent years, above all as a result of new statutory requirements and rising comfort and convenience expectations. Because fuel consumption falls by about 0.3 liters per 100 kilometers for every 100 kilograms of weight saved, reversing this spiral is a vital aspect of improving efficiency. Lightweight design is also becoming ever more important as electric mobility takes shape, because the heavy battery's weight needs to be compensated for.
Lightweight automotive design is traditionally a forte of the Audi brand – the Company already pioneered developments in this field over 15 years ago when it launched its Audi Space Frame technology (ASF). Today, AUDI AG implements an intelligent approach to lightweight design that centers on using the right materials at the right points in order to reverse spiraling weights. As well as aluminum, a wide range of other materials such as high-strength steels, magnesium and fiber-reinforced plastics are used.
The body harbors considerable potential for weight savings. Over 600,000 vehicles with bodies built using the ASF principle – and made entirely from aluminum or from a composite aluminum design – have been manufactured and delivered to customers since 1994. In fall 2010 the all-aluminum body of the new Audi A8, which is around 40 percent lighter than an equivalent steel structure, received the renowned "EuroCarBody Award" declaring it the most innovative volume-production body ("Euro Car Body 2010," October 21, 2010). The body of the new Audi A6, again a hybrid aluminum construction, is around 15 percent lighter than a conventional steel design. Despite its improved comfort and convenience features and enhanced safety technology, this model thus weighs as much as 80 kilograms less than its predecessor.
Considerably greater use will be made of fiber-reinforced plastics in the future. The models of the R8 car line, for example, already feature not just design components, but also exterior skin elements and supporting structural components withstanding high mechanical loads made from carbon-fiber-reinforced plastic (CFRP). In addition, the volume use of fiber-reinforced plastics as well as suitable production methods are being propagated at a specially established facility at the Lightweight Design Center in Neckarsulm.

Efficiency modules launched: A7 Sportback and A6

In the A7 Sportback and the new A6, the Audi brand has again achieved the goal of blending a dynamic driving feel with good fuel economy by using a large number of items from the modular efficiency platform.
The systematic application of lightweight design for the body, engine and transmission has reduced the vehicle weight, for example. Highly efficient automatic air conditioning, innovative thermo-management, the start-stop system and energy recovery furthermore result in excellent energy management.

Aerodynamic measures and low-resistance tires also help to improve efficiency. On-demand control of ancillaries, electromechanical power steering and the use of assistance systems have likewise helped to improve fuel efficiency and CO_2 emissions.
The combined effect of these measures is that the front-wheel-drive version of the A7 Sportback with the new-generation 3.0 TDI engine developing 150 kW (204 hp) achieves average fuel consumption of only 5.3 liters of diesel per 100 kilometers, which translates into emissions of 139 g CO_2/km. Likewise the new A6 Sedan with front-wheel drive and developing 150 kW (204 hp) uses just 5.2 liters of diesel over 100 kilometers, representing CO_2 emissions of 137 g/km. The even more sporty version of the six-cylinder model with an output of 180 kW (245 hp) and quattro drive manages on a mere 6.0 liters per 100 kilometers in both the A7 Sportback and the new A6, amounting to emissions of 158 g CO_2/km.

Second generation of 3.0 TDI engine

The second generation of the 3.0 TDI engine brings many new features that optimize its output and efficiency. The most outstanding features of the six-cylinder engine with a displacement of 3.0 liters are its low weight, low friction and modern cooling concept. These attributes and the way they combine with other items from the modular efficiency platform produce outstanding fuel efficiency and CO_2 emissions.
The 3.0 TDI engine is used in a variety of Audi models, its output ranging from 150 kW (204 hp) to 184 kW (250 hp). Alongside the A7 Sportback and the new Audi A6, it appeared in the Q7 family in fall 2010, for example. The new Audi Q7 3.0 TDI quattro with an output of 150 kW (204 hp) has average fuel economy of 7.2 liters of diesel per 100 kilometers, corresponding to 189 g CO_2/km. This particularly efficient engine version will also become available in the Audi A8. With an output of 150 kW (204 hp), the A8 Sedan with front-wheel drive consequently averages only 6.0 liters of diesel per 100 kilometers and achieves emissions of 158 g CO_2/km.

Models below 140 g CO_2/km

Thanks to the use of efficiency technologies from the modular efficiency platform, numerous Audi models with powerful TDI and TFSI engines already achieve fuel economy figures that prove there is no inherent contradiction between sportiness and efficiency.
The Audi brand has thus significantly increased the number of models with CO_2 emissions below 140 g/km in recent years. At the end of 2010 it already had 52 engine versions in this bracket, one-third of which actually achieved CO_2 emissions of less than 120 g CO_2/km.
As well as economical TDI engines, these efficient models include many TFSI versions. For example the powerful 1.4 TFSI engine in the Audi A1 with an output of 90 kW (122 hp) and S tronic transmission uses a mere 5.2 liters of premium-grade fuel per 100 kilometers and therefore emits 119 g CO_2/km.

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.

RISKS, OPPORTUNITIES AND OUTLOOK

RISK REPORT

The risk management system within AUDI AG

Further development of risk management

AUDI AG's entrepreneurial activity naturally entails risks as well as opportunities. For this reason, AUDI AG has operated a Company-wide risk management system for many years. It has proven invaluable particularly in the wake of the global financial and economic crisis. Thanks especially to its ability to identify potential risks early on and take appropriate countermeasures, the Company has succeeded in generating a clear profit even throughout the most severe economic crisis of the post-war era.

Along with the passing of the German Accounting Law Modernization Act (BilMoG), the statutory framework for risk management in Germany became even more tightly regulated. The rapid, drastic downturn in economic activity in the crisis followed by an immediate recovery furthermore suggests that there will be growing volatility in global markets in future. This makes it more difficult for companies to draw up long-term plans and forecasts, which are consequently significantly less reliable.
AUDI AG has comprehensively responded to this development and installed a central risk management system in the past fiscal year, over and above its non-central risk organization.
The objective is to identify the many risks inseparably associated with the Company's business activities as early as possible in order to minimize or eliminate them, amid an increasingly difficult environment. Entrepreneurial risks are deliberately taken only where they are controllable and commensurate with the anticipated benefit from that business activity.

Risk management approach

The operational tasks involved in risk management continue to be implemented in the business processes through non-central organizational processes at the individual divisions. The additional function of Central Risk Management acts as partner to the non-central risk managers and passes processes and standards on the identification and evaluation of risks. It also monitors the effectiveness of the risk management instruments used non-centrally (internal controlling system) and ensures that they are continually optimized. At the same time Central Risk Management observes and analyzes developments in the Company's environment in respect of changing or new risk indicators and thus endeavors to ensure that preventive measures are implemented early on by the risk managers.
This broad-based policy is designed to increase risk transparency and risk awareness at the Company. An ongoing structured dialog between Central Risk Management and the non-central risk managers seeks to boost the effectiveness of the early warning system for risks. Meanwhile this continuing dialog promotes an open risk culture within AUDI AG.
Greater transparency makes it easier to manage risks effectively and promotes the stability of the business model. It thus helps to ensure that the strategic corporate objectives are achieved.
Central Risk Management, together with the compliance organization, reports to the Board of Management and Supervisory Board on an ongoing basis and thus supports the strategic decision-making process in the Company. The risks identified within AUDI AG and the corresponding countermeasures adopted are an integral part of corporate planning and management.

Integrated internal control and risk management system for the financial reporting process

Particular importance is attached to the integrated internal control and risk management system for the financial reporting process.
The aim of this control system is to minimize the risk of misstatements both in the bookkeeping and in external reporting. The internal control process for financial reporting purposes for the Financial Statements of AUDI AG thus comprises those measures that ensure the prompt, complete and accurate communication of the information needed for the preparation of the annual financial statements and management report.
The Financial Statements of AUDI AG are prepared in accordance with the requirements of German commercial law. These and other accounting standards thus regulate in detail both the reporting scopes for AUDI AG that are to be included in the annual financial statements, and the application of statutory requirements.
A clear separation between spheres of responsibility and use of the "dual control principle" as well as plausibility checks are other significant instruments of control that serve as the basis for the preparation of the financial statements. The internal Auditing Department in addition conducts examinations to support the internal control process for financial reporting purposes.

The SAP ERP system used at AUDI AG integrates various business administration applications for the Company's Finance and Accounting Departments. The Finance module satisfies the statutory requirements for the Accounting Department. The integrated data flow simplifies the business decision-making process to a very great extent.
Prompt processing of all business transactions ensures that accounting is complete and reconciled. A key aspect is that the central component of the general ledger contains evidence of all business transactions. Documentation of the individual transactions is available at various levels in the form of vouchers, individual items and movements.
For consolidation purposes, the Volkswagen Consolidation and Corporate Steering System (VoKUs) has been used by the AUDI AG Accounting Department since 2010.

Risk documentation

The risk exposure of AUDI AG is documented in line with the statutory requirements. Appropriate risk surveys are sent out by Central Risk Management to the risk managers of the individual divisions from which considerable risks to the Company could spread.
For each identified individual risk the probability, an assessment of the potential loss, the risk management instruments and their effectiveness are determined.
The plausibility and appropriateness of the risk reports are examined by Central Risk Management. Talks involving the independent auditors are also held on a case-by-case basis. Based on the risk reports, Central Risk Management compiles a risk profile for AUDI AG.
In their examination the independent auditors assess whether the Board of Management has taken the measures incumbent upon it as defined in Section 91, Para. 2 of the German Stock Corporation Act (AktG) in an appropriate manner, and whether the monitoring system to be set up under this act is fit for purpose.
AUDI AG thus satisfies the requirements of German corporate governance legislation (KonTraG). The requirements under KonTraG are furthermore gradually incorporated into reporting to comply with the new German Accounting Law Modernization Act (BilMoG).

Ongoing examination and refinement

The processes of the internal control and risk management system at AUDI AG are continually being revised and optimized. The recommendations of internal audits and the independent auditors are also incorporated, as independent bodies monitoring their correctness and effectiveness.

Individual risks

The business activities of AUDI AG involve a wide variety of risk areas, which are explained in greater detail below. The risks described relate to the period 2011 to 2013.

Economic risks

As a globally active company, AUDI AG is highly dependent on the development in the global economic framework. The sales markets that are of major importance to the company – Europe, North America, China and Japan – are especially relevant in this respect.
In the past fiscal year the global economy recovered with surprising vigor from the consequences of the global financial and economic crisis. The performance of individual car markets was distinctly mixed and volatile. Whereas car markets particularly in Asia, Latin America and the United States achieved high growth rates, demand in Western European auto markets remained predominantly slack. The expiry of state aid programs in various Western European countries proved a particular burden. Although premium manufacturers were only marginally affected by the impact of state aid, demand for premium-segment vehicles remains exposed to certain risks because of the high volatility in car markets that has been observed.

AUDI AG performed exceptionally well amid this environment and posted new record levels of vehicle deliveries and profit.
One major factor behind this success has been the Audi brand's young, attractive product range. Another has been the extensive, sustained measures implemented by the Company in the past to improve costs and processes, optimize structures and reduce fixed costs in order to respond more flexibly to major fluctuations in demand.
Furthermore, AUDI AG 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. Additional flexibility is created by its ability to transfer production between the various locations under the production turntable principle and the effective use of timebanking.
The development of international raw materials markets presents a further risk for AUDI AG. All raw materials markets of relevance for the Company are continually monitored in order to secure adequate supplies of production materials and minimize the cost risks. In addition, comprehensive hedging strategies are implemented.
As a car manufacturer, the development in the crude oil price is moreover hugely significant to AUDI AG. An unremitting rise in the price of oil, coupled with higher production and energy costs for the Company, could also lead to rising fuel costs. This would then potentially make customers more reluctant to buy cars. AUDI AG has already responded promptly by steadily optimizing conventional drive systems, implementing far-reaching efficiency measures on vehicles and developing alternative fuels and new drive concepts such as hybrid and electric vehicles. The Company is already able to offer its customers a wide range of vehicles that are ideal for those eager to drive particularly efficient, progressive automotive concepts.
As a company with worldwide operations, AUDI AG generates a large portion of its revenue in foreign currency. This exposes it to unforeseeable exchange rate fluctuations in the euro, which could adversely affect net profit. The main foreign exchange risks involve the pound sterling, the Japanese yen and the U.S. dollar. To counter these risks, AUDI AG employs appropriate hedging instruments to an economically reasonable extent and in close, continuous consultation with the Volkswagen Group.
Other risk factors constitute 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 AUDI AG's business performance by undermining economic activity or international capital markets. AUDI AG restricts such risks by preparing emergency plans and taking out adequate insurance cover.

Industry risks

Now that the financial and economic crisis has been overcome, the situation on international financial markets has further eased. There has been a marked improvement in access to borrowed capital and banks' elevated risk surcharges for large sections of the automotive industry. Thanks to AUDI AG'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 without needing recourse to external financial resources.
Along with the sharp rise in global demand for cars, the situation in the used-car market has likewise improved substantially. This has ultimately had a positive effect on the measurement of residual value risks. Thanks to AUDI AG'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 by the residual value committee when concluding vehicle financing is effective in mitigating risks. In the absence of a dramatic deterioration in the situation on the used-car market, AUDI AG assumes that the risks from sales of used cars are adequately covered.

The generally more difficult conditions in the automotive industry have engendered increased predatory competition, characterized by the growing use of sales subsidies. This may result in price erosion and higher marketing costs particularly in the Company's key sales regions of Europe, the United States, China and Japan, which would in turn adversely affect its revenue and earnings performance. Any trend among direct competitors towards reducing prices will likewise undermine revenue and profit, because AUDI AG will be unable to entirely ignore such practices in the long term. Moreover, potential state subsidies for individual manufacturers or vehicle categories could distort competition, thereby having a major adverse effect on the financial position of AUDI AG.
A further major challenge for the entire automotive industry stems from the growing pressure to reduce the fuel consumption and emissions of vehicles.
For example, various legal requirements are being discussed and introduced in various parts of the world, such as CO_2 limits. Furthermore, a protracted public debate could adversely affect the image of all manufacturers and so ultimately be to the detriment of AUDI AG's financial performance. In addition, the heightened sensitivity of customers to environmental acceptability and fuel economy means that a permanent shift in the demand profile in individual markets towards smaller vehicles cannot be excluded.
AUDI AG is prepared to tackle this challenge, and not only through the expansion of its product range to include smaller models like the Audi A1. It has employed a wide range of technological innovations in the fields of drive technology, lightweight design, aerodynamics and energy efficiency to improve the fuel economy and CO_2 emissions of the entire vehicle fleet quite substantially over the past few years. The Company is also intensively researching alternative fuels and will respond decisively to its customers' desire for sustainable mobility by developing advanced hybrid and electric vehicles.

Risks from operating activities

Through its operating activities AUDI AG is exposed to a number of risks that could lastingly affect its net worth, financial position and financial performance.
These include, most notably, events with serious consequences such as explosions and major fires which destroy or damage the Company's assets but also hinder the production process. Major production problems could also be precipitated by disruptions to the energy supply or technical disruptions, in particular to information technology.
Although such risks tend to harbor considerable potential for losses, their probability is viewed as being relatively low. AUDI AG counteracts these risks through preventive measures, such as fire protection systems and emergency plans, company fire departments and health centers, as well as through adequate insurance coverage. The high flexibility of the Audi production network makes it possible to move production capacity to other locations and thus additionally reduces the risk.
Delivery delays or non-delivery by suppliers and logistics providers as a result of tool breakage, emergency losses and strikes represent a further potential source of disruptions to the production process. The financial and economic crisis has moreover led to growing financial problems at individual suppliers and dealers, in some cases leading to their insolvency. AUDI AG limits such risks by implementing detailed supplier selection, monitoring, steering and supporting processes.
There is evidence of increasingly close partnerships between manufacturers and suppliers in the automotive industry. As well as bringing economic advantages, this trend is creating greater dependence and is gaining added momentum from the exclusive use of innovative technologies created by globally active suppliers. In order to protect itself against the risks that this trend is creating, AUDI AG for example defines appropriate contractual terms or retains title over tools used by third-party companies.

As an innovative carmaker, AUDI AG is gradually broadening its model range and entering diverse new product segments. The Company is also continually adopting new technologies such as production methods, assistance or safety systems and drive concepts in volume production. The entire decision-making process for new products and technologies is based on careful planning and extensive market research. In spite of these comprehensive preparations, the market success of new products and technologies cannot always be taken for granted.
The development of new products and technologies moreover goes hand in hand with many other potential risks. In addition to delays and changes to the product at short notice, these include the loss of expertise to service providers outside the Group. AUDI AG protects itself against this risk by methodically safeguarding its intellectual proprietorship of core competences and consciously selecting reliable system partners.

Legal risks

The current legal framework is the basis for all activities by the corporate bodies, management personnel and employees of AUDI AG. The Company takes a larger number of measures to ensure that all actions taken are lawful. For example, codes of conduct are handed out to all employees and regular employee training on new legal requirements is offered.
In light of the growing complexity of legal requirements, the expansion of business activities and AUDI AG's high international spread, there is nevertheless an increasing risk of unwittingly and therefore unintentionally acting unlawfully. In addition, it is impossible to rule out deliberate misdemeanors by individual persons.
The compliance organization within the Company was further expanded in the past fiscal year in order to actively counter these risks.
As a manufacturer of premium vehicles, AUDI AG has set itself the objective of comprehensively satisfying its customers' high quality expectations. Like every company, it is impossible to exclude product liability claims altogether. These can have major financial consequences, particularly if they lead to lawsuits in the U.S. market. In addition the Audi brand's image can come to considerable harm, permanently undermining the financial performance of the Company. AUDI AG counteracts this risk through effective, systematic quality management and by assuring the high quality standard of its products. Furthermore, insurance cover is taken out and provisions are created to guard against product liability risks.
AUDI AG is not currently involved in any legal or arbitration proceedings that could have a lasting impact on the economic position of the Company.

Personnel risks

The success of AUDI AG, as a manufacturer of technologically pioneering, high-quality premium vehicles, will continue to hinge on the high commitment and qualifications of its specialists and managers. Targeted human resources development and further training for the workforce are therefore a focal area of human resources management. As an attractive employer, AUDI AG moreover occupies an excellent position amid intense competition to recruit well-qualified employees, and its comprehensive in-house training program actively helps to create resources of junior personnel.
AUDI AG seeks to minimize a potential loss of expertise through fluctuation or partial early retirement by creating high employee satisfaction, implementing wide-ranging, demand-based incentive systems and applying intensive skills management. These involve in particular the systematic transfer of knowledge from departing experts and managers to their successors.
The demographic change observed in Germany, which has an aging, shrinking population, presents all companies with a major challenge. AUDI AG identified this long ago and took prompt initiatives in order to counter this development correctly. 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. They also include in-house preventive health care programs and strengthening employee awareness about taking responsibility for their own financial future.

Information and IT risks

A key success factor behind ongoing, sustainable productivity advances is efficient, cost-effective processes and information technologies that meet the business requirements of AUDI AG. Moreover, the ready availability of data and information flows across all locations is of growing importance in keeping procedures throughout the Company swift and efficient. At the same time the growing prevalence of electronic networks does, however, harbor potential information and IT risks, which could have a lasting impact on financial performance.
The principal risks are the failure of important IT systems within the value chain, unauthorized access to the system, and the creation of heterogeneous system landscapes.
These risks are largely mitigated through stable, highly available IT infrastructures. Furthermore, Company-wide security standards play a major role in assuring high continuity in internal processes and protect the Company against external intervention.

Financial risks

AUDI AG is exposed to financial risks through its business activities. These comprise market price risks such as from interest rates and raw material prices, as well as issuer 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 special relevance.
Further 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 provided in the Notes in "Additional disclosures" under Section 34 "Management of financial risks," and constitutes part of this Management Report.

Overall assessment of the risk position

Although worldwide demand for cars has recovered much more quickly than expected from the consequences of the global financial and economic crisis, the further fortunes of the industry remain very difficult to predict. In particular, the fact that the performance of car markets worldwide is expected to remain both volatile and heterogeneous represents a substantial risk to all businesses in the automotive industry.
However, on the basis of all known circumstances and facts, no risks currently exist that could endanger the Company's survival in the foreseeable future.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events of material significance after December 31, 2010.

REPORT ON EXPECTED DEVELOPMENTS

Anticipated development of the economic environment

General economic situation

AUDI AG believes that the upturn in the global economy will continue in 2011. The emerging countries of Asia and Latin America will make dynamic progress, while the pace of growth in many industrial countries will remain slow.

AUDI AG estimates that most Western European countries will enjoy moderate economic growth in 2011. Germany's stable upward trend in the business cycle will be maintained, though with slightly less vigorous growth. Export activity is likely to decline somewhat, while domestic demand will become more solid thanks to rising corporate investment and stronger consumer spending. A further improvement in the labor market will have a positive influence.
The economic performance of Central and Eastern European countries is likely to gain increasing momentum in 2011. Russia in particular will benefit from rising demand for raw materials and achieve strong economic growth.
In the United States, economic growth should be slightly higher than in the previous year. Nevertheless, consumer spending is expected to deliver only little impetus for overall economic activity due to the continuing tight state of the labor market and high levels of household debt.
AUDI AG estimates that in Latin America economic growth will be down on the previous year in 2011. In international terms, however, the region's economies continue to expand at above-average rates.
AUDI AG believes economic growth in emerging Asian countries will remain dynamic in 2011. The Chinese economy is likely to expand by a similarly steep rate as in the previous year. The Indian economy, too, will be a strong performer. By contrast, AUDI AG expects to see a marked weakening of growth in the Japanese economy.
AUDI AG moreover expects that the global economy will remain buoyant in 2012. There is likely to be continuing variation in economic vigor between individual regions.

The car industry

AUDI AG expects to see car markets globally put in a mixed performance in 2011. All sales regions worldwide, with the exception of Western Europe, will register rising demand for new vehicles. However, the pace of growth in Asian and Latin American markets will be slower. Overall, demand for automobiles worldwide will be bolstered by the upturn in the global economy and will grow further.
AUDI AG estimates that in Germany, the car market will gradually return to normal in 2011, after experiencing major fluctuations in the previous two years as a result of the temporary introduction of the government environment bonus. AUDI AG therefore expects the current year to bring a moderate recovery compared with the low level of 2010.
On the other hand, new car registrations elsewhere in Western Europe, but especially in major markets such as the UK and France, will be down. Factors adversely affecting demand include the expiry of government incentives and consumer reticence against the backdrop of the sovereign debt crisis in certain EU countries.
The car market in Central and Eastern European countries will enjoy better fortunes in the current year. In Russia in particular, AUDI AG expects the upward trend in car sales to continue.
AUDI AG estimates that demand for automobiles in the United States will continue to recover in 2011, though the market's development will remain muted especially because of high fuel prices.
The Asia-Pacific region is expected to maintain its vigorous market growth in 2011, further cementing its position as the world's major sales region. Nevertheless, growth in China is expected to weaken slightly from the previously high level. As well as tougher emission standards and reduced state aid, further regulatory intervention by the central government and city authorities is to be expected, damping sales mainly in the volume segment. Likewise in the Indian car market, the rate of growth in 2011 will be slightly down on the previous year. On the other hand AUDI AG estimates that there will be a substantial fall in the Japanese car market this year.
AUDI AG expects to see a further rise in global demand for cars in 2012. All sales regions worldwide should see new vehicle registrations rise.

Anticipated developments at AUDI AG

The economic environment improved significantly in the past fiscal year. The recent huge fluctuations in demand for cars worldwide and the decidedly mixed performance of major car markets nevertheless remain a major challenge for AUDI AG. On top of this, competition is becoming noticeably more intense and the automotive industry is in the throes of a technological revolution as it prepares for electric mobility. The Board of Management nevertheless believes that the Company is well prepared to maintain AUDI AG's course of growth over the next two years and develop Audi into the world's leading premium brand under the auspices of Strategy 2020.

Anticipated development of deliveries

AUDI AG is planning to be able to increase deliveries over the next two years deliveries beyond the previous year's figure as the result of a widely forecast rise in worldwide demand for cars. It expects, for example, to deliver over 1.2 million cars of the Audi brand to customers in 2011. The objective is to further increase its market shares in numerous major sales markets, in order to extend its strong competitive position in the premium segment worldwide.

It plans to achieve that goal by adding many more new models and derivative versions to Audi's young, attractive product range. The brand with the four rings already has the broadest product range of any premium brand, with vehicles from the Audi A1 to the Audi R8 Spyder. Over the next two years, amid an increasingly intensive competitive environment, innovative and highly emotional vehicle concepts should help to access new customer segments and give the Audi brand's appeal a lasting boost. Over and above the new vehicles very successfully introduced last year – the Audi A1, Audi A7 Sportback and Audi A8 – the new-generation Audi A6, the new Audi Q3 and additional models in the A1 car line in particular should provide a further positive impetus. Steady efficiency improvements across the entire model and engine range mean the Audi brand will continue to fulfill its customers' expectations of sporty yet economical mobility concepts in every respect. In addition, the Company intends to provide attractive technical solutions to the mobility requirements of the future, in the shape of modern hybrid and electric drive systems. In March of last year, the hybrid study of the Audi A8 luxury sedan was unveiled to the world public. With the new Audi Q5 hybrid quattro scheduled for launch in the course of 2011, the brand with the four rings will have a full hybrid model in its range. Its appearance will be followed shortly by the new Audi A6 hybrid, an attractive hybrid version of the popular business sedan. 2012 will then see the arrival on the market of the Audi e-tron, a low-volume supercar with all-electric drive. The Audi e-tron study generated a huge amount of interest at the 2009 International Motor Show (IAA) in Frankfurt thanks to its technologically pioneering concept.

In the German auto market, the Audi brand is planning a further increase in deliveries to customers over the next two years, producing a higher market share of the premium segment. Despite the difficult conditions that it is expected to encounter in Western European export markets, the brand with the four rings nevertheless expects to achieve further growth in vehicle sales and thus strengthen its leading position in the premium segment.

In the Central and Eastern European region, especially Russia, the Company is striving for a substantial rise in deliveries to customers in 2011 and 2012. The Audi brand plans to build on its good competitive position here.

At some point in the next two years the Chinese auto market is likely to overtake Germany as the biggest market for Audi vehicles. The brand with the four rings is planning to maintain its expansion of recent years in the Chinese premium market and consolidate its leading position in 2011 and 2012. It intends to do so by further increasing local production capacity and the brand's product range in China, and expanding the dealer network to over 400 establishments by 2013.

India will remain a major growth market for the Audi brand. The Company intends to further expand the sales and dealer structure in that country over the next two years, keep improving the brand's image and significantly increase the number of vehicles it sells there.
The Audi brand aims to maintain its positive momentum in the U.S. market throughout 2011 and 2012. By launching new, attractive Audi models and promoting its high-performance but economical diesel engine technology, the Audi brand is targeting new record deliveries in the United States.

Anticipated financial performance

The increase in vehicle sales being targeted for fiscal 2011 and 2012 is also likely to bring a substantial rise in revenue for AUDI AG. In addition, the Company is planning to increase its profit from ordinary business activities in parallel on the basis of its effective and efficient structures and processes, and by realizing steady cost optimizations and adopting a systematic approach to investment management in all divisions. The operating return on sales is set to remain at the high level of 2010.

Anticipated financial position

AUDI AG again intends to finance its planned growth entirely from internally generated cash flow in the next two fiscal years. Despite the much higher planned use of cash in investing activities for the continuing long-term model initiative and the development of new technologies, it is set to earn a comfortable profit. The cash flow from operating activities of AUDI AG is likely to rise further in 2011 and 2012.

Capital investments

AUDI AG's investment plans envisage customer-oriented additions to the model and engine range, along with the expansion of development and production structures necessitated by these. These plans also focus on improving the productivity and quality of process chains, and on building up the dealer and service network in order to increase customer delight. Another priority area involves efficiency measures for the overall vehicle, the further optimization of conventional drive concepts, and the development of alternative fuels and new mobility concepts such as electric and hybrid models. All investment measures share the common objective of improving AUDI AG's market position sustainably through a forward-looking model, technology and brand strategy.
Overall, AUDI AG is planning property, plant and equipment spending in excess of EUR 8 billion over the period 2011 through 2015. In embarking on the biggest investment program in the Company's history, AUDI AG is preparing the ground for sustainable, profitable growth and underlining its ambition to become the world's leading manufacturer of premium vehicles.
Systematic investment management ensures that all investment projects will be completed on schedule and according to AUDI AG's high quality standards.

Anticipated development of the workforce

The size of AUDI AG's workforce is expected to increase slightly in 2011 and 2012 in line with the Company's scheduled growth.

Opportunities for future development

Under the umbrella strategy of developing Audi into the world's leading premium brand, AUDI AG's management is pursuing a large number of measures designed to safeguard the Company's sustainable, profitable growth. These also give rise to potential and opportunities that are continually incorporated into the plans so that they can be realized rapidly.
Systematically following through with the product initiative is among the top priorities in this respect. After nine successful model launches in 2010, a large number of new models due to

appear in 2011 and 2012 will generate extra sales potential. The rejuvenation of the high-volume Audi A6 car line is one of the major product events in the period in question. The Audi Q3 will in addition increase the range of premium SUV models. Having already made a very successful market entry, the Audi A1 car line will be extended by the arrival of new, attractive variants.
The Company wants to continue to demonstrate its "Vorsprung durch Technik" through a great many automotive innovations. There are immense opportunities to develop, for example, competition-beating technologies that pave the way for electric mobility. AUDI AG has both the necessary infrastructure and suitably trained specialists and engineers to carve out a technological advantage in this domain.
The Audi brand has seen its recognition and popularity ratings rise sharply over the past few years. The four rings are now regarded as being synonymous with innovation, quality, sportiness and efficiency in many sales markets. This outstanding brand image gives the Company an opportunity to build effectively on its qualitative growth in the years ahead.
It plans to increase its market shares yet further in key sales markets. In markets that are already saturated, AUDI AG intends to step up its efforts to defend and strengthen its outstanding position in the premium segment. There are bright growth prospects for the Audi brand especially in the United States.
The Company aims to maintain its very good performance in young, burgeoning growth markets over the next two years. It will be giving prime importance to the Indian and Chinese car markets, where the Audi brand actively seeks to tap into their huge growth potential by extending the exclusive Audi dealer and service network and tailoring the range of vehicles available to local requirements.
In addition to the strategic determinants, external factors could create opportunities for AUDI AG. The global economic environment and the associated demand for premium vehicles, as well as social and political developments, all harbor potential for business progress.

Overall assessment of anticipated future developments

In the past fiscal year AUDI AG returned to the path of growth enjoyed in recent years, interrupted in 2009 by the crisis. The Company moreover impressively demonstrated its high profitability and competitiveness in posting new record deliveries and profit.
The Board of Management equally believes that the Company is well positioned to tackle future challenges and should continue to achieve sustained, profitable growth.
The measures already underway that seek to improve processes and costs in all divisions in the long term will be rigorously pursued. The Audi brand's attractive product range will also gradually be extended. Furthermore, 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 aspired long-term growth early on in the process. The successful implementation of these plans will serve as a huge motivation for the workforce and help it to identify closely with the Company.
For fiscal 2011 and 2012, AUDI AG expects to see a further rise in worldwide demand for premium automobiles. AUDI AG's goal is for this development and the Company's very competitive position to be reflected positively in the key ratios for the Company. AUDI AG would consequently like to adhere to its course of growth in vehicle deliveries and the key financial indicators.

DISCLAIMER

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

Financial Statements of AUDI AG at December 31, 2010

Balance Sheet of AUDI AG

ASSETS in EUR million	Notes	Dec. 31, 2010	Dec. 31, 2009
Fixed assets		**6,743**	6,414
Intangible assets	1	**293**	255
Property, plant and equipment	2	**4,523**	4,245
Long-term investments	3	**1,927**	1,914
Current assets		**12,318**	10,413
Inventories	4	**1,452**	1,322
Receivables and other assets	5	**9,274**	8,021
Other securities	6	**1,372**	860
Cash on hand and balances with banks	7	**220**	210
Deferred charges		**5**	5
Excess of plan assets over pension liability		**51**	–
Balance sheet total		**19,117**	16,832

LIABILITIES in EUR million	Notes	Dec. 31, 2010	Dec. 31, 2009
Equity		**4,037**	3,451
Issued capital	8	**110**	110
Capital reserve	9	**2,510**	1,924
Retained earnings	10	**1,417**	1,417
Special items with an equity portion	11	**10**	10
Provisions	12	**8,889**	8,154
Liabilities	13	**6,124**	5,216
Deferred income	14	**57**	1
Balance sheet total		**19,117**	16,832

Income Statement of AUDI AG

EUR million	Notes	2010	2009
Revenue	15	**30,233**	24,339
Cost of sales	16	**–26,038**	–21,478
Gross profit		**4,195**	2,861
Distribution costs	17	**–1,947**	–2,260
Administrative expenses		**–179**	–157
Other operating income	18	**1,741**	1,682
Other operating expenses	19	**–559**	–600
Investment result	20	**422**	150
Net interest	21	**–112**	183
Depreciation of long-term investments and marketable securities	22	**–9**	–9
Profit from ordinary business activities		**3,552**	1,850
Extraordinary income	23	**57**	–
Extraordinary charges	24	**–425**	–
Extraordinary result		**–368**	–
Income tax expense	25	**–1,174**	–678
Profit transferred under a profit transfer agreement	26	**–2,010**	–1,172
Net profit for the year		**–**	–

Notes to the Financial Statements

DEVELOPMENT OF FIXED ASSETS IN THE 2010 FISCAL YEAR

EUR million	Gross carrying amounts				
	Costs Jan. 1, 2010	Additions	Transfers	Disposals	Costs Dec. 31, 2010
Intangible assets	517	130	1	3	645
Concessions, industrial property rights and similar rights and assets, as well as licenses thereto	517	130	1	3	645
Property, plant and equipment	16,674	1,388	–1	361	17,700
Land, land rights and buildings, including buildings on land owned by others	3,144	110	56	15	3,295
Plant and machinery	3,371	99	48	107	3,411
Other plant and office equipment	9,688	878	292	238	10,620
Payments on account and assets under construction	471	301	–397	1	374
Long-term investments	1,989	556	–	539	2,006
Investments in affiliated companies	1,299	478	–	–	1,777
Loans advanced to affiliated companies	74	15	–	0	89
Participating interests	74	63	–	–	137
Investment securities	539	–	–	539	–
Other loans advanced	3	–	–	0	3
Total fixed assets	19,180	2,074	–	903	20,351

			Value adjustments in gross carrying amounts			Carrying amounts	
Cumulative depreciation and amortization, Jan. 1, 2010	Depreciation and amortization for current year	Transfers	Disposals	Write-ups	Cumulative depreciation and amortization, Dec. 31, 2010	**Dec. 31, 2010**	Dec. 31, 2009
262	92	1	3	–	352	**293**	255
262	92	1	3	–	352	**293**	255
12,429	1,102	–1	353	–	13,177	**4,523**	4,245
1,871	94	0	13	–	1,952	**1,343**	1,273
2,801	230	0	105	–	2,926	**485**	570
7,757	778	–1	235	–	8,299	**2,321**	1,931
–	–	–	–	–	–	**374**	471
75	9	–	5	–	79	**1,927**	1,914
68	9	–	–	–	77	**1,700**	1,231
0	–	–	–	0	0	**89**	74
2	–	–	–	–	2	**135**	72
5	–	–	5	–	–	**–**	534
0	–	–	–	0	0	**3**	3
12,766	1,203	–	361	0	13,608	**6,743**	6,414

GENERAL COMMENTS ON THE BALANCE SHEET AND INCOME STATEMENT

The Annual Financial Statements of AUDI AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) for large corporations as last amended by the German Accounting Law Modernization Act (BilMoG), which entered into force on May 29, 2009, and in accordance with the German Stock Corporation Act (AktG). The previous year's figures that were published as at December 31, 2009 have not been adjusted retrospectively.
For the sake of greater clarity and visibility, certain individual items in the Balance Sheet and Income Statement have been combined. These items are presented separately in the Notes to the Financial Statements.
The Income Statement has been prepared in accordance with the cost of sales method.

NOTES TO THE BALANCE SHEET

1 Intangible assets

Intangible assets comprise purchased development services, computer software and licenses to such rights and assets, as well as subsidies paid. Self-created intangible assets are not recognized as assets.

Measurement principles

Intangible assets are recognized at cost of purchase and amortized pro rata temporis over a period of five to eight years in accordance with their likely useful economic lives.

2 Property, plant and equipment

EUR million	Dec. 31, 2010	Dec. 31, 2009
Land, land rights and buildings, including buildings on land owned by others	**1,343**	1,273
Plant and machinery	**485**	570
Other plant and office equipment	**2,321**	1,931
Payments on account and assets under construction	**374**	471
Total	**4,523**	4,245

Measurement principles

Property, plant and equipment are measured at cost of purchase or cost of construction, less depreciation.
The costs of purchase include the purchase price, ancillary costs and cost reductions. Property, plant and equipment paid for in foreign currency are translated at the mean spot exchange rates on the invoice date.
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 variable materials and indirect labor, including pro rata depreciation. Interest on borrowings is not included.
Property, plant and equipment that were acquired or produced prior to January 1, 2010 are depreciated on a scheduled basis using either the straight-line method or, to the extent permissible under tax law, the declining balance method. A scheduled changeover is made from the declining balance method to the straight-line method as soon as the latter produces higher levels of depreciation. Owing to the changed legal situation resulting from BilMoG, additions to movable fixed assets are depreciated on a straight-line basis with effect from January 1, 2010. Depreciation of depreciable assets is generally dated from the time of their acquisition or operational capability.

Our depreciation plan is based on the following estimates of useful economic lives:

	Useful life
Buildings (excluding plant fixtures)	25-33 years
Plant fixtures	8-30 years
Production machinery	5-14 years
Other plant and office equipment, including special tools, jigs and fixtures	3-10 years

Variances by comparison with depreciation under commercial law resulting from higher deductions under Section 7d of the German Income Tax Act (EStG) (environmental protection), as well as from accelerated depreciation under Section 82d of the German Income Tax Directive (EStDV) (research and development) and pursuant to Section 6b of EStG (transfer of capital gains) are presented under special items with an equity portion and applied in accordance with the applicable rules. Under the provisions of BilMoG, new items may no longer be created.

3 Long-term investments

EUR million	Dec. 31, 2010	Dec. 31, 2009
Investments in affiliated companies	**1,700**	1,231
Loans advanced to affiliated companies	**89**	74
Participating interests	**135**	72
Investment securities	**–**	534
Other loans advanced	**3**	3
Total	**1,927**	1,914

The change in investments in affiliated companies stems mainly from the acquisition of AUDI BRUSSELS S.A./N.V., Brussels (Belgium), and from capital increases at foreign companies. There was an unscheduled reduction for impairment to the lower fair value of one domestic company amounting to EUR 9 (9) million.
Disposals of investment securities primarily relate to the offsetting of pension and time credit funds with the corresponding obligations. The balance from this pension liability is recorded separately in the Balance Sheet.

Measurement principles

Investments in affiliated companies, participating interests and investment securities are fundamentally measured at cost of purchase. Where impairment losses are likely to be permanent, they are depreciated to the lower fair value as of the balance sheet date.
Non-interest-bearing and low-interest loans advanced are measured at present value on the basis of an arm's length interest rate; other loans advanced are measured at their nominal value.
Additions to investments in foreign currency are translated at the mean spot exchange rate on the day of the transaction.
Compared with 2009, the entry into force of BilMoG has resulted in changes to the measurement of the time credit and pension funds. Assets that are protected from creditors and that serve to settle liabilities relating to retirement benefit obligations are measured at fair value. The fair value of such assets corresponds to their market price. As part of the process of preparing the opening balance sheet pursuant to BilMoG, the value of the time credit and pension funds has been adjusted to the fair value and this amount has been offset against the related obligations. Due to the fair value measurement of the time credit and pension funds, changes in value are immediately recognized as income or expense.

4 Inventories

EUR million	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	**175**	194
Work in progress	**305**	251
Finished goods and merchandise	**972**	876
Payments on account	**0**	1
Total	**1,452**	1,322

Measurement principles

Raw materials and supplies are recognized at the lower of the updated average cost of purchase or replacement value. Materials invoiced in foreign currencies are measured on the day of the transaction, at the mean spot exchange rate.
Other costs of purchase and purchase cost reductions are taken into account.
In the case of work in progress and finished goods, which are measured at cost of conversion, direct materials are also included on an average cost of purchase basis. The amounts presented also comprise direct labor costs, together with other costs which must be capitalized under tax law. Interest on borrowings is not included.
Company cars are included under finished goods and are measured according to the expected depreciation and the likely useful life.
Merchandise is measured at cost of purchase.
Provision has been made for all discernible storage and inventory risks by way of value adjustments. In this connection, work in progress and finished goods, as well as merchandise, are measured loss-free as soon as the values derived from the sales market are lower than the amortized cost of purchase or cost of conversion.

5 Receivables and other assets

EUR million	Dec. 31, 2010	Dec. 31, 2009
Trade receivables	**1,037**	668
of which due in more than one year	**0**	0
Receivables from affiliated companies	**7,807**	6,801
of which trade payables	**943**	825
Receivables from companies linked through participation	**148**	308
of which trade payables	**148**	288
Other assets	**282**	244
of which due in more than one year	**147**	97
of which to affiliated companies	**94**	103
Total	**9,274**	8,021

Measurement principles

Receivables and other assets are recognized at their nominal value or at cost of purchase. Provision is made for discernible non-recurring risks and general credit risks in the form of appropriate value adjustments.
Receivables and other assets with a maturity of more than one year are reported at their present value on the balance sheet date using a market interest rate appropriate for the duration.
Receivables in foreign currencies are converted when recorded for the first time at the mean spot exchange rate. Receivables with a residual term of less than one year are converted using the mean spot exchange rate on the balance sheet date. For receivables with a longer term, a lower price on the balance sheet date results in a lower recognized measurement of the receivable while a higher price (measurement gain) has no effect.

6 Other securities

Other securities primarily include two treasury funds and capital market papers.
Pursuant to BilMoG, units or shares in investment funds must be reported together. In addition to the treasury funds, the reported item also includes the time credit and pension funds, which are allocated to long-term investments.

EUR million	Carrying amount (CA)	Fair value (FV)	FV–CA	2010 distribution	Daily surrender possible	Omission of write-downs
Treasury fund 1	116	103	–13	No	Yes	No
Treasury fund 2	1,149	1,163	14	No	Yes	No
Time credit fund	77	72	–5	No	Yes	No
Pension fund	527	584	57	No	Yes	No
Total	**1,869**	**1,922**	**53**			

The investment aim of the security funds is to generate a suitable rate of return for the term, with the risk being diversified appropriately. The following security classes are included: fixed-income securities, shares, cash and other assets.

Measurement principles

Other securities are recognized at the lower of cost of purchase or fair value on the balance sheet date.

7 Cash on hand and balances with banks

Of the balances with banks, EUR 220 (210) million relate to balances with an affiliated company.

8 Issued capital

On December 31, 2010, the issued capital remained unchanged at EUR 110,080,000. This capital is divided into 43,000,000 no-par bearer shares.

9 Capital reserve

The capital reserve contains shareholder contributions from the issuance of shares in the company, as well as a cash injection by Volkswagen AG, Wolfsburg, in the 2010 fiscal year amounting to EUR 586 (308) million.

10 Retained earnings

The statutory reserves as of the balance sheet date were EUR 131 (131) thousand, with other retained earnings totaling EUR 1,417 (1,417) million.

There has been no change in retained earnings as a result of the transfer of the entire profit for the 2010 fiscal year to Volkswagen AG, Wolfsburg.

11 Special items with an equity portion

EUR million	**Dec. 31, 2010**	Dec. 31, 2009
Adjustment to the value of fixed assets in accordance with:		
Section 7d of the German Income Tax Act (environmental protection)	**1**	1
Section 82d of the German Income Tax Directive (research and development)	**1**	1
Section 6b of the German Income Tax Act (transfer of capital gains)	**8**	8
Total	**10**	10

The creation of new special items with an equity portion is no longer permitted under the provisions of BilMoG. The right to retain such items was, however, exercised.

12 Provisions

EUR million	Dec. 31, 2010	Dec. 31, 2009
Provisions for pensions and similar obligations	**1,916**	1,847
Tax provisions	**5**	3
Other provisions	**6,968**	6,304
Total	**8,889**	8,154

Provisions for pensions and similar obligations 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 employees. Retirement benefit systems are based on defined benefit plans, with a distinction being made between those benefit systems financed through provisions and those that are financed externally.
Other provisions relate mainly to warranty claims coverage, distribution costs and workforce-related costs, legal expenses and product liability risks, as well as provisions relating to purchasing and development.

Measurement principles

With effect from January 1, 2010, pension provisions are measured pursuant to BilMoG as the settlement amount calculated on the basis of sound business judgement.
The projected unit credit method is used for the actuarial measurement of defined benefit plans. This measures future obligations on the basis of the pro rata benefit entitlements acquired as of the balance sheet date.
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 and any other relevant variables.
The interest rate used is the discounting rate published by the German Bundesbank for December 2010 with a residual maturity of 15 years.

Pension provisions are calculated on the basis of the following assumptions:

	Dec. 31, 2010	Jan. 1, 2010
Actuarial interest rate	**5.15 %**	5.25 %
Remuneration trend	**2.70 %**	2.50 %
Retirement benefit trend	**1.60 %**	1.60 %
Income from assets	**4.25 %**	5.00 %
Fluctuation	**1.00 %**	1.00 %
Accounting basis	**2005 G Reference Tables**	2005 G Reference Tables
Age limits	**German Pension Insurance Retirement Age Adjustment Act 2007**	German Pension Insurance Retirement Age Adjustment Act 2007

Pension obligations that are not financed via a fund are recognized as follows in the Balance Sheet:

EUR million	Dec. 31, 2010	Jan. 1, 2010
Settlement value of obligations not financed via a fund	**2,203**	2,124
Amounts not yet allocated from transition to BilMoG	**294**	635
Provisions for pensions not financed via a fund	**1,909**	1,489

The remuneration-based annual cost of providing unit-linked employee benefits is invested in funds by Volkswagen Pension Trust e.V., Wolfsburg.
The fund units administered on a fiduciary basis fulfill the conditions required of cover assets and have therefore been offset against the pension obligations for the first time in the 2010 fiscal year. The cover assets are measured at their fair value. Given that the corresponding benefit obligation exceeds the minimum defined benefit of EUR 384 million, with the amount of this obligation being determined solely by the fair value of the assets, it is also measured at fair value.
The cover assets performed as follows during the 2010 fiscal year:

EUR million	Dec. 31, 2010	Jan. 1, 2010
Fair value of pension fund	**584**	500
Amortized cost of the pension fund	**527**	464

Pension obligations in the pension fund model are recorded as follows in the Balance Sheet:

EUR million	Dec. 31, 2010	Jan. 1, 2010
Settlement value of obligations financed via a pension fund = fair value of pension fund	**584**	500
Amounts not yet allocated from transition to BilMoG	**51**	110
Fund-financed pension provision	**533**	390
Offsetting with pension fund fair value	**584**	500
Excess from offsetting of assets [1)]	**51**	110

1) New item pursuant to BilMoG: Excess of plan assets over pension liability

The following amounts were recognized in the Income Statement:

EUR million	Offset expenses and income from obligations financed via pension fund including fund assets
Financial result	
Interest income (performance of pension fund)	22
Interest expense	22
Extraordinary result	
Income from fair value adjustment of pension fund	36
Expenses from adjustment of pension obligations	95
Balance of income and expenses offset in the income statement	**59**

Personnel costs in the form of costs of retirement provision are included in the personnel costs for the functional areas. The interest expenses related to the obligation and the income from the change in fair value of the pension fund assets are netted under the financial result.
Due to the increase in the provisions for pensions as a result of the first-time measurement according to BilMoG, there is the option of accruing at least one fifteenth of the transitional amount every fiscal year up to December 31, 2024 at the latest. As of the balance sheet date, the transitional amount not yet allocated to the provisions totaled EUR 345 million.
Provisions for service anniversary awards have been discounted at a rate of 5.2 (5.5) percent, applying actuarial principles.

In the case of a transition to the new HGB, an additional discounting of EUR 221 million would have been required in relation to the provisions as of December 31, 2009. AUDI AG has made use of its right to continue with the higher level of provisions. As of December 31, 2010, the non-recorded discounting amount on this old total was EUR 136 million.
Liabilities from the fair-value balance of employees are secured by assets and were offset with these for the first time in the 2010 fiscal year. Income from the adjustment of the value of the time credit papers to their market value is recognized as extraordinary income.

13 Liabilities

EUR million	Remaining term		Dec. 31, 2010	Dec. 31, 2009
	Up to 1 year	Over 5 years		Total
Advances received for orders from customers	14	–	**14**	4
Trade payables	1,235	–	**1,235**	1,284
Liabilities to affiliated companies	3,544	348	**4,428**	3,488
of which trade payables	433	–	**433**	388
Liabilities to companies linked through participation	113	–	**113**	77
of which trade payables	1	–	**1**	7
Other liabilities	238	5	**334**	363
of which taxes	101	–	**101**	101
of which relating to social insurance	27	2	**60**	46
Total	5,144	353	**6,124**	5,216

The medium-term liabilities amount to EUR 627 million. They include liabilities to affiliated companies amounting to EUR 536 million and other liabilities amounting to EUR 91 million. The other medium-term liabilities relate to the payroll amounting to EUR 60 million and liabilities in connection with social security amounting to EUR 31 million.
Liabilities to employees in particular from the partial retirement block model in the amount of EUR 120 (83) million that are included in other liabilities are secured by assignment of the company car fleet as collateral.

Measurement principles

Liabilities are recognized at the amounts to be repaid/settlement amounts. Pension obligations are reported at their present value using an appropriate market interest rate for the maturity period. Short-term liabilities in foreign currencies with one year or less to maturity are measured at the mean spot exchange rate on the day of the transaction. If the price is higher on the balance sheet date, the long-term liabilities in foreign currencies are reported at the higher amount accordingly. If the price is lower (measurement gain), it is not taken into account.

14 Deferred income

Deferred income and accrued expenses include assets from multiple elements arrangements which are offset at the reporting date by service obligations in future fiscal years.

NOTES TO THE INCOME STATEMENT

15 Revenue

EUR million	2010	Share in %	2009	Share in %
Germany	**8,861**	**29.3**	8,624	35.4
Rest of Europe	**11,860**	**39.2**	10,119	41.6
Asia-Pacific	**5,680**	**18.8**	3,358	13.8
North America	**3,213**	**10.6**	1,860	7.6
Africa	**328**	**1.1**	234	1.0
South America	**291**	**1.0**	144	0.6
Other countries	**21,372**	**70.7**	15,715	64.6
Total	**30,233**	**100.0**	24,339	100.0

Vehicle business accounted for 90 (89) percent of revenue. The vehicle export business accounts for a share of 75 (69) percent. As in the previous year, the greatest source of revenue was the Audi A4 car line.
Other revenue, comprising 10 (11) percent of total revenue, includes goods and services supplied to affiliated companies and other sales to third parties.

16 Cost of sales

Cost of sales includes the production costs of the products sold, as well as the purchase costs of merchandise sold. This item also comprises research and development costs, warranty costs and adjustments to the value of inventories.

17 Distribution costs

Distribution costs substantially comprise expenses for marketing and sales promotion, advertising, public relations activities and outward freight.

18 Other operating income

EUR million	2010	2009
Income from the reversal of special items with an equity portion	**0**	1
Dissolution of provisions	**248**	151
Other income	**1,493**	1,530
Total	**1,741**	1,682

Other income principally comprises income from rebilled costs, recourse actions, and foreign currency and commodity hedging transactions. Income from foreign currency translation amounting to EUR 162 million is also included.

19 Other operating expenses

Other operating expenses substantially comprise expenses for currency and commodity hedging transactions. Expenses resulting from foreign currency translation amount to EUR 108 million.

20 Investment result

EUR million	2010	2009
Income from profit transfer agreements	**260**	106
Income from investments	**172**	99
of which from affiliated companies	**47**	49
Expense from the transfer of losses	**–10**	–55
Total	**422**	150

Income from profit transfer agreements, which relates in particular to quattro GmbH, Neckarsulm, Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt, Audi Electronics Venture GmbH, Gaimersheim, and Audi Akademie GmbH, Ingolstadt, includes taxes passed on, which are contingent on profit.
Income from investments primarily comprises profits of Volkswagen Logistics GmbH & Co. OHG, Wolfsburg, and FAW-Volkswagen Automotive Company, Ltd., Changchun (China).
Expense from the transfer of losses relates to Audi Retail GmbH, Ingolstadt.

21 Net interest

EUR million	2010	2009
Other interest and similar income	**100**	252
of which from affiliated companies	**68**	171
Interest and similar expenses	**–212**	–69
of which to affiliated companies	**–69**	–61
Total	**–112**	183

Expenses from interest on provisions for pensions and similar obligations amounting to EUR 142 million have been included in interest and similar expenses for the first time.

22 Depreciation of long-term investments and marketable securities

The depreciation of long-term investments and marketable securities resulted from the lower fair values on the balance sheet date.

23 Extraordinary income

The first-time application of BilMoG resulted in extraordinary income from the foreign currency conversion and creation of valuation units in the amount of EUR 57 million.

24 Extraordinary expenses

The first-time application of BilMoG resulted in extraordinary expenses from the changed measurement of provisions for pensions and similar obligations in the amount of EUR 425 million.

25 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.
Due to a profit and loss transfer agreement, deferred taxes are taken into account for Volkswagen AG as parent company.

Other taxes

Other taxes, amounting to 29 (30) million, are allocated to cost of sales, distribution costs and general administrative expenses.

26 Profit transferred under a profit transfer agreement

Pursuant to the profit transfer agreement, the amount of EUR 2,010 (1,172) million will be transferred to Volkswagen AG, Wolfsburg.

Factors influencing net profit for the year and future charges

Expenses to be allocated to other fiscal years amount to EUR 41 (69) million; of this sum, allocations to provisions relating to prior periods account for EUR 29 (17) million.
Income not allocable to the current period amounts to EUR 274 (175) million; this includes income from the dissolution of provisions amounting to EUR 248 (151) million.

OTHER PARTICULARS

Cost of materials

EUR million	2010	2009
Cost of raw materials and supplies and purchased goods	**17,030**	13,113
Purchased services	**2,042**	1,561
Total	**19,072**	14,674

Personnel costs

EUR million	2010	2009
Wages and salaries	**3,084**	2,534
Social insurance and expenses for retirement benefits and support payments	**561**	605
of which relating to retirement benefit plans	**84**	182
Total	**3,645**	3,139

Total average number of employees for the year

	2010	2009
Ingolstadt plant	**31,344**	31,409
Neckarsulm plant	**12,955**	12,935
Employees	**44,299**	44,344
Apprentices	**2,123**	2,028
Workforce	**46,422**	46,372

Derivative financial instruments

Nature and extent

AUDI AG is exposed to exchange rate fluctuations in view of its international business activities. These risks are limited by concluding appropriate hedges for matching amounts and maturities. 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 total nominal volume of derivative transactions is EUR 22,474 (9,646) million. The nominal volumes of the 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. The derivative financial instruments used exhibit a maximum hedging term of six years.

At variance with the previous year's approach, the nominal volumes and fair values of derivative financial instruments not included in valuation units are reported for the 2010 fiscal year.

EUR million	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
		Nominal volumes		Fair values
Foreign exchange contracts	**747**	7,278	**10**	520
of which positive fair values			**18**	591
of which negative fair values			**–8**	–71
Currency option transactions	**989**	1,806	**24**	90
Commodity futures	**730**	472	**180**	131
of which positive fair values			**180**	134
of which negative fair values			**0**	–3
Other derivative financial instruments	**27**	90	**0**	0

Valuation units are formed for the remaining risk volume of EUR 19,981 (–) million. The foreign exchange contracts included therein serve to hedge the exchange rate risk of expected transactions. The hedging relationship is sufficient insofar as underlying and hedging transactions are exposed to similar and opposite risks.
The other derivative financial instruments include a contract that contains the right to acquire company shares.

Measurement methods

The fair values of foreign currency hedging transactions and commodity hedging transactions generally correspond to the market value or trading price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models, and is verified by confirmations from the banks that handle the transactions.
The other derivative financial instruments are evaluated using fair value estimates, taking account of comparative data as well as changes to the opportunities and risks.
For many foreign exchange contracts used for hedging purposes, opposite transactions are grouped together to create measurement portfolios. Any impairments incurred as a result of the underlying transaction or impending losses are recognized in off-balance-sheet accounts with opposite effects resulting from the hedging transaction; only remaining negative balance surpluses are recorded. The effectiveness of valuation units 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. All of the valuation units were effective in a range of between 80 and 125 percent.

Balance Sheet items and carrying amounts

Derivative financial instruments are included in the following Balance Sheet items:

EUR million		Dec. 31, 2010	Dec. 31, 2009
Nature	Balance Sheet item	**Carrying amount**	Carrying amount
Impending losses from foreign exchange contracts	Liabilities to affiliated companies	**8**	70
	Other provisions	**–**	1
Currency option transactions	Receivables from affiliated companies	**24**	49
Impending losses from commodity futures	Liabilities to affiliated companies	**0**	3

Currency hedging transactions are fundamentally performed by Volkswagen AG, Wolfsburg, on behalf of AUDI AG on the basis of an agency agreement.
Details of the hedged risks and the hedging strategy are provided in the Management Report.

Contingencies

EUR million	Dec. 31, 2010	Dec. 31, 2009
Liabilities from guarantees and similar contingencies	**34**	35
Furnishing of collateral for outside liabilities	**199**	170

In light of the current creditworthiness and the previous payment behavior of the beneficiary, the possibility that use will be made of the liabilities from guarantees reported in the Balance Sheet is judged to be low. This also applies to the greater part of the collateral that is furnished for outside liabilities. There are no recognizable indicators that a different assessment would be required.

Other financial obligations

Other obligations not posted in the Balance Sheet arising from rental, leasing and other agreements spanning several years total EUR 185 (155) million. Of this, EUR 3 (2) million relates to affiliated companies. The total amount can be broken down into the following maturity dates: short-term EUR 49 (38) million, medium-term EUR 94 (64) million and long-term EUR 42 (53) million. AUDI AG is liable on the basis of its participating interests in commercial partnerships. Buy-back obligations exist from buy-back transactions with car rental companies in the amount of EUR 271 (221) million.
Commitments arising under capital investment projects are well within the bounds of standard business practice.

Parent company

Around 99.55 percent of the share capital of AUDI AG is held by Volkswagen AG, Wolfsburg, with which a control and profit transfer agreement exists.
The Consolidated Financial Statements of the parent company are available from Volkswagen AG.

Auditor's fees

EUR thousand	2010	2009
Auditing of the financial statements	**508**	696
Other certification or valuation services	**169**	98
Tax consultancy services	**87**	–
Other services	**103**	87
Total	**867**	881

Details relating to the Supervisory Board and Board of Management

The members of the Board of Management and the Supervisory Board, together with details of their seats on other supervisory boards and regulatory bodies, are presented on the following pages.

The remuneration paid to members of the Board of Management complies with the legal requirements as well as with the recommendations of the German Corporate Governance Code. The overall remuneration comprises fixed and variable components.

The fixed components assure a base remuneration that enables the member of the Board of Management to execute his duties conscientiously and in the best interests of the company, without becoming dependent upon the attainment of short-term targets. Conversely, variable components that are contingent on the economic position of the Company reconcile the interests of the Board of Management with those of the other stakeholders.

The remuneration paid to members of the Board of Management for the 2010 fiscal year was EUR 10,136 (7,547) thousand. Of this total, EUR 3,261 (3,022) thousand related to fixed components, EUR 4,775 (4,525) to variable components and EUR 2,100 (–) thousand to components providing a long-term incentive.

Disclosure has not been made of the remuneration paid to each individual member of the Board of Management, by name, pursuant to Section 285, No. 9a, Sentences 5 to 8 of the German Commercial Code, as the 2006 Annual General Meeting had adopted a corresponding resolution 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.

The variable remuneration component paid to each member of the Board of Management comprises a bonus in relation to the business performance of the previous two years and, since 2010, a long-term incentive (LTI). Using a launch scenario, the LTI will be granted to the Board for the first time in 2011, based on the 2010 fiscal year and the anticipated performance in 2011. In 2012, the performance of the 2010 and 2011 fiscal years will be taken into account; in 2013, the performance of 2010 to 2012 will be considered. From 2014 onwards, the preceding four years will be used as a basis.

Under certain circumstances, members of the Board of Management are entitled to retirement benefits and a disability pension.

Payments to former members of the Board of Management or their surviving dependants amount to EUR 4,193 (2,388) thousand. The sum provisioned for pension obligations to former members of the Board of Management and their surviving dependants is EUR 24,863 (19,170) thousand.

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 overall remuneration comprises fixed and variable components. The level of the variable remuneration components is based on the compensatory payment made for the 2010 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, No. 9a of the German Commercial Code, was EUR 698 (638) thousand, of which EUR 195 (189) thousand related to fixed components and EUR 503 (450) thousand to variable components.

EXPENSES FOR REMUNERATION OF THE SUPERVISORY BOARD

EUR	Fixed	Variable	**Total 2010**
Prof. Dr. rer. nat. Martin Winterkorn	–	–	**–**
Berthold Huber [1]	19,500	54,400	**73,900**
Dr. rer. pol. h.c. Bruno Adelt	11,000	27,200	**38,200**
Senator h.c. Helmut Aurenz	11,000	27,200	**38,200**
Heinz Eyer [1]	11,000	27,200	**38,200**
Wolfgang Förster (until May 20, 2010) [1]	6,250	15,867	**22,117**
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	–	–	**–**
Johann Horn [1]	10,500	27,200	**37,700**
Peter Kössler	11,000	27,200	**38,200**
Peter Mosch [1]	15,500	40,800	**56,300**
Wolfgang Müller [1]	11,000	27,200	**38,200**
Prof. Dr. rer. pol. Horst Neumann	–	–	**–**
Dr.-Ing. Franz-Josef Paefgen	–	–	**–**
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch	15,500	40,800	**56,300**
Dr. jur. Hans Michel Piëch	11,000	27,200	**38,200**
Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch	–	–	**–**
Dr. jur. Ferdinand Oliver Porsche	15,500	40,800	**56,300**
Norbert Rank [1]	15,500	40,800	**56,300**
Jörg Schlagbauer [1]	13,763	35,549	**49,312**
Helmut Späth (from May 25, 2010) [1]	6,400	16,320	**22,720**
Max Wäcker [1]	11,000	27,200	**38,200**
Total	195,413	502,936	**698,349**

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 2011, pursuant to Section 16 of the Articles of Incorporation and Bylaws.

Declaration of Compliance

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 29, 2010, and made it permanently accessible on the Audi website at www.audi.de/cgk-erklaerung. An English translation of the Declaration of Compliance can be found at www.audi.com/cgk-declaration.

STATEMENT OF INTERESTS PURSUANT TO SECTIONS 285 AND 313 OF THE GERMAN COMMERCIAL CODE

for AUDI AG and the Audi Group as at December 31, 2010

Name and registered office of company	Capital share held by AUDI AG in %		Equity	Profit [1]
	direct	indirect	EUR million	EUR million
I. Parent company				
AUDI AG, Ingolstadt				
II. Affiliated companies				
A. Fully consolidated companies				
1. Germany				
Audi Retail GmbH, Ingolstadt	100.00		77	– [2]
Audi Zentrum Berlin GmbH, Berlin		100.00	5	– [2]
Audi Zentrum Frankfurt GmbH, Frankfurt		100.00	9	– [2]
Audi Zentrum Hamburg GmbH, Hamburg		100.00	13	– [2]
Audi Zentrum Hannover GmbH, Hanover		100.00	12	3 [2]
Audi Zentrum Leipzig GmbH, Leipzig		100.00	10	– [2]
Audi Zentrum Stuttgart GmbH, Stuttgart		100.00	7	– [2]
Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt	100.00		0	– [2]
quattro GmbH, Neckarsulm	100.00		0	– [2]
2. Other countries				
Audi Australia Pty Ltd., Zetland (Australia)	100.00		66	6
Audi Brasil Distribuidora de Veículos Ltda., São Paulo (Brazil)	100.00		28	14
AUDI BRUSSELS S.A./N.V., Brussels (Belgium)	100.00		407	21
Audi (China) Enterprise Management Co. Ltd., Beijing (China)	100.00		7	1
AUDI HUNGARIA MOTOR Kft., Győr (Hungary)	100.00		5,213	592
Audi Japan K.K., Tokyo (Japan)	100.00		66	11
Audi Japan Sales K.K., Tokyo (Japan)		100.00	10	1
Audi Volkswagen Korea Ltd., Seoul (South Korea)	100.00		29	17
Audi Volkswagen Middle East FZE, Dubai (United Arab Emirates)	100.00		32	9
Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese (Italy)	100.00		933	– 57 [5]
Automobili Lamborghini S.p.A., Sant'Agata Bolognese (Italy)		100.00	344	– 32 [6]
Lamborghini ArtiMarca S.p.A., Sant'Agata Bolognese (Italy)		100.00	16	2 [6]
MML S.p.A., Sant'Agata Bolognese (Italy)		100.00	2	– 4 [6]
STAR DESIGN S.R.L., Turin (Italy)		100.00	48	1 [3]
Italdesign Giugiaro S.p.A., Turin (Italy)		90.10	126	– 2
VOLKSWAGEN GROUP ITALIA S.P.A., Verona (Italy)		100.00	341	30 [5]
VOLKSWAGEN GROUP FIRENZE S.P.A., Florence (Italy)		100.00	4	0
Audi Canada Inc., Ajax (Canada)	–	–	4	4 [4]
Audi of America, LLC, Herndon, Virginia (USA)	–	–	101	27 [4]
Automobili Lamborghini America, LLC, Wilmington, Delaware (USA)	–	–	1	0 [4]
B. Non-consolidated companies				
1. Germany				
Audi Akademie GmbH, Ingolstadt	100.00		2	– [2]
Audi Qualifizierungsgesellschaft mbH, Ingolstadt		100.00	0	– [2]
Audi Electronics Venture GmbH, Gaimersheim	100.00		16	– [2]
Audi Immobilien GmbH & Co. KG, Ingolstadt	100.00		4	0
Audi Immobilien Verwaltung GmbH, Ingolstadt	100.00		0	0
Audi Stiftung für Umwelt GmbH, Ingolstadt	100.00		5	0 [6]
Auto Union GmbH, Ingolstadt	100.00		0	– [2]
Automotive Safety Technologies GmbH, Gaimersheim		75.50	2	0 [6]
CC WellCom GmbH, Potsdam		100.00	1	– [2]
Fahr- und Sicherheitstraining FuS GmbH, Ingolstadt	27.45		0	1 [4] [6]
Italdesign-Giugiaro Deutschland GmbH, Göttingen		100.00	0	0
NSU GmbH, Neckarsulm	100.00		0	– [2]
Volkswagen Logistics GmbH & Co. OHG, Wolfsburg	19.00		1	232

Name and registered office of company	Capital share held by AUDI AG in %		Equity	Profit [1]
	direct	indirect	EUR million	EUR million
2. Other countries				
AUDI AUSTRALIA RETAIL OPERATIONS PTY LTD, Zetland (Australia)		100.00	–1	0
Audi Akademie Hungaria Kft., Győr (Hungary)		100.00	0	0 [6]
Audi Real Estate S.L., El Prat de Llobregat (Spain)	100.00		24	0 [6]
AUDI SINGAPORE PTE. LTD. (Singapore)	100.00		5	3 [6]
AUDI TAIWAN CO., LTD., Taipei (Taiwan)	100.00		7	–5 [6]
Audi Tooling Barcelona, S.L., Barcelona (Spain)	100.00		3	0 [6]
Centro Usato Sangallo S.r.l., Florence (Italy)		100.00	0	0
Giugiaro (Shanghai) Automotive Design Co., Ltd., Shanghai (China)		100.00	0	0 [7]
Italdesign-Giugiaro Berci S.a.s., Paris (France)		100.00	0	0 [6] [7]
Italdesign Giugiaro Barcelona SL, Barcelona (Spain)		100.00	4	0
NIRA Dynamics AB, Linköping (Sweden)		94.66	3	0 [6]
PUTT ESTATES (PROPRIETARY) LIMITED, Upington (South Africa)	100.00		0	0 [3]
SALLIG S.R.L., Turin (Italy)		100.00	7	0
SOCIETE IMMOBILIERE AUDI SARL, Paris (France)	100.00		18	0
VOLKSWAGEN GROUP MILANO S.R.L., Milan (Italy)		100.00	0	0 [6]
III. Associated companies				
1. Germany				
–				
2. Other countries				
FAW-Volkswagen Automotive Company Ltd., Changchun (China)	10.00		3,262	2,234 [5]
IV. Participating interests				
1. Germany				
Abgaszentrum der Automobilindustrie GbR, Weissach	12.50		0	0 [6] [8]
August Horch Museum Zwickau GmbH, Zwickau	50.00		1	0 [6]
e.solutions GmbH, Gaimersheim		49.00	1	0 [6]
Elektronische Fahrwerksysteme GmbH, Gaimersheim		49.00	1	0 [6]
Gemeinnützige Wohnungsbau-Gesellschaft Ingolstadt GmbH, Ingolstadt	10.02		62	2 [6]
GIF Gewerbe- und Industriepark Bad Friedrichshall GmbH, Bad Friedrichshall	30.00		3	1 [6]
GVZ Konsolidierungszentrum Betreibergesellschaft mbH, Ingolstadt	16.61		2	0 [6]
LGI Logistikzentrum im Güterverkehrszentrum Ingolstadt Betreibergesellschaft mbH, Ingolstadt	50.00		1	–1 [6]
MOST Cooperation GbR, Karlsruhe	20.00		0	0 [6] [8]
Entity Audi Zentrum Berlin-Charlottenburg Verwaltungsgesellschaft mbH, Berlin	50.00		0	0
Special-purpose entity Audi Zentrum Berlin-Charlottenburg mbH & Co. KG, Berlin	50.00		5	0
PDB-Partnership for Dummy Technology and Biomechanics (GbR), Ingolstadt	20.00		0	0 [6] [8]
PMDTechnologies GmbH, Siegen		50.00	7	0 [6]
2. Other countries				
Model Master S.p.A., Moncalieri (Italy)		40.00	5	–2 [6]
Montepo-Moncalieri TecnoPolo S.p.A., Turin (Italy)		10.00	3	– [6]
TTTech Computertechnik AG, Vienna (Austria)	24.99		20	–4 [6]

1) Based on the individual financial statements in accordance with national law; profit after tax
2) Profit transfer agreement
3) Divergent fiscal year
4) AUDI AG exercises control pursuant to IAS 27.13
5) Figures pursuant to IFRS
6) 2009 fiscal year
7) In liquidation
8) AUDI AG is a general partner (stated pursuant to Section 285, No. 11a of the German Commercial Code)

AUDI AG also holds a stake in FC Bayern München AG, Munich, with a voting interest of more than five percent.

Responsibility Statement

“Responsibility Statement
To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the Annual Financial Statements present a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

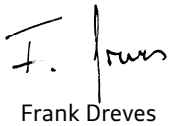
Ingolstadt, February 8, 2011

The Board of Management

Rupert Stadler

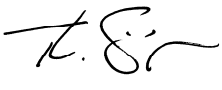
Ulf Berkenhagen

Michael Dick



Frank Dreves

Peter Schwarzenbauer



Thomas Sigi

Axel Strotbek

Mandates of the Board of Management

Status of all data: December 31, 2010

Rupert Stadler (47)
Chairman of the Board of Management

Mandates:

- FC Bayern München AG, Munich
- MAN Truck & Bus AG, Munich (Chairman) [1)]
- MAN SE, Munich

Ulf Berkenhagen (49)
Purchasing

Mandate:

- MAN SE, Munich

Michael Dick (58)
Technical Development

Mandate:

- TÜV SÜD AG, Munich

Frank Dreves (58)
Production

Peter Schwarzenbauer (51)
Marketing and Sales

Thomas Sigi (46)
Human Resources

Axel Strotbek (46)
Finance and Organization

Retired from the Board of Management:

Dr. rer. pol. Werner Widuckel (52),
Effective September 30, 2010

1) Formerly MAN Nutzfahrzeuge AG, Munich, renamed December 28, 2010

In connection with their duties of group steering and governance, the members of the Board of Management in addition hold supervisory board seats at group companies and significant associated companies.

- Membership of statutorily constituted domestic supervisory boards
- ◆ Membership of comparable domestic and foreign regulatory bodies

Mandates of the Supervisory Board

Status of all data: December 31, 2010

Prof. Dr. rer. nat. Martin Winterkorn (63) [1)]
Chairman
Chairman of the Board of Management of Volkswagen AG, Wolfsburg
Chairman of the Board of Management of Porsche Automobil Holding SE, Stuttgart

Mandates:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- FC Bayern München AG, Munich
- Salzgitter AG, Salzgitter
- ◆ Porsche Ges.m.b.H., Salzburg, Austria
- ◆ Porsche Holding GmbH, Salzburg, Austria

Berthold Huber (60)
Deputy Chairman
Chairman of the IG Metall trade union, Frankfurt

Mandates:

- Porsche Automobil Holding SE, Stuttgart
- Siemens AG, Munich (Deputy Chairman)
- Volkswagen AG, Wolfsburg (Deputy Chairman)

Dr. rer. pol. h.c. Bruno Adelt (71)
Former Member of the Board of Management of Volkswagen AG, Wolfsburg

Senator h.c. Helmut Aurenz (73)
Owner of the ASB Group, Ludwigsburg

Mandates:

- ◆ Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese, Italy
- ◆ Scania AB, Södertälje, Sweden

Heinz Eyer (53)
Member of the Works Council of AUDI AG, Neckarsulm plant

Dr. rer. pol. h.c. Francisco Javier Garcia Sanz (53) [1)]
Member of the Board of Management of Volkswagen AG, Wolfsburg

Mandate:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart

Johann Horn (52)
Chief Executive of the Ingolstadt office of the IG Metall trade union

Mandate:

- Conti Temic microelectronic GmbH, Nuremberg

Peter Kössler (51)
Ingolstadt Plant Manager, AUDI AG

Peter Mosch (38)
Chairman of the General Works Council of AUDI AG

Mandates:

- Porsche Automobil Holding SE, Stuttgart
- Volkswagen AG, Wolfsburg

Wolfgang Müller (62)
IG Metall trade union, Bavarian regional headquarters, Munich
Mandate:
- Schaeffler GmbH, Herzogenaurach

Prof. Dr. rer. pol. Horst Neumann (61) [1)]
Member of the Board of Management of Volkswagen AG, Wolfsburg
Mandates:
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Wolfsburg AG, Wolfsburg

Dr.-Ing. Franz-Josef Paefgen (64)
Chairman and Chief Executive Bentley Motors Ltd., Crewe, United Kingdom
Mandates:
- ZF Friedrichshafen AG, Friedrichshafen
- Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese, Italy
- Bugatti Automobiles S.A.S., Molsheim, France (Président)
- Bugatti International S.A., Luxembourg

Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (73)
Chairman of the Supervisory Board of Volkswagen AG, Wolfsburg
Mandates:
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- MAN SE, Munich (Chairman)
- Porsche Automobil Holding SE, Stuttgart
- Volkswagen AG, Wolfsburg (Chairman)
- Porsche Austria Ges.m.b.H., Salzburg, Austria
- Porsche Ges.m.b.H., Salzburg, Austria
- Porsche Holding GmbH, Salzburg, Austria
- Porsche Retail GmbH, Salzburg, Austria

Dr. jur. Hans Michel Piëch (68)
Attorney, Vienna, Austria
Mandates:
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Porsche Automobil Holding SE, Stuttgart
- Volkswagen AG, Wolfsburg
- Porsche Austria Ges.m.b.H., Salzburg, Austria (Chairman)
- Porsche Bank AG, Salzburg, Austria
- Porsche Cars Great Britain Ltd., Reading, United Kingdom
- Porsche Cars North America, Inc., Wilmington, USA
- Porsche Ges.m.b.H., Salzburg, Austria (Chairman)
- Porsche Holding GmbH, Salzburg, Austria (Chairman)
- Porsche Ibérica S.A., Madrid, Spain
- Porsche Italia S.p.A., Padua, Italy
- Porsche Retail GmbH, Salzburg, Austria (Chairman)
- Schmittenhöhebahn AG, Zell am See, Austria
- Volksoper Wien GmbH, Vienna, Austria

Dipl.-Wirtsch.-Ing. Hans Dieter Pötsch (59) [1)]
Member of the Board of Management of Volkswagen AG, Wolfsburg
Member of the Board of Management of Porsche Automobil Holding SE, Stuttgart

Mandates:

- ◆ Porsche Ges.m.b.H, Salzburg, Austria
- ◆ Porsche Holding GmbH, Salzburg, Austria

Dr. jur. Ferdinand Oliver Porsche (49)
Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft, Salzburg, Austria

Mandates:

- ■ Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ■ Porsche Automobil Holding SE, Stuttgart
- ■ Voith AG, Heidenheim
- ■ Volkswagen AG, Wolfsburg
- ◆ Eterna S.A., Grenchen, Switzerland
- ◆ PGA S.A., Paris, France
- ◆ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen

Norbert Rank (55)
Chairman of the Works Council of AUDI AG,
Neckarsulm plant

Jörg Schlagbauer (33)
Member of the Works Council of AUDI AG, Ingolstadt plant

Helmut Späth (54)
Member of the Works Council of AUDI AG, Ingolstadt plant

Max Wäcker (56)
Deputy Chairman of the Works Council of AUDI AG,
Ingolstadt plant

Retired from the Supervisory Board:

Wolfgang Förster (59),
Effective May 20, 2010

1) In connection with his duties of Group steering and governance within the Volkswagen Group, this member of the Supervisory Board additionally holds further non-executive directorships at Group companies and significant associated companies.

- ■ Membership of statutorily constituted domestic supervisory boards
- ◆ Membership of comparable domestic and foreign regulatory bodies

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 Annual Financial Statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the Management Report of AUDI Aktiengesellschaft, Ingolstadt, for the business year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the Annual Financial Statements and Management Report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the Annual Financial Statements, together with the bookkeeping system, and the Management Report based on our audit.

We conducted our audit of the Annual Financial Statements in accordance with Section 317 of the German Commercial Code (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 Annual Financial Statements in accordance with (German) principles of proper accounting and in the Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the Annual Financial Statements and the Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the Annual Financial Statements and 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 Annual Financial Statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The Management Report is consistent with the Annual Financial Statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Munich, February 8, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner	Klaus Schuster
Wirtschaftsprüfer	Wirtschaftsprüfer

Fuel consumption and emission figures

As at: February 2011 (all data apply to features of the German market)

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
Audi A1							
A1 1.2 TFSI	63	5-speed	Premium	6.2	4.4	5.1	118
A1 1.4 TFSI	90	6-speed	Premium	6.8	4.4	5.3	124
A1 1.4 TFSI (119 g CO_2/km) [1]	90	S tronic, 7-speed	Premium	6.5	4.4	5.2	119
A1 1.4 TFSI	90	S tronic, 7-speed	Premium	6.5	4.6	5.3	122
A1 1.4 TFSI	136	S tronic, 7-speed	Super Plus	7.5	5.1	5.9	139
A1 1.6 TDI	77	5-speed	Diesel	4.4	3.4	3.8	99
Audi A3							
A3 1.2 TFSI	77	6-speed	Premium	6.7	4.7	5.5	127
A3 1.2 TFSI	77	S tronic, 7-speed	Premium	6.5	4.6	5.3	123
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 1.8 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	9.9	5.8	7.3	168
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 (99 g CO_2/km) [1]	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	5.7	4.2	4.7	123
A3 2.0 TDI	125	S tronic, 6-speed	Diesel	5.6	4.5	4.9	128
A3 2.0 TDI quattro	125	6-speed	Diesel	6.1	4.6	5.2	135
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	77	6-speed	Premium	6.7	4.7	5.5	127
A3 Sportback 1.2 TFSI	77	S tronic, 7-speed	Premium	6.5	4.6	5.3	123
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 1.8 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	168
A3 Sportback 2.0 TFSI	147	S tronic, 6-speed	Premium	9.9	5.8	7.3	168
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 (102 g CO_2/km) [1]	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	5.7	4.2	4.7	123
A3 Sportback 2.0 TDI	125	S tronic, 6-speed	Diesel	5.6	4.6	5.0	130
A3 Sportback 2.0 TDI quattro	125	6-speed	Diesel	6.1	4.6	5.2	135
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
RS 3 Sportback 2.5 TFSI quattro	250	S tronic, 7-speed	Super Plus	13.1	6.8	9.1	212
Audi A3 Cabriolet							
A3 Cabriolet 1.2 TFSI	77	6-speed	Premium	7.0	5.0	5.7	132
A3 Cabriolet 1.4 TFSI	92	6-speed	Premium	7.4	5.2	6.0	139
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

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
Audi TT Coupé							
TT Coupé 1.8 TFSI	118	6-speed	Premium	8.5	5.2	6.4	149
TT Coupé 2.0 TFSI	155	6-speed	Premium	8.9	5.2	6.6	154
TT Coupé 2.0 TFSI	155	S tronic, 6-speed	Premium	9.9	5.4	7.1	164
TT Coupé 2.0 TFSI quattro	155	S tronic, 6-speed	Premium	9.9	5.7	7.2	169
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	10.8	6.2	7.9	184
TTS Coupé 2.0 TFSI quattro	200	S tronic, 6-speed	Super Plus	10.6	6.0	7.7	179
TT RS Coupé 2.5 TFSI quattro	250	6-speed	Super Plus	12.6	6.8	9.0	209
TT RS Coupé 2.5 TFSI quattro	250	S tronic, 7-speed	Super Plus	12.3	6.3	8.5	197
Audi TT Roadster							
TT Roadster 1.8 TFSI	118	6-speed	Premium	8.6	5.3	6.5	152
TT Roadster 2.0 TFSI	155	6-speed	Premium	9.0	5.4	6.7	156
TT Roadster 2.0 TFSI	155	S tronic, 6-speed	Premium	10.0	5.6	7.2	168
TT Roadster 2.0 TFSI quattro	155	S tronic, 6-speed	Premium	10.2	5.7	7.4	172
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	10.9	6.4	8.1	189
TTS Roadster 2.0 TFSI quattro	200	S tronic, 6-speed	Super Plus	10.8	6.2	7.9	184
TT RS Roadster 2.5 TFSI quattro	250	6-speed	Super Plus	12.8	7.0	9.1	212
TT RS Roadster 2.5 TFSI quattro	250	S tronic, 7-speed	Super Plus	12.4	6.4	8.6	199
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
A4 2.0 TFSI quattro flexible fuel	132	6-speed	Premium/E85	9.8/13.8	5.8/8.2	7.3/10.2	169
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	175
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	127
A4 2.0 TDI (115 g CO_2/km) [1)]	100	6-speed	Diesel	5.2	3.9	4.4	115
A4 2.0 TDI	105	6-speed	Diesel	6.4	4.2	5.0	131
A4 2.0 TDI	105	multitronic, CVT	Diesel	7.3	4.8	5.7	149
A4 2.0 TDI quattro	105	6-speed	Diesel	6.9	4.7	5.5	144
A4 2.0 TDI	125	6-speed	Diesel	6.2	4.4	5.1	134
A4 2.0 TDI quattro	125	6-speed	Diesel	6.9	4.7	5.5	145
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	14.0	7.6	10.0	234
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
A4 Avant 2.0 TFSI quattro flexible fuel	132	6-speed	Premium/E85	9.9/14.0	6.1/8.6	7.5/10.6	174
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	9.6	6.7	7.8	179

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
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 (120 g CO_2/km) [1)]	100	6-speed	Diesel	5.4	4.1	4.6	120
A4 Avant 2.0 TDI	105	6-speed	Diesel	6.4	4.5	5.2	135
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	6.9	5.0	5.7	149
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	6.9	5.0	5.7	149
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	176	tiptronic, 6-speed	Diesel	8.8	5.8	6.9	180
S4 Avant 3.0 TFSI quattro	245	6-speed	Premium	14.2	7.8	10.2	239
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
A4 allroad quattro 2.0 TFSI	155	S tronic, 7-speed	Premium	10.4	7.0	8.3	194
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	6-speed	Premium	9.6	5.8	7.2	169
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	175
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	6-speed	Diesel	6.4	4.5	5.2	135
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	6.2	4.4	5.1	134
A5 Sportback 2.0 TDI quattro	125	6-speed	Diesel	7.0	4.8	5.6	147
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	175
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	6.9	4.7	5.5	144
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 FSI quattro	260	6-speed	Super Plus	17.3	9.1	12.1	283
S5 Coupé 4.2 FSI quattro	260	tiptronic, 6-speed	Super Plus	15.0	8.2	10.7	249
RS 5 Coupé 4.2 FSI quattro	331	S tronic, 7-speed	Super Plus	14.9	8.5	10.8	252

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
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	10.3	6.8	8.1	188
Q5 2.0 TFSI quattro	155	6-speed	Premium	10.3	6.8	8.1	188
Q5 2.0 TFSI quattro	155	S tronic, 7-speed	Premium	10.5	7.5	8.6	199
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	7.2	5.6	6.2	162
Q5 2.0 TDI quattro	125	6-speed	Diesel	7.3	5.6	6.2	163
Q5 2.0 TDI quattro	125	S tronic, 7-speed	Diesel	8.8	5.9	7.0	184
Q5 3.0 TDI quattro	176	S tronic, 7-speed	Diesel	9.2	6.6	7.5	199
Q5 hybrid quattro [2)]	180	tiptronic, 8-speed	Premium			6.9	159
Audi A6 Sedan							
A6 2.8 FSI	150	multitronic, CVT	Premium	9.6	6.1	7.4	172
A6 2.8 FSI quattro	150	S tronic, 7-speed	Premium	10.7	6.5	8.0	187
A6 3.0 TFSI quattro	220	S tronic, 7-speed	Premium	10.8	6.6	8.2	190
A6 2.0 TDI	130	6-speed	Diesel	6.0	4.4	4.9	129
A6 3.0 TDI	150	multitronic, CVT	Diesel	6.0	4.7	5.2	137
A6 3.0 TDI quattro	150	S tronic, 7-speed	Diesel	6.7	5.0	5.7	149
A6 3.0 TDI quattro	180	S tronic, 7-speed	Diesel	7.2	5.3	6.0	158
A6 hybrid [2)]	180	tiptronic, 8-speed	Premium			6.1	142
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 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
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 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 A7 Sportback							
A7 Sportback 2.8 FSI	150	multitronic, CVT	Premium	9.6	6.1	7.4	172
A7 Sportback 2.8 FSI quattro	150	S tronic, 7-speed	Premium	10.7	6.5	8.0	187
A7 Sportback 3.0 TFSI quattro	220	S tronic, 7-speed	Premium	10.8	6.6	8.2	190
A7 Sportback 3.0 TDI	150	multitronic, CVT	Diesel	6.1	4.8	5.3	139
A7 Sportback 3.0 TDI quattro	180	S tronic, 7-speed	Diesel	7.2	5.3	6.0	158

Model	Power output (kW)	Transmission	Fuel	Fuel consumption (l/100 km)			CO_2 emissions (g/km)
				urban	extra urban	combined	combined
Audi Q7							
Q7 3.0 TFSI quattro	200	tiptronic, 8-speed	Premium	14.4	8.5	10.7	249
Q7 3.0 TFSI quattro	245	tiptronic, 8-speed	Premium	14.4	8.5	10.7	249
Q7 3.0 TDI quattro	150	tiptronic, 8-speed	Diesel	8.2	6.5	7.2	189
Q7 3.0 TDI quattro	176	tiptronic, 8-speed	Diesel	8.6	6.7	7.4	195
Q7 3.0 TDI clean diesel quattro	176	tiptronic, 8-speed	Diesel	10.9	6.9	8.4	219
Q7 4.2 TDI quattro	250	tiptronic, 8-speed	Diesel	12.0	7.6	9.2	242
Q7 V12 TDI quattro	368	tiptronic, 6-speed	Diesel	14.8	9.3	11.3	298
Audi A8							
A8 3.0 TFSI quattro	213	tiptronic, 8-speed	Premium	12.9	6.9	9.1	213
A8 4.2 FSI quattro	273	tiptronic, 8-speed	Premium	13.3	7.2	9.5	219
A8 3.0 TDI [2]	150	tiptronic, 8-speed	Diesel			6.0	158
A8 3.0 TDI quattro	184	tiptronic, 8-speed	Diesel	8.0	5.8	6.6	174
A8 4.2 TDI quattro	258	tiptronic, 8-speed	Diesel	10.2	6.1	7.6	199
A8 hybrid [2]	180	tiptronic, 8-speed	Premium			6.2	144
Audi A8 L							
A8 L 3.0 TFSI quattro	213	tiptronic, 8-speed	Premium	13.1	7.1	9.3	217
A8 L 4.2 FSI quattro	273	tiptronic, 8-speed	Premium	13.6	7.4	9.7	224
A8 L 3.0 TDI quattro	184	tiptronic, 8-speed	Diesel	8.0	5.8	6.6	176
A8 L 4.2 TDI quattro	258	tiptronic, 8-speed	Diesel	10.3	6.2	7.8	204
A8 L W12 quattro	368	tiptronic, 8-speed	Premium	18.2	9.0	12.4	290
Audi R8 Coupé							
R8 4.2 FSI quattro	316	6-speed	Super Plus	21.3	10.0	14.2	332
R8 4.2 FSI quattro	316	R tronic, 6-speed	Super Plus	20.1	9.4	13.3	310
R8 5.2 FSI quattro	386	6-speed	Super Plus	22.2	10.6	14.9	346
R8 5.2 FSI quattro	386	R tronic, 6-speed	Super Plus	21.1	9.9	13.9	326
R8 GT 5.2 FSI quattro	412	R tronic, 6-speed	Super Plus	21.0	9.9	13.9	323
Audi R8 Spyder							
R8 Spyder 4.2 FSI quattro	316	6-speed	Super Plus	21.3	10.3	14.4	337
R8 Spyder 4.2 FSI quattro	316	R tronic, 6-speed	Super Plus	20.1	9.6	13.5	315
R8 Spyder 5.2 FSI quattro	386	6-speed	Super Plus	22.2	10.7	14.9	349
R8 Spyder 5.2 FSI quattro	386	R tronic, 6-speed	Super Plus	21.5	10.2	14.2	332
Lamborghini Gallardo							
Gallardo LP 550-2	405	6-speed	Super Plus	22.0	9.9	14.4	341
Gallardo LP 550-2	405	e-gear, 6-speed	Super Plus	20.1	9.2	13.3	315
Gallardo LP 560-4	412	6-speed	Super Plus	22.6	10.2	14.7	351
Gallardo LP 560-4	412	e-gear, 6-speed	Super Plus	20.7	9.6	13.7	325
Gallardo LP 570-4 Superleggera	419	6-speed	Super Plus	22.2	10.0	14.4	344
Gallardo LP 570-4 Superleggera	419	e-gear, 6-speed	Super Plus	20.4	9.4	13.5	319
Lamborghini Gallardo Spyder							
Gallardo LP 560-4 Spyder	412	6-speed	Super Plus	22.7	10.3	14.8	354
Gallardo LP 560-4 Spyder	412	e-gear, 6-speed	Super Plus	20.8	9.7	13.8	330
Gallardo LP 570-4 Spyder Performante	419	6-speed	Super Plus	22.4	10.1	14.6	350
Gallardo LP 570-4 Spyder Performante	419	e-gear, 6-speed	Super Plus	20.5	9.6	13.6	327
Lamborghini Aventador							
Aventador LP 700-4	515	ISR, 7-speed	Super Plus	27.3	11.3	17.2	398

1) Contains restrictions with regard to optional extras.

2) 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 stated fuel consumption and emission figures are provisional values.

Further information on official fuel consumption figures and the official specific CO_2 emissions of new passenger cars can be found in the guide “Information on the fuel consumption and CO_2 emissions of new cars,” which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Helmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany.

News

Find out more about the year 2010 at:
www.audi.com/ar2010/news

01-03

January 23
World class on the slopes

Audi presents the 2011 FIS Alpine World Ski Championships in Garmisch-Partenkirchen (Germany), and the 2013 event in Schladming (Austria). With these events the brand with the four rings is continuing to develop its involvement in international winter sports. Audi has supported three previous Alpine World Ski Championships.

January 27
Driving and presentation grounds planned in Neuburg

Audi is planning new driving and presentation grounds as well as a new development center in Neuburg an der Donau. Journalists will be able to inspect future Audi models on the premises, and customers can drive their new cars for the first time. A center for developing new, innovative driver assistance and passenger protection systems is also planned for the site.

March 3
One-of-a-kind driving experience

The Audi driving experience has expanded its portfolio. Since March 2010 Audi customers have been able to book exclusive races with the Audi R8 LMS at a partner. Audi was able to rely on the support of Joest Racing for this “race experience.” The Audi racing team Joest recorded a one-two-three victory at Le Mans in 2010.

March 3
30 years of quattro

The quattro permanent all-wheel drive system celebrated its third decade in 2010. The first Audi quattro stood in the glare of the spotlights at the Geneva Motor Show on March 1, 1980. It was the start of a triumphant reign in motorsports and on the road. To date the quattro drive system has been delivered in more than 3.7 million Audi cars – currently, every third Audi coming off the assembly line is a quattro.

COPY | CHRISTINE MAUKEL

March 9
Special bonus for staff

Despite the financial crisis, AUDI AG again in 2010 paid out a profit-sharing payment as well as a special bonus of 1,200 euros to the 43,000 employees in Ingolstadt and Neckarsulm. This bonus honored the employees for their exceptional performance during the year of crisis in 2009.

March 31
Audi makes the most beautiful cars

In March 2010, readers of the car magazine AUTO ZEITUNG crowned Audi the “most beautiful brand” (8/2010 issue, p. 82). They could choose from the 50 best-selling car brands in Germany. The R8 Spyder* also contributed to the success of the Audi family during the premiere of the Design Trophy in 2010. It was named the “most beautiful convertible.”

PHOTOS | AUDI AG (6); PICTURE-ALLIANCE/DPA/SOEREN STACHE

April 28

Audi has its own MedCup team

For the first time since Audi became involved in the MedCup, in 2010 the carmaker sent its own boat to the regatta. The “Audi A1 Team powered by ALL4ONE,” piloted by the renowned sailor Jochen Schümann, achieved several podium positions and took home seventh place following the final in the supreme TP52 class. In addition to lending its name to the race, the Audi brand also shapes the visual design of the series, handles hospitality services and supplies the shuttle vehicle fleet for each event with the latest models.

May 3

Audi participates in the National Platform for Electromobility

In Berlin, German Chancellor Angela Merkel kicked off the National Platform for Electromobility. This is an initiative in which AUDI AG plays an active part, with Audi Board Member Michael Dick chairing the Standardization and Certification task force. The aim of the initiative is to develop Germany into a leading market for electric mobility.

May 21

Audi is Germany’s most popular employer

Students graduating from engineering and business administration programs selected AUDI AG as Germany’s most attractive employer in the renowned employer rankings compiled by the consulting institutes trendence (trendence Graduate Barometer 2010 – Business and Engineering Edition, May 21, 2010) and Universum (Universum Student Survey 2010 – Germany, May 3, 2010).

June 2

“travolution” improves efficiency

In mid-2010 Audi presented the latest developments in the travolution project to journalists and traffic planners. Test drives demonstrated the current ability of cars to communicate directly with traffic light systems via WLAN and UMTS. With travolution, stop periods, acceleration phases and fuel consumption can be reduced.

June 8

A1 experience at the airport

Starting in June, Audi transformed the open area between Terminals 1 and 2 at Munich Airport into an Audi A1 experience. For five months, airport visitors were able to gather information and advice regarding the A1, or create and experience their dream A1 on a 3D configurator. A1 City was also the site for training 10,000 Audi sales representatives from all over the world.

News

07-09

July 21

A revamped quattro

To mark the 30-year anniversary of quattro at the Paris Motor Show, Audi presented the Audi quattro concept – a show car with a 300 kW (408 hp) turbocharged five-cylinder engine, a lightweight body and the latest generation of permanent all-wheel drive.

July 24

Audi Sportpark opens

The Audi Sportpark in Ingolstadt was opened with a blitz soccer tournament and an extensive program of events. This new venue offers room for around 15,000 spectators and is the new home stadium for FC Ingolstadt.

August 12

Green-powered railway transport

Audi is the first company in Germany to use trains powered by green electricity to transport cars to the loading port in Emden. Deutsche Bahn purchases the renewable energy additionally, and AUDI AG pays for any costs exceeding the price of conventional electricity. By using green electricity, Audi avoids emission of about 5,250 tons of CO_2 per year – more than 35 kilograms per transported car.

September 7

Chinese Audi customers highly satisfied

The range of services offered by Audi won over more Chinese customers in 2010 than those of any other premium car manufacturer. This was found in a study conducted by the J.D. Power market research institute. For the 2010 Sales Satisfaction Index, the institute surveyed Chinese new car buyers about their satisfaction with the contract negotiations, the sales process and competence of the sales staff.

September 29

Audi forms cultural partnership with Bavarian State Painting Collections

In September 2010, AUDI AG concluded a partnership with the Bayerische Staatsgemäldesammlungen (Bavarian State Painting Collections), thus adding an internationally prominent partner to its involvement in the arts. The Collections' holdings include some of the world's most famous museums, such as the Pinakothek galleries in Munich's Kunstareal art district, the Brandhorst Museum and the Schack Gallery.

PHOTOS | DB AG/AUDI AG; AUDI AG (5); PICTURE-ALLIANCE/EVENTPRESS/TILLMANN COPY | CHRISTINE MAUKEL

2010

10-12

October 20

One millionth Audi in China

In the past fiscal year Audi celebrated selling its millionth car in China. A ceremony marking the occasion was held in Changchun and was attended by representatives of AUDI AG and of its partner First Automobile Works (FAW), along with more than 7,000 guests.

October 29

Audi A7 Sportback now at dealerships

The Audi A7 Sportback* celebrated its market launch in Europe in late October. The five-door car sets a new standard by combining the emotional character of a coupe with the prestige of a sedan and the functionality of an Avant. Also premiering was the Audi head-up display, which projects important information including navigation data on the windshield.

November 3

Two Golden Steering Wheel awards

Audi scored a double victory in the prestigious 2010 Golden Steering Wheel award: The A1 topped the small car category, and the A8 won the luxury car category (AUTO BILD, 44/2010 issue, p. 51). The Audi A7 Sportback took second place in the mid-size/full-size class to round out this excellent showing. With 20 Golden Steering Wheel awards, Audi is the most successful brand in the 35-year history of the competition, which is presented by BILD am SONNTAG and AUTO BILD magazine.

December 1

World premiere of the Audi A6

The new A6 was presented to the public for the first time in late 2010. In spring 2011 it will arrive at dealerships, bringing with it trend-setting solutions in every field of technology. Thanks to an intelligent combination of materials the car's body is unusually light, the controls are simple despite offering a wealth of functions, and a wide array of assistance and multimedia systems are included. In addition to conventional drive concepts, a hybrid version of the new business sedan* is also planned.

December 27

Largest investment program in company history

Audi wants to grow further. The Company provided proof of this intention by announcing the largest investment program in its history: Between 2011 and 2015, more than 11 billion euros will be invested primarily in new products and technologies and also on extending the production sites. Furthermore, Audi is planning to hire some 1,200 new specialists in 2011.

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

10-Year Overview

IFRS		2001	2002	2003 [1]
Production	Cars	727,033	735,913	761,582
	Engines	1,225,448	1,284,488	1,342,883
Deliveries to customers				
Audi Group	Cars	991,444	995,531	1,003,791
Audi brand	Cars	726,134	742,128	769,893
Germany	Cars	254,866	243,650	237,786
Outside Germany	Cars	471,268	498,478	532,107
Outside Germany	Percent	64.9	67.2	69.1
Market share, Germany	Percent	7.5	7.4	7.4
Lamborghini brand	Cars	297	424	1,305
Other Volkswagen Group brands	Cars	265,013	252,979	232,593
Workforce	Average	51,141	51,198	52,689
From the Income Statement				
Revenue	EUR million	22,032	22,603	23,406
Cost of materials	EUR million	15,860	16,726	17,163
Personnel costs	EUR million	2,660	2,739	2,938
Personnel costs per employee	EUR	52,018	53,496	55,763
Depreciation and amortization	EUR million	1,412	1,614	1,833
Operating profit	EUR million	1,385	1,301	1,051
Profit before tax	EUR million	1,286	1,219	1,101
Profit after tax	EUR million	747	752	811
From the Balance Sheet (Dec. 31)				
Non-current assets	EUR million	7,685	8,308	8,588
Current assets	EUR million	3,437	4,342	5,475
Equity	EUR million	4,222	4,761	5,487
Liabilities	EUR million	6,900	7,889	8,576
Balance sheet total	EUR million	11,122	12,650	14,063
From the Cash Flow Statement				
Cash flow from operating activities	EUR million	2,393	2,440	2,786
Investing activities [2]	EUR million	2,028	2,305	2,015
Net liquidity (Dec. 31)	EUR million	1,093	877	1,530
Financial ratios				
Operating return on sales	Percent	6.3	5.8	4.5
Return on sales before tax	Percent	5.8	5.4	4.7
Equity ratio (Dec. 31)	Percent	38.0	37.6	39.0
Audi share				
Share price (year-end price) [3]	EUR	160.00	191.00	225.00
Compensatory payment	EUR	1.30	1.30	1.05

1) Financial data adjusted to take account of amendments to IAS 19 and IAS 38
2) Not including securities, fixed deposits and loans
3) Year-end price on Munich Stock Exchange
4) In accordance with the resolution to be passed by the Annual General Meeting of Volkswagen AG, Wolfsburg, on May 3, 2011

2004 [1]	2005 [1]	2006	2007	2008	2009	**2010**
784,972	811,522	926,180	980,880	1,029,041	932,260	**1,150,018**
1,485,536	1,695,045	1,895,695	1,915,633	1,901,760	1,384,240	**1,648,193**
971,832	1,045,114	1,135,554	1,200,701	1,223,506	1,145,360	**1,293,453**
779,441	829,109	905,188	964,151	1,003,469	949,729	**1,092,411**
235,092	247,125	257,792	254,014	258,111	228,844	**229,157**
544,349	581,984	647,396	710,137	745,358	720,885	**863,254**
69.8	70.2	71.5	73.7	74.3	75.9	**79.0**
7.2	7.4	7.6	7.9	8.1	6.2	**7.8**
1,592	1,600	2,087	2,406	2,430	1,515	**1,302**
190,799	214,405	228,279	234,144	217,607	194,116	**199,740**
53,144	52,412	52,297	53,347	57,822	58,011	**59,513**
24,506	26,591	31,142	33,617	34,196	29,840	**35,441**
17,676	19,139	21,627	23,092	23,430	18,512	**21,802**
3,072	3,136	3,440	3,406	3,709	3,519	**4,274**
57,798	59,834	65,771	63,846	64,467	60,656	**71,818**
1,852	1,930	2,515	2,287	1,908	1,775	**2,170**
1,238	1,407	2,015	2,705	2,772	1,604	**3,340**
1,143	1,310	1,946	2,915	3,177	1,928	**3,634**
871	824	1,343	1,692	2,207	1,347	**2,630**
8,970	8,597	8,285	8,325	9,537	9,637	**10,584**
5,934	7,515	10,625	14,253	16,519	16,913	**20,188**
5,828	6,104	7,265	8,355	10,328	10,632	**11,310**
9,076	10,008	11,645	14,223	15,728	15,918	**19,462**
14,904	16,112	18,910	22,578	26,056	26,550	**30,772**
2,690	3,252	4,428	4,876	4,338	4,119	**5,797**
2,041	1,670	1,890	2,084	2,412	1,798	**2,260**
2,033	3,391	5,720	7,860	9,292	10,665	**13,383**
5.1	5.3	6.5	8.0	8.1	5.4	**9.4**
4.7	4.9	6.2	8.7	9.3	6.5	**10.3**
39.1	37.9	38.4	37.0	39.6	40.0	**36.8**
220.15	308.00	540.00	625.00	466.49	500.00	**650.00**
1.05	1.15	1.25	1.80	1.93	1.60	**X** [4]

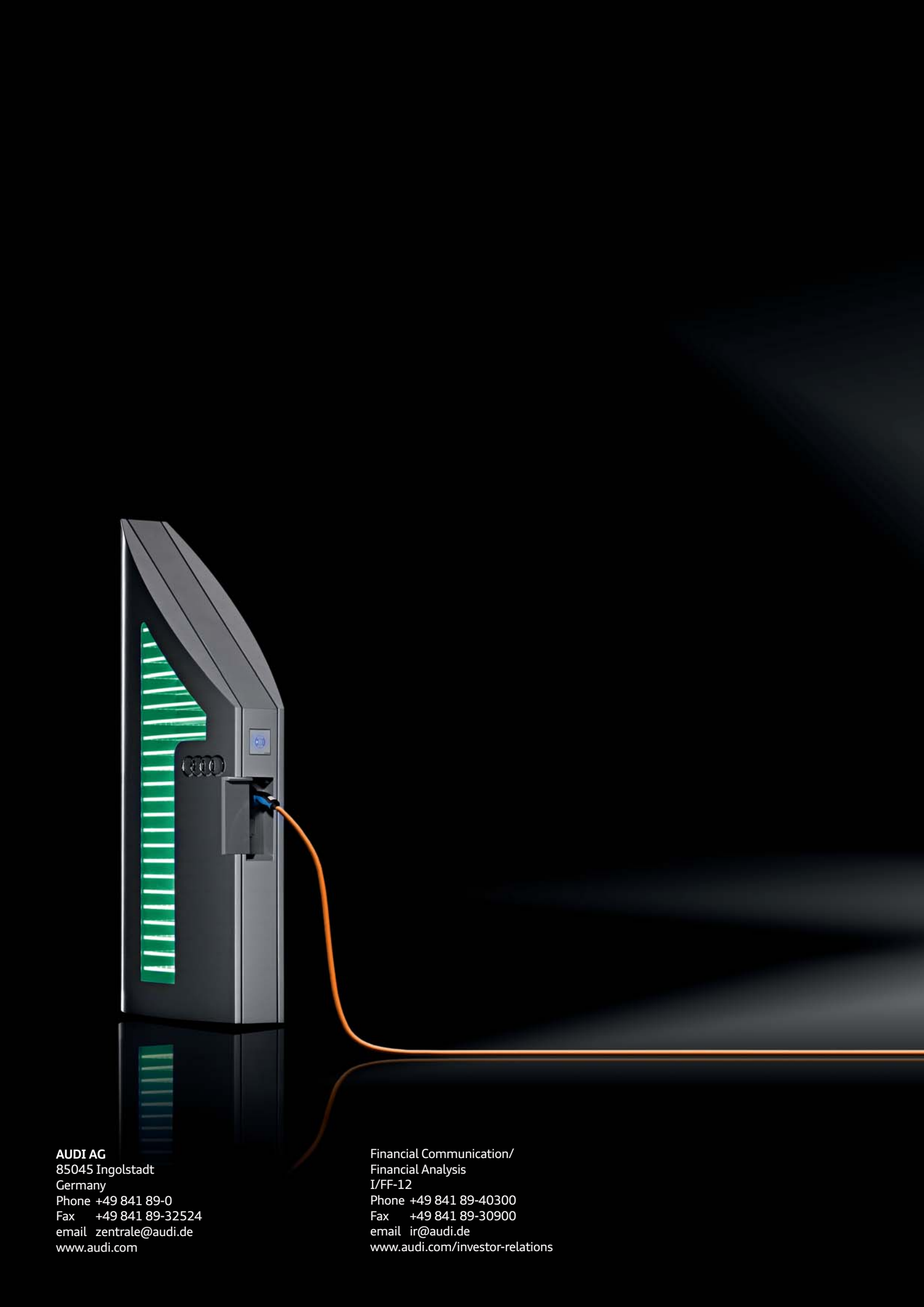
2011 Financial Calendar

Quarterly Report, 1st quarter
May 2, 2011

Annual General Meeting
May 12, 2011
Audi Forum Neckarsulm

Interim Financial Report
July 29, 2011

Quarterly Report, 3rd quarter
November 2, 2011



AUDI AG
85045 Ingolstadt
Germany
Phone +49 841 89-0
Fax +49 841 89-32524
email zentrale@audi.de
www.audi.com

Financial Communication/
Financial Analysis
I/FF-12
Phone +49 841 89-40300
Fax +49 841 89-30900
email ir@audi.de
www.audi.com/investor-relations