

BUSINESS AND UNDERLYING SITUATION

THE GROUP

Company

With its two brands Audi and Lamborghini, the Audi Group is one of the most successful car-makers worldwide, active both in the premium and supercar segments.

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

AUDI VEHICLE DELIVERIES BY REGION

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

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

Group structure and principal group companies

The Audi Group is headquartered in Ingolstadt. This is where Technical Development, Sales, Administration and substantial portions of the manufacturing operations are based. In addition to the A3, A3 Sportback, A4 Sedan, A4 Avant, A5 Coupé and Audi Q5, the ultra-sporty S3, S3 Sportback, S4 Sedan, S4 Avant and S5 Coupé versions are built there as well. The bodies of the A3 Cabriolet and TT series are also made in Ingolstadt.

The Company's second German location in Neckarsulm is where the A4 Sedan, A5 Cabriolet, A6 Sedan, A6 Avant, A6 allroad quattro and the A8 luxury sedan are built, together with the high-performance derivative models S5 Cabriolet, S6 Sedan, S6 Avant, S8 and A8 W12. quattro GmbH is also based in Neckarsulm. This company, a wholly owned subsidiary of AUDI AG, manufactures the high-performance vehicles RS6 Sedan, RS6 Avant and Audi Q7 V12 TDI quattro, and is also responsible for the exclusive, hand-crafted manufacture of the Audi R8 mid-engine sports car. quattro GmbH also supplies an extensive customization program for all Audi models (e.g. S line, Audi exclusive) and sells exclusive lifestyle articles that embody the spirit of the brand with the four rings.

AUDI BRUSSELS S.A./N.V. (Brussels, Belgium) builds the Audi A3 and, on behalf of Volkswagen AG (Wolfsburg), the VW Polo.

AUDI HUNGARIA MOTOR Kft. develops and builds engines for AUDI AG and other Volkswagen Group companies, as well as for third-party companies in Győr (Hungary). The TT and TTS models in both Coupé and Roadster body versions and, under contract from AUDI AG, the A3 Cabriolet are also built there in partnership with the Ingolstadt plant. Audi Hungaria is now one of the country's largest businesses and has become an important economic force. The Bologna region of Italy is home to Automobili Lamborghini S.p.A., which builds the supercars Gallardo LP 560-4, Gallardo LP 560-4 Spyder, Murciélago LP 640 and Murciélago LP 640 Roadster.

VOLKSWAGEN GROUP ITALIA S.P.A., a subsidiary of Automobili Lamborghini Holding S.p.A. based in Verona (Italy), sells vehicles of the Audi brand and other Volkswagen Group brands in Italy.

Consolidated companies

AUDI AG's largest stockholder is Volkswagen AG (Wolfsburg), which holds around 99.55 percent of the capital stock. A control and profit transfer agreement is in effect between the two companies.

Volkswagen AG includes the consolidated financial statements of AUDI AG in its own consolidated financial statements.

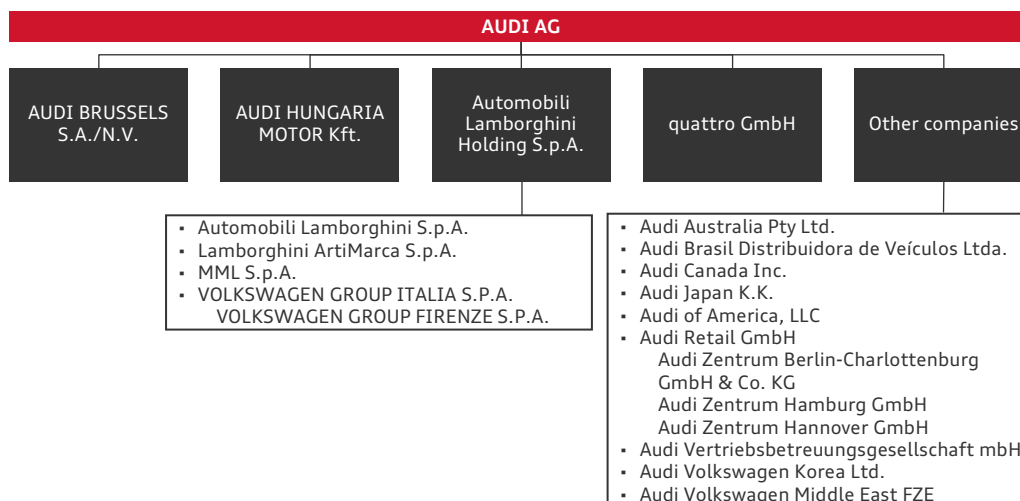
Control and profit transfer agreements also exist between AUDI AG and its principal German subsidiaries.

The Audi Group has increased in scope since December 31, 2007 and now includes Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) as well as AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), which was consolidated in keeping with the conditions set forth in IAS 27.13, Sentence 2. Following its sale as of December 1, 2008 to Volkswagen do Brasil Indústria de Veículos Automotores Ltda. (São Bernardo do Campo, Brazil), AUDI DO BRASIL E CIA. (Curitiba, Brazil) no longer belongs to the Group.

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FULLY CONSOLIDATED COMPANIES WITHIN THE AUDI GROUP



Disclosures required under takeover law

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

Capital structure

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

Stockholders' rights and obligations

Stockholders enjoy property and administrative rights.

The property rights include, above all, the right to a share in the profit (Section 58, Para. 4 of the German Stock Corporation Act [AktG]) and in the proceeds of liquidation (Section 271 of the German Stock Corporation Act), as well as a subscription right to shares in the event of capital increases (Section 186 of the German Stock Corporation Act).

The administrative rights include the right to participate in the Annual General Meeting and the right to speak, ask questions, table motions and exercise voting rights there. Stockholders may assert these rights, in particular, by means of a disclosure and avoidance action.

Each share carries an entitlement to one vote at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board to be appointed by it, as well as the auditors; it decides, in particular, on the ratification of the acts of members of the Board of Management and Supervisory Board, on amendments to the Articles of Incorporation and Bylaws, as well as on capital measures, on authorizations to acquire treasury shares and, if necessary, on the conduct of a special audit, the dismissal of members of the Supervisory Board within their term of office and on liquidation of the Company.

The Annual General Meeting normally adopts resolutions by a simple majority of votes cast, unless a qualified majority is specified by statute. A control and profit transfer agreement exists between AUDI AG and Volkswagen AG (Wolfsburg) as the controlling company. This agreement permits Volkswagen AG to issue instructions. The net profit of AUDI AG available for distribution is transferred to Volkswagen AG. Volkswagen AG is obliged to make good any loss. All Audi stockholders (with the exception of Volkswagen AG) receive a compensatory payment in lieu of a dividend. The amount of the compensatory payment corresponds to the dividend distributed in the same fiscal year to Volkswagen AG stockholders for each Volkswagen ordinary share.

Capital interests exceeding 10 percent of the voting rights

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

Composition of the Supervisory Board

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

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

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

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

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

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

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

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CORPORATE STEERING

Strategy

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

THE AUDI GROUP'S "ROUTE 15" STRATEGY



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

Increasing market share

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

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

At the same time, the Audi Group is steadily increasing its engagement in car markets around the world. The high saturation of traditional sales markets means that relatively new, burgeoning markets like Russia, India and China are of particular importance for the future growth of the Audi brand. The Company is therefore gradually expanding its exclusive dealer and service network in these countries. Furthermore, AUDI AG added the new Audi A4 last year to its local CKD assembly operation in India. At the beginning of this year, the first long-wheelbase version in the upper midsize category went on sale in China, currently the leading export market. The new Audi A4L satisfies the customer's desire for progressive mobility and excellent spaciousness, cementing the Audi brand's leading position in the Chinese premium segment. Furthermore, the brand with the four rings has announced its intention to launch diesel technology in the United States, the world's largest auto market. The aim is to convince future American customers of the high performance and efficiency of this modern propulsion method, adding further momentum to Audi's plans for growth over the medium term.

Customer enthusiasm and image leader in emotion and quality

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

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

The public's unstinting enthusiasm for the Audi brand and its vehicles was again expressed by numerous awards in the past fiscal year. For example, readers of the trade magazine *Auto Zeitung* voted the brand with the four rings top in its "Image Report 2008," giving it five wins in a row. In addition, the Audi A4, Audi A6 and Audi R8 won the same magazine's "Auto Trophy 2008" (issue 24/2008 and issue 25/2008) in their respective classes. In the important "Best Cars" reader poll sponsored by the trade publication *auto motor und sport* (issue 4/2008), four Audi models came out on top: the Audi A3, Audi A4, Audi A6 and Audi R8. The Audi R8 claimed a double victory at the World Car of the Year Awards 2008 (March 20, 2008) by capturing the titles "World Performance Car" and "World Car Design of the Year." Even before it arrived on the market, the new Audi Q5 carried off the "Golden Steering Wheel" sponsored by the newspaper *Bild am Sonntag* (issue 45/2008). The Audi brand also enjoyed widespread international acclaim. In China, it ranked first in the J.D. Power Asia Pacific 2008 China Sales Satisfaction Index (SSI) StudySM (August 28, 2008), which gauges the satisfaction of new car owners. Furthermore, the Audi A6L, Audi Q7 and Audi R8 earned the distinction of "Best Cars" in their class in a reader poll taken by the Chinese edition of the trade magazine *auto motor und sport* (issue 2/2008). Once again, Audi did justice to its brand attribute of sportiness with an array of motor-racing triumphs in the past year. The legendary Audi R10 TDI diesel-powered racing car, which features cutting-edge diesel technology, took victory in the 24 Hours of Le Mans for the third time in a row and won both the European and American Le Mans Series in the bargain. The competition version of the new Audi A4 won the internationally popular touring-car racing series, the German Touring Car Masters (DTM), on its very first time out, continuing the previous year's success. With four wins out of four, 2008 was thus the most successful year for motor sports in the Company's history. This serves to document the competitiveness of the Audi brand's technology.

High profitability

The Audi Group management's primary objective within the scope of its "Route 15" strategy is to achieve sustainable growth. As well as further increasing the market share in key markets, high profitability in particular is at the focus of all activities. Within the context of this value-oriented corporate management approach, growth also has to be profitable if it is to meet the premium standards of the Audi Group.

Sustainable, high profitability is encouraged in particular by continuously reassessing processes and structures in order to improve efficiency and realize cost-cutting potential, while also implementing wide-ranging measures to permanently optimize material costs and ensure systematic investment management.

Most attractive employer

If the Audi Group is to continue the impressive achievements of the past, it will have to continue to depend on committed and highly skilled employees. Therefore, one of the Company's core strategic goals is to enhance its attractiveness as an employer even further. The associated activities include creating a working environment that demands and encourages the ongoing development of the entire workforce. The Company acknowledges the great dedication of its employees not only through performance-based remuneration and profit sharing, but in particular by staging events like the Audi Family Day 2008. The wide range of measures aimed at boosting the Company's attractiveness as an employer also includes flexible working hour programs and comprehensive preventive health care.

The tremendous success of these measures can be gauged through regular internal employee surveys. However, external surveys like the one conducted by the renowned trendence Institute in Berlin ("The German Student Barometer – Business and Engineering Edition," 8/2008) also show the Audi Group as being one of the most popular employers of all in 2008. The Company took first place among engineers, a critical occupation group.

Internal steering system

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

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

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

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

System of remuneration for the Supervisory Board and Board of Management

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

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RESEARCH AND DEVELOPMENT

In developing and marketing innovative technical concepts, the Audi Group has played an instrumental role in shaping the modern automotive industry. The Company again brought numerous innovations to production maturity in the past fiscal year.

The total number of employees in the Research and Development area averaged 6,556 (6,230) over the year, comprising 6,293 (5,993) at AUDI AG, 116 (107) at AUDI HUNGARIA MOTOR Kft. (Győr, Hungary) and 147 (130) at Automobili Lamborghini S.p.A. (Sant'Agata Bolognese, Italy).

RESEARCH AND DEVELOPMENT EXPENDITURE RECOGNIZED AS AN EXPENSE

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

Technical innovations

Efficient e model for the full-size category

With the launch of the first e models in 2007, the Audi brand was again able to demonstrate that sportiness and efficiency are not a contradiction in terms. This ultra-economical, low-emission vehicle concept is now also available in the full-size category.

The Audi A6 2.0 TDI e, with a power output of 100 kW (136 hp) and peak torque of 320 Nm, achieves an impressive average fuel consumption of 5.3 liters of diesel fuel per 100 kilometers. Its CO₂ emissions are a scant 139 g/km.

2.0-liter TFSI engine is the “International Engine of the Year”

Last year, for the fourth time in a row, a jury of 65 leading motor journalists from 32 countries voted the 2.0-liter TFSI engine the winner of the “International Engine of the Year” award (May 7, 2008). The engine was particularly commended for its high efficiency and its flexibility, which makes it suitable for use in the various vehicle models. The four-cylinder gasoline unit made its debut in summer 2004 in the Audi A3 Sportback. The Audi Group is currently offering its newest and most powerful version, which has 200 kW (272 hp), in the Audi TTS Coupé and Roadster. In these two ultra-sporty models, this power unit combines with the S tronic dual-clutch transmission to achieve a very good average fuel consumption of 7.9 and 8.0 liters of Super Plus gasoline per 100 kilometers respectively. This equates to CO₂ emissions of 184 and 187 g/km respectively.

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

During the FISITA World Automotive Congress, AVL List GmbH (Graz, Austria) presented Audi engine developer Dr. Stefan Dengler with the “Hans List Award” (September 19, 2008), which is given to honor the achievements of innovative engineers. Dengler, a mechanical engineer, received EUR 50,000 in prize money for developing the Audi valvelift system (AVS). The system permits intelligent control of the intake and exhaust valves on gasoline engines, thereby increasing their power and torque while improving their fuel efficiency.

The Audi valvelift system demonstrates its strengths in the Audi A4 2.0 TFSI among others. With an output of 155 kW (211 hp) and peak torque of 350 Nm, this front-wheel drive sedan with manual transmission averages 6.6 liters of premium gasoline over 100 kilometers. It has CO₂ emissions of 154 g/km. This progressive engine technology is also used in many other models of the Audi brand.

The Audi Group believes the Audi valvelift system offers tremendous potential for further improvements to the efficiency of gasoline engines. Future versions could even conceivably shut off individual cylinders altogether.

Audi S tronic with seven speeds

In the past fiscal year, the Audi Group unveiled the newly developed seven-speed S tronic dual-clutch transmission. This concept, which is specially designed for the combination of longitudinally installed engines and quattro all-wheel drive, facilitates gear changes within a few hundredths of a second and virtually without any interruptions to the power flow.

This is all made possible by two permanently active subsidiary transmissions, one of which is connected to the engine at any given time. When the driver accelerates the car, for instance, the next-higher gear is already engaged in the other subsidiary transmission. To increase driving enjoyment even further, there is also the option of changing gear using shift paddles on the steering wheel.

Quite apart from its very sporty characteristics, the seven-speed S tronic is notably efficient. Its high efficiency and intelligent control function in automatic mode team up to maximize fuel efficiency. In addition, the maximum possible transmission spread of 8.0 : 1 offers a sporty, short transmission ratio for the first gear as well as a rev-reducing long ratio for the highest gear.

The new seven-speed S tronic is available in sporty models of the mid-range car lines.

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

The new-generation Multi Media Interface (MMI) made its debut last summer in the Audi A8 luxury sedan. Every aspect of this system has been further designed so that it now offers a combination of even better performance and, in particular, greater ease of operation.

The optionally available MMI navigation plus features a joystick on the central control knob for even easier navigation. In addition, a 7-inch, high-resolution (800 x 480 pixels) color monitor with LED backlighting provides a sharp, high-contrast picture even under difficult light conditions.

One technological highlight of the MMI navigation plus is its new navigation program. Besides having a conventional two-dimensional view, the driver can also select a three-dimensional map view. And, whenever appropriate, the navigation system suggests a route that will help the driver achieve maximum fuel efficiency.

Other important features of the new-generation system are an integrated drive for audio, video and navigation DVDs, and, in the case of MMI navigation plus, a 40 GB hard drive that can store up to 5,000 addresses and as many as 3,000 music tracks, which can be sorted as desired. The new generation of MMI is already available in a wide range of Audi models.

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

In developing the Audi Space Frame (ASF), the Audi Group played a crucial role in lightweight automotive construction. The revolutionary concept, which first went into production in the Audi A8 in 1994, has been honored with the European Patent Office's European Inventor of the Year Award 2008 (May 6, 2008). The high-strength aluminum frame construction weighs much less than conventional steel bodied vehicles. The Audi Space Frame has paved the way for enhanced fuel efficiency, making a vital contribution towards cutting a vehicle's polluting emissions.

This pioneering aluminum technology currently features not only on the Audi A8, making it the only luxury sedan to combine an aluminum body with quattro drive, but also on the Audi TT, Audi R8 and Lamborghini Gallardo.

Innovations for safety

High-beam assistant for better illumination

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

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

10 years of accident research promoting road safety

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

Active safety systems to help prevent accidents

One example of how findings of the Audi Accident Research Unit (AARU) have filtered through to the latest models is the radar-supported Audi side assist system, which first appeared in the Audi Q7. Studies made by accident researchers established that when changing lanes, drivers not only tend to overlook vehicles in the blind spot but in particular fail to notice cars approaching from behind or underestimate how quickly these are traveling. Audi side assist was therefore conceived to not only detect vehicles in the blind spot, but also to detect those approaching from behind at high speeds. A signal lights up on the outside rearview mirror to warn the driver whenever the sensors identify such situations.

The Audi brand also offers a wide variety of other safety and convenience systems to support the driver in the task of driving. Certain systems are designed to tackle accidents at the source. For instance, Audi lane assist alerts the driver should his car inadvertently drift out of its lane. Another option available on Audi models is the adaptive cruise control (ACC) system, which regulates the distance to a preceding vehicle detected by the radar sensor by means of controlled braking and acceleration. If the vehicle in front brakes abruptly, Audi braking guard is activated. This system initially warns the driver by means of visible and audible signals and then, if need be, briefly but forcefully applies the brakes to prompt the driver to brake the car if necessary.

EMPLOYEE MATTERS

Workforce

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

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

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

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

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

At the very beginning of 2008, AUDI AG announced plans to recruit new personnel, above all in the engineering professions. Around one-third of the AUDI AG workforce are now college graduates, an increase of 1.6 percentage points on the previous year.

The proportion of foreign nationals employed by AUDI AG fell slightly to 8.2 (8.5) percent.

The severely disabled continue to perform a meaningful role at AUDI AG, accounting for 5.3 (5.4) percent of the workforce in 2008. The volume of orders placed with workshops for the mentally disabled grew by over 20 percent to around EUR 4.5 million in the past fiscal year.

AUDI AG remains at the vanguard of German industrial enterprises in terms of industrial safety. The accident index shows a downward trend which has now lasted over 20 years. Again in 2008, both the frequency and severity of accidents were lower than in the prior-year period.

The attendance record for AUDI AG remained very high at 97.0 (97.0) percent. This outstanding result was made possible by continually improving the workplace organization and introducing numerous preventive health-care initiatives.

Over 33,000 ideas were submitted in 2008 as part of the AUDI AG suggestions scheme. Of these, 56.8 percent were acted upon. The Deutsches Institut für Betriebswirtschaft (dib) voted AUDI AG's suggestions award program as the best in the car industry for the fifth time in a row (March 13, 2008).

The Audi Group's human resources policy

The Audi Group's human resources policy is instrumental in helping the Company achieve its strategic goal of becoming the most attractive employer. The focus here is not only on getting positive image ratings in surveys among graduates and young professionals, but also on establishing good relationships with employees. Personnel development is therefore a key priority. Three conditions must be met in order to successfully develop a person's career: There must be opportunities to develop through learning and optimizing skills (competence development), opportunities to assume growing responsibility and autonomy (career development), and the individual must receive proper consideration for performance and commitment (pay development and profit sharing). Activities in these three areas must be so organized as to meet the challenges of intensifying competition.

The Company has therefore set the following priorities for its human resources policy over the next few years. One is to use extensive competence management in meeting the growing demand for specialist and cross-specialty competences, thus satisfying the requirement for lifelong learning. Next, personnel development for standard-wage employees is to be organized through the introduction of a new system of succession planning. The third priority area is handling demographic change, which the Human Resources area is tackling as part of a broader concept. This concept encompasses everything from the organization of working conditions to training and management measures. What is important here is not just that an employee's age is addressed, but that the whole process of aging itself is taken into consideration.

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

High appeal as employer among the 2008 class of engineers

In two of the major employer ratings surveys taken in 2008 of graduates and students nearing the end of their studies, AUDI AG captured first place among students in the engineering sciences – a key group. Both the survey conducted by the market research institute Universum ("The Universum German Student Survey," 5/2008) and the one taken of college graduates by the Berlin trendence Institute ("The German Student Barometer – Business and Engineering Edition," 8/2008) saw the Company pull clear of the leading group to take top spot. A similar picture emerged among economics students. The survey conducted by the market research institute Universum placed AUDI AG among the top five companies, while the trendence Institute ranked it as the third-best employer.

One of the Company's four strategic goals is attractiveness as an employer. In addition to offering a good working environment, factors such as inspiring products, interesting tasks and room for personal development play an important role. Thanks to its long-term model initiative, the Company is also creating a wide range of operational areas for engineering and economics graduates.

Vocational training

From a field of some 5,000 applicants, 682 were selected to enter the vocational training year beginning in September 2008: 453 for the Ingolstadt plant and 229 for the Neckarsulm plant. AUDI AG has thus kept the number of apprenticeships consistently high. New, attractive options have also been added to the overall scope of training programs. Young people entering the latest training intake can now complete a dual education in a choice of four vocations, qualifying them to enter a university of applied science. This program has already been available for tool-making apprentices for several years; the new options are training to become an automotive mechatronics specialist, a mechatronics specialist or an electronics specialist for automation technology, combined with courses at the technical college in Ingolstadt. The company has a similar apprenticeship program at the Neckarsulm plant. All in all, AUDI AG offers training programs for more than 20 vocations at both German sites.

The Company places great emphasis on preventative health care even during vocational training. For example, the Audi Sports Days 2008, which took place at both German locations, used "Fitness and Fairness" as their slogan. 1,700 apprentices chose to take part in the sporting competition, held in July. The Health Care Department at AUDI AG was on hand to offer specific advisory and training services.

In April 2008, and in partnership with a vocational school in Ingolstadt, AUDI AG launched a pilot project called "Fit4u" aimed at preventing and reducing incidences of excess weight in youth. Some 13 classes at the vocational school – 300 students – are receiving special health tuition over a period of 18 months. Besides giving these young people expert qualification, the course is aimed at helping them develop as individuals. The various course units are prepared and taught by speakers from the vocational school's "Health" seminar, by health education students from the Catholic University of Eichstätt-Ingolstadt and by the AUDI AG Health Care Department. The main objective of the preventive program is to sensitize young people to the dangers of excessive weight from an early age upward, and to encourage them to eat healthily and keep fit. First-year apprentices, for instance, can take part in a free Nordic walking course at the Neckarsulm plant's training center.

Compatibility of job and family

In October 2008, representatives of both the employers and employees of AUDI AG concluded a company agreement that aims to improve the compatibility of work and family life. Even before this agreement was finalized, all employees on permanent contracts had enjoyed a guarantee of reemployment for up to seven years following the birth and rearing of a child.

Last fall, "Audi nursing leave" was added to these offerings. In a departure from the statutory requirements for nursing leave, employees may now have their employee status suspended for up to three years in order to care for sick relatives. Moreover, if three years proves insufficient, it is possible to resign from the Company entirely for up to a further four years and still have the guarantee of reemployment.

AUDI AG also offers an extensive range of options for part-time employment or teleworking as well as sabbaticals. The Company received two awards last year for its diverse activities aimed at reconciling work and family life. On October 6, 2008, the Bavarian State Minister of Labor and Social Welfare, Family Affairs and Women presented AUDI AG with the "Bavarian Equal Opportunity Award" in the category "Best Business Practice." On November 20, 2008, the Baden-Württemberg Minister of Commerce presented the Company with an award for winning the state competition "Equal Opportunities at Work for Women and Men."

Audi Family Day at the Ingolstadt plant

To show appreciation for its employees' impressive dedication, AUDI AG held an Audi Family Day on September 27, 2008. Over 130,000 visitors flocked to the festivities.

Some 1,000 helpers representing every division of the Company thought up and prepared over 120 informative and interactive attractions, many of them aimed specifically at children.

Staff members from all divisions had the opportunity to take their families around and show them their workplaces while enjoying a diverse program of events. One of the highlights involved watching various car models, like the new Audi Q5, being driven up a 12-meter high ramp with a gradient of 30 degrees. Other main attractions were a demonstration of a victim being rescued by plant safety officers from a crashed car and the simulation of a car crashing into a wall at 60 kilometers per hour. But the real highlight of the event, drawing crowds of many tens of thousands, were motorsports demonstrations of the Audi DTM racing cars and the legendary Le Mans winning Audi R10 TDI on a two-kilometer circuit.

AUDI IN SOCIETY

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

In early April last year, the "Regional Management Initiative for the Ingolstadt Region" proposed by the Board of Management of AUDI AG entered the official register of societies and associations. The goal of this public-private partnership between businesses and public-sector bodies is to develop the economy, education and quality of life in the region around Audi's Ingolstadt headquarters, and to raise its profile in the public's perception. The association is chaired by Dr. Werner Widuckel, Member of the Board of Management for Human Resources at AUDI AG. The first official acknowledgement of the initiative's merits came in October 2008 when Upper Bavaria's head of government presented the association with confirmation of funding worth more than EUR 0.5 million.

The creation of this regional management body stems from many years of preparatory work performed by AUDI AG at its Ingolstadt location to promote integration between the Company, the city and the surrounding districts. The overriding principle of bringing public and private sector activities together in and around Ingolstadt in order to enhance the appeal of the region located between Munich and Nuremberg was systematically implemented in IRMA's Articles of Incorporation and Bylaws.

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Research partnerships

A fifth partnership between the Audi Group and a university was launched at the Ingolstadt site in 2008. Called INI.KU (Ingolstadt Institutes of the Catholic University of Eichstätt-Ingolstadt), it promotes research projects in the fields of humanities, social sciences and economics.

One result of the close partnership between the Company and the research world was the hosting of the fourth doctoral students conference “Pro.Motion” in June of last year, during which young researchers were able to present the current status of their projects. The research areas spanned such topics as lightweight construction, aerodynamics, suspension control systems, production and logistics, electronics and software, and vehicle safety. These conferences provide a vital forum not only for technical discussions among doctoral students but also for employees and management of the Audi Group.

Within the Audi Group, some 120 research students are currently preparing their doctoral theses. 80 of these doctoral projects are being carried out in partnership with universities.

With a view to promoting young talent, the Company offers two different doctoral student programs, each running for three years.

Furthermore, the Audi Group promotes interaction between academia, schools and the public. Throughout the past year, some 300 students and teachers from high schools in Ingolstadt took part in a youth educational forum; a series of events staged in tandem with the Friedrich-Alexander University of Erlangen-Nuremberg (INI.FAU). Over the past year, around 1,500 guests have attended 13 public colloquiums of the research partnerships INI.TUM (Ingolstadt Institutes of the Technical University of Munich) and HIN (Neckarsulm University Institutes: Technical University of Karlsruhe and University of Stuttgart).

AUDI GROUP PARTNERSHIPS WITH UNIVERSITIES

Ingolstadt location	Neckarsulm location	Other partner universities
<ul style="list-style-type: none"> • INI.KU – Ingolstadt Institutes of the Catholic University of Eichstätt-Ingolstadt Since 2008; focus: Human Resources, Management, Procurement • INI.LMU – Ingolstadt Institutes of Ludwig-Maximilian University of Munich Since 2008; focus: Human Resources, Marketing, Sales • INI.FAU – Ingolstadt Institutes of Friedrich-Alexander University of Erlangen-Nuremberg Since 2006; focus: Information Technology and New Materials • IAF – Institute for Applied Research, Ingolstadt University of Applied Science Since 2004; focus: Development and Production • INI.TUM – Ingolstadt Institutes of the Technical University of Munich Since 2003; focus: Driving Analysis, Simulation 	<ul style="list-style-type: none"> • HIN – Neckarsulm University Institutes: Technical University of Karlsruhe and University of Stuttgart Since 2005; focus: Engines and Lightweight Construction <p data-bbox="762 1435 1098 1485">Győr location (AUDI HUNGARIA MOTOR Kft.)</p> <ul style="list-style-type: none"> • Audi Hungaria Chair of Internal Combustion Engines – SZE Győr Since 2008; focus: Engine Manufacturing and Technology • AHI – Audi Hungaria Institutes: Technical University of Budapest and SZE Győr Since 2006; focus: Engines and Production 	<ul style="list-style-type: none"> • EBS – European Business School, Oestrich Winkel Since 2007; focus: Human Resources Management and Business Administration • ALL - Audi Logistics Laboratory, Technical University of Dortmund Since 2007; focus: Logistics • Audi Lab for Market Research – University of St. Gallen Since 2006; focus: Market Research

ENVIRONMENTAL ASPECTS

Environmental mission statement

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

Location-based environmental protection

The Audi Group is a pioneer of location-based environmental protection in the automotive industry both in Germany and abroad.

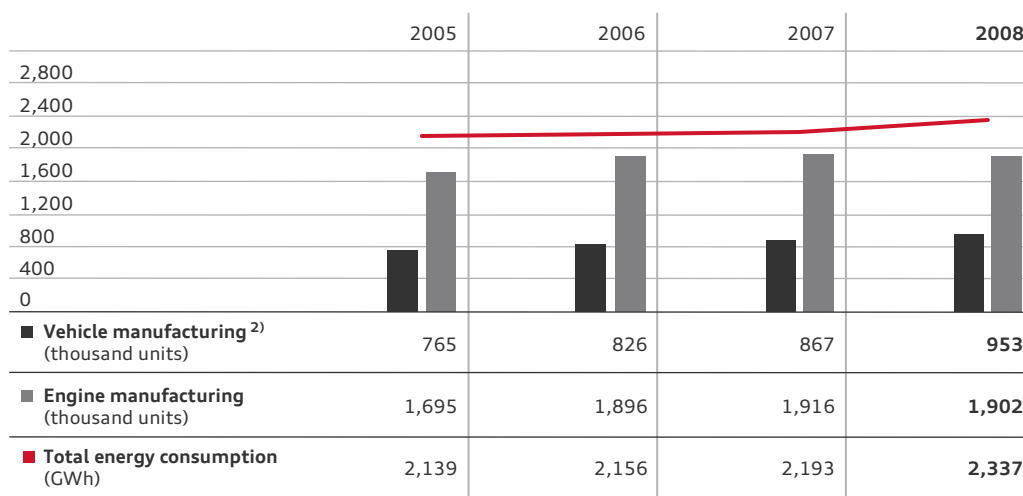
In addition to organizational measures within its environmental management systems, pioneering technologies are being used to steadily reduce pollution at all its locations. Regular internal reviews and external auditing of all production facilities bear witness to these continuous efforts.

All AUDI AG locations have been accredited in accordance with the EU Eco-Management and Audit Scheme (EMAS). In 1995, the Company became the first premium-segment carmaker to be awarded this prestigious certification for its Neckarsulm location. Ingolstadt was accredited in 1997, with the Hungarian plant at Győr following suit two years later. The Belgian manufacturing plant in Brussels has been EMAS certified since 2002. In addition, the Ingolstadt and Győr manufacturing plants are certified according to the worldwide DIN EN ISO 14001 standard.

Resource efficiency and emissions reduction

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

DEVELOPMENT IN OVERALL ENERGY CONSUMPTION, VEHICLE AND ENGINE MANUFACTURING BY THE AUDI GROUP¹⁾



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

2) excluding Audi A4 Cabriolet, Audi S4 Cabriolet, Audi RS4 Cabriolet, Audi Q7, VW Polo

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Whether for manufacturing plants and buildings, infrastructure measures or logistics arrangements, the energy savings potential is identified and exploited as early on as the planning phase. In doing so, it is very important to continue improving the efficiency of manufacturing facilities and utilities. Technological solutions like the use of district heating, heat recovery systems and a state-of-the-art cogeneration plant in Ingolstadt have already been in place within the Audi Group for many years now.

Another example of how resources can be preserved is the use of innovative spot welding, laser welding and bonding techniques to minimize the consumption of operating materials and energy. The changeover from pneumatic welding tongs to a version powered by electric motors has yielded a significant efficiency gain and improved the quality of weld points. For an identical process, the generated energy consumption – and therefore the level of CO₂ emissions – of the electric version is around 50 percent lower than for the version using pneumatic welding tongs. Encouraged by the positive findings to date on this progressive technology, the Audi Group has decided to adopt it for all new projects. The focus of all environmental protection efforts is to gradually reduce consumption of power, natural gas, compressed air and water through organizational and technical measures such as waste water treatment plants and modern engine test rigs with energy recovery.

2008 saw the beginning of Phase 2 of a pilot project between AUDI AG and the Technical University of Munich to recycle the raw material nickel used in a pretreatment stage of the painting process. The goal of the research partnership is to return this resource to the manufacturing process, thereby significantly reducing the amount of waste. Another pilot project within the Audi Group concerns the biological treatment of rinsing effluent from the paint shop, again with the aim of reducing the volume of waste. Potential studies that incorporate both economic and ecological aspects are also currently being conducted to assess the feasibility of further energy savings within the Audi Group. These studies include the more extensive use of district heating and the tapping of renewable energy sources such as geothermal energy.

Environmental protection programs and public relations work

One way in which the Audi Group exercises its social responsibility is through its extensive involvement in numerous environmental protection programs and initiatives.

One such major partnership is the Bavarian Environmental Pact between the State of Bavaria and the Bavarian industry. The aims of this collaboration are to promote innovation and achieve environmentally acceptable economic growth, bearing in mind the need for sustainability. As a founding member, the Audi Group has been playing an active role for many years now in the various working forums that meet to consider ideas like an Integrated Product Policy (IPP) or management systems. According to the IPP principle, the Audi Group adopts a holistic view of all phases of the product life cycle; from raw materials extraction to disposal. The Audi Group also routinely integrates suppliers into the sustainable manufacturing process.

Furthermore, through its participation in the joint ventures Gesellschaft zur Altlastensanierung in Bayern mbH (GAB mbH), Munich, and Sonderabfall-Entsorgung Bayern GmbH (GSB GmbH), Baar-Ebenhausen, the Audi Group has shown its solidarity in helping with the remediation of industrial legacy contamination at sites where owners can either no longer be called to account or are no longer solvent. In this way, the Company assumes active responsibility for the environmentally acceptable handling of toxic waste.

The Audi Group has also maintained close contact with universities and research establishments for many years. In this connection, it is running several environment-related projects and holds various fact-finding events for students. The Audi Group maintains a lively dialog with the public on the subject of environmental protection by conducting regular environmental discussions and neighborhood dialogs with representatives of government agencies, unions, federations, local politicians and the press. The Company offers all interested parties special tours on the theme of environmental protection and sustainability.

Emissions trading

Climate change and energy efficiency are the key environmental issues of our time. In introducing the CO₂ emissions trading scheme in 2005, the European Union assumed a pioneering role in matters of climate protection.

Following the expiration of the first trading period (2005 to 2007), the second trading period for the CO₂ emissions trading scheme (2008 to 2012) began last year. The Ingolstadt, Neckarsulm and Brussels manufacturing plants are participating. The emissions certificates were applied for punctually and have already been issued.

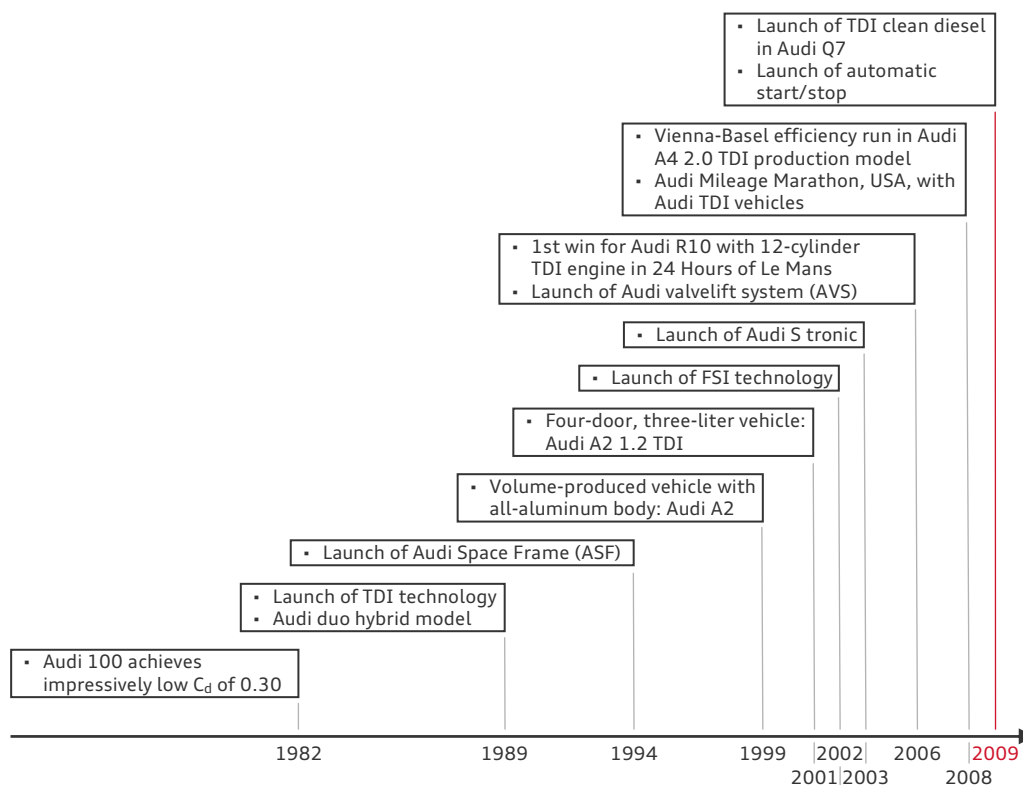
As it stands now, thanks to the early adoption of measures to improve energy efficiency and the targeted reduction of emissions, once again the Audi Group does not expect to incur any costs from emissions trading in the second trading period.

Product-based environmental protection

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

Many of its trailblazing innovations are now also being used by many other carmakers to improve fuel efficiency and cut CO₂ emissions by vehicles:

THE AUDI BRAND'S MILESTONES IN EFFICIENCY TECHNOLOGY



Audi design – timeless and aerodynamic

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

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

TDI and TFSI technology – powerful and economical

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

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

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

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

Audi Space Frame (ASF) – safe and light

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

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

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

Audi S tronic – sporty and efficient

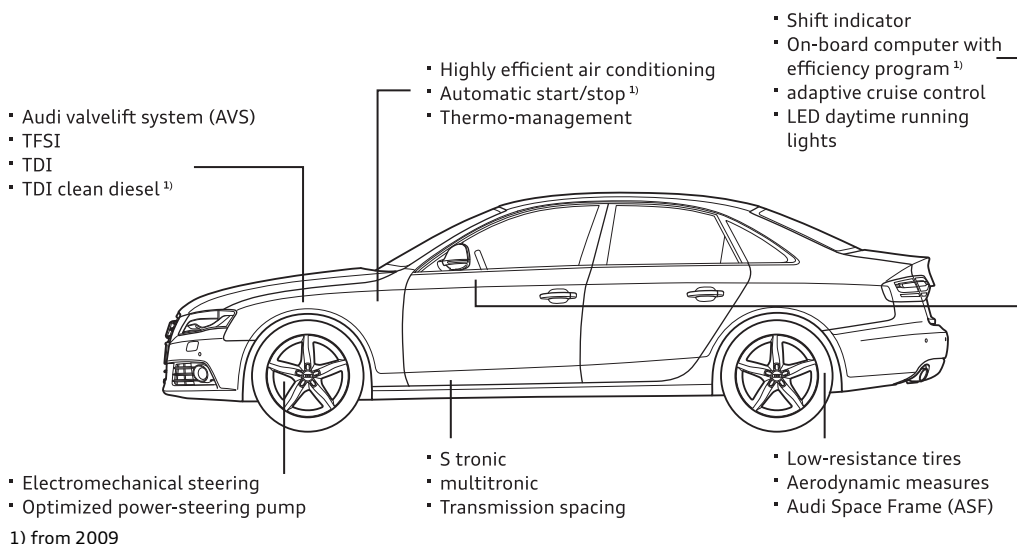
In order to more effectively exploit the fuel potential of its thrifty TDI and TFSI engines, the Audi Group has also broken new ground in transmission technology. 2003 was the year that saw the Audi S tronic dual-clutch transmission go into production. This enables gear changes to be performed with virtually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

Efficiency – the sum of all parts

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

The same holds true today. All efficiency technologies – both those already developed and those in the pipeline – are available to the Company’s complete product portfolio through the modular efficiency program, thereby helping to improve fuel efficiency and cut CO₂ emissions in all Audi brand vehicles.

AUDI’S MODULAR EFFICIENCY PROGRAM



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The latest-generation Audi A4 is yet another example of how successfully all these measures can be combined. For instance, thanks to cutting-edge diesel technology used for its powerful 88 kW (120 hp) engine, the A4 2.0 TDI sedan achieves an average consumption of 5.1 liters of diesel fuel per 100 kilometers. The CO₂ emissions of this front-wheel-drive manual model are an excellent 134 g/km. Developments in the field of gasoline engines are no less impressive. The current Audi A4 2.0 TFSI with manual transmission and front-wheel drive has achieved a notable reduction in average CO₂ emissions by almost one quarter compared with the Audi A4 1.8 T from the year 2000 – even though its power output has been increased by up to 20 percent.

INCREASED EFFICIENCY AS ILLUSTRATED BY THE AUDI A4 SEDAN

	Audi A4 (B6) 1.8 T 2000	Audi A4 (B7) 1.8 T 2004	Audi A4 (B8) 1.8 TFSI 2007	Audi A4 (B8) 2.0 TFSI 2008	
Output	110 kW (150 hp)	120 kW (163 hp)	125 kW (170 hp)	132 kW (180 hp)	+ 20 %
Torque	210 Nm	225 Nm	250 Nm	320 Nm	+ 52 %
CO ₂ emissions, combined	199 g/km	197 g/km	169 g/km	154 g/km	- 23 %

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

Furthermore, with its e models, the Audi brand has been able to offer its customers a particularly attractive way to travel, which is not only dynamic but also easy on the environment. These include the 77 kW (105 hp) Audi A3 1.9 TDI e and the 100 kW (136 hp) Audi A6 2.0 TDI e. With an average consumption of 4.5 and 5.3 liters of diesel fuel over 100 kilometers respectively, these vehicles achieve impressively low CO₂ emissions of 119 and 139 g/km respectively. What's more, a large number of Audi models – from the Audi A3 1.4 TFSI to the sporty Audi TTS Roadster and the new Audi Q5 3.0 TDI – already comply with Euro 5 emissions legislation that will not come into effect until September 1, 2009.

The driver's crucial role

A person's individual driving style affects the fuel efficiency and emissions of a car by as much as 30 percent. That means that a driver is just as critical to the overall concept as the vehicle's technology. Innovative gearshift indicators, which already come as standard in the e models, indicate how overall fuel efficiency can be increased. These techniques will be refined in all of the Audi brand's car lines over the next few years in an effort to actively coach the driver. The efficiency runs held in summer 2008 were an impressive demonstration of what can be achieved with the existing technology already available as standard on every Audi brand vehicle. 11 teams completed the 1,650 kilometer circuit between Basel and Vienna in normal production versions of the Audi A4 2.0 TDI without having to stop to refuel. The winners achieved an average fuel consumption of 3.32 liters of diesel per 100 kilometers, easily undercutting these vehicles' standard consumption of 5.1 liters. That equates to outstandingly low CO₂ emissions of 88 g/km.

The prospects of the Audi brand for sustainable mobility

Diesel and gasoline engines will remain the bedrock of vehicle drive systems in the coming years. In order to further realize improvements in the fuel efficiency and emissions figures of cars in the short term, continued optimization of these drive concepts will be of key importance. For this purpose, the Audi Group systematically implements the technologies of its modular efficiency program. The Company vividly demonstrated its potential at the Paris Motor Show in the near-production efficiency study Audi A4 TDI concept e. Equipped with an 88 kW (120 hp) 2.0-liter TDI engine and a wide array of specific features, such as automatic start/stop and new thermo-management, this car covers 100 kilometers on an average of just 3.99 liters of diesel fuel. That represents CO₂ emissions of just 105 g/km.

Over the medium term, alternative fuels and drive systems will be developed to complement classic drive concepts. The Audi Group has already been using the ultra-pure diesel fuel GTL (gas-to-liquid) in the Audi R10 TDI diesel racing car for a number of years now, and is manufacturing this fuel jointly with a venture partner. The starting material is natural gas and the diesel fuel obtained not only generates much less pollution than conventional diesel, there is the added benefit that CO₂ emissions along the entire manufacturing chain are reduced by five percent. The Company and its partners are also working hard on BTL (biomass-to-liquid) technology, which is currently in a pilot phase. This harbors the potential of cutting CO₂ emissions by as much as 95 percent. Although such fuels will only be able to cover a small portion of the overall demand in the foreseeable future, they will help to unlock alternatives that do not compete with food production and meet all the performance requirements of modern engines.

The Audi Group already performed crucial pioneering work in alternative drive concepts back in 1989, when it developed the Audi Hybrid duo. The Company took the wraps off yet another version to incorporate innovative hybrid technology when it presented the Audi A1 Sportback concept study car last fall. Based on the ultra-efficient 1.4-liter, 110 kW (150 hp) TFSI engine, the result was a plug-in hybrid with lithium-ion energy accumulator sufficient for driving up to 100 kilometers exclusively in electric mode. For all its sporty performance and acceleration from 0 to 100 km/h in just 7.9 seconds, the concept vehicle on average needs only 3.9 liters of premium gasoline per 100 kilometers. That is equivalent to CO₂ emissions of 92 g/km. The production launch of a hybrid model with lithium-ion battery is scheduled for late 2010: the Audi Q5 Hybrid. Using the Audi technology of the modular longitudinal platform, this concept will then be made available to other vehicles in the range and adopted as required. Audi Group engineers are also developing other electrification concepts for plug-in hybrids, ranging from the fuel cell to the battery-only electric vehicle. The Company benefits in such activities from its close collaboration with the Volkswagen Group.

In order to make traffic flow as efficiently as possible in the future, the Company is also working intensively on advanced traffic guidance systems. The "Travolution" project, which is being implemented in conjunction with the City of Ingolstadt, aims to minimize congestion and frequent braking and accelerating in order to avoid unnecessary CO₂ emissions.

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

ECONOMIC ENVIRONMENT

Global economic situation

There was a noticeable slowdown in global economic growth during the course of 2008. With the troubles of the U.S. financial markets worsening during the latter half of the year, the banking industry worldwide fell into a serious crisis, which then spread to the real economy. By the end of 2008, numerous industrial nations were already in recession and, after having initially enjoyed dynamic economic growth, emerging markets in Asia, Latin America and Central and Eastern Europe likewise found themselves sucked into the global economic downturn in late 2008. The high inflationary pressures eased significantly in the latter part of the year as a result of falling raw materials and energy prices.

Economic growth in the United States fell sharply in 2008 and the gross domestic product grew marginally by only 1.3 (2.0) percent. Particularly in the second half of 2008, the development of the economy was overshadowed by the financial crisis. Collapsing U.S. stock markets and the resulting loss of wealth colluded with the deteriorating state of the job market to turn the consumer climate sharply negative.

Economic activity in Western Europe experienced a downward phase in 2008. Growth in the gross domestic product fell away sharply in many countries, including Italy, Spain and Great Britain. Economic growth for the euro zone reached only 0.9 (2.7) percent.

With Germany's economic growth increasingly dwindling from summer 2008, the economy entered into a recession by the end of the year. Economic growth declined from 2.5 percent in 2007 to just 1.3 percent in 2008. Exports were hit particularly badly as a result of the global economic downturn. Consumer spending remained subdued; at first due to the loss of purchasing power caused by inflation and then due to growing economic uncertainty.

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Economic activity remained positive in most of the Central and Eastern European countries in 2008. However, economic development in Russia experienced an abrupt slowdown in the second half of the year as a result of the financial crisis and falling oil prices.

Latin America continued its upward economic trend in 2008, though it lost most of its economic momentum in the second half of the year.

Emerging markets in Asia helped to underpin global economic activity in 2008, though they were unable to fully escape the impact of the global downturn. The growth rate in China fell to 9.0 (13.0) percent. India continued to expand, albeit with rather less momentum, and saw growth reach 7.0 (9.0) percent. Economic growth in Japan on the other hand hit -0.4 (2.4) percent due to both a weakened export trade and low domestic demand.

International car market

On the back of slower growth in the first half of the year, the global demand for cars slipped considerably in the second half of 2008. The deteriorating underlying economic situation caused auto markets in many major industrial nations to experience a sharp downturn in sales. The rate of expansion in emerging markets also fell away noticeably during the course of the year and did not suffice to compensate for lost sales in the United States, Japan and Western Europe. As a result, vehicle sales fell worldwide by 5.8 percent to 55.7 million passenger cars.

In the United States, the development of the overall car market in 2008 was by and large dominated by the adverse effects of the financial crisis. The erosion of consumer confidence coupled with the squeeze on lending for vehicle financing prompted a sharp year-on-year downturn in unit sales by 18.0 percent to 13.2 million units.

The overall market for passenger cars in Western Europe (excluding Germany) experienced a substantial drop of 10.1 percent to 10.5 million vehicles. In particular, important high-volume markets tumbled year-on-year by as much as 50 percent during the final months of the year. Registrations of new cars were down in Great Britain by 11.3 percent in 2008 and by 13.4 percent in Italy. The Spanish market contracted particularly dramatically, shrinking by 28.1 percent by the end of the year. Only the French car market approached the prior-year level, falling by just 0.7 percent.

By contrast, the car market in Central and Eastern European countries remained buoyant, though there was a distinct loss of momentum towards the end of the year. Vehicle sales in Russia, the region's most significant car market, rose by 15.5 percent to 2.7 million units.

In South America, the upward trend in the Brazilian auto market continued and passenger car sales exceeded the previous year's record by 11.0 percent to reach 2.2 million vehicles. The overall car market in Argentina grew by 6.6 percent to 428,000 units.

The rate of growth in the Asia-Pacific region dwindled during 2008. With sales totaling 14.7 million passenger cars, the overall volume was only 2.3 percent up on the prior-year figure.

The Chinese car market weakened, most particularly due to higher fuel prices, so that the high growth rates experienced in previous years could not be repeated. With sales of passenger cars reaching 5.5 million units, year-on-year market growth in China only reached 7.8 percent. The slowdown in India was more pronounced, where the car market grew by just 2.1 percent to around 1.2 million vehicles. In Japan, the car market remained as weak as it had been in the previous year. The volume of new car registrations fell by 3.9 percent to 4.2 million vehicles.

German car market

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

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

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

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

Management's overall assessment

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

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

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

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

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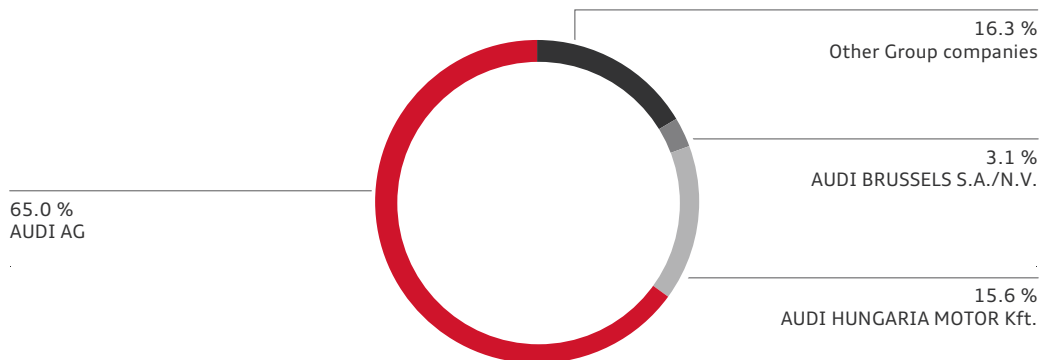
COURSE OF BUSINESS

Sourcing

Audi Group Purchasing has set itself the core target of establishing long-term partnerships with the world's top-performing suppliers. In addition to overall economic efficiency, the selection criteria of reliability, quality, innovativeness, service and price are particularly relevant. In order to make optimal use of any joint synergy potential, this process is handled in close consultation with Volkswagen Group Sourcing.

The cost of materials for the Audi Group in the past fiscal year amounted to EUR 23,430 (23,092) million. This includes all raw materials and consumables used, as well as purchased goods and services.

BREAKDOWN OF THE CONSOLIDATED COST OF MATERIALS BY GROUP COMPANY



Sourcing activities had to cope with persistently high price levels in the first half of 2008 and extremely volatile raw materials and energy markets in the second half of the year. Despite this adverse climate, Audi Group Purchasing was again able to counteract the financial impact of the past fiscal year thanks to its close cooperation with suppliers, its signing of long-term agreements, and its extensive implementation of hedging strategies.

Sourcing will continue to gain strategic importance in the future along with the growing trend towards derivatization in the Audi product portfolio. At the same time, partnerships with the supply industry have been further intensified, so that joint solutions for both conserving materials and for using alternative materials can be identified early on in the product development phase. Alongside purely economic considerations, ecological aspects in particular are taken into account. For example, the recyclability of components is investigated.

With a view to gradually strengthening existing ties with the supply industry, the Audi Group regularly holds a variety of events for suppliers. These events provide a platform for informal exchanges and intensive networking. Another important tool is the web-based B2B supplier platform shared with the Volkswagen Group. This platform assures swift communication and an efficient sourcing process to the benefit of both the Audi Group and its suppliers.

Audi Group Purchasing, in tandem with the Technical Development Division, provides potential partners with an opportunity to demonstrate how effective and innovative they are at various events such as "TechShows."

Production

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

VEHICLE PRODUCTION BY MODEL

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

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

Production output at the second German manufacturing plant in Neckarsulm rose by 17.2 percent to 327,296 (279,189) units. Priority activities in the past fiscal year were the product improvement of the Audi A6 car line and the start of production of the new Audi A5 Cabriolet and S5 Cabriolet. In 2008, the plant, which possesses unique expertise in aluminum body manufacturing, celebrated 20 years of building luxury-class vehicles ranging from the Audi V8 to today's Audi A8 with its range-topping versions Audi A8 L, Audi S8 and Audi A8 W12. In its first complete year within the Group, the Belgian plant in Brussels built 31,763 (12,087) models of the Audi A3 car line, as well as 53,177 VW Polos on behalf of Volkswagen AG (Wolfsburg). The plant is currently making intensive preparations to become the exclusive volume manufacturer of the new Audi A1 beginning in 2010.

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

ENGINE PRODUCTION

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

Engine production by the Audi Group in the past fiscal year virtually matched the high tally of the previous year, reaching 1,901,760 (1,915,633) units. The share of diesel engines in the overall total was 47.3 (55.4) percent.

The Group subsidiary AUDI HUNGARIA MOTOR Kft. manufactured a total of 1,900,333 (1,913,053) engines in 2008. Of this total, 782,944 (692,521) units were supplied to Audi Group companies, 935,745 (1,073,097) to other Volkswagen Group companies and 119,757 (109,612) to third parties.

Along with the model changeover, the Lamborghini Gallardo car line now features modern FSI engine technology, which has already chalked up multiple wins in competition racing. Since it is now using FSI engines built by AUDI HUNGARIA MOTOR Kft., the total number of 10-cylinder engines manufactured by Automobili Lamborghini S.p.A. fell to 790 (1,951). The Italian sports car manufacturer built 637 (629) 12-cylinder engines for the Murciélago car line during the period under review.

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

The 1993 purchase of a production hall in Győr (Hungary) led to the establishment of AUDI HUNGARIA MOTOR Kft., which paved the way for a unique success story that celebrated its 15th anniversary in spring of last year.

This wholly owned subsidiary of AUDI AG has since built more than 16 million engines and turns out almost two million units annually, making it one of the most important engine manufacturers in the world.

In addition, the range of tasks handled by the Audi Group's largest location outside Germany has been steadily diversified over the years. In 1998, for example, it branched out into vehicle manufacturing when it began producing the Audi TT Coupé and Roadster, and then broadened its range by adding the new Audi A3 Cabriolet in November 2007. Since the start of vehicle manufacturing operations there, over 400,000 automobiles have left the Hungarian plant. In 2001, an engine development center was added and, in 2004, it opened its own tool-making facilities.

AUDI HUNGARIA MOTOR Kft. now employs some 5,900 staff, making it one of Hungary's leading employers. Furthermore, the company is one of the country's largest exporters.

Audi Group celebrates 20 years in China

In 1988, the Audi Group embarked on a partnership with the present-day Chinese carmaker China FAW Group Corporation for the local manufacture of Audi vehicles in Changchun (China). Since that time, the brand with the four rings, which currently assembles the Audi A4L and Audi A6L models there, has emerged as the most successful premium brand in the Chinese market, delivering in excess of 100,000 vehicles each year.

In order to realize its ambitious growth target of delivering 200,000 vehicles a year by 2015, the cornerstone for a new assembly hall was laid as part of its anniversary festivities. What's more, the Company unveiled plans to build the new Audi Q5 at the Chinese plant.

New Audi A4 goes into production in India

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

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

Deliveries and distribution

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

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

AUDI VEHICLE DELIVERIES – LARGEST MARKETS

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

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

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

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The Audi brand was able to maintain the growth of recent years in Eastern Europe. For example, in Russia – the region’s key market – 17,076 (15,007) vehicles were handed over to customers, an increase of 13.8 percent.

The Audi brand also achieved high growth rates again in the Asia-Pacific region. In China (including Hong Kong), the largest foreign market, the 17.3 percent increase in deliveries to 119,598 (101,996) vehicles easily outstripped the performance of that market as a whole. Disregarding sales in Hong Kong, the Audi brand delivered 118,118 (100,888) cars. The brand with the four rings was thus able to cement its leading position in the Chinese premium segment once again last year.

The U.S. auto market was particularly hit by spillover from the financial crisis during the period under review. Even though overall demand tumbled by 18.0 percent, the Audi brand was very successful in keeping the downturn in deliveries disproportionately small to 6.1 percent, selling a total of 87,760 (93,506) units. The advent over the course of this year of the new Audi Q5 and the ultra-efficient diesel technology is expected to provide vital stimuli for demand in the United States.

DELIVERIES TO CUSTOMERS BY MODEL

	2008	2007
Audi A3	59,183	71,701
Audi A3 Sportback	150,221	159,148
Audi A3 Cabriolet	13,678	156
Audi TT Coupé	32,003	38,745
Audi TT Roadster	11,817	13,026
Audi A4 Sedan	207,830	157,258
Audi A4 Avant	142,046	136,135
Audi A4 Cabriolet	16,399	23,819
Audi RS4 Sedan	321	2,408
Audi RS4 Avant	333	2,193
Audi RS4 Cabriolet	201	704
Audi A5 Coupé	54,272	18,553
Audi Q5	9,034	-
Audi A6 Sedan	150,589	149,026
Audi A6 Avant	55,400	69,567
Audi A6 allroad quattro	11,289	15,622
Audi RS6 Sedan	452	-
Audi RS6 Avant	3,320	-
Audi Q7	59,458	81,775
Audi A8	20,159	21,362
Audi R8	5,016	2,952
Internal vehicles before launch	448	1
Total, Audi brand	1,003,469	964,151
Lamborghini Gallardo	1,844	1,793
Lamborghini Murciélago	586	613
Total, Lamborghini brand	2,430	2,406
Other Volkswagen Group brands	217,607	234,144
Total, Group	1,223,506	1,200,701

A3 car line

The market launch of the new Audi A3 Cabriolet in the early part of last year marked the introduction of another attractive model to the Audi A3 car line. In addition, the ultra-sporty Audi S3 has for the first time been available in a Sportback version since July. Again in July, the Company unveiled the Audi A3 and A3 Sportback models featuring an even more expressive exterior design and numerous new technological features. Thanks to further improvements in engine technology, average fuel efficiency was improved by 15 percent compared with the previous model. Furthermore, the Audi A3 1.9 TDI e with powerful 77 kW (105 hp) engine offers customers particular efficiency. Its combined-cycle fuel consumption is an excellent 4.5 liters of diesel per 100 kilometers, which equates to CO₂ emissions of just 119 g/km. A total of 223,082

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

TT car line

The Audi TT car line was further expanded in the past year. In addition to the very high-performance versions Audi TTS Coupé and Audi TTS Roadster, both models are available with a 1.8 TFSI entry-level engine version. The four-cylinder gasoline engine with turbocharging and direct injection is rated at 118 kW (160 hp) and achieves an impressive combined-cycle fuel consumption of just 6.7 and 6.9 liters of premium fuel per 100 kilometers respectively in the Audi TT Coupé and Roadster. Its CO₂ emissions are 155 and 159 g/km respectively. The Audi brand has also made its ultra-efficient TDI technology available in a production sports car for the very first time in the guise of the 2.0-liter TDI engine. The average fuel consumption of the Audi TT Coupé 2.0 TDI quattro with 125 kW (170 hp) engine is an outstanding 5.3 liters of diesel fuel per 100 kilometers. This corresponds to CO₂ emissions of 139 g/km. In all, 43,820 (51,771) Audi TT models were delivered to customers in the reporting period.

A4 car line

The new Audi A4 Avant debuted on the market in April 2008. Like the new Audi A4 Sedan before it, this sporty midsize station wagon can be equipped with a comprehensive package of assistance systems adopted from the full-size category. Other impressive qualities are its unique design and new, efficient powertrain versions that achieve an average improvement in fuel efficiency of 14 percent compared with its predecessor model. The Audi brand presented a particularly impressive example of the fusion between performance and efficiency when it unveiled its two sporty versions Audi S4 and Audi S4 Avant, which will appear on markets this spring. Both models have a completely new three-liter V6 engine with gasoline direct injection. The 3.0-liter TFSI engine has an output of 245 kW (333 hp) and a peak torque of 440 Nm and, in combination with S tronic, achieves fuel consumption of 9.4 liters of premium fuel per 100 kilometers in the sedan version and 9.7 liters in the Avant version. Overall, the new Audi S4 outperforms the fuel efficiency of its predecessor model by an average of 26 percent and offers even more dynamic road performance. Its CO₂ emissions are 219 and 224 g/km respectively. In addition, a long-wheelbase version of the successful Audi A4 model has been available exclusively on the Chinese market since the end of 2008. This vehicle, which is built locally at the Changchun plant in China, is not only more spacious, but thanks to its special chassis settings that are adjusted to meet local road conditions, it offers superior suspension comfort, thereby meeting the demanding expectations of Chinese customers in the premium segment. This should help to spread the medium-term success of the new Audi A4 in the major growth market China. Deliveries of the successful Audi A4 car line (Sedan, Avant and Cabriolet) reached 366,275 (317,212) units in the past fiscal year, an improvement of 15.5 percent.

A5 car line

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

Audi Q5

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

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A6 car line

The Audi A6 car line was further improved last fall. A refined design with striking accents such as the redesigned Audi single-frame grille and the optionally available LED daytime running lights better embodies the character of this successful full-size vehicle. Enhanced chassis characteristics and new high-tech assistance systems further add to the overall driving pleasure. In addition, new, powerful and efficient units have been added to the engine range, and the average fuel efficiency of the entire car line has been increased by around 15 percent overall. One particularly efficient version is the new Audi A6 2.0 TDI e, which achieves average consumption of 5.3 liters of diesel fuel over 100 kilometers and CO₂ emissions of 139 g/km. With deliveries of this model reaching 217,278 (234,215) units, the Audi A6 car line (Sedan, Avant and allroad quattro) was not far short of the previous year's high total.

The Audi RS6 Sedan has been available alongside the Audi RS6 Avant since fall of last year. This high-performance vehicle features a newly designed V10 engine with FSI gasoline direct injection and twin turbochargers that generates an output of 426 kW (580 hp), making it both uncompromisingly sporty and eminently suited to everyday use.

Audi Q7

The Audi brand delivered impressive proof last year of just how dynamic and efficient cutting-edge diesel technology can be in the shape of the Audi Q7 car line. The new Audi Q7 V12 TDI quattro is equipped with a six-liter V12 diesel engine rated at 368 kW (500 hp) with an outstanding peak torque of 1,000 Nm. This power unit propels the performance SUV to 100 km/h in 5.5 seconds and is convincingly fuel-efficient, averaging 11.3 liters of diesel per 100 kilometers. This corresponds to average CO₂ emissions of 298 g/km.

A8 car line

Demand for the Audi A8 luxury sedan over the past fiscal year was able to keep up to the previous year's excellent level with 20,159 (21,362) units delivered. In addition, the Audi brand offers its customers a combination of sportiness and impressive efficiency in the shape of the Audi A8 2.8 FSI e. With an output of 154 kW (210 hp) and average fuel consumption of 8.3 liters of premium fuel per 100 kilometers, this vehicle achieves excellent CO₂ emissions of only 199 g/km.

Audi R8

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

Supercars of the Lamborghini brand

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

Other Volkswagen Group brands

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

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

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

The Audi Mileage Marathon was held there last fall to publicize its launch. Over a 7,800-plus-kilometer stretch from New York to Los Angeles, participants were able to discover just how powerful and economical this modern drive technology really is. The Audi A3 Sportback 2.0 TDI, Audi A4 Sedan 3.0 TDI, Audi Q5 3.0 TDI and Audi Q7 3.0 TDI clean diesel competed in the efficiency run, and all 23 cars achieved excellent average fuel consumption. Most efficient of all were the Audi A3 and Audi A4, which averaged just 4.7 and 5.3 liters of diesel fuel per 100 kilometers respectively. The new Audi Q5 performance SUV and the Audi Q7 also turned in excellent performances, averaging 6.1 and 7.1 liters of diesel per 100 kilometers respectively. The Audi Mileage Marathon provided a fitting opportunity for the Audi Q5 and the TDI clean diesel technology in the Audi Q7 to celebrate their debut on American roads. Currently the cleanest diesel technology in the world, TDI clean diesel cuts nitrogen oxide emissions by up to 90 percent, already meeting limit values of both the Euro 6 standard, which is not due to come into effect until 2014, and the Californian ULEV II BIN 5 emission standard, the toughest in the world. The edge that this advanced diesel technology gives over the established gasoline engines currently available in the United States should give that extra boost needed to achieve the kind of growth to which the Audi brand aspires.

FINANCIAL PERFORMANCE

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

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

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

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The Audi Group also sells vehicles of the Bentley, SEAT, Škoda, VW Passenger Car and VW Commercial Vehicle brands through the sales subsidiaries VOLKSWAGEN GROUP ITALIA S.P.A. (Verona, Italy), Audi Volkswagen Korea Ltd. (Seoul, South Korea) and Audi Volkswagen Middle East FZE (Dubai, United Arab Emirates). Revenue from sales of these vehicle brands in the past fiscal year was below that of the previous year's high level.

As a consequence of the increased business volume, the cost of sales for the Audi Group rose by 1.3 percent in the period under review to EUR 28,848 (28,478) million. Further productivity gains, improved processes and optimized material costs were the main reasons for the disproportionately low increase in cost of sales relative to revenue strained by an unfavorable exchange rate.

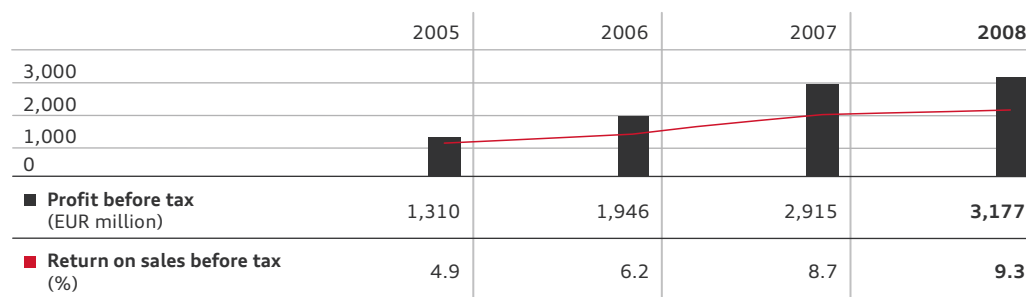
Overall, the Audi Group enjoyed a notable increase in gross profit of 4.1 percent to an excellent EUR 5,348 (5,139) million.

The rise in distribution costs to EUR 3,240 (2,737) million was mainly due to the activities necessitated by the large number of new products and product improvements appearing on the market, and to the increased cost related to covering sales risks. The rise in administrative expenses to EUR 302 (266) million was largely attributable to the first-time consolidation of the companies AUDI BRUSSELS S.A./N.V. (Brussels, Belgium), Audi Zentrum Hamburg GmbH (Hamburg) and Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG (Berlin) in the 2008 fiscal year. The rise in the other operating result of EUR 966 (569) million stemmed predominantly from higher earnings from the settlement of currency hedging transactions.

The Audi Group thus improved its operating profit for the past fiscal year overall by 2.5 percent to EUR 2,772 (2,705) million. This highly pleasing development amid such difficult times serves as further proof that the Company is fundamentally sound and competitive. It also confirms the resounding success of its strategy of sustainable, profitable growth.

The financial result rose to EUR 405 (210) million in the period under review. This increase is attributable in the first instance to higher interest income and to an improved investment result.

DEVELOPMENT OF PROFIT BEFORE TAX AND RETURN ON SALES BEFORE TAX



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

KEY EARNINGS DATA

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

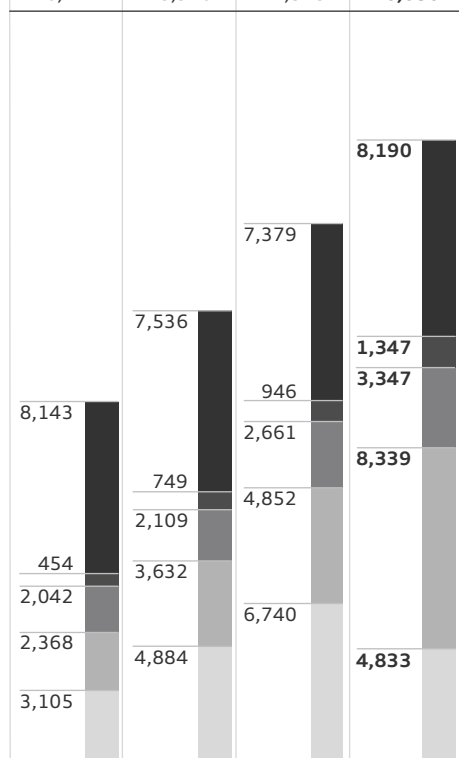
The extremely successful business performance is also reflected in all key return ratios for the 2008 fiscal year. The operating return on sales improved from 8.0 percent to 8.1 percent and the return on sales before tax from 8.7 percent to 9.3 percent.

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

NET WORTH

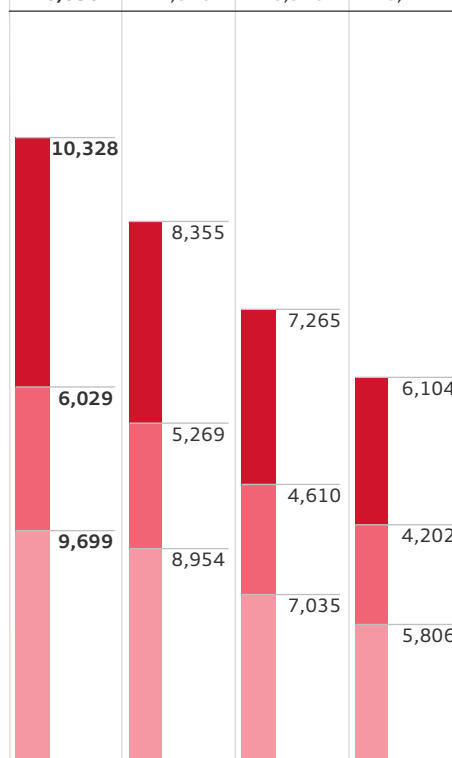
BALANCE SHEET STRUCTURE

2005	2006	2007	2008
16,112	18,910	22,578	26,056



- Fixed assets
- Other non-current assets
- Inventories
- Other current assets
- Cash and cash equivalents

2008	2007	2006	2005
26,056	22,578	18,910	16,112



- Equity
- Non-current liabilities
- Current liabilities

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

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

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

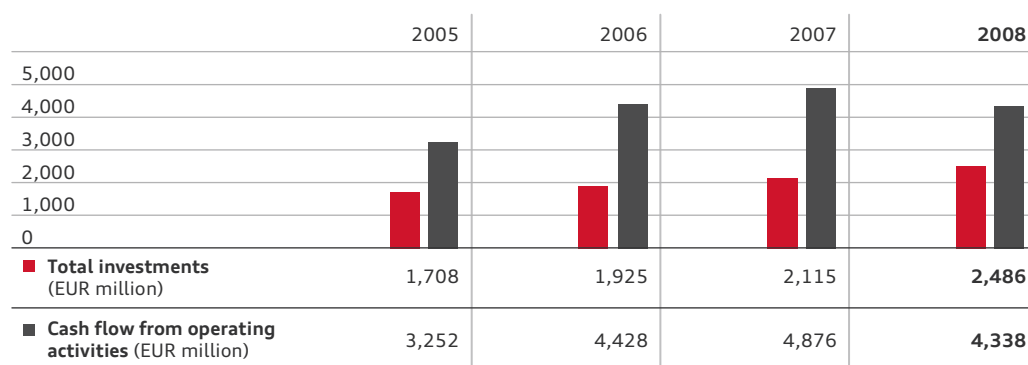
Total capital investments by the Audi Group were up on the previous year's high level at EUR 2,486 (2,115) million. Property, plant and equipment accounted for EUR 1,793 (1,527) million of this sum, representing a rise of 17.4 percent.

The equity of the Audi Group rose by 23.6 percent to EUR 10,328 (8,355) million. This change was attributable principally to the cash infusion of EUR 706 million by Volkswagen AG (Wolfsburg) to the capital reserve of AUDI AG, and allocation to other retained earnings of the balance remaining after the transfer of profit (EUR 948 million). In addition, equity was increased by EUR 289 million due to the first-time consolidation of AUDI BRUSSELS S.A./N.V. The equity ratio for the Audi Group rose thereby to 39.6 (37.0) percent overall.

Non-current liabilities amounting to EUR 6,029 (5,269) million rose year-on-year primarily as a result of increased other provisions, together with higher other liabilities.

Current liabilities rose to EUR 9,699 (8,954) million mainly as a result of increased provisions and sales-related growth in trade payables.

OVERALL CAPITAL INVESTMENTS AND CASH FLOW OF THE AUDI GROUP



FINANCIAL POSITION

The cash flow from operating activities by the Audi Group amounted to EUR 4,338 (4,876) million in the past fiscal year.

The cash used in investing activities totaled EUR 5,916 (2,494) million in the year under review. The sharp rise is mainly due to the investment of term money with an investment horizon of more than three months. Investments in property, plant and equipment and other intangible assets in the amount of EUR 1,906 (1,578) million were up 20.8 percent from the previous year. The priority capital investments in 2008 were the ramp-ups for production of the new Audi Q5 and new Audi A5 Cabriolet, the product improvements of the Audi A3 and Audi A6 car lines, and the further derivatization of the Audi A4 car line. As in the previous year, cash flow from operating activities covered the investments in non-current assets in full, giving further evidence of the Company's consistently strong financial position.

Net liquidity as of December 31, 2008 was EUR 9,292 (7,860) million, an impressive increase of 18.2 percent over the previous year.

As of December 31, 2008, the Audi Group had other financial obligations amounting to EUR 1,501 (1,462) million, mainly in the form of ordering commitments.

An overview is provided in Section 39 of the Notes: "Other financial obligations."

REPORT ON POST-BALANCE SHEET DATE EVENTS

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

RISK REPORT

THE RISK MANAGEMENT SYSTEM WITHIN THE AUDI GROUP

The goal of the Audi Group's risk management strategy is to minimize or, if possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the Company against potential losses and against risks to it as a going concern.

To that end, a Company-wide risk management and early warning system is in place within the Audi Group. This covers AUDI AG and all its subsidiaries from which risks that could potentially threaten the Audi Group as a going concern could spread.

The integration of risk management tasks into the individual business processes is organized decentrally at the level of the individual corporate divisions and subsidiaries. All task areas as well as reporting and documenting obligations for risk management are clearly defined and regularly monitored to verify that they are up to date.

Potential risks are identified on the basis of predefined spheres of responsibility. Practical measures for steering and overseeing these risks are implemented by the respective officers, and the effectiveness of decisions taken is continually monitored. Probabilities are estimated for all individual risks. The anticipated potential losses from the risk are then quantified on the basis of the lost profit contribution or the costs incurred. In addition, all necessary measures and precautions are taken to prevent an identified risk from occurring.

The Board of Management and the Supervisory Board are regularly informed of all significant risks within the Audi Group.

Within the context of its business activities the Audi Group is confronted with various risk areas, which are explained in greater detail below. The individual risks described relate to the planning horizon of 2009 through 2011.

ECONOMIC RISKS

In view of the strong international emphasis of its operations, the Audi Group is highly dependent on international economic conditions. This is particularly true with respect to the important sales markets of Europe, China, the United States and Japan. Following the deepening financial crisis in the latter part of 2008 and its extensive spillover into the real economy, forecasts for global economic growth for the next few years have been scaled back drastically. Whereas economic momentum is expected to be greatly reduced in emerging markets, the two-year forecast for major industrial nations expects anything ranging from stagnation to deep recession. The automotive industry will also be substantially affected. This was already manifested in the second half of the past year in a significant downturn in global demand for cars.

Although the Audi Group has been notably successful in holding its ground in an extremely difficult economic environment so far, the Company will not be able to fend off the negative consequences of the anticipated economic downturn entirely. The as yet unforeseeable development of international auto markets represents a threat to the economic success of the Company.

However, thanks to its fresh, attractive product range, the Audi Group believes it is well equipped to meet these challenges head on. In addition, the extensive and sustainable measures already implemented by the Company in the past to improve costs and processes will further reduce the risk. The Audi Group also keeps a watchful eye on the market with the aid of early indicators, which helps it anticipate fluctuations in sales so that it can respond by adjusting production accordingly. Being able to transfer production between the various locations under the production turntable principle and using timebanking provides additional flexibility.

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The development of international raw materials markets presents a further risk. In addition to securing adequate supplies of production materials, priority is given to minimizing cost risks. The Audi Group implements comprehensive hedging strategies and permanently monitors relevant raw materials markets.

Of particular importance here is the development of oil prices. A renewed, permanent increase in the price of oil could lead not just to higher production and energy costs for the Company but also to rising fuel costs, which could make customers more reluctant to buy cars. The Audi Group has sought to pre-empt such problems by developing new, efficient drive concepts, alternative fuels and vehicle concepts that focus on changing customer requirements, such as the Audi brand's highly economical e models.

As a company with global operations, the Audi Group generates a significant portion of its revenue in foreign currency. As a result, it is exposed to risk from exchange rate fluctuations that cannot be anticipated, but which could adversely affect revenue and, therefore, consolidated net profit. Of particular note are exchange rate fluctuations between the euro and the U.S. dollar, the pound sterling and the Japanese yen. The Audi Group counters these risks by employing appropriate hedging instruments to an economically reasonable extent and in close, continuous consultation with the Volkswagen Group.

Other risk factors include unforeseeable political intervention in the economy, an escalation in political tensions, terrorist attacks and possible pandemics, all of which could also have a detrimental effect on the Audi Group's business performance by undermining economic activity or international capital markets.

INDUSTRY RISKS

The financial crisis and the associated squeeze in the credit markets poses a major challenge to the entire automotive industry. In addition to it being more difficult to access outside capital, borrowing costs have also gone up. Thanks to the Audi Group's successful business performance in recent years, it enjoys high liquidity and therefore considers itself to be in a good position to tackle future challenges.

One consequence of tighter lending practices is that a growing reluctance has been detected among customers to make purchases. Moreover, bad debts and the remeasurement of residual value risks are undermining the financial performance, net worth and financial position of many enterprises. Thanks to the Audi Group's cautious use of vehicle financing instruments within its profit-oriented growth strategy, it is exposed to only modest economic risk here. Its long-established conservative approach to the assessment of residual values when concluding vehicle financing is particularly effective in mitigating risks.

The increasingly difficult conditions in the automotive industry have engendered more predatory competition, characterized by the growing use of sales subsidies. This development may result in price erosion and higher marketing costs particularly in the Audi Group's key sales regions of Western Europe, the United States and China, which in turn would adversely affect the Company's revenue and earnings performance. Any trend among direct competitors towards reducing prices will likewise undermine revenue and earnings as the Company will be unable to entirely ignore such practices in the long term. In addition, potential state subsidies for individual manufacturers or vehicle categories could distort competition, thereby adversely affecting the financial position of the Audi Group.

A further major challenge for the entire automotive industry stems from the growing pressure to improve vehicles' fuel efficiency and reduce their emissions. In addition to the various legal requirements being discussed around the world, such as CO₂ limits, a protracted public debate could adversely affect the image of all manufacturers and so ultimately be to the detriment of

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

RISKS FROM OPERATING ACTIVITIES

There are a number of potential risks associated with the Audi Group's operating activities that could lastingly affect its net worth, financial position and financial performance. These include critical occurrences such as explosions or major fires that could destroy or damage the Group's assets and also cause consequential losses by hindering the production process. Major production problems could also be caused by disruptions to the energy supply and technical disruptions, in particular to information technology. Although such risks harbor considerable potential for losses, their probability is viewed as being relatively low. The Audi Group counteracts these risks in particular through adequate insurance coverage and preventive measures, such as fire protection systems. The high flexibility of the Audi production network also reduces risk.

Further disruption could be caused by supply delays or non-delivery as a result of tool breakage, losses from natural disasters and strikes at suppliers or in the transportation sector.

The current financial and economic crisis has also led to increasing financial problems at individual suppliers and dealers, in some cases leading to their insolvency. The Audi Group limits such risks by implementing detailed supplier selection, monitoring, steering and support processes.

The automotive industry's customary close ties between manufacturer and supplier bring both economic benefits and growing dependence, which is heightened by the international scale of suppliers' operations. The Audi Group counters the resulting risks, for example, by defining appropriate contractual terms and retaining title over tools used by third-party companies. As an innovative carmaker, the Audi Group is gradually broadening its model range and entering diverse new product segments. Not only does it plan meticulously, it also commissions numerous market studies to underpin the decision-making process for new vehicle projects. In spite of these thorough preparations, a model's market success cannot always be predicted. Furthermore, the development of new vehicles and components carries with it a number of other potential risks. In addition to delays and changes to the product at short notice, these primarily concern the loss of expertise to service providers outside the Group. The Audi Group protects itself against this risk by methodically safeguarding its intellectual proprietorship of core skills and consciously selecting reliable system partners.

LEGAL RISKS

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

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The Audi Group's premium vehicles aspire to the customer's highest possible expectations of quality. Even so, potential product liability risks can never be entirely ruled out. As well as causing serious damage to the Company's image, this can have major financial consequences; particularly should they lead to lawsuits in the U.S. market. The Audi Group counteracts such risks through effective and systematic quality management, and by taking out insurance cover and creating provisions within an economically reasonable scope.

The Audi Group is not currently involved in any legal or arbitration proceedings that could have a lasting impact on the economic position of the Company.

PERSONNEL RISKS

As a manufacturer of technologically advanced, high-quality premium vehicles, the Audi Group will continue to depend on its well-qualified specialists and managers. Thanks to its reputation as an attractive employer, the Audi Group is in a very strong position to attract good personnel despite an intensely competitive job market. Furthermore, its broad training program facilitates the securing of junior personnel for specific tasks within the Company itself.

The Audi Group seeks to minimize the loss of expertise through fluctuation or partial retirement by implementing comprehensive, needs-based incentive systems and intensive competence management. These involve in particular the systematic transfer of knowledge from departing experts and managers to their successors.

Germany's aging, shrinking population poses a major challenge to all companies. The Audi Group identified this scenario long ago and promptly took initiatives to correctly counter this development. As well as adapting working conditions to suit an employee's age, it applies models for the individual's working life and makes special part-time arrangements. Other priority areas include preventive health care and strengthening employee awareness about taking responsibility for their own financial future.

INFORMATION AND IT RISKS

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

FINANCIAL RISKS

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

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

OVERALL ASSESSMENT OF THE RISK POSITION

The currently unforeseeable consequences of the international financial and economic crisis on the further development of global auto markets represent a considerable risk to all businesses in the automotive industry.

However, on the basis of all known circumstances and facts, no risks currently exist that could significantly and lastingly undermine the net worth, financial performance and financial position of the Audi Group, let alone endanger the Company’s survival in the foreseeable future.

REPORT ON EXPECTED DEVELOPMENTS

ANTICIPATED DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

General economic situation

With the financial crisis having spilled over into the real economy in the second half of 2008, the global economy is experiencing an unexpectedly sharp downturn that had spread to all regions by the end of last year. In view of the lingering uncertainty, it is very difficult to deliver a reliable assessment of the prospects for the global economy for 2009 and indeed 2010. General predictions on the intensity and duration of the global downswing show a considerable margin of fluctuation.

The Audi Group’s assessment of the general economic situation is that the financial crisis and global recession will have serious repercussions in 2009, dampening both investment and consumption worldwide. The financial development of businesses around the world will suffer, which will likely have negative consequences on the job market.

Due to the global economic downturn and falling energy and raw materials prices, inflation will remain low in 2009. Fiscal and monetary policy worldwide will probably remain strongly expansionary.

The assessment of the Audi Group is that the global economy will contract in 2009 due to falling economic output in industrialized nations. A marked drop in growth rates is equally expected in developing and emerging markets. In view of the measures taken by governments and central banks to stabilize the financial sector and bolster economic activity, the Audi Group assumes that there is no risk of the global economy descending into a more protracted period of depression. Therefore, the Company expects the global economy to experience a mild recovery in 2010.

In the United States, 2009 will be dominated by a continuing recession, which the new U.S. government and the Federal Reserve have probably cushioned at least to some degree thanks to their swift action.

The economy of Western Europe will experience a phase of recession in 2009, with gross domestic product falling in all major national economies. The Audi Group equally expects the gross domestic product in Germany to slide. The level of export trade, particularly for capital goods and automobiles, will retreat noticeably. Consumer spending is not likely to bolster the economy to any significant degree. Although falling inflation and the German government’s economic recovery programs will noticeably relieve the burden on households, any benefits are likely to be offset by the expected rise in unemployment and the resulting losses of income.

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

The car industry

Due to the downturn in the global economy, the Audi Group anticipates that global demand for automobiles will drop significantly in 2009. Virtually all auto markets worldwide will be affected by the negative trend, including the previous growth hotspots China, Brazil and Russia.

In view of these economic prospects, the Audi Group expects the situation in the U.S. automotive market to deteriorate even further in the current fiscal year. The overall market volume will probably be down again on the low prior-year level, at considerably below 13 million units. The Company likewise expects a further deterioration in the general market environment in Germany. The economic downturn expected in 2009 will clearly mute demand for cars from both private individuals and businesses. It currently remains to be seen to what extent the economic stimulus packages passed by the German government and the "environmental bonus" will positively impact demand for vehicles. This, incidentally, also applies to other countries in which corresponding economic measures are planned.

Car markets in Western Europe (excluding Germany) are also expected to experience a sharp downturn. The Audi Group expects the volume of new car registrations to tumble by a high double-digit percentage rate.

The countries of Central and Eastern Europe will also be caught up in the downward trend in 2009. Russia, the most important market in the region, is also likely to fall short of the 2008 sales volume.

The growth of recent years is likely to come to an end in the Asia-Pacific region. The previously high-growth Chinese passenger car market in particular will experience a fall in volume. In Japan, the previous year's negative trend will become even more acute. The Audi Group only expects the Indian car market to match the previous year's level in 2009.

ANTICIPATED DEVELOPMENT OF THE AUDI GROUP

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

Anticipated development of deliveries

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

The goal in Germany, the highest-volume market for Audi vehicles, is to build on the already strong market position in 2009. Alongside the very successful Audi A4 and Audi A5 car lines, this process will be aided by the new Audi Q5, which has been very well received by customers, the trade and journalists.

The Company also expects that these models will provide a vital stimulus for car markets in Western Europe. There too, however, the Audi brand will not entirely escape the variously sharp downturn that is forecast for some of these markets.

In Central and Eastern Europe, and most particularly in Russia, the growth in deliveries of recent years will be brought to a halt by the sharp fall in car demand. However, the Company is confident that it will be able to further strengthen the competitive position of the Audi brand.

In China, its most important foreign market, the Audi brand expects to consolidate its leading position in the premium segment. The Audi A4 L, which arrived on that market this year and is being built exclusively for China, should play a key role in comprehensively meeting customer requirements for modern mobility in a spacious, comfortable vehicle.

The positive trend of recent years is set to continue in the Indian car market, where assembly of the new Audi A4 began in the past fiscal year alongside local CKD assembly of the Audi A6.

The situation in the U.S. auto market will remain exceptionally difficult in 2009. The Company is seeking to capture increased market share with the launch of its ultra-efficient diesel technology and new models such as the Audi Q5.

Following the sharp drop in international demand for cars in 2009, the Audi Group expects markets to stabilize in 2010. This development is anticipated to lead to a rise in the Audi Group's deliveries.

Comprehensive measures within the context of business activities

The Audi Group will continue to monitor the development of the Company's major sales markets using early indicators so that it can respond accordingly by adjusting its production volume.

Being able to transfer production between the various locations using the production turntable is just one of the options that give the Company a vital degree of flexibility. Moreover, working hour models, flexible shift systems and timebanking accounts have been agreed in recent years in close consultation with employee representatives, giving the Company leeway to cushion short-term fluctuations in production if needed. With regard to the impact of market fluctuations, the Company will use the options afforded by the framework of operating requirements, negotiated pay agreements and laws to stabilize the employment situation of its core workforce.

And over the next few months, measures already underway that seek to permanently improve processes and costs in all divisions will be pursued with unrelenting intensity.

In view of the difficult current economic environment, the Company is also paying particular attention to outside partners. At the sourcing end, its priority is to exclude any disruption to the production process from key suppliers going out of business. In close consultation with the Volkswagen Group, the Audi Group will further intensify its collaboration with key suppliers by way of comprehensive risk management. This equally applies to the sales end. A committee has been set up within the Company to work out jointly with dealers experiencing difficulties how potential financial bottlenecks can be overcome.

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Anticipated financial performance

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

Anticipated financial position

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

Capital investments

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

Anticipated development of the workforce

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

Opportunities for future development

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

Overall assessment of anticipated future developments

As a result of having destabilized markets worldwide, the financial crisis has now spread to the real economy. 2009 will probably be the most difficult year in the history of the automotive industry. The Audi Group itself will not be able to resist the pull of this trend.

However, thanks to its strategy of sustained, profitable growth in recent years, the Audi Group has established a sound basis and, thanks to a fresh, attractive product range and a highly motivated workforce that identifies closely with the Company, it believes it is well equipped to tackle the challenges that lie ahead. Moreover, corrective action was taken promptly in an effort to lessen the anticipated impact of a cyclical downturn in demand on earnings.

The Audi Group expects that, following a marked downturn in the global economy in 2009, markets will stabilize in 2010. This development is also anticipated to have a positive effect on the Company's key performance indicators.

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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.