



2017
Annual Report



traction



Audi e-tron

Full speed ahead into the future: The Audi e-tron, our first fully electric SUV, hits the streets in 2018. The car has a range of up to 500 kilometers.

An aerial photograph of a rugged coastline. The sea is a deep, dark blue, contrasting sharply with the golden-brown, rocky shore. The rocks are jagged and uneven, with some areas appearing more eroded than others. A thin, dark line, possibly a road or railway, runs along the top edge of the frame. The overall scene conveys a sense of wild, untamed nature.

A change of perspective

opens up new ways of thinking. At Audi, we use these to achieve our **goals** faster and avoid standing still.

On the contrary:

Challenges stimulate, **boldness** inspires, **complexity** motivates.

We derive strength from this **thirst for action**. Strength to create innovations that we put on the streets.

Feel the traction!

*Dear Readers,
Dear Shareholders,*

What keeps you going in turbulent times? Our source of inspiration are delighted customers. We want to surprise them and put a smile on their faces. That is the fundamental compass along which we align our company strategy. Our **Audi. Vorsprung. 2025.** strategy ensures that our brand will continue to be a driving force also in the future. And that brings me to the central theme of our 2017 Annual Report: **traction**.

The automotive industry is currently undergoing the greatest transformation in its history. We are accelerating the alignment of our company with three strategic fields of action: digitalization, sustainability and urbanization.

We are dramatically expanding the diversity of drive systems in our product range. For example, we already have three g-tron models in our lineup. They are powered primarily with compressed natural gas (CNG). Based on a calculated average, Audi replaces the proportion of natural gas used by the customer with renewable Audi e-gas, which reduces the g-tron models' carbon footprint by over 80 percent. On the political front, it is to be hoped that the regulatory bodies setting down emissions legislation also recognize the important lever alternative fuels represent. In 2018, we celebrate the world premiere of our first series-production electric car, the Audi e-tron. For 2025, our goal is for every third Audi to feature electric drive. To get there, we are adding over 20 electric cars and plug-in hybrids to all segments in our portfolio.

Autonomous driving is a key technology for future mobility. The new Audi A8 is the world's first production car developed specifically for conditional automated driving at level 3. Find out how Audi is using increasingly automated driving functions to turn its models into personal companions. Companions that think for themselves, support their occupants intelligently and actively, and can get them where they are going safely.

Learn in this Annual Report how we are creating "Vorsprung" for our customers day in, day out.



Rupert Stadler
Chairman of the Board of Management of AUDI AG



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OF THE ANNUAL REPORT
INTERACTIVELY AS WELL.

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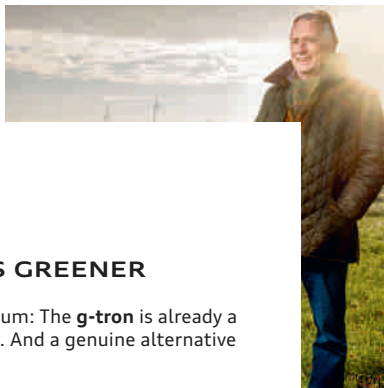
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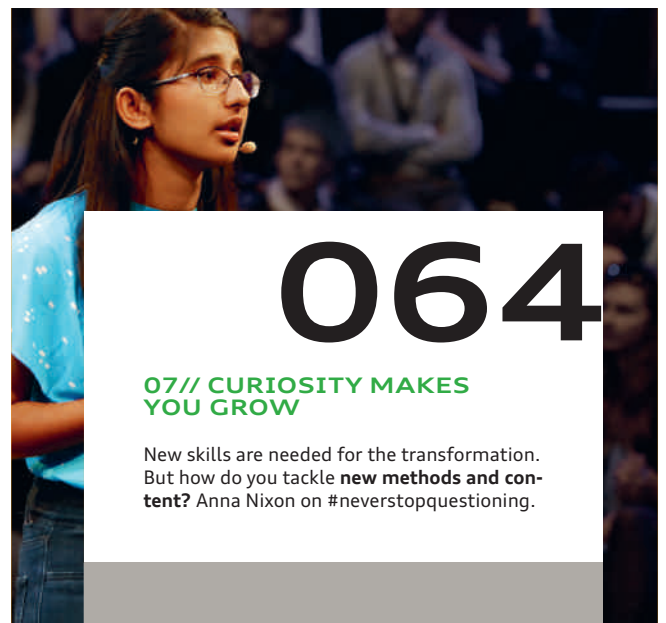
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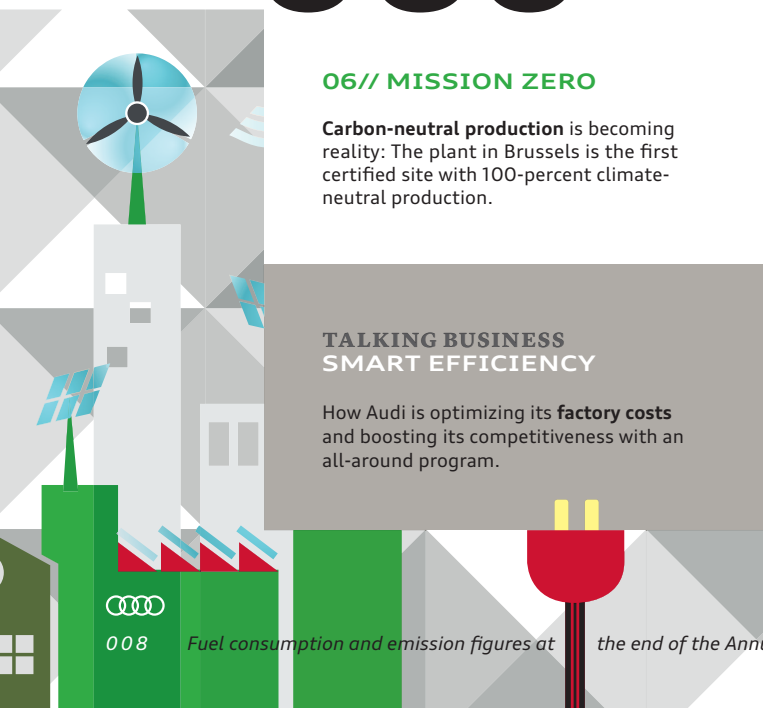
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THE AUDI CHANGE OF PERSPECTIVE YU ZHAO (SCOTT)

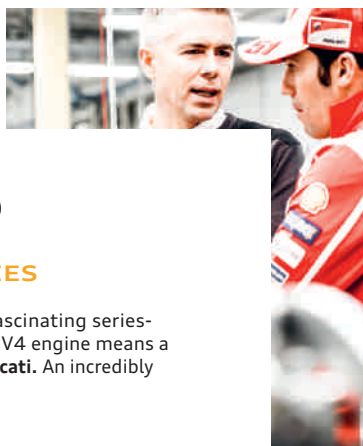
To be successful on the world's most complex market, you have to understand it. And precisely that is the job of **Audi Innovation Research** in Beijing.



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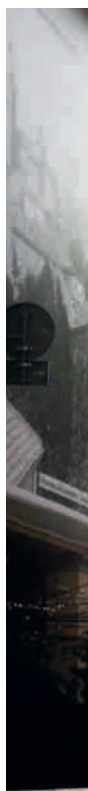
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Lamborghini is capturing a completely new market segment with the Urus. And wants to continue to grow profitably with the powerful Super SUV.





Peter Kössler

Production and Logistics

Bernd Martens

Procurement

Bram Schot

Marketing and Sales

Peter Mertens

Technical Development

THE BOARD OF MANAGEMENT



Rupert Stadler
Chairman of the Board
of Management

Alexander Seitz
Finance, IT and Integrity

Wendelin Göbel
Human Resources
and Organization



Audi Aicon – the mobility concept is a window on the autonomous future.

Audi is putting power on the streets.

With its Strategy 2025, Audi has charted its course for the future – and set in motion the biggest transformation in its brand’s recent history. The company is realigning itself step by step, yet at a rapid pace. A far-reaching program of measures known as the Audi Action and Transformation Plan is paving the way for this renewal.

It is probably the most exciting time the automotive industry has ever witnessed. Digitalization, sustainability and urbanization are the megatrends driving changes in customer needs, value chains and business models. Audi is up for the challenge. Throughout the company, Audi employees are tackling the topics of the future – in particular, electric mobility, autonomous driving and digital services – with great commitment. For tomorrow’s “Vorsprung.” All this calls for investments in the billions. At the same time, Audi still aims to achieve an operating return on sales of between eight and ten percent. “With the Audi Action and Transformation Plan, we are unleashing energies,” CEO Rupert Stadler says. “We are trimming costs and reducing complexity. Mainly, however, we are aiming for growth. With additional models and derivatives, we underscore our aspiration to play a leading role in the premium car segment.”

What will it take to reach these goals? An agile and capable organization. “Our team is the backbone of Audi,” says Wendelin Göbel, Board Member for Human Resources and Organization. “We systematically refine our structures and workflows. The goal: short decision-making processes and clear responsibilities.” That is key to business success for Audi, Göbel emphasizes. “Apart from that, we cultivate a contemporary leadership and collaborative culture based on values such as integrity and appreciation. This enables us to offer our employees the best possible conditions to live out their creativity and drive innovations.”

**“Our team is the
backbone of Audi.”**

*Wendelin Göbel,
Human Resources and Organization*



The Technical Development division is the Audi innovation factory – some 14,000 engineers around the world work with passion, spirit and energy on the future of the Four Rings. Transformation here is not an abstract term, but a long-standing component of day-to-day work.

**“With the Audi Action and
Transformation Plan,
we are unleashing energies.”**

*Rupert Stadler,
Chairman of the Board of Management*





“The definitions of premium and customer requirements are changing radically and faster than ever before,” says Peter Mertens, Board Member for Technical Development. “We are shifting the paradigms that guide how we develop cars and digital services in the future. And we are defining new technological focus areas that will fascinate customers.” As an example, Mertens points to visionary interior concepts for an autonomous, digital world. This includes the Audi Aicon mobility concept, which illustrates how autonomous driving is set to become a new kind of customer experience – superior usability in a luxurious atmosphere. “What will not change amid these dynamic developments are our high quality standards – even in the era of changing mobility.”

“We are defining new technological focus areas that will fascinate customers.”

*Peter Mertens,
Technical Development*

One prime focus on this journey is electric mobility. 2018 marks the debut of the Four Rings’ first fully electric series-production model, the Audi e-tron. Altogether, over ten fully electric cars are already earmarked for investments in the cycle plan. The aim: By 2025, one in three Audi cars sold is to be an electric model. This ambitious roadmap is a powerful statement – and also a major financial challenge. Due to the expensive batteries, product costs in the electric mobility area are still relatively high. Audi is countering this

with a holistic approach, systematically leveraging cost potential and using an intelligent platform strategy to get others within the group of companies on board. “Together with our suppliers, we make sure innovations are transferred to production models quickly and, most importantly, in a cost-efficient manner,” says Bernd Martens, Board Member for Procurement. “We are building strategic partnerships in growth areas such as battery cells, and forging bonds between Audi and established tech companies as well as up-and-coming startups at an early stage and in a spirit of trust.”

“We are building strategic partnerships in growth areas.”

*Bernd Martens,
Procurement*

In the 2017 fiscal year, Audi launched an unprecedented model initiative, starting with the presentation of the full-size class models A8 and A7 Sportback. Six core car lines, including the Audi A6, will be renewed in 2018, which means that on average a new model will go into production every three weeks. No small feat for the Audi manufacturing network. On top of that, the increasingly diverse product portfolio is expanding into a growing range of different drives – from diesel and gasoline engines, through CNG and hybrid systems, to fully electric cars. “The tight schedule for production starts and high levels of complexity make it a Herculean task,” concedes Peter Kössler, Board Member for Production

and Logistics. “Thanks to our flexible, efficient production system, which makes consistent use of Smart Factory technologies, we are able to mitigate this task. This way, we are advancing our vision of an intelligent, networked factory step by step.” Kössler also points out that Audi is streamlining factory costs. “We take an ambitious holistic approach. And that, in turn, gives our sites a lasting competitive edge.

“The tight schedule for production starts and high levels of complexity make it a Herculean task.”

*Peter Kössler,
Production and Logistics*

Keyword: new models. The new Audi A8 is a groundbreaking calling card for “Vorsprung durch Technik.” With a style-defining design language and innovative touch operating concept, it is a compelling package. Plus, it is the world’s first series-production car developed for conditional automated driving. “We aspire to make our mark on the prestigious full-size and luxury class in terms of both technology and

design,” says Bram Schot, Board Member for Marketing and Sales. “But the A8, A7 Sportback and A6 are just the prelude to an even bigger product extravaganza across all segments. Now they’re coming thick and fast – from the A1 and Q3, through the e-tron, to the Q8.”

“We aspire to make our mark on the prestigious full-size and luxury class in terms of both technology and design.”

*Bram Schot,
Marketing and Sales*

“To make sure the new models don’t just boost volumes, but also leave a greater impact on profit, we are positioning ourselves cleverly on the markets,” says Alexander Seitz, Board Member for Finance, IT and Integrity. Audi is only producing what customers really want. “The market tells us what it wants and we act accordingly. That also helps us with pricing,” explains Seitz. With a range of models and variants tailored to customers’ wish lists, Audi is strengthening its traditional core business – the production and sale of





“The market tells us what it wants and we act accordingly. That also helps us with pricing.”

*Alexander Seitz,
Finance, IT and Integrity*

premium vehicles. At the same time, the company uses the opportunities digitalization offers. Such as function on demand, for example. Going forward, customers will be able to order certain vehicle upgrades quickly and conveniently – including, for instance, the Matrix function for LED headlights before a long nighttime journey. The activation process takes the quick and uncomplicated form of a software update. Customers only pay for functions they intend to use over a specific period.

Nowhere is digitalization surging ahead faster than in China, the biggest single market for Audi. For exactly 30 years now, the company has been shaping that country’s premium car market and scoring big with an in-depth understanding of Chinese customers, with strong local production and sales expertise plus – and this is key – with strong partners at its

side. Now it is time to launch the next stage in China. “To make it happen, we are repositioning ourselves and expanding our local commitment as a way of preparing for the next growth spurt,” says CEO Rupert Stadler. All this shows that Audi has clear goals, ambition and strength of purpose. The path to attaining these goals is clearly defined. “The entire company is experiencing far-reaching change,” says Stadler. “With the Action and Transformation Plan, we are laying the foundation for Strategy 2025 – and putting power on the streets.”

“The entire company is experiencing far-reaching change.”

*Rupert Stadler,
Chairman of the Board of Management*



The Board of Management at the new Audi Design Center in Ingolstadt.



CHALLENGING

TEXT: Lidija Marinkovic // PHOTOS: Klaus Mellenthin, Shutterstock

The Audi change of perspective
Silja Pieh // Munich

2021. In just three years' time, highly automated driving is set to become a reality for mobility services in urban environments. It is certainly an ambitious goal. To achieve it, Audi has found a way to fast-track things: with AID. The acronym stands not only for Munich-based Autonomous Intelligent Driving GmbH, but also for the future of urban mobility. To go the distance, you need the right skills. At the heart of the action: Silja Pieh, responsible for Finance and Product Management at the Audi subsidiary.

STIMU
LATING



The Audi change of perspective Silja Pieh // Munich

Audi is now also a software company. Well, almost. By establishing Autonomous Intelligent Driving GmbH, the car manufacturer is exploring new avenues. In line with its focus on software development, artificial intelligence and robotics. AID focuses on software rather than hardware. As such, it is an important cornerstone for the future of mobility. The goal: autonomous driving.



Located in the heart of Munich, a team of international experts develops new software technologies and solutions for the urban environment. Silja Pieh, 43, has been part of it from the outset – as far back as when Autonomous Intelligent Driving GmbH was just an in-house project. A year ago, it was transformed into a company in its own right. The fully owned Audi subsidiary is not your typical spin-off. That is because at its core, AID is a software company focusing on the innovation area of autonomous driving. For this, you need not only new skills, but also new ways of working. In other words, a change of perspective. Silja and Autonomous Intelligent Driving GmbH understand this – and put it into action each and every day. This is immediately apparent as soon as you walk through the premises. Colleagues speak English and the atmosphere is decidedly cosmopolitan. Staff members come from a long list of different places – Canada, Russia, Sweden and France, to name but a few. Many young people are drawn to Munich to work for the Audi subsidiary. Plans are for as many as 600 people to be employed by the spin-off in the future. And there is no shortage of applications – autonomous driving is definitely a hot future topic. One where you can make a big difference. Which is exactly what drives Silja – pushing for change and endeavoring new things. Anything but standing still.

**“YOU HAVE TO BE PERSISTENT –
THERE’S NO GUARANTEE OF SUCCESS
WITH A SPIN-OFF LIKE OURS.”**

That is not always easy. Especially when you have to try and reconcile a big corporation and the startup way of thinking. Having close ties with Audi is important and brings major benefits. The dialogue with the development team working on

series-production models is crucial. After all, the ultimate goal of the development process is to put a self-driving car on the market. Silja describes the feedback loop with Audi as a process of balancing the evolutionary and the revolutionary path. The evolutionary tendency describes the direction that series development at Audi and in other parts of the Group takes – in other words, the step-by-step progress of advancing from assistance systems. For a recent example, look no further than the new Audi A8, which is the first series-production car in the world developed for conditional automated driving at level 3. With the next step being the highway pilot. Autonomous Intelligent Driving GmbH, however, is aiming directly for level 4+: highly automated driving in an urban environment. Which is why the company needs people who will forge ahead in fields such as machine learning and develop programs to handle complex situations in cities.

**“I DON’T SEE IT AS A RISK
BUT RATHER AS A TREMENDOUS
OPPORTUNITY.”**

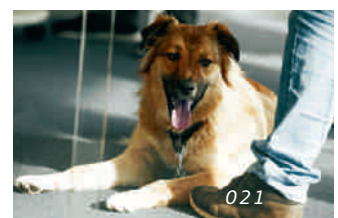
That goes for Silja, too. She is constantly seeking challenges and it is not hard to get her excited about new ideas. What others find difficult to imagine only serves to stimulate her. And Silja sees the big picture at the end of the road: autonomous driving with the wide range of possibilities that this technology offers customers – from greater flexibility to time savings and hence more personal freedom. For Silja, the chance to create something new and co-found a company are thrilling prospects. This is precisely the kind of enthusiasm she brings to Autonomous Intelligent Driving GmbH. Although it is still early days for the team, they already have their sights set on a demanding task and major goal: 2021.



AUTONOMOUS INTELLIGENT DRIVING GMBH

Highly automated driving for mobility services in an urban environment by 2021. Audi is relying on a fast, agile structure to achieve this goal and has established its own software company especially for this purpose.

www.aid-driving.eu





01 // AI IN THE GENES

TEXT: Lidija Marinkovic // PHOTOS: Tobias Sagmeister

ACTIVE NOISE CANCELLATION

Psssst: With certain engines, the A8 is additionally equipped with Audi active noise cancellation. Selective counter-noise is emitted by the sound system speakers in order to suppress unwanted noise in the vehicle interior. This lets occupants concentrate on what is important. Or simply enjoy the silence.

DYNAMIC ALL-WHEEL STEERING

Sporty and safe: The optional function combines a sporty and direct steering response with maximum stability. At low speeds, the rear wheels are turned by up to five degrees in the opposite direction to the front wheels to facilitate maneuvering on tight bends and reduce the turning circle by about one meter – making it even smaller than that of the A4. Above speeds of around 60 kilometers per hour, the wheels are turned by up to two degrees in the same direction as the front wheels for increased stability during abrupt lane changes and evasive maneuvers.

(REMOTE) PARKING PILOT AND REMOTE GARAGE PILOT*

Feels like magic: The two optional assistants autonomously guide the Audi A8 into parallel or right-angle parking spaces as well as into and out of a garage. The systems not only recognize obstacles, such as bicycles, but also gauge if there is enough space for the car. The driver monitors the maneuver, but does not need to be seated inside the car.

INTELLIGENCE MAKES DRIVING FUN

Clever: The new A8 features quattro permanent all-wheel drive as standard. Those who want more can go one step further – with the optional sport differential. When cornering at high speeds, it actively and intelligently distributes the drive torque between the rear wheels wherever necessary, for even sportier driving and more stable handling.

PALPABLE COMFORT

Relaxation: The new seats in the A8 are available with optional pneumatic seat cushion and backrest side bolster adjustment, as well as seat heating and ventilation. Each front backrest contains 16 massage bubbles, with as many as 18 in the rear seats. The rear right-hand seat offers another optional feature: a foot massage and foot warming function.

ADAPTIVE AIR SUSPENSION

Like riding on air: The air suspension with controlled damping gives Audi models such as the A8 optimum roll comfort and sporty handling. The Audi drive select system lets the driver choose between four operating modes – each of which changes not only the engine and transmission characteristics, but also the steering and suspension response and even the ride height of the body. Whether comfort, auto, dynamic or individual – the different adjustments can be felt in every situation and give the car an entirely new character.

PREDICTIVE ACTIVE SUSPENSION

Quick-change artist: Depending on engine choice, the electro-mechanical active suspension is optional and allows the A8 to alternate between the roles of sports car and luxury sedan, depending on the situation. With the help of electric actuators, the intelligent, fully active suspension system can increase or reduce the load on each wheel individually. This almost completely eliminates factors such as the roll and pitching motion of the body, making for an even smoother ride.

NATURAL VOICE CONTROL

The intelligent conversation partner: K.I.T.T., the talking car from the famous 80s TV series Knight Rider, would be green with envy. After all, the natural voice control system in the A8 understands many everyday spoken expressions and can even respond to commands and questions. To do this, the system accesses data on the user's preferences. Spoken commands are compared with both the onboard content and, via Audi connect, with content stored in the cloud. This makes for better recognition, thereby improving accuracy.



INTELLIGENT DRIVE MANAGEMENT

Optimum efficiency level: The optional laser scanner, optional long-range radar and the front camera create a trio of sensors and, together with predictive navigation data, pave the way for anticipatory driving. And all without the customer having to lift a finger. This technology not only saves fuel, but actually generates energy. How smart is that?

MILD HYBRID TECHNOLOGY

Smart saving: Thanks to mild hybrid technology, the A8 can switch off the engine and make use of the dynamic coasting function in the speed range between 55 and 160 kilometers per hour. The vehicle then travels with virtually zero emissions for up to 40 seconds. Thanks to this technology, a total of up to 0.7 liters of fuel can be saved per 100 kilometers. The system's central components are the water-cooled 48-volt belt alternator starter (BAS) and the lithium-ion battery.

SMART LIGHT

Let there be light: The optional HD Matrix LED headlights with Audi laser light adjust to every situation, providing excellent illumination of the road, which can improve safety. The rear of the car is fitted with a continuous LED light strip and the optional wafer-thin OLED lights.

AUDI CONNECT AND INFOTAINMENT

Entertainment at the highest level: The optional service offering is particularly diverse. It ranges from the hybrid radio functionality which, depending on the reception quality, can switch seamlessly between FM, DAB and online radio stations, through emergency call, roadside assist, traffic sign and hazard information all the way to displaying vacant parking spaces. This is brought about by features including two innovative Car-to-X services that make use of the Audi fleet's swarm intelligence. This year will see the addition of the on-street parking service, which facilitates searching for a parking space. The new myAudi app connects cars closely with smartphones – taking intelligence outside the confines of the car itself.

AUDI AI TRAFFIC JAM PILOT*

Hands-free thanks to level 3: Put simply, in gridlock and slow-moving traffic traveling at up to 60 kilometers per hour, the A8 can take over the task of driving on highways or multi-lane roads with physical barriers between oncoming lanes. Drivers can take their foot off the accelerator and their hands off the steering wheel for longer periods. In lines of traffic traveling at up to this speed, the Audi AI traffic jam pilot handles starting from a stop, accelerating, steering and braking in its lane. That is some visionary leap.

MMI TOUCH RESPONSE

Futuristic: The innovative touch operating concept does away with the rotary/push-button control and replaces the previous model's touchpad. The instrument panel is kept largely free of buttons and switches. The highlight of the system is the haptic feedback provided as a mechanical pulsation and accompanied by a click sound.

*The assistance systems and automated technologies mentioned herein are currently still in the development stage and are not yet available in production vehicles. Further information about their availability can be obtained from your Audi partner. At the moment, automated driving is not legally approved for use on public roads in most countries. Please also note in general that assistance systems can only assist the driver in the task of driving within the respective system limits. The responsibility and attention necessary for executing the driving task always remain with the driver.



Can a car be smart? The fourth-generation Audi A8 certainly is. Equipped with numerous intelligent systems, it acts as a conversation partner, efficiency guru, drive torque distributor, masseur, light animator and lots more besides.

Beyond these pages, you will find many highlights of the new Audi flagship. Online you can also discover how the A8 is actually two cars in one and how it very quickly becomes its driver's best friend.

**WHY
IS THE
AUDI A8
SO INTEL-
LIGENT?**

www



audi.com/ar17/A8

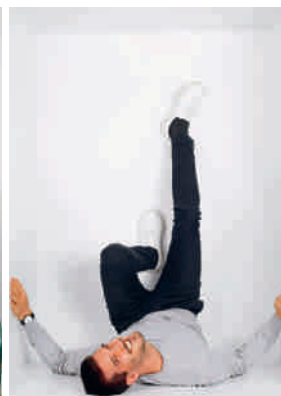
02// FAM ILY BUSI NESS

TEXT: Maj-Britt Peters // PHOTOS: Thomas Dashuber, AUDI AG



A6





Nothing brings out similarities and differences quite like a family photo. The A8 is status-minded and upstanding, the A7 Sportback is athletic and dynamic, the A6 moves elegantly between the two. Their characters are uncompromisingly reflected in their design, right down to the last detail. And yet their shared DNA is unmistakable.

The diversity of the new Audi full-size models is mirrored by the designers themselves. Whether in looks, personality, perspective or source of inspiration – the team combines a wealth of different facets. But as with shared DNA, they are all linked by the same goal: creating a custom-made suit that shows character and brings technology to life. Discover online why an Audi car, much like an Audi team, is far more than the sum of its parts.

**HOW
DOES THE
DESIGN
TEAM EN-
GINEER
THE NEW
FULL-SIZE
CLASS?**

WWW

audi.com/ar17/design



TALKING BUSINESS

POWERING PROFITABILITY

Audi is setting itself ambitious goals for electric mobility. Production of the Audi e-tron electric SUV is scheduled to begin this year, followed by the e-tron Sportback in 2019. By the year 2025, one in every three Audi vehicles sold is to be a fully electric car. At the same time, the company's target for operating return on sales will remain between eight to ten percent in the future as well. No mean feat given that the product costs of electric vehicles are (still) comparatively high due to the costly batteries. Despite this, Audi aims to inspire as many customers as possible with attractive offers to make the switch. A challenge for the entire automotive industry. All of this shows: Sustained financial success by Audi calls for profitable electric mobility.

To achieve this goal, Audi is pursuing an integral approach based on factors including lean, optimized cost structures. "Powerful leverage can be achieved by making the best possible use of synergies," says Board Member for Technical Development Peter Mertens. Synergies between individual Audi models. And within the group of companies. Know-how is pooled, architectures and components are jointly developed and deployed. "This also benefits the customer. The resources freed up as a result allow us to extend our lead in other important

growth areas such as autonomous driving." At the same time, Audi is tapping the revenue potential of electric mobility and plans to offer additional services in the future that customers can use temporarily or permanently via an app.

Audi is designing electric mobility to drive profits:

- > with competitive cost structures,
- > through optimized use of synergies,
- > by opening up added revenue potential.

HOW DOES
AUDI
MAKE
ELECTRIC
MOBILITY
PROFIT-
ABLE?

WWW

audi.com/ar17/e-mobility

Power Statistics

History

-5h

-3h

-1h



85 % Power



03 // FOUR-PART HARMONY



Sixth floor, Building S49 of the Audi plant in Ingolstadt. This is not a room you would expect to find on a carmaker's premises. It is not a design studio, not a body shop and not an office. Instead, it's a place for music – the rehearsal room of the Four Rings' works orchestra, the Audi Philharmonic Wind Orchestra. Here, Audi Board Members Alexander Seitz and Wendelin Göbel meet with sociology professor Stefan Köhl and integrity expert Holger Eckstein. A discussion about the conflicting pull between goal-oriented leadership, the pressure to perform as well as integrity and compliance.

Mr. Göbel, here we are holding a conversation between drums, trumpets and music stands. Isn't a company such as Audi a little bit like a big orchestra?

GÖBEL: Yes, there are a lot of parallels. Each musician is an artist in their own right with unique skills. But to achieve lasting success, they all have to devote themselves to a greater cause, casting aside vanity and sensitivities. And follow the conductor's lead. If just one of them steps out of line, the overall sound quality suffers.



ALEXANDER SEITZ
Finance, IT and Integrity

Alexander Seitz was born in Lahnstein, Germany, in 1962. He studied business administration in Saarbrücken and began his career at what was formerly Daimler-Benz AG. There he assumed various national and international positions in Accounting, Controlling and Purchasing. Seitz joined Volkswagen AG in 2005. After a number of different roles, including as member of the executive management of Volkswagen do Brasil, he was named First Vice President & Commercial Executive Vice President of SAIC Volkswagen Automotive Co., Ltd., in Shanghai. In 2017, Seitz became Member of the Board of Management of AUDI AG, where he is responsible for Finance, IT and Integrity.

In business, playing by the book is called compliance. Mr. Seitz, you are also responsible for integrity at Audi. What is the difference?

SEITZ: There are lots of definitions, but the way I like to explain it is with an example. When in the seventies seatbelts became mandatory in Germany, there was initially a huge outcry because drivers felt this encroached on their freedom. It was only the threat of fines that made us grit our teeth and buckle up. That's compliance – adhering to rules. Today, no responsible driver would think of setting off on vacation without ensuring that his children's seatbelts are securely fastened, regardless of whether he's likely to hit a police check-point or not. Why? Because standards have changed. That's integrity – doing the right thing even when no one is looking. This is something we aim to pursue systematically at Audi.

Which brings us to the next topic – diesel. Does there always have to be a scandal before we have these conversations?

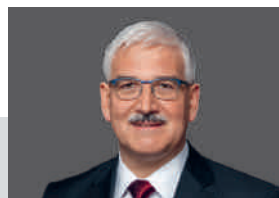
KÜHL: Especially after a scandal, companies want to prove to the public that they are ready to acknowledge their mistakes and do better. Structural changes are initiated, regulations tightened and new specialist departments created. This certainly applies to Audi, too, and as a first step, that's the right thing to do. Then comes a lot of flowery language about values, which often fails to get to the heart of the matter. Instead, companies would do well to admit that there are always conflicting goals in business. That is why, for legitimate reasons, businesses operate in the gray areas on the borders of what's permissible.

What do you mean?

KÜHL: One of the first things I learned in the automotive industry was how to deal with competitive pressure. A few years ago, I visited a manufacturing site and asked whom they considered to be their fiercest competitor. To my surprise, they didn't answer "competitor A" or "B" but "our plant next door" that produces the same parts and may well be awarded the next model. And if you're too quick to reply that we must all pull together as a team, you're missing the point about how these employees perceive reality.

SEITZ: You're right, that's a good example of conflicting goals. There are opposing interests and perspectives in our Group, too. But at the end of the day, it's about achieving success together. Over the course of my own career, I've assumed the most varied positions and, of course, thrown my weight behind the respective interests in the process. But such conflicting goals have nothing to do with gray areas. We are a profit-oriented organization and have ambitious goals, which we pursue relentlessly. Nevertheless, scams and rule violations must be taboo. Rules – whether in the form of laws, regulations or corporate guidelines – must be strictly adhered to. Without exception.

GÖBEL: Especially in the premium segment, the truth is that customers buy a brand that they connect with emotionally and that they trust. And they identify powerfully with the Four Rings. By nature, that excludes shady and corrupt business practices. I like to hold our corporate activities up to the ideal of the honest salesman. He also faces conflicting goals but, for all his commercial drive, would never conceive of breaking the rules. Once you shake on it, it's binding.



WENDELIN GÖBEL

Human Resources and Organization

Wendelin Göbel was born in Eichstätt, Germany, in 1963. After training as a publishing clerk and then earning his degree in industrial engineering at Munich University of Applied Sciences, Göbel started his career at Audi in 1987. He occupied various roles, including in Procurement at Audi and within the Volkswagen Group. From 2003 to 2007, he served as Head of the Board of Management's Office of AUDI AG and was a member of the Audi Strategy Committee. He was then appointed Head of the Board of Management's Office of the Volkswagen Group and of the Volkswagen brand. In 2017, Göbel was appointed to the Board of Management of AUDI AG, where he is responsible for Human Resources and Organization.





HOLGER ECKSTEIN
Integrity expert



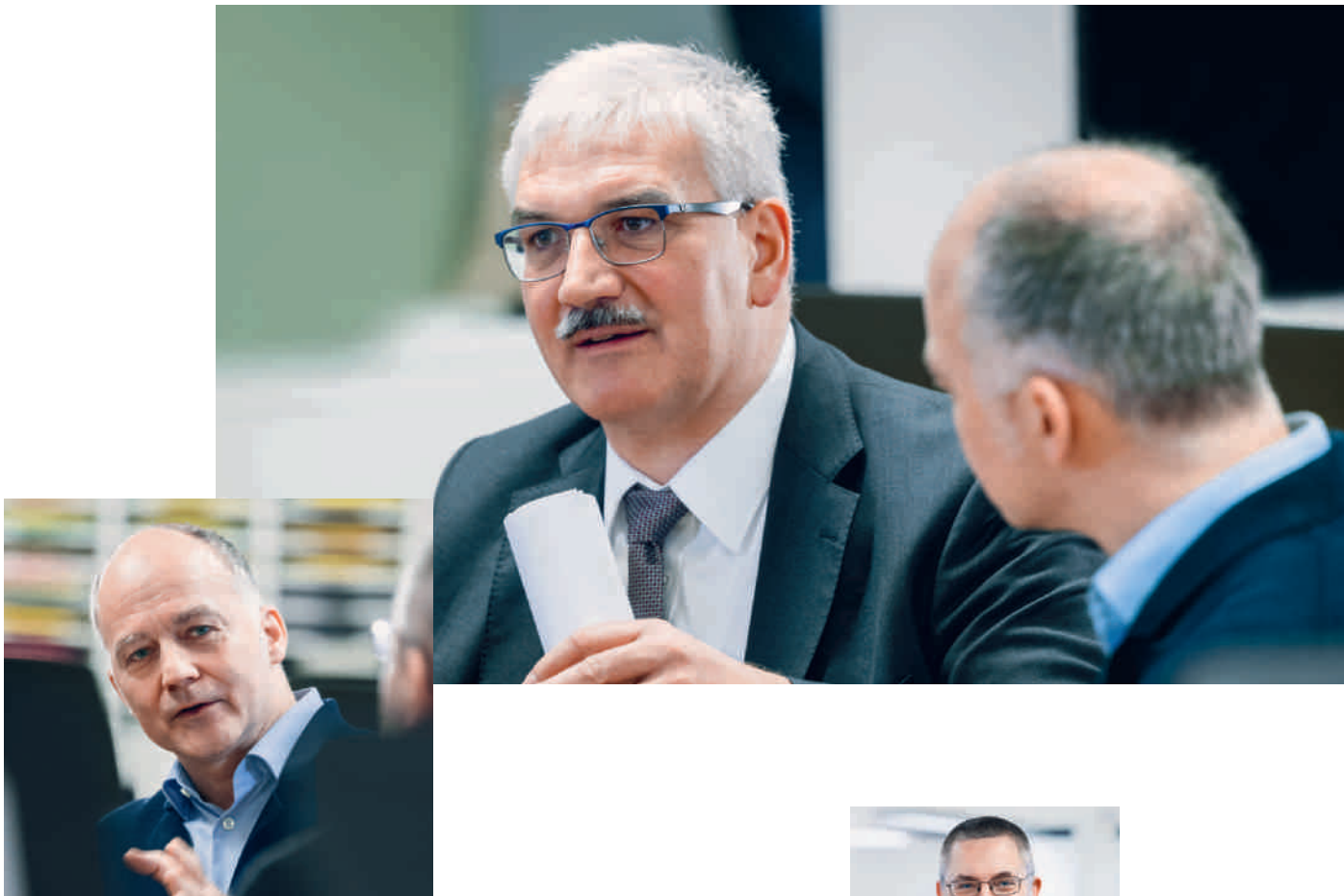
Holger Eckstein, who was born in 1965, studied business administration at the WHU – Otto Beisheim School of Management in Vallendar, Germany. After ten years as a business consultant, executive and HR consultant, he opened his own business as a life and leadership coach and change management consultant in 2000. In the years that followed, he became an expert in meaning and integrity. He helps people and companies use integrity to shape their lives and their businesses in a meaningful way that generates the greatest good for all those involved.

So integrity pays in the long run?

ECKSTEIN: Yes, staying clean pays. There is this pre-conception that integrity is an obstacle to a career. That saying yes and doing what you're told without arguing will get you ahead a lot faster. From my many years of experience as a transformation coach, I can tell you that's definitely not true. Integrity builds a strong support base. I sense a real desire among people for leaders who, in times of doubt, follow their own convictions instead of being swayed by some faction's interests. My unequivocal recommendation to Audi is: Stay true to your values. That way, others will follow your lead.

GÖBEL: That's a good point. Successful transformation needs a contemporary culture of leadership and teamwork. I'm a native of this region and came to Audi 30 years ago. Since then I've borne witness to an unparalleled success story. But we can't afford to rest on our laurels. We know we need to make changes in many areas. For instance, by further honing our leadership principles and the Audi Code of Conduct.





I consider our key corporate values to be appreciation, openness, responsibility and integrity. With the “Stimmungsbaremeter,” we regularly survey our employees about our progress, which is a good touchstone for integrity and the culture at Audi.

ECKSTEIN: We need to be clear about the fact that selectively engineering a change in culture is a far-reaching process that takes many years. There’s no manual for how to go about it. It’s no easy feat and demands a great deal of the executives. Along the way, it helps to engage in honest dialogue with the employees. You’ll be surprised at how much employees are capable of. Because, believe me, people have a sixth sense for whether you’re serious about change or not.



STEFAN KÜHL
Sociology professor

Stefan Kühl, who was born in 1966, studied history and economics at the University of Bielefeld, John Hopkins University in Baltimore, the University Paris Nanterre and the University of Oxford. He earned a doctorate in sociology from the University of Bielefeld and another in economics from Chemnitz University. Following various professorships, including at the Helmut Schmidt University/University of Armed Forces in Hamburg, Kühl has been a professor of sociology at the University of Bielefeld since 2007. He is also an organization consultant for the Meta-plan company.



- > Sustained, financial success and responsible action are inseparably linked.
- > This is why Audi has defined integrity, respect and collaboration as an independent strategic goal – on an equal footing with corporate image, agility and profitable growth.
- > To achieve this goal, Audi is pursuing a holistic approach, systematically fine-tuning existing processes, structures and its corporate culture as a way of consolidating the Four Rings' ongoing viability.

And is Audi serious?

GÖBEL: For one thing, there's already a fantastic energy in the team today. This is what made Audi great. However, we also have to ask ourselves how can we advance our shared understanding of values. This is only possible through open dialogue across all hierarchies. We've established platforms and formats for this, where thinking outside the box is not only accepted but encouraged. I want it to be easier to put forward new ideas and openly discuss them.

KÜHL: Most innovations actually come from pushing back boundaries. We organizational sociologists like to talk about "useful illegality." Only when members continually weigh up whether to abide by formal structures or bend the rules will their organization become truly agile. It's no mere chance that work-to-rule is one of the most effective forms of industrial strike in a company.

ECKSTEIN: It stands to reason that no company can achieve a transformation with a work-to-rule approach. It takes entrepreneurship and the drive to shape change. And integrity is our North Star. Laws, rules and regulations are natural boundaries that are non-negotiable. This is a balancing act that calls for a shared understanding of "What's possible?" and "What's off limits?" that applies to everyone.

SEITZ: I think there's one thing we all realize: A second diesel scandal must never be allowed to happen. This goal unites us all. To achieve it, we are guided by the concept of entrepreneurial integrity. This is why we have pooled and reinforced the areas of Integrity, Compliance and Risk Management. We have honed our processes in product development and put integrity under the authority of the Board of Management.

GÖBEL: And we are bringing all employees on board. Integrity, culture and compliance are not "wellness" topics; they have very specific consequences and measurable effects. It's about reputation and financial success. So at the end of the day, it's also about job security going forward.



The Audi Philharmonic Wind Orchestra's rehearsal room: Audi Board Members Alexander Seitz and Wendelin Göbel along with Stefan Köhl and Holger Eckstein in dialogue with musicians.

AUDI PHILHARMONIC WIND ORCHESTRA

Since 1962, Audi has offered the music aficionados among its Ingolstadt workforce the opportunity to play in the company's symphonic wind ensemble. Comprising some 60 members, the Audi Philharmonic Wind Orchestra takes part in the Summer Concerts, gives a benefit concert each fall and accepts invitations to perform all over Germany. While two thirds of its members are current and former Audi employees, other amateur musicians from the region can also join their ranks.



CHALLENGING

COOPERATION ON AUTONOMOUS DRIVING AND ARTIFICIAL INTELLIGENCE



Two powerful technology statements //

Bit by bit more intelligent

In 2017, Audi presented the **concept cars Elaine and Aicon** to the public. The two vehicles look in differing depth into the future of autonomous driving: Elaine previews the next level while Aicon is even more futuristic with its new-style interior concept, completely dispensing with the steering wheel and pedals. Both demonstrate how advanced the Four Rings' visionary thinking is today and what needs future cars are expected to meet. In order to push ahead with autonomous driving as rapidly as possible, Audi also enters into cooperation with others to further expand its global artificial intelligence network. In one such project, Audi joined forces in 2017 with the **Institute of Bioinformatics at the Johannes Kepler University in Linz, Austria**, to promote fundamental research in this field. Alongside the Audi.JKU deep learning center and other university cooperation projects devoted to the subject of AI, Audi collaborates with top players from the electronics industry, such as **NVIDIA**.

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ABOUT THE
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OMOUS
DRIVING.

WWW

audi.com/ar17/AI

TEXT: Lidija Marinkovic // PHOTOS: AUDI AG, Aydın Büyüktaş

STIMULATING



Audi at the UN Congress // **AI for Good**

Artificial intelligence (AI) is a key technology in autonomous driving. And not only that – AI will also change the working world. To make sure it is applied for the good of society as a whole, Audi set up the **bey^{ond} initiative**, an interdisciplinary network comprising international AI thought leaders, over two years ago. Rupert Stadler introduced the initiative at the **United Nations AI for Good Global Summit** in Geneva in June 2017. In bey^{ond}, Audi experts work with software engineers, philosophers, psychologists, legal experts and startup entrepreneurs. For good teamwork between man and machine.



Startup spirit at Audi //

25 hours to devise new soft- ware ideas

Headed toward the factory of the future with 19 interdisciplinary teams: At the second **Smart Factory Hackathon** in October 2017, everything revolved around big data, machine learning, algorithms and data visualization. **Some 80 data science specialists** from ten countries were in attendance. Using real data sets from Audi Production, software solutions for the factory of the future were developed as part of a 25-hour sprint. The best ideas are to be put into practice at a later date. The winners: a team of students and their model, with which potential flaws in the bodywork can be predicted at an early stage.



BOLD

TEXT: Kerrin Nausch // PHOTOS: Klaus Mellenthin, Markus Klug, Shutterstock



The Audi change of perspective Matthias Brendel // Berlin

Are cars dead? No! They just need to be reinterpreted. Taken farther. More digital. Successfully transforming Audi into a digital car company by 2025 calls for new approaches. Like the Audi Denkwerkstatt in Berlin. As a startup among startups, Matthias Brendel and his team pick up ideas in the company, take them to the next level and return the refined concepts to Audi. In the Factory Görlitzer Park coworking space, the team lives and breathes the change of perspective every day.

IN SPIRING



“IN THE PAST, WE DEFINED
MOBILITY SOLELY BY CARS. IN THE
FUTURE, WE ALSO WANT TO OFFER
ALTERNATIVE FORMS.”

The Audi change of perspective Matthias Brendel // Berlin

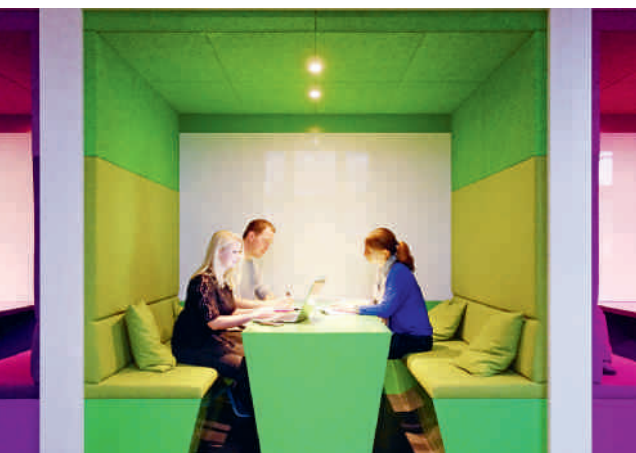
The Audi Denkwerkstatt is located where the action is. In Berlin, a city that attracts countless pioneers, creators, movers and shakers. The home of the premier network for entrepreneurs. Where two billion U.S. dollars in venture capital flow into startups every year. An important hotbed of ideas in Western Europe, along with London and Paris. More and more major corporations are being attracted to the city, too. The Denkwerkstatt started out in Berlin in fall 2016 with a bold experiment that has long since become an established way of doing business.



Listening to Matthias, it is easy to see why he is predestined for the Audi Denkwerkstatt. He contributes more than just his professional expertise gained from several years as a drive system engineer in Technical Development at Audi. His greatest strength is his passion for ideas and sustainability reaching far beyond drive systems and cars.

The 35-year-old's eyes light up when he talks about what his team is working on. The think tank's mission is to look at much more than just the vehicle itself. Their work extends to not just drivers, but to all road users. With this, Audi aims to find suitable solutions tailored to customers' needs.

An innovative, startup-oriented setting was therefore critical to the success of the Denkwerkstatt from the very beginning. The seven-strong team started out in a coworking space in Berlin. While there is an Audi team office, all employees are also free to use other spaces such as a library, meeting rooms





and a kitchen. They share these spaces with other extensions of multinational corporations as well as individual freelancers and startups. The ideal conditions for networking. The pace here is extremely fast and the working methods creative. Audi employees in the think tank are consciously encouraged to break the mold when it comes to established structures and workflows.

The core team comprises members from all areas of the company. This unit is joined regularly by a different group of 15 Audi colleagues from locations such as Ingolstadt and Neckarsulm who stay for six months at a time. Although the idea behind the think tank was born in Technical Development, the participants now come from all divisions. Every department from Sales through Procurement to Design is represented. The advantage is that a diverse group generates deeper discussion. The result? A greater wealth of innovative solutions that can be immediately tested and analyzed in the



AUDI DENKWERKSTATT

Quick, effectively networked and an integral part of Berlin's startup community: The think tank turns the dreams of urban customers into solutions for future mobility.

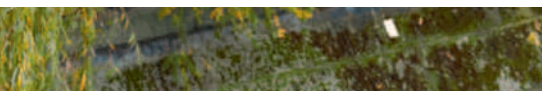
www.audi-denkwerkstatt.com

creative hub that is Berlin. If these are truly good enough to help resolve issues more than just temporarily, then comes the next challenge – developing them into a viable business model.

Matthias is proud of having launched a genuine spin-off that is already doing business on its own. He is thrilled by the enormous energy unleashed by this new way of working collaboratively. And reveals an important lesson he has learned: Changing perspectives is not always comfortable.

“WE ARE 100 PERCENT BELIEVERS IN THE CONCEPT OF NETWORKING, WHICH ALSO INCLUDES BEING DRAWN OUT OF OUR PERSONAL COMFORT ZONES TO THE FULLEST EXTENT POSSIBLE.”

During their six months in Berlin, the participants also share housing. Apartments in a boarding house are shared by two or three people. It's a living situation most have not experienced since their college days, but it works well and helps the team grow closer together. From the very first day, that makes the Audi Denkwerkstatt more than just an ideas incubator: It is also a transformation engine. When those taking part return to Ingolstadt or Neckarsulm after six months, they have internalized the startup mentality. So the network of innovative thinkers grows from one session to the next, and with it the innovative edge that will also ensure “Vorsprung” for Audi in the future.





04 // THE VOLT DIGGERS

TEXT: Verena Schwanitz // PHOTOS: Bernhard Huber, AUDI AG



The racing team of the Four Rings has a prominent position on the world map: Neuburg an der Donau, 35 kilometers southwest of Ingolstadt and 95 kilometers north of Munich. The place where 500-horsepower DTM racing cars receive their final tune-up during the racing season. This is where Rupert Stadler, Chairman of the Board of Management of AUDI AG, meets Alejandro Agag, CEO of the Formula E electric racing series. Two visionaries, a Faraday cage and an electrifying dialogue about family politics, extreme pioneering spirit, illuminated racing cars and women in the driving seat.



Mr. Agag, with your flight to Munich, you are responsible for just under half a metric ton of CO₂ emissions. Doesn't that make you feel like an environmental polluter, or did you buy CO₂ certificates in compensation?

AGAG: You've got me! To be honest: no. Nowadays, mobility is nearly always a burden on the environment. That's why we are doing everything we can in Formula E to focus on renewable energy and efficiency. Like most of the world, we are on our way into the electric age at full speed.

Mr. Stadler, how important is it to you that Audi has a small environmental footprint?

STADLER: Our goal is to further reduce our cars' emissions and to produce them in clean plants. At the same time, we have to be commercially successful in order to have a positive influence on society, so a small environmental footprint is very important to me. Anyone who doesn't ensure long-term sustainability in his company won't have a future.

“Despite all the uncertainty, for me, Formula E was a bright star in the sky right from the start.”

Rupert Stadler



ALEJANDRO AGAG

was born in Madrid in 1970. Following his studies of business management, he became the youngest Spanish member of the European Parliament at the age of 28. In 2001, he decided to leave politics and moved to motorsport. Alejandro Agag acquired the Spanish TV rights for Formula 1 and successfully managed the Spanish GP2 team. Since 2012, he has been the CEO and promoter of Formula E Holdings. In 2002, he married Ana Aznar Botella, the daughter of the former prime minister of Spain. They have four children.

Mr. Agag, you preach sustainability. But be honest, do you use green electricity at home?

AGAG: I have two homes. In sunny Spain, I have solar modules on the roof. In London, the rainy weather dampens my energy balance.

What took you to London, was it caused by your move from politics to motorsport?

AGAG: It was due to my wife. I left politics for her sake. Her father was the prime minister of Spain. In the end, we were talking about politics every day. And you know, it got to the point where I'd had enough. I decided to have a business affair and found it in Formula E.

Mr. Stadler, have you driven the Audi e-tron FE04 yet?

STADLER: That's definitely on the agenda next! I've already driven the Audi RS 5 DTM a few times. It's loud, hard and as wild as an untamed animal. And it's a lot of fun. I have great respect for the drivers who sit behind its wheel in a full race suit in temperatures that often reach 65 degrees Celsius. These cars' braking performance is incredible. I've heard enthusiastic reports of the fantastic acceleration of the e-tron FE04. So I'm looking forward to driving it through the double right-hand bend in Neuburg.

Lots of people think you're crazy, Mr. Agag, because you were bold enough to establish an environmentally friendly motorsport series.

AGAG: You're right, that's what a lot of people think. At first, it was hard work getting my team enthusiastic about the idea, while fighting for sheer survival. Many skeptics regarded us with suspicion and arrogance. They were convinced that this adventure wouldn't last long. The biggest challenge was to convince major sponsors and car manufacturers of the long-term perspective. Now, I'm amazed how quickly Formula E has progressed: much faster than expected. We were in the right place at the right time. Our idea was crazy and daring, but our courage paid off.

STADLER: Crazy? *(Laughs)*. In 2006, they said the same about Audi and the diesel engine in Le Mans. Then we even showed up with a diesel hybrid. We brought lots of victories and trophies home with Audi Sport. And after all those years, we left Le Mans in 2017. We left with mixed feelings. But it's often the bold decisions that lead to success. Despite all the uncertainty, for me, Formula E was a bright star in the sky right from the start. We took the first pole position, we were the first German premium carmaker to enter a works team. Other competitors soon followed us.

Apropos pole position, what is it about Formula E that electrifies you?

AGAG: Our racing series is unique. The electric racing cars battle it out through city centers, past residential buildings, shops and parks. By the year 2050, two thirds of all people will probably live in cities. That's an ideal situation for staging the races in large urban centers around the world. So I'm the circus director and bring the artists together in an exciting show in the ring.

STADLER: As an electric racing series, Formula E impressively demonstrates that thrilling motorsport is possible with almost no emissions. I'm looking forward to the Formula E circus bringing its show to Berlin again. The race-track at the former Tempelhof Airport is something very special.

cancel this year's season finale there. Aren't you being overly optimistic about your series?

AGAG: Like other motorsport, Formula E also polarizes. And we don't want to be seen through organically green-tinted glasses. Different opinions and controversial standpoints are part of motorsport and make it interesting.

STADLER: I fully understand that. Controversies are what make motorsport so interesting for us at Audi, too.

Do you choose the Formula E venues according to their market potential or your sponsors' wishes?

AGAG: We bring racing action to the spectators and not the other way around. That wasn't easy at first. We



Asian express: the first Formula E race of the 2017/18 season against the stunning skyline of Hong Kong.

“ 210 kilometers per hour is extremely fast on our race courses in the confined space of a city, and the slightest mistake means that the driver is immediately kissing a concrete wall. ”
Alejandro Agag

Motorsport means speed. Formula E cars are fairly slow at 210 kilometers per hour. How do you intend to speed up, Mr. Agag?

AGAG: The venues are our success formula. We travel from the Hong Kong skyline to the Eternal City of Rome and Marrakesh, the pearl of the south, all the way to the Big Apple. 210 kilometers per hour is extremely fast on our race courses in the confined space of a city, and the slightest mistake means that the driver is immediately kissing a concrete wall. We present thrilling action with stunning backdrops.

That might be your impression – but all hell broke loose at the last race in Montreal. The residents protested against Formula E. You even had to

went where we were tolerated. Nowadays, we focus on the most important automobile markets. That's why we're fighting to hold two races in Germany. In addition to Berlin, Munich is a vibrant metropolis and would be terrific. A race in the center of London in front of Buckingham Palace would also be a dream. But for that, we would need the permission of a very important aristocratic lady (*laughs*). And China is also very high on my list.

Is China with its electric-car quota leaving Germany behind, Mr. Stadler? By 2019, every tenth Audi sold there will have to be an electric car.

STADLER: I can understand that the Chinese government wants to quickly improve air quality and climate protec-

tion in the big cities. Nobody wants to live under a gray cloud of polluted air. As the world's most populous country, China will set the pace for electric mobility. And we have the advantage that with FAW, we have a Chinese joint-venture partner by our side. We have been collaborating successfully for exactly 30 years now. And we have prepared a plan for the future with a focus on electric mobility. I'm amazed every time I discover a new car brand in China that only produces electric cars.

Be honest, Mr. Stadler, aren't you just trying to improve the image of Audi with environmentally friendly motorsport?

STADLER: Not at all. Sustainability and urbanization are two main elements of our Strategy 2025, and for us are synonymous with future viability. I believe I can speak for everyone at Audi. We see the electric racing series as symbolic of progress and innovation. Our motto for Formula E is emotion not emissions.

Mr. Stadler, critics claim that Audi is lagging behind in its qualifying times for electric mobility.

STADLER: The winner of a race isn't determined in qualifying. Electric mobility is a key driver of our product development. Essential aspects include a good electric range and an appropriate charging infrastructure. We already presented the Audi R8 e-tron in 2009. That was one of the world's first electric super sports cars. It never went into series production, but it was our technology carrier and learning lab with electric drive. In 2011, we launched the Audi Q5 hybrid on the market. And in the coming months, we will put the Audi e-tron on the roads – our first fully electric SUV. Audi shows like no other brand how well sportiness and electric mobility can be combined. I am sure that our customers see it this way as well.

“

I'm amazed every time I discover a new car brand in China that only produces electric cars.

Rupert Stadler

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RUPERT STADLER

was born in Titting, Germany, in 1963. He studied business management and started working at Audi in Controlling for Marketing and Sales in 1990. From 1994 until 1997, he was Commercial Director at Volkswagen/Audi España S.A. in Barcelona. After that, Stadler was Head of the Board of Management's Office at Volkswagen AG and as of 2002 was additionally responsible for Group Product Planning. He became a Member of the Board of Management of AUDI AG in 2003 and Chairman of the Board of Management of AUDI AG in 2007. In 2010, he was also appointed to the Board of Management of Volkswagen AG. Together with his wife Angelika, he has three children and lives in Ingolstadt.

What happens to the old batteries of the Formula E racing cars, Mr. Agag?

AGAG: We use the batteries for up to ten years. They are charged about 30 times each year. They have an extremely long lifetime. After that, they will be used for other purposes or recycled to conserve resources.

Germany gets most of its electricity from coal-fired power stations. Isn't that a serious handicap for electric mobility, Mr. Stadler?

STADLER: Is a glass half full or half empty? I'm an optimist. Our society's environmental impact is improving step by step. And the key sectors of energy production and automotive industry are working in tandem. Mobility is rapidly changing and that's why motorsport also has to be sustainable. So it's a good thing when we think unconventionally and tackle future challenges with confidence. For me, this means making bold business decisions and preparing the mindset of our Audi team for the future. That's why we recently reached an agreement called Audi. Zukunft. which offers job guarantees until 2025. Only when all at Audi know that they will also have a secure job in 2025 will they put their full energy into achieving our shared goals.

AGAG: I find it hard enough being in charge of a team of one hundred people. I can only admire how Rupert is responsible for nearly 90,000 Audi employees.

The production of Audi cars entails high CO₂ emissions. Is the current Audi model range really as environmentally friendly as you claim?

STADLER: Just three facts on that question. In Ingolstadt, we have one of the most environmentally friendly paint shops worldwide. Our factory there is supplied with regenerative hydroelectric power. And with our water treatment plant, we will save up to half a million cubic meters of fresh water every year in the future. That's equivalent to the annual water use of more than 11,000 people. Our goal is the completely carbon-neutral production of cars at all our sites, and without any waste water. For sustainable mobility, our cars have to be produced with a minimal environmental impact. Not only our customers expect that, but of course our employees as well.

“

I recently drove a prototype with electric drive. It purred like a cat, but sounded like an Audi R8.

Rupert Stadler

”

Mr. Agag, quiet motorsport per se is not spectacular. How do you want to have an emotive impact on the fans despite your “sound of silence” events?

AGAG: Life isn't a hard rock concert. Our races have differing impacts on old and young, and are genuine family events. For the millennials and YouTube generation, it's completely normal that our electric racing cars make hardly any noise. One advantage is that no one has to wear earplugs at our races.

STADLER: Although we are increasingly playing the electric guitar, engine noise is the dominant sound in my generation. I can well imagine that we will be able to use an app to download various en-

gine sounds for our series-produced cars in the future. I recently drove a prototype with electric drive. It purred like a cat, but sounded like an Audi R8.

Formula E has recently been accused of manipulation. Were you able to dispel those accusations, Mr. Agag?

AGAG: That's right, it was about FanBoost. Our fans can vote for their favorites on social media channels. The three drivers with the most votes can use an extra portion of energy during the race. For a short time, they have an extra 27 horsepower available. This often allows them to overtake. It was suspected that this online voting had been manipulated by bots. We looked into it, but didn't find any firm evidence. Nonetheless, we protect our social media channels as well as possible, also with artificial intelligence.

Mr. Agag, in the races so far, you stopped the show just as it was getting interesting by requiring the drivers to swap cars at the halfway stage. Is that exciting motorsport?

AGAG: Fans find the changeover entertaining and it's an important element of strategy for the drivers. But to convince skeptics, there won't be any more changeovers as of season 2018/19. But we have plenty of other crazy ideas. As soon as the technology allows, I want to illuminate the cars. Red for attack, green for energy-saving mode.

Mr. Stadler, changing cars in Formula E is a clear demonstration of the dilemma

of lack of range. When will you go on the attack?

STADLER: Our development team is already delivering very fast lap times. Our first fully electric SUV with a range of up to 500 kilometers will soon be produced in Brussels. The plant is the first in the world with carbon-neutral large-scale production in the premium segment. Our agreement with the workforce safeguards production of electric cars at our German plants. Electric mobility will bring opportunities to many parties. Audi customers, too, will experience the fun of electric drive. Formula E is our lighthouse project, also for series production.

In the past 20 years, all of the Formula 1 world champions came from Europe and all of them were men. Mr. Agag, how do you plan to attract the talent of tomorrow to Formula E, skilled race drivers from Asia for example?

AGAG: That's a key point. Our Formula E racing teams' recruitment is guided by just one goal: success! Of course, it would be great to have some Chinese drivers for example. China has boosted the NBA tremendously with Yao Ming. Such a talent would be a real stroke of luck for our racing series. And I have myself tried in vain to attract women to the series. But the fact is that none of them have been fast enough so far ...

... reinforcing the cliché of women drivers?

AGAG: Believe me, we would be open to a talented woman driver. I welcome any applications.

A lot of people miss Tesla in your racing series. Couldn't you convince Elon Musk?

AGAG: I communicate with him regularly and we often philosophize about his Mars plans. But he declines to join us

because he prefers his engineers to be involved in developing series-production cars. Tesla would be a strong opponent for Audi.



Two deep in conversation: Rupert Stadler and Alejandro Agag discuss the Formula E electric racing series.

“We have plenty of other crazy ideas. As soon as the technology allows, I want to illuminate the cars.”

Alejandro Agag

STADLER: Why not? At first, I was unsure whether we should enter Formula E. We have now been followed by BMW, Mercedes and Porsche. That confirms our bold decision. We enjoy competition. See you on the racetrack!

Mr. Stadler, does the old marketing saying of “Win on Sunday, sell on Monday” still apply for your sales people?

STADLER: Of course, otherwise we wouldn't be involved in DTM, customer racing, the rally-cross world championship and Formula E. But to me, the entrepreneurial spirit is just as important. Decisions in motorsport require agility, speed and team spirit. And that can benefit us at Audi. Otherwise, the differences are not so great. In the end, it's the checkered flag and the podium that count!

Three on the case: Alejandro Agag and Rupert Stadler talk about electric mobility with author Verena Schwanitz.



Aerodynamics Adjustable front and rear wings

Battery Rechargeable Energy Storage System (RESS) from Williams Advanced Engineering, charging time: approx. 45 minutes

Suspension Front and rear independent on lower and upper steel wishbones, pushrod system

Chassis
Specification
carbon fiber/
aluminum
chassis

Powertrain Audi Schaeffler
MGU02 motor-generator unit,
1-speed transmission

NEW GENERATION OF A WINNING CAR

The Audi e-tron FE04 for the fourth season of Formula E is a thoroughbred racing car and the new generation of Lucas di Grassi's championship-winning car.

“

Nowadays, we no longer
ride to work on horses, but horse racing
is still very popular.

Alejandro Agag

”

Nowadays, we no longer ride to work on horses, but horse racing is still very popular.

Mr. Stadler, can you imagine that the electric racing series will one day be as well known as Formula 1?

STADLER: Formula 1 is the top tier. Formula E is the new kid on the block. It allows us to implement innovative ideas quickly and definitely has great growth potential. Sure, Formula 1 is world famous, but one day Formula E will be just as successful. I see it quite objectively.

Many people see you, Mr. Agag, as the legitimate successor to Bernie Ecclestone. In which aspects would you prefer not to be like him?

AGAG: (*Laughs*). I certainly prefer to be a bit taller. But seriously, he's my role model in many ways. Ecclestone was the

Major sponsors are a part of modern motorsport. Formula 1 became a big event due to tobacco advertising. When that was prohibited, the racing series was suddenly in a crisis. How do you want to avoid becoming a pawn of large corporations that only want to pursue their own interests, Mr. Agag?

AGAG: Large corporations want to be associated with positive values. As well as technology and innovation, we particularly offer sustainability. As long as we embody these values, we will remain

attractive for many sectors. This recently brought us into contact with a producer of water vacuum cleaners that wants to expand worldwide.

You have learned a lot in motorsport, Mr. Agag. How would you organize a new Formula 1?

AGAG: It would be electric ...

STADLER: ... that's why he established Formula E.

AGAG: As well as power and acceleration, it's also a bit of anachronism.



Steering wheel Specification steering wheel with paddles for shifting and recuperation, controls for various motor settings and a display for all key information

Brakes Hydraulic dual-circuit braking system, adjustable brake force distribution

Wheels 9 x 18 front and 11 x 18 rear aluminum rims, treaded Michelin tires

Dimensions

Length: 5,000 mm
Width: 1,790 mm
Height: 1,070 mm
Weight: min. 880 kg including driver

Power output

Practice and qualifying: 200 kW (270 hp)
Races: 180 kW (245 hp) plus FanBoost

first to recognize the global attraction and business model of motorsport and his success proved him right.

But he also nearly ruined Formula 1.

AGAG: Formula 1 and Formula E are two different things. I see us as a start-up that I am passionately developing. I enjoy doing pioneering work, but can't apply myself day in, day out to the same thing. I already have an idea for my next motorsport project. It will take place in exotic venues, with electric SUVs and perhaps without spectators.

That sounds like a fantasy world. Can you be more precise?

AGAG: I can only tell you that it will be held in the Sahara, at the North Pole and on a remote island. It will be very cold, hot and wild. Drones will also play a part. Just give me a bit more time to develop the idea.

Will there soon be a Formula H with hydrogen drive, Mr. Stadler?

STADLER: The fuel cell is the most logical form of electric mobility and, in the long term, offers great opportunities for a sustainable future. But just now, Formula H is still Captain Future.

AGAG: By the way, Formula E also owns the rights to hydrogen racing cars ...

STADLER: ... then we would be partners again!

Mr. Agag, you support Roborace, a racing series with autonomous cars on Formula E racetracks. Can that still be described as motorsport?

AGAG: Motorsport is fascinating when a person is behind the wheel. Roborace is a technological showcase for electric, driverless vehicles.

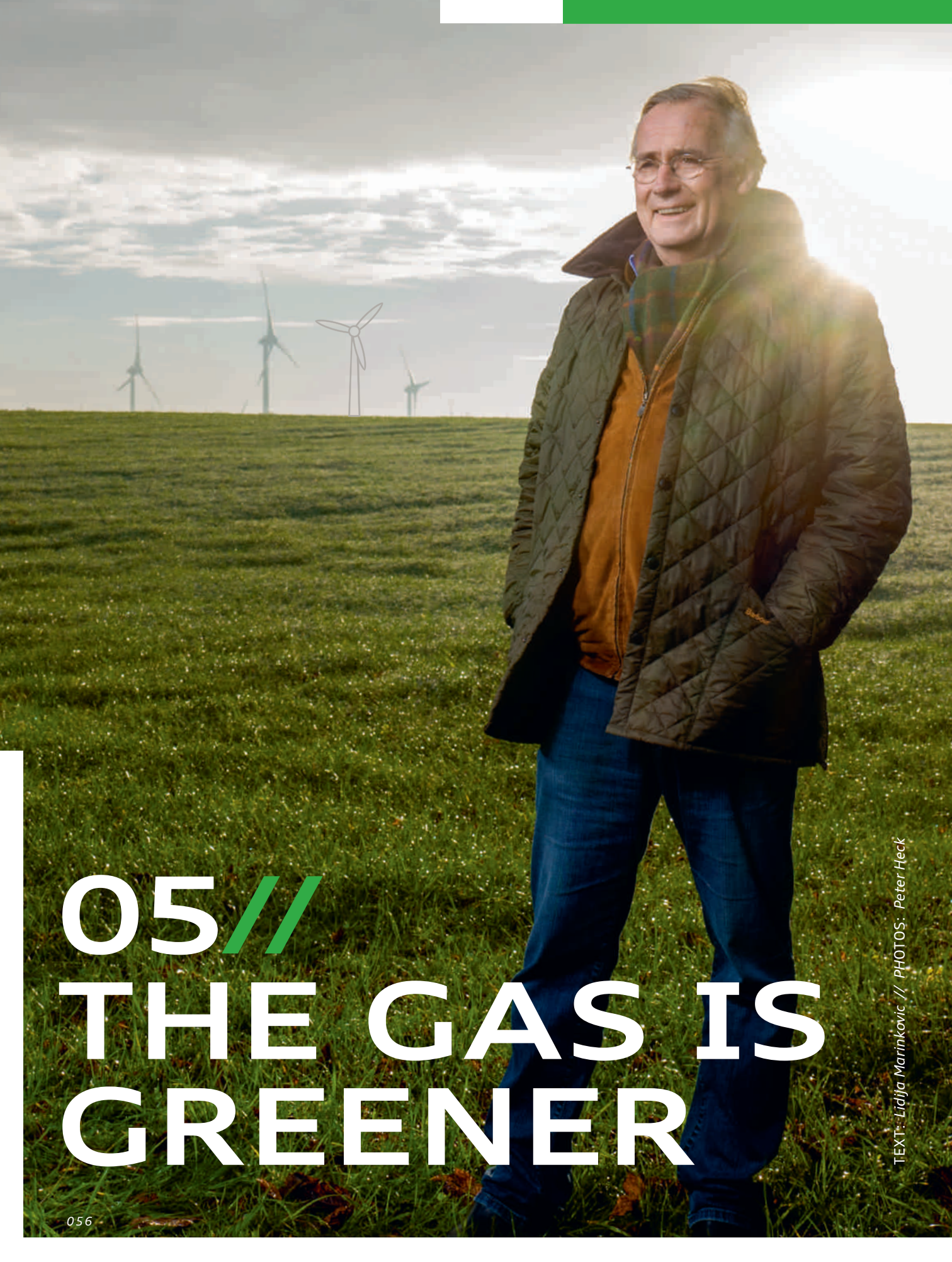
STADLER: I am impressed by this technology. Our industry is faced with disruptive transformations. We at Audi look

forward, not back. Formula E shows us how sexy electric mobility can be. And we already demonstrated how courageous we are 30 years ago. While everyone else goes down the ski jump, we drive up it with the quattro.

**HOW DOES
ALEJANDRO
AGAG EX-
PERIENCE
AUTO-
MATED
DRIVING
AT AUDI?**

WWW

audi.com/ar17/formula-e

A man with glasses, wearing a brown quilted jacket over an orange shirt and blue jeans, stands in a lush green field. In the background, several wind turbines are visible against a cloudy sky. The sun is shining from the upper right, creating a lens flare effect. The overall mood is positive and eco-friendly.

05// THE GAS IS GREENER

TEXT: Lidija Marinkovic // PHOTOS: Peter Heck



What do an organic farmer and Audi have in common?
Both are pursuing the same goal of holistic sustainability. Dr. Heinrich Graf von Bassewitz owns a biogas plant that uses natural wastes to produce heat and power, enough to make his holiday estate and farm almost completely self-sufficient. Audi, too, is putting its faith in eco-friendly energy systems with its g-tron models.

Sustainability is rooted in the Audi DNA and is part of the corporate strategy. The goal: premium personal mobility that meets the urgent challenges of the future such as resource scarcity, environmental destruction and climate change. The carmaker has the entire value chain, from suppliers through production to product, in its sights. Heinrich Graf von Bassewitz follows the same approach. A meeting in northern Germany.



Dr. Heinrich Graf von Bassewitz

has been an advocate of organic farming for many years. From 2010 to 2013, he was a member of the German government's Council for Sustainable Development. His sustainable holiday estate is located in Mecklenburg-Western Pomerania.

www.feriengutdalwitz.de

The number one topic of the moment in the automotive industry is electric mobility. Yet Audi has also been working on other innovative, holistically sustainable drive technologies for some time. One of them is the g-tron drive system powered by compressed natural gas (CNG). With a range of up to 500 kilometers when running purely on gas and a refueling time of only about three minutes, the A4 Avant g-tron, for one, meets the demands even of long-distance drivers. The infrastructure is already well developed, with around 3,500 CNG filling stations across Europe. At the same time, drivers have the peace of mind that the gasoline tank is there if needed. Customers like the sustainable approach – so much so that Audi met its g-tron sales target for the whole of 2017 within half the time.

The company is convinced of the technology and expanded its g-tron model range in 2017. Alongside the A3 Sportback, g-tron versions of the A4 Avant and A5 Sportback are also available – a clear sign of the carmaker's commitment to the CNG powertrain. What's more, the A4 Avant g-tron was already subjected to emissions tests by independent institutions last year under real road conditions and readily met the Euro 6d emissions standard not due to take effect until 2020 – a groundbreaking achievement that underscores the Audi claim to "Vorsprung."

Home-grown sustainability

As CNG technology is particularly clean, it is supported by many cities and municipalities. The combustion of natural gas generates almost no particulates. But also in terms of climate protection, the CNG powertrain is interesting: The main constituent of natural gas is methane (CH₄), which produces the lowest specific CO₂ emissions of all fossil fuels. In addition, methane can also be

produced from organic wastes (biomethane). With g-tron technology, Audi is pursuing an end-to-end approach and has independently developed a climate-friendly fuel: Audi e-gas.

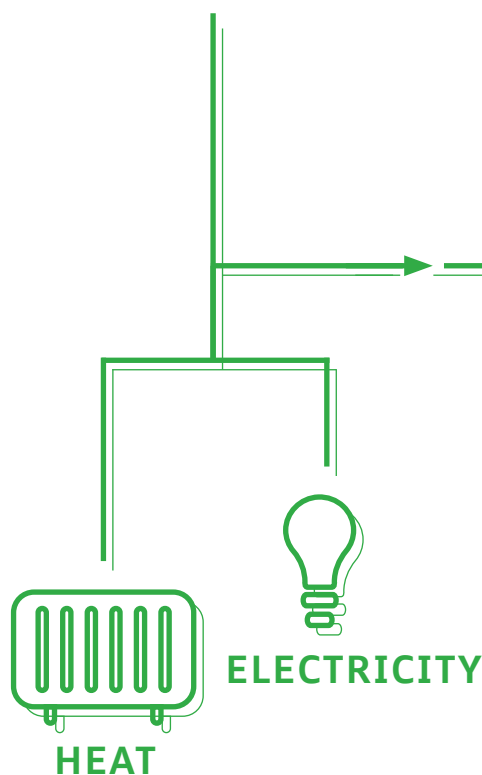
This synthetic fuel is generated from renewable energies, water, CO₂ and wastes, making it sustainable. Audi g-tron drivers do not need to head to a dedicated e-gas filling station. Instead, the natural gas they fill up with is replaced in the natural gas grid with virtually climate-neutral Audi e-gas.

Audi e-gas is produced at various locations, including in what is currently the world's biggest power-to-gas facility in Emsland, Germany. Since 2013, the facility has been producing up to 1,000 metric tons of synthetic methane per year, while at the same time binding some 2,800 metric tons of carbon dioxide.

"Every type of sustainable mobility is welcome."

Audi promises to provide all customers who order a g-tron before May 31, 2018 with green credentials certifying that the amount of gas they consume in the first three years will be replenished with sustainable Audi e-gas. Compensating for the gas used comes at no extra cost to drivers and gives them a better feeling about supporting the environment.

Heinrich Graf von Bassewitz also backs the approach: "Every type of sustainable mobility is welcome, whether it's highly efficient combustion engines in CNG vehicles or electric cars. I believe we need





“BIOGAS PLANTS ARE A GREAT WAY OF ENSURING SUSTAINABLE MOBILITY.”

to make use of all the renewable energy sources available to us. Biogas plants can be used not just to generate electricity and heat, but also to ensure sustainable mobility.”

The farmer owns one of the 8,000 biogas plants installed throughout Germany. Of these, 250 produce biomethane. The trend is on the rise – and it’s supported by Germany’s federal government. For a time, biogas faced criticism because of the many farms that grow corn specifically for the purpose of methanation, adding to the “food versus fuel” debate. In many instances – especially large-scale monoculture – that is neither sustainable nor sensible. However, organic farming of the kind practiced by Heinrich Graf von Bassewitz does not use corn. “We run our biogas plant on dung and clover grass that grows in our fields. We’re recycling our agricultural wastes, so to speak.”

Biogas affords greater flexibility

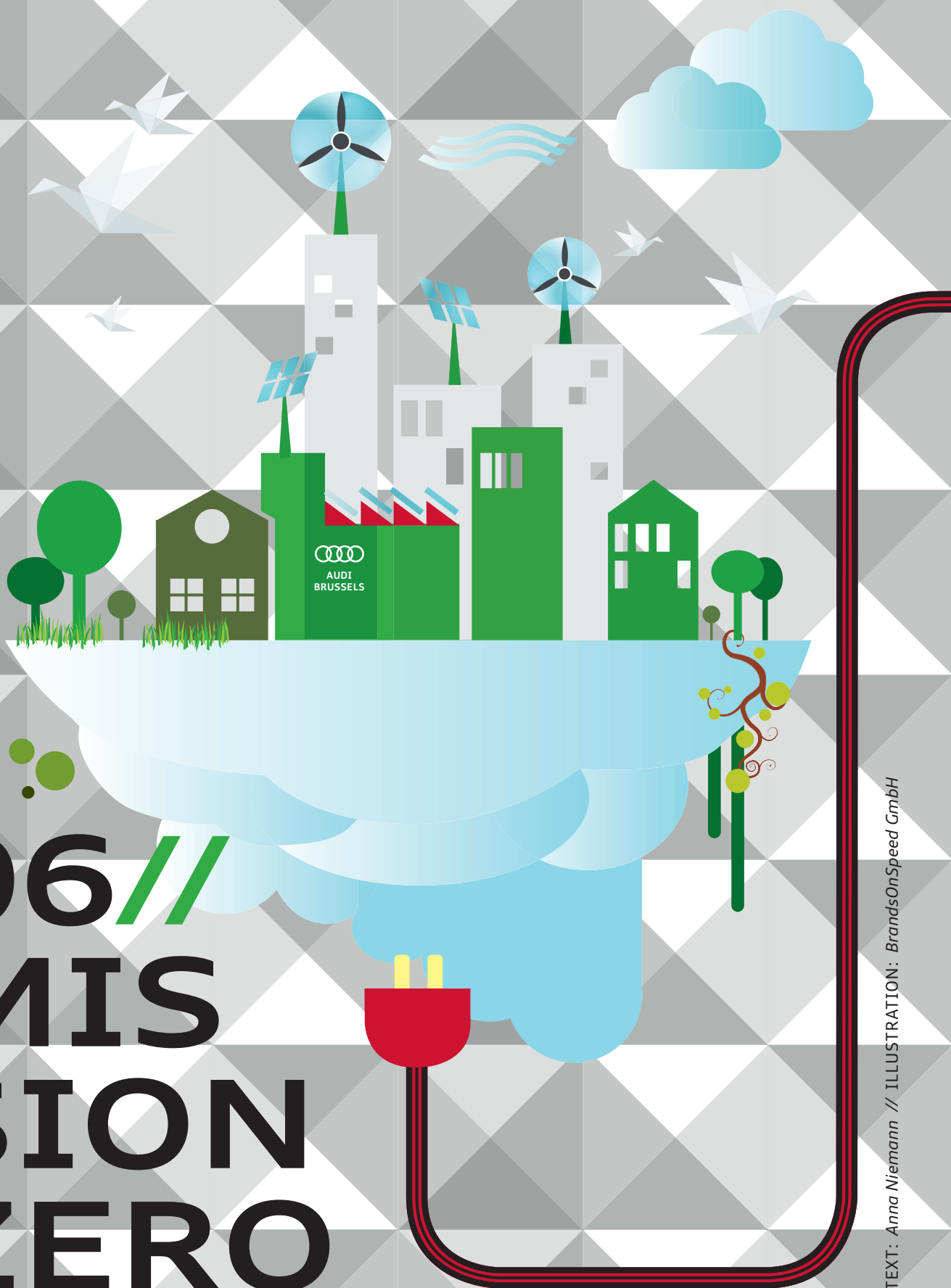
Generating electricity and heat at the same time is a practical, efficient way of using biogas. Add to the equation the third possibility – feeding biomethane into the grid and using it for mobility – and you get a completely flexible and sustainable solution. That is exactly how Audi sees it, as demonstrated in the here and now by the g-tron. Heinrich Graf von Bassewitz agrees: “We all have to make the move toward sustainability. It’s just as important for the automotive industry as it is for farming and end consumers. And g-tron technology coupled with power-to-gas is undoubtedly a good and above all important contribution because it helps advance the storage of fluctuating energy sources such as wind and solar energy.”

**WHY IS
G-TRON
A KEY
ELEMENT
IN THE
AUDI DRIVE
STRATEGY?**

WWW

**audi.com/
ar17/g-tron**

06 // MISSION ZERO



TEXT: Anna Niemann // ILLUSTRATION: BrandsOnSpeed GmbH

4,200

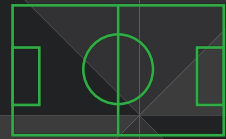


Audi in Brussels offsets CO₂ emissions generated by the use of natural gas by purchasing biogas certificates, thereby compensating for around 22,000 metric tons of CO₂ pollution annually. For this amount, an Audi A3 Sedan could drive nearly 4,200 times around the globe.

5

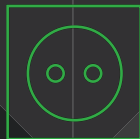


The Audi plant in Brussels has the largest photovoltaic system in the region on its roof, covering an area about the size of five soccer fields.



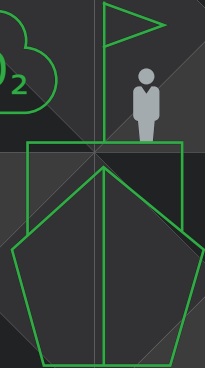
1,500

Since 2016, the switch to green electricity has enabled Audi Brussels to prevent the release of around 17,000 metric tons of CO₂ into the atmosphere each year – equivalent to the footprint of some 1,500 Germans per year.



5

Starting in 2018, the Brussels site will compensate with certificates for around 4,250 metric tons of CO₂ each year that cannot be avoided by using other energy sources. That's enough to power a cruise ship with 4,000 passengers at sea for about five days.



Audi has set an important sustainability milestone in production: The Brussels plant is the Four Rings' first certified carbon-neutral site. That means: All production processes are 100-percent climate neutral. The plant takes a holistic approach to meeting this goal. It makes sense: After all, this is the facility that manufactures the first fully electric series-production vehicle from Audi.

The largest photovoltaic system in the entire Brussels region is located on the Audi plant site. Why there? Because it is an important component of the company's green production efforts. The system generates green – hence carbon-neutral – electricity

equivalent to what over 760 four-person households in Germany consume in a year.

For Audi in Brussels, green production also means championing carbon-neutral heating. By acquiring biogas certificates, the company compensates for emissions including those generated by heating production facilities and offices. Other processes, too, such as transportation at the plant, are streamlined through environmental projects.

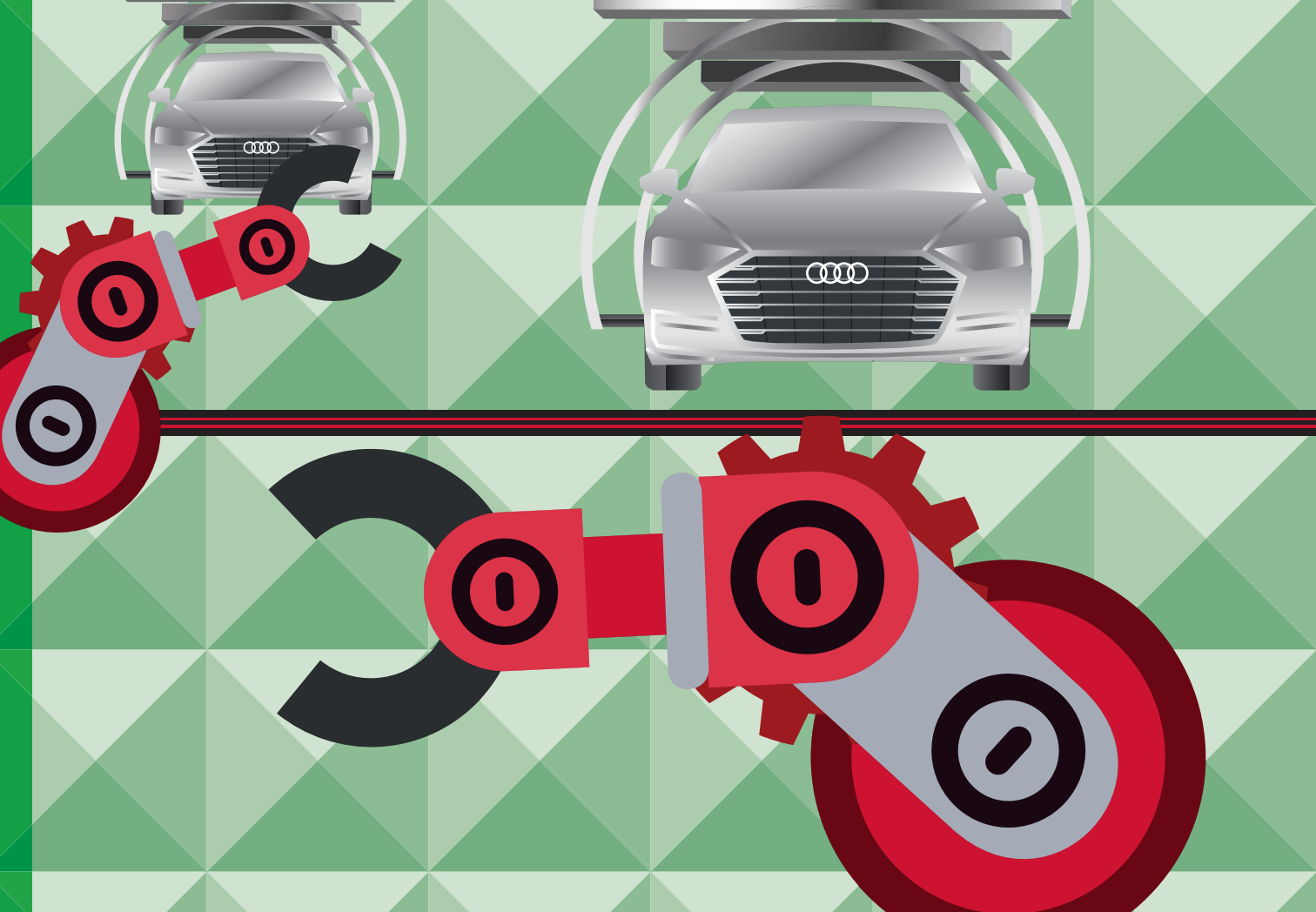
All of these efforts are geared to conserving resources and preventing environmental pollution before it even happens. Their implementation shows that sustainability is firmly anchored in the company's strategy. To find out

how this is accomplished and which environmental projects in Brussels and around the world are contributing to this result, read more online.

**HOW IS
AUDI
MAKING
CARBON-
NEUTRAL
PRODUCTION A
REALITY?**

WWW

audi.com/ar17/zero



TALKING BUSINESS SMART EFFICIENCY

The Smart Factory is helping Audi pave the way to the production facilities of the future. The company is networking employees and plants in a targeted manner, ensuring data-driven, flexible and consequently efficient production. And it boosts competitiveness with an all-around program to optimize factory costs across all divisions.

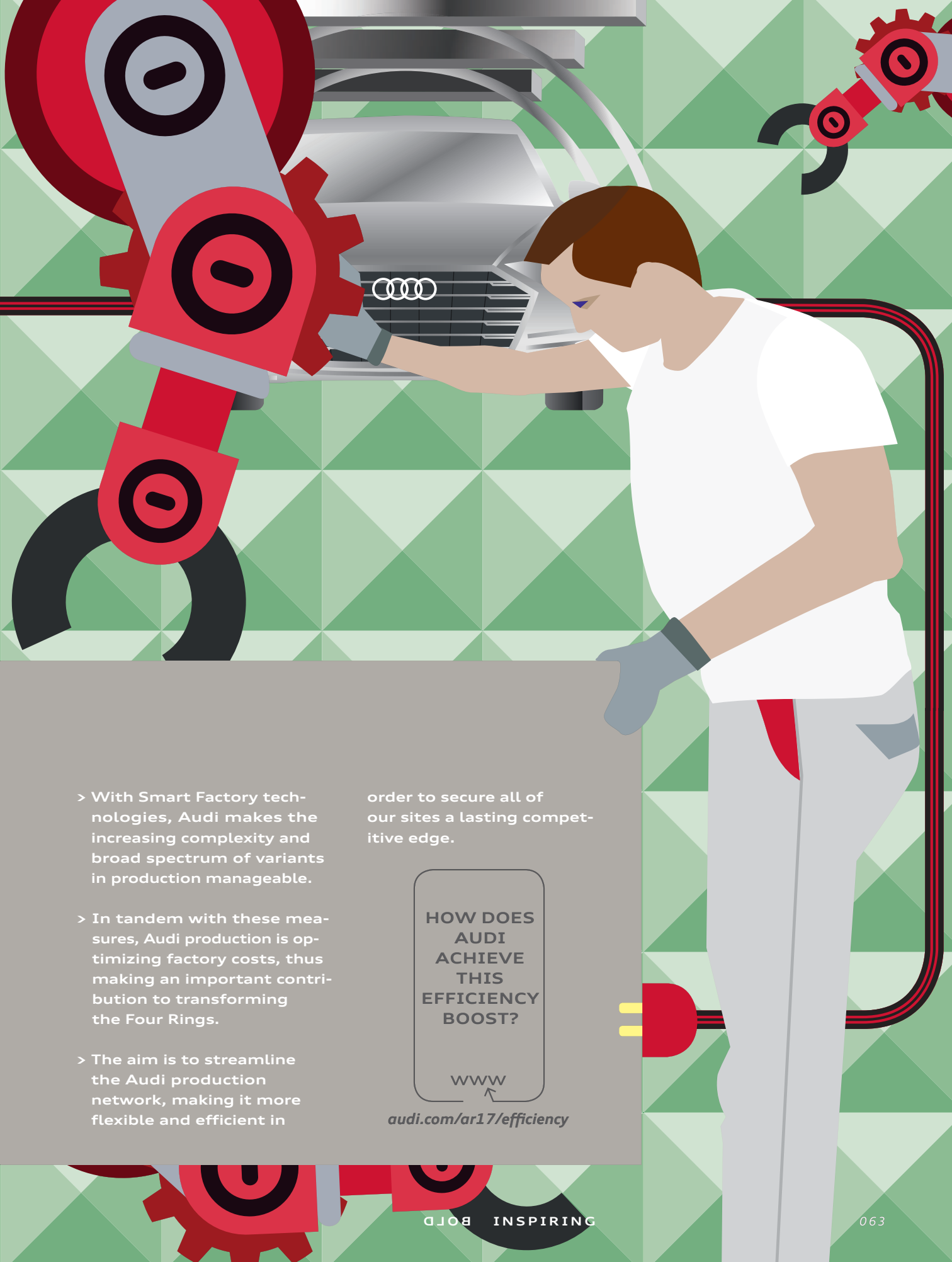
The Smart Factory is being systematically rolled out around the world as part of Strategy 2025 and at all sites as a company-wide beacon toward future profitability. This vision of production includes

Audi potentially no longer manufacturing its vehicles solely on assembly lines, but also using elements of modular assembly – such as production cells where employees and robots perform specific tasks. Driverless transport systems will find their way autonomously to employees. 3D metal printers and virtual reality goggles ensure greater efficiency in a digital, environmentally friendly and innovative production environment. Driven by an ever broader variety of models in ever shorter product life cycles, Audi employs new materials, goods and information flows to manage the growing

complexity. Even today, it is already hard to find two identical cars rolling off the line, given the infinite number of equipment variations that call for flexible production planning.

Audi is working on groundbreaking solutions for that all-important “Vorsprung” in production: The company is taking the opportunity to completely rethink processes and structures for the Smart Factory.

TEXT: Jan Rentzow // ILLUSTRATION: BrandsOnSpeed GmbH



> With Smart Factory technologies, Audi makes the increasing complexity and broad spectrum of variants in production manageable.

> In tandem with these measures, Audi production is optimizing factory costs, thus making an important contribution to transforming the Four Rings.

> The aim is to streamline the Audi production network, making it more flexible and efficient in

order to secure all of our sites a lasting competitive edge.

HOW DOES
AUDI
ACHIEVE
THIS
EFFICIENCY
BOOST?

WWW

audi.com/ar17/efficiency



07 // CURI OSITY MAKES YOU GROW

TEXT: Franziska Queling // PHOTO: AUDIAG



“Ask questions, understand different perspectives and never stop being curious!” This is how Anna Nixon brings to a close her address at the Audi Innovation Summit “MQ! The Mobility Quotient.” Just 17 years old, Anna is talking about the lifelong learning that is everyone’s constant companion. While still attending high school, she offers young girls learning formats for STEM (Science, Technology, Engineering and Math) subjects. Her secret to success? Learning that is fun and does not feel like learning.

Audi is continually expanding its network and, with MQ!, provides a whole new platform for exchanging ideas between pioneers in science, culture, business, politics, society – and Audi employees. Whether speakers such as Wikipedia founder Jimmy Wales, Apple co-founder Steve Wozniak, Chief Business Officer Mo Gawdat from Google X or the person who must be the world’s youngest robot expert and teacher, Anna Nixon. They all stand for innovation and the endless urge to learn, to understand and apply new concepts and so contribute to pioneering efforts. It is pure inspiration.

As the mouthpiece for the new, digitally driven generation, Anna notably also embodies the future of learning and the expertise whose impact extends to the Audi working world. Spellbound, we listen to how she approaches her subject and marvel at the motivation with which she soaks up new things – at the same time also offering tips on how best to tackle new methods and content.

To learn Anna’s perspective on what impacts further education, learning methods and tomorrow’s working world with its new areas of expertise, watch the online video interview.

**HOW
WILL WE
LEARN
IN THE
FUTURE?**

WWW

audi.com/ar17/learning



TALKING BUSINESS

SKILLED FOR THE FUTURE

Audi is evolving into a provider of individual premium mobility. For tomorrow's "Vorsprung," the company is counting on its most important resource: the knowledge and skills of its employees.

The major trends in the automotive industry are not only changing business models. They are also initiating a far-reaching transformation of the working world.

After all, the mobility of the future will create new professions and call for new skills. How many fuel cell development engineers will Audi need in 2020? And five years after that? How many engineers for the development of a new electric motor? To answer these and other questions, Audi has created a Strategic Resource and Competence Management unit:

- > to identify the human resources needs for future-related topics,
- > to recognize and point out potential shortages early on,
- > to selectively develop the right skills to meet real needs,
- > to make sure employees are on board with the transformation and ready to embrace new challenges.

The collaboration between Audi and the Technical University of Ingolstadt is enabling drive system developers, for instance, to learn more about electric mobility. Until now, they were more at home in the world of combustion engines.

Audi engineers hit the books. One example of transformation lived in practice. Other divisions, too, are getting their teams fit for the future – and working with the Audi Akademie to develop targeted, holistic programs for competence development.

**HOW IS
AUDI PRE-
PARING TO
MEET TO-
MORROW'S
NEEDS?**

WWW

audi.com/ar17/competence

TEXT: Jan Rentzow // PHOTOS: Michael Kuhlmann



New expertise at work on the Audi Elaine concept car: In collaboration with the Technical University of Ingolstadt, these Audi drive system developers have gained qualifications in electric mobility.

BOLD

COOPERATION FOR SUSTAINABLE MOBILITY



Rapid-charging network is growing //

Charge & Go

Electric mobility that is practical enough for everyday use calls for a high-power charging infrastructure. That is precisely the mission of the joint venture **IONITY GmbH**. Since November 2017, the **Volkswagen Group** has been working with **Audi** and **Porsche**, the **BMW Group**, **Daimler AG** and the **Ford Motor Company** on building up a rapid-charging network for electric vehicles in Europe. High-power charging with a capacity of up to 350 kilowatts will significantly reduce charging time compared with the stations that have been available to date. That makes charging during a break at a rest stop possible. Some 400 of these progressive rapid-charging points are to be available by 2020. Another major benefit for drivers: a uniform charging standard.

Audi is also developing solutions for intelligent, convenient charging at home. This way, customers can in the future, for instance, recharge their car preferably with electricity from their own photovoltaic system – inexpensively and free of CO₂.

HERE YOU
CAN READ
MORE
ABOUT AL-
TERNATIVE
DRIVE
SYSTEMS.

WWW

[audi.com/
ar17/futuredrive](http://audi.com/ar17/futuredrive)

TEXT: AUDI AG // PHOTOS: AUDI AG, Aydın Büyüktaş

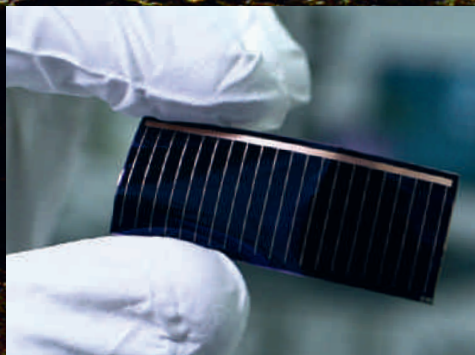
INSPIRING



Audi joins forces with Porsche //

Setting the course for the future

Group sister companies **Audi** and **Porsche** are collaborating on the future and pooling their efforts in Technical Development. This collaboration focuses chiefly on electrification, digitalization and autonomous driving. One example is the **Premium Platform Electric (PPE)**, where both brands work in tandem on the development and production of vehicle architectures, modules and components.



Audi models with solar roof //

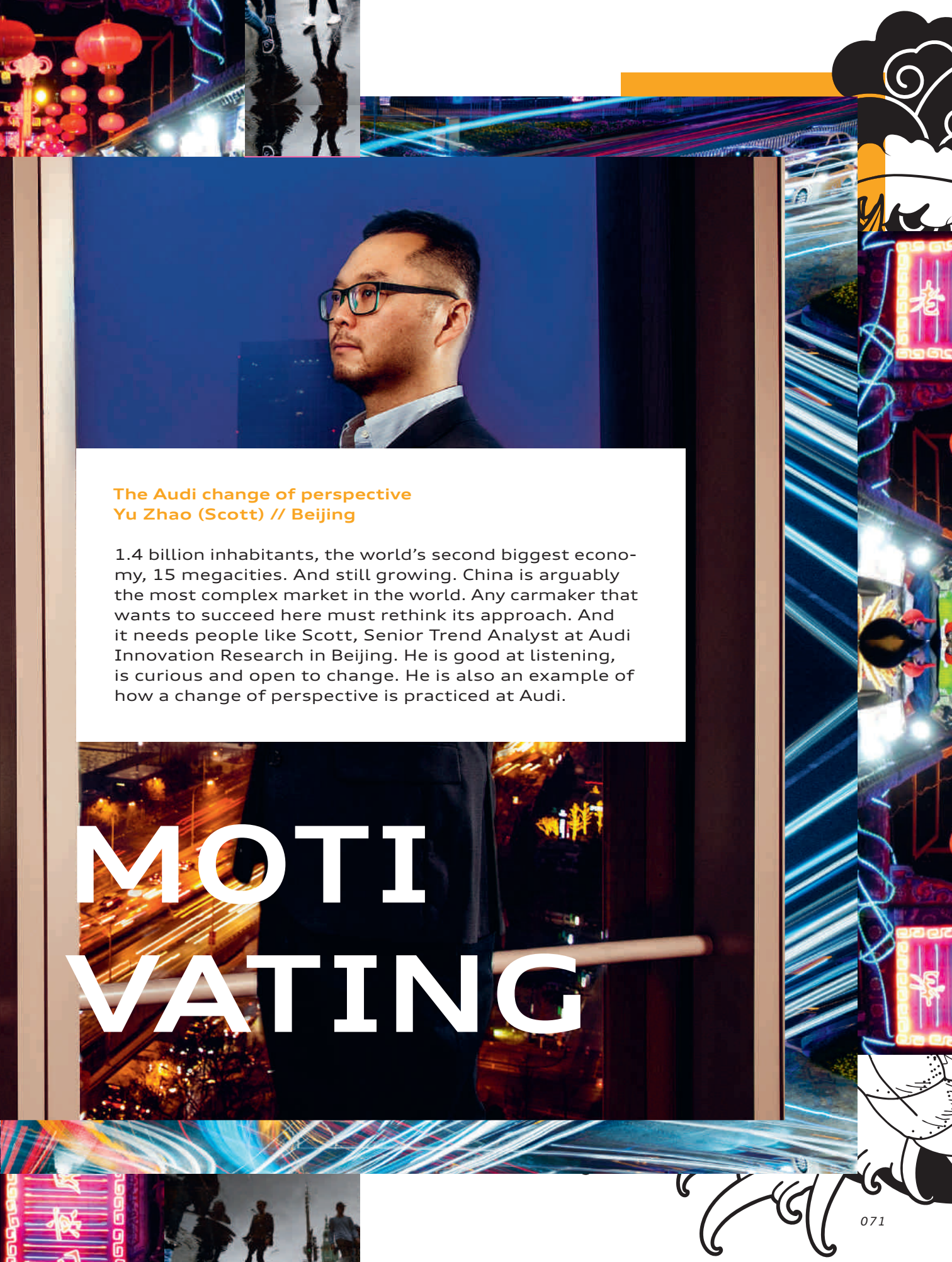
New technology for greater range

Audi and **Alta Devices**, a subsidiary of Chinese solar cell specialist Hanergy, are working together to develop **thin-film solar cells**. These are to be used in the panoramic glass roofs of Audi electric vehicles. The power gained flows into the electrical system and can help to significantly extend the vehicle's range by supplying energy-intensive functions such as the air-conditioning system. So the technology is not only sustainable, but also appealing to the eye. A prototype was built in late 2017.



COMPLEX

TEXT: Kerrin Nausch // PHOTOS: Yuanlong Li, Manuel Hollenbach, Shutterstock



The Audi change of perspective
Yu Zhao (Scott) // Beijing

1.4 billion inhabitants, the world's second biggest economy, 15 megacities. And still growing. China is arguably the most complex market in the world. Any carmaker that wants to succeed here must rethink its approach. And it needs people like Scott, Senior Trend Analyst at Audi Innovation Research in Beijing. He is good at listening, is curious and open to change. He is also an example of how a change of perspective is practiced at Audi.

MOTI
VATING



The Audi change of perspective Yu Zhao (Scott) // Beijing

Audi Innovation Research (AIR) in Beijing functions as the Four Rings' ear in the important Chinese market. And Scott has been responsible for topics relating to trends and innovation there since 2013. The AIR team scans the Middle Kingdom for new currents that Audi can turn into products and services to satisfy the prosperous new generation. Being able to listen carefully in order to understand the unique Chinese perspective is essential to Scott's work.



Scott, in his mid-30s, wears a blue linen jacket and stylish glasses. His English is fluent. He is communicative and shows an unbroken interest in the person he is talking to. All this makes him the perfect trend researcher. Talking with people, gathering and analyzing information and quickly gleaming insights from that pretty much sums up the job of a trend analyst.

“YOU HAVE TO LISTEN TO WHAT PEOPLE HAVE TO SAY, TRANSLATE THAT INTO TRENDS AND TAKE THIS PERSPECTIVE INTO THE COMPANY.”

In developing new products, Audi takes its cues from international trends. Components of this include the insights personally generated by the AIR team in Beijing and the analysis of scientific studies. These create the basis for innovative mobility solutions that are custom-tailored to the rapidly changing Chinese market. A new generation for whom the word “premium” no longer means simply showing your status, but rather being able to enjoy greater personal freedom. Worsening air

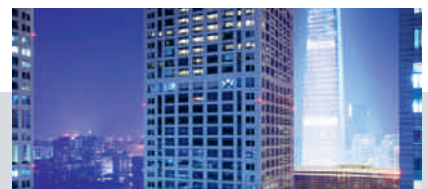




quality and increasingly tight conditions in megacities that continue to grow. Scarce, overpriced parking space and car registrations that can only be obtained by winning a lottery. The challenges are manifold and, above all, complex.

To ensure long-term economic success for Audi in the extremely important Chinese market, Scott not only talks to people about mobility issues, but also about social, cultural and technological developments. He communicates with trend “receivers” in regular workshops. These are people who are very close to sociopolitical or urban events and who have a very finely tuned radar for new trends. They include opinion leaders from the worlds of politics and industry as well as start-up founders, bloggers, artists and students – in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu.

Scott wants to understand how both established experts and young people think. What is important to them? What values do they have? What is happening in China? What is happening in the world? Scott’s antennae are always set to receive signals. His biggest inspiration? When something he has taken from his discussions and analyzed is turned into a concrete idea.



AUDI INNOVATION RESEARCH

Understanding people today in order to move them tomorrow: At the Audi Innovation Research offices, trend and innovation researchers in Europe, China and the USA examine how society is changing. And what that means for the Audi brand.

www.audi.com/en/innovation/air.sc.html

When Audi takes things that the Chinese want seriously and transforms them into a feature or a function in the cars.

“I AM THE VOICE OF THE CHINESE CUSTOMERS, SO TO SPEAK. WITH MY WORK, I ENSURE THAT THEIR REQUESTS ARE TAKEN SERIOUSLY.”

Scott and his colleagues are in constant dialogue with the international Audi sites, organize events such as workshops with designers and participate in various innovation formats in development and sales. Teams from AIR Beijing, AIR San Francisco and departments in Ingolstadt get together in Germany three or four times each year during the SHAIRE meetings, when they inspire a great many of their colleagues with their analysis and knowledge. After all, China, like the USA, is a market of enormous strategic importance. Not only because of the impressive sales potential, but especially due to the speed with which new mobility concepts develop here, the country serves as a blueprint for other markets – a blueprint that introduces new perspectives into the company and enriches it.





08// CASTING A WIDE NET



A luxury sedan and a 15-year-old aspiring superhero. Not an obvious pair. Audi of America used this unusual connection, a lot of creativity and the courage to explore new paths to score a big advertising win.

Sony Pictures' "Spider-Man: Homecoming" was not the first marketing promotion for Audi of America (AoA) to create in the Marvel Cinematic Universe. From the first Iron Man film to the latest Captain America movie, Audi has regularly shared the spotlight in major cinematic moments, ensuring that the Audi brand is immersed in current critical, cultural and dinner table conversations.

Read online to learn how a driving test, one of the world's most progressive cars and a 15-year-old superhero all came together to create yet another water-cooler moment for the brand.

**DOES A
SUPER-
HERO
NEED A
DRIVER'S
LICENSE?**

WWW

www.audi.com/ar17/usa

TEXT: Lisa Feldmann // PHOTO: Audi of America



TALKING BUSINESS

30 YEARS OF TOMORROW

For exactly 30 years, Audi has shaped China's premium car market like hardly any other carmaker. But there's no time to look back. With an ambitious growth plan and a strong portfolio offensive, Audi is helping to shape the future of mobility in China.

Young, sporty, modern, with an attractive interior. And, most importantly, completely connected. That is the way Chinese customers love their Audi.

Almost one in three Audi cars is sold in China, making this the company's largest single market by far. And no other market presents such promising growth prospects for the future.

But China's role goes even further. The country is the key driver of electric mobility worldwide. And, thanks to its tech-savvy customers, it is the flagship market for automotive digitalization – from connectivity to autonomous driving.

"We have been operating in China for three decades. Now it's time for the next level," CEO Rupert Stadler says. To get there, Audi is repositioning itself.

And, together with its partner FAW, it has set out an ambitious ten-year growth plan:

- > with expanded production capacities and upgraded local development capabilities,
- > with an expanded range of models made in China and imports – clearly focusing on electric mobility,
- > with a digitalization offensive.

In order to make the most of China's market potential in the long term, Audi will be expanding the existing joint venture structure to include a second partnership with SAIC Motor.

HOW IS
AUDI SET-
TING THE
COURSE
FOR THE
FUTURE IN
CHINA?

www

audi.com/ar17/china





09// RACING SERIES

TEXT & PHOTOS: Berthold Dörlich



How do you make one of the fastest series-production motorcycles even faster? Ideally, by asking someone who must know more about speed and riding enjoyment than just about anyone else: Michele Pirro, Grand Prix racer and test rider for the Ducati development team.

Marco Sairu, Head of Engine Project Management at Ducati, has spent the past four years optimizing the V4 engine in the Panigale, a team effort to which Michele Pirro lent support.

This way, Ducati makes sure customers can enjoy motor racing technology in a series-production motorcycle to the fullest extent possible. A challenge that can only succeed if you always keep that goal in your sights. Because it was clear the task was not going to be an easy one: After all, the V2 engine already makes the Panigale one of the most powerful streetbikes around. And more

than merely being the power unit of choice, it is a legend in its own time!

So how do you actually transform a race engine into a roadgoing series-production version? Countless hurdles needed to be taken before the new V4 engine was ready to go into series production. Read online about the technical solutions it took to get there.

**HOW MUCH
RACING
PEDIGREE
DOES THE
NEW DUCATI
V4 ENGINE
HAVE IN
ITS DNA?**

WWW

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TALKING BUSINESS

TOP OF THE LINE

Born in motorsport, tested under the most extreme conditions and taken to series maturity. That is what the high-performance R/RS models from Audi Sport are all about, combining maximum prestige with everyday usability and unparalleled performance.

But the Audi Sport brand is more. Ever since quattro GmbH was transformed into Audi Sport GmbH in 2016, the Audi Sport sub-brand has brought the high-performance sports models together with topics such as customer racing, racing, customization in the form of the Audi exclusive program, including performance parts, and the Audi Sport collection under its umbrella. In this way, the sub-brand fuses the most emotionally

charged aspects of the Four Rings with the red rhombus to create an unparalleled world of experience.

A successful brand needs strong DNA coupled with a clear vision of the future. Audi Sport has both. With the expansion of our SUV range as well as new, high-performance models, Audi Sport is increasingly meeting the ever growing needs of international markets. Delivering a unique brand experience and a forward-looking product portfolio, Audi Sport will set itself apart from the mainstream and competition even more markedly in the future.

- > **Audi Sport continues to grow dynamically: Within just five years, volumes have more than doubled – providing an ideal launch pad for further expansion.**
- > **Powerful product offensive: Part of the ambitious growth plan involves systematically augmenting the portfolio with highly dynamic SUV models for global markets.**
- > **Sustainability reigns supreme: In the medium term, Audi Sport intends to define a new dimension in sportiness in the field of electric mobility –**

TEXT: Jan Rentzow // PHOTO: AUDI AG

which is why, going forward,
it will be making a clear
statement in favor of alter-
native drive systems.

HOW
IS AUDI
SPORT
POSITION-
ING ITSELF
FOR THE
FUTURE?

WWW

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10// BULL COM PANION

TEXT: Susanne Mellinghoff // PHOTOS: Deniz Saylan



It is midday in the centro storico of a small Italian town. Narrow alleyways, picturesque sand-colored palatial buildings, curvaceous archways and frescoes are reminders of a bygone era. People stroll through the little lanes as cyclists wind their way through the pedestrians. And there at the heart of it all stands a Lamborghini Urus in Giallo Auge yellow. But instead of a couple on a shopping spree – as you might expect with a sports car – an entire family gets out of the vehicle.

For all its everyday practicality, the Urus, the first Super SUV built by the tradition-steeped brand, still embodies the genetic legacy of the Lamborghini bull. And the pure luxury of a supercar. With a power output of 478 kW (650 hp), the Urus can accelerate to over 300 kilometers per hour with ease. Whether cruising in comfort through the city, speeding around the racetrack, or driving off road through snow or sand – all no problem for the Urus thanks to the ANIMA driving mode system. Yet unlike in the Huracán and the Aventador, there is driving enjoyment for more than two people here.

With up to five seats, the Urus has room for the whole family. Plus luggage. The spacious luggage compartment even makes the SUV suitable for extended vacations.

Combined with the unmistakable design of a Lamborghini. Because when it comes to elegance, luxury and emotion, the Urus is every bit the equal of its brand siblings.

Read online about what a family day trip with this luxurious vehicle can look like and why the Super SUV is unmistakably a true Lamborghini, right down to the smallest detail.

**HOW
MUCH
FAMILY
CAN YOU
FIT INTO
A SUPER-
CAR?**

WWW

[audi.com/ar17/urus](https://www.audi.com/ar17/urus)





TALKING BUSINESS

TAKING LAMBORGHINI TO A NEW LEVEL

Strategic. Groundbreaking. Lamborghini – the design legend, the ultimate in emotions and performance – is ready to satisfy everyday mobility needs and captivate new target groups.

Prepared for a new level – the plant area doubled in just a short time, a new assembly line put into operation, a new final inspection facility and a new testing ground with 13 different road surfaces ready for use. The Audi subsidiary has begun the greatest transformation in its history, advancing into a new dimension of business.

The Urus – the world's first Super SUV – is rolling off the company's assembly line at the digitally connected Manifattura Lamborghini, which covers 160,000 square meters. "The brand as a whole is headed in a new direction. We are moving into an entirely new market segment with the Urus and capturing new target groups," says Chairman and CEO Stefano Domenicali. "It is the most visible signal of our profitable plan for the future."

Lamborghini's growth is already dynamic and qualitative today:

> In 2017, the Audi subsidiary delivered more than 3,800 automobiles to customers – ten percent more than in 2016.

> This means that in terms of volumes, the supercar manufacturer has continued its growth trajectory for the seventh year in a row.

> Lamborghini is also growing in terms of revenue and is reaching a new record figure.

WHAT
MAKES
THE URUS
SUCH A
GAME
CHANGER?

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TEXT: Jan Rentzow // PHOTO: Automobili Lamborghini S.p.A.



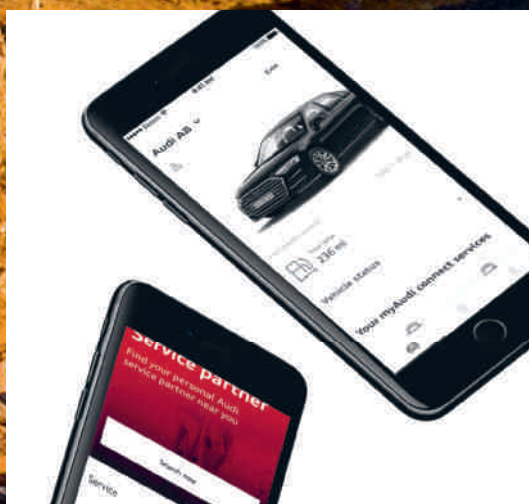
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CAN READ
MORE
ABOUT
AUDI
CONNECT.

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COMPLEX

COOPERATION FOR A PERSONALIZED PREMIUM EXPERIENCE



The next step in
digital retail //

24/7 customer convenience

Audi is one of the first carmakers to introduce **digital service stations** in the retail sector. Benefits for customers: They can conveniently drop off their cars for servicing and pick them up again – regardless of the dealership's opening hours. Replacement vehicles are also available at the digital service stations. Developed together with an Audi partner, **Audi München GmbH**, the concept is to be rolled out more widely in 2018 following the successful pilot phase.

myAudi app //

One click does the trick

Operating your car's functions via smartphone? This is already possible today with the **myAudi app**, which bundles the Audi connect services on your mobile and links customers with their Audi. It lets you activate functions such as locking and unlocking the doors, operate the optional auxiliary heater, or use the remote parking pilot* and remote garage pilot* in the Audi A8, for example – all without having to be inside your car. Audi developed the system behind the functions in partnership with its subsidiary **Quartett mobile GmbH**. The range of functions will be expanded in 2018.

*The assistance systems and automated technologies mentioned herein are currently still in the development stage and are not yet available in production vehicles. Further information about their availability can be obtained from your Audi partner. At the moment, automated driving is not legally approved for use on public roads in most countries. Please also note in general that assistance systems

MOTIVATING



Audi on demand in Asia //

Tested and approved

Asian megacities rank among the key target markets for **Audi mobility services**. That is why, in 2016, the company tested an initial exclusive pilot project in **Hong Kong's Dragons Range luxury residential complex**. Thanks to the positive experiences, Audi is significantly expanding its Audi on demand mobility offerings in Hong Kong. Available to the public since 2017, the service offers even more flexible booking options. Customers can use their smartphones to book their preferred car from among a fleet of Audi top models for a period of up to one month. In addition to its presence in Hong Kong, Audi on demand also became available in Beijing starting in September 2017 and in Singapore starting in January 2018. In addition, the service is offered in San Francisco and at Munich Airport, plus, as of February 2018, in the UK.



Scent of an Audi A8 //

You smell really good!

How should an Audi car smell to ensure that drivers enjoy a **premium feast for the senses**? The brand pledge is also reflected in the quality of the fragrances. This is why materials technology specialists employ a variety of odor tests to establish the composition of fragrances in the interior. Alongside the much-loved, typical new-car smell, the new Audi A8 also treats occupants to two very special optional Audi scents, which were created in the **international perfumery hub of Grasse in France**. One is a winter fragrance that evokes the snow-covered Alps, while the other is summery and gives you the feeling of being at the seaside.

can only assist the driver in the task of driving within the respective system limits. The responsibility and attention necessary for executing the driving task always remain with the driver.

FINANCIAL EVENTS 2018

March 15, 2018

Annual Press Conference 2018

April 27, 2018

First Quarter Report 2018

May 9, 2018

Annual General Meeting 2018

August 3, 2018

Interim Financial Report 2018

October 31, 2018

Third Quarter Report 2018



Hall of Fame 2017



Gold 2017



Winner 2017



2x Gold 2017/2018



Gold & Bronze 2017



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