Annual Report 2008

BOSCH

Invented for life

The Bosch Vision

Creating value – sharing values

If we want to work successfully as a team in a global and complex world, then we need a common image of the future for our company. This image – this vision – helps us bring our strategic thinking into clear alignment.

As a leading technology and services company, we take advantage of our global opportunities for a strong and meaningful development. Our ambition is to enhance the quality of life with solutions that are both innovative and beneficial. We focus on our core competencies in automotive and industrial technologies as well as in products and services for professional and private use.

We strive for sustained economic success and a leading market position in all that we do. Entrepreneurial freedom and financial independence allow our actions to be guided by a long-term perspective. In the spirit of our founder, we particularly demonstrate social and environmental responsibility—wherever we do business.

Our customers choose us for our innovative strength and efficiency, for our reliability and quality of work. Our organizational structures, processes, and leadership tools are clear and effective, and support the requirements of our various businesses. We act according to common principles. We are strongly determined to jointly achieve the goals we have agreed upon.

As associates worldwide, we feel a special bond in our values that we live by day by day. The diversity of our cultures is a source of additional strength. We experience our task as challenging, we are dedicated to our work, and we are proud to be part of Bosch.

BOSCH
Invented for life

Key Data

Bosch Group	2007	2008
Sales revenue	46,320	**45,127**
percentage change from previous year	+ 6.0	**– 2.6**
Sales revenue generated outside Germany		
as a percentage of sales revenue	75	**74**
Research and development cost	3,583	**3,889**
as a percentage of sales revenue	7.7	**8.6**
Capital expenditure	2,634	**3,276**
as a percentage of depreciation	108	**136**
Associates		
average for the year	267,562	**282,758**
as of January 1, 2008/2009	271,265	**281,717**
Total assets	48,568	**46,761**
Equity	24,825	**23,009**
as a percentage of total assets	51	**49**
Profit before tax	3,801	**942**
as a percentage of sales revenue	8.2	**2.1**
Profit after tax	2,850	**372**
Unappropriated earnings (dividend of Robert Bosch GmbH)	72	**75**

Currency figures in millions of euros

The Bosch Group at a Glance

The Bosch Values

- Future and result focus
- Responsibility
- Initiative and determination
- Openness and trust
- Fairness
- Reliability, credibility, and legality
- Cultural diversity

The Bosch Group is a leading global supplier of technology and services. In the areas of automotive and industrial technology, consumer goods, and building technology, some 283,000 associates generated sales of 45.1 billion euros in fiscal 2008. The Bosch Group comprises Robert Bosch GmbH and its more than 300 subsidiaries and regional companies in over 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. Each year, Bosch spends more than 3.5 billion euros, or eight percent of its sales revenue, for research and development, and applies for over 3,000 patents worldwide. With all its products and services, Bosch enhances the quality of life by providing solutions which are both innovative and beneficial.

The company was set up in Stuttgart in 1886 by Robert Bosch (1861-1942) as "Workshop for Precision Mechanics and Electrical Engineering." The special ownership structure of Robert Bosch GmbH guarantees the entrepreneurial freedom of the Bosch Group, making it possible for the company to plan over the long term and to undertake significant up-front investments in the safeguarding of its future. Ninety-two percent of the share capital of Robert Bosch GmbH is held by Robert Bosch Stiftung GmbH, a charitable foundation. The majority of voting rights are held by Robert Bosch Industrietreuhand KG, an industrial trust. The entrepreneurial ownership functions are carried out by the trust. The remaining shares are held by the Bosch family and by Robert Bosch GmbH.

Shareholders of Robert Bosch GmbH

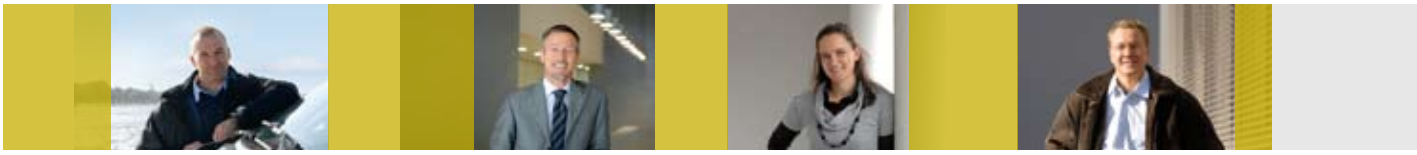
- Robert Bosch Stiftung GmbH
  92 % share of equity
  No voting rights
- Bosch family
  7 % share of equity
  7 % voting rights
- Robert Bosch Industrietreuhand KG
  93 % voting rights
- Robert Bosch GmbH
  1 % share of equity
  No voting rights

Business sectors and divisions

Automotive Technology	Industrial Technology	Consumer Goods and Building Technology
▸ Gasoline Systems	▸ Drive and Control Technology[3]	▸ Power Tools
▸ Diesel Systems	▸ Packaging Technology	▸ Thermotechnology[5]
▸ Chassis Systems Brakes	▸ Solar Energy[4]	▸ Household Appliances[6]
▸ Chassis Systems Control		▸ Security Systems[7]
▸ Electrical Drives		
▸ Starter Motors and Generators		
▸ Car Multimedia[1]		
▸ Automotive Electronics		
▸ Automotive Aftermarket		
▸ Steering Systems[2]		

[1] Blaupunkt GmbH (100 % Bosch-owned)
[2] ZF Lenksysteme GmbH (50 % Bosch-owned)
[3] Bosch Rexroth AG (100 % Bosch-owned)
[4] ersol Solar Energy AG (96.9 % Bosch-owned)
[5] Bosch Thermotechnik GmbH (100 % Bosch-owned)
[6] BSH Bosch und Siemens Hausgeräte GmbH (50 % Bosch-owned)
[7] Bosch Sicherheitssysteme GmbH (100 % Bosch-owned)

Contents



Serving the customer
Customer orientation is the focus theme of this year's annual report. On four double pages, we present outstanding examples of how Bosch lives up to its claim of enhancing the quality of life with solutions that are both innovative and beneficial.

Customer orientation has a long tradition in our company, one that goes back to our company founder Robert Bosch. He himself knew that he had to gain the trust of his customers in order to secure his long-term business success. (back jacket cover)

Foreword

"Growth and stability in globally networked markets call for highly responsible action from all players. In fiscal 2008, we too were reminded of the discrepancy between this ideal world and the world as it stands today."

Franz Fehrenbach

Photograph taken outside the award-winning Solar Decathlon house, which is self-sufficient in its energy needs

Ladies and gentlemen,

Fiscal 2008 took a completely different course than expected. After turning in what was still a satisfactory performance overall in the first half of the year, our activities then became caught up in the turmoil of the worsening financial market crisis. The year ended with sharp declines across all units, but particularly in Automotive Technology. It is on this inauspicious note that we also embarked on 2009.

Worldwide, the economy went into reverse at a speed and on a scale that were practically unprecedented. This reversal was the direct result of a collapse of confidence in large parts of the financial sector, which, over years, had amassed risks that were no longer manageable. With its financial engine unable to function properly, the real economy inevitably began to splutter. Although, happily, central banks and governments around the world acted quickly to prevent widespread chain reactions, the situation has not yet fundamentally eased and confidence has not yet been restored.

These adverse developments make us all the more determined to maintain the responsible mindset that is a firm part of our corporate culture. Our partners around the world in the business sector, in society at large, and in political office can rest assured that when we give our word we stand by it. Our entrepreneurial freedom and financial stability are so valuable to us that we would never undertake a business venture that harbors incalculable risks. Our company's ongoing development – on which we continue to work unflaggingly, even in such times as these – is based solely on the resources we are able to develop and mobilize in-house.

Nonetheless, overcoming the current crisis will require maximum effort, also on our part. We draw confidence from the fact that our strategic thrust remains the right one. Our broad international presence, our strong foothold in various industries, and our clear and firm strategic alignment under the banner of our slogan "Invented for life" open up promising opportunities for growth and earnings beyond the short term. Over this short term, however, and in the interests of safeguarding the company, it is imperative to achieve cost savings at all levels so as to minimize the decline in earnings, and above all in liquidity. In some areas, we are also constrained to carry out structural changes and adjustments that would be necessary even under better economic conditions.

For our associates, this also brings hardships. Insofar as is possible, however, our priority remains to cushion fluctuations in employment through flexible organization of working time wherever appropriate models are available. We know that our well trained and highly motivated associates will continue to be the bedrock of our company's long-term success. The board of management wishes to express its profound gratitude to Bosch associates for their willingness to reaffirm and demonstrate their continued commitment even in turbulent times.

Thanks also go to our business partners for the strong working relationship we have with them, as well as to our shareholders and supervisory council members for their trust. Their support is of vital importance, especially in the current economic environment.
It is also vital – and this is clear to all of us – that our products and services must prove their worth to our customers, now more than ever before. This is also why we have made customer orientation the main theme of this year's annual report. We still share the conviction of our company founder Robert Bosch that our long-term business success ultimately depends on the trust of our customers.

With best regards

Franz Fehrenbach

Franz Fehrenbach
Chairman of the Board of Management

Board of Management

Franz Fehrenbach
Chairman

- Corporate Planning; Corporate Communications; Senior Executives; Real Estate and Facilities

Dr. Siegfried Dais
Deputy Chairman

- Product Planning and Technology; Research and Advance Engineering; Information Technology
- Drive and Control Technology; Solar Energy

Dr. Bernd Bohr

- Chairman of the Automotive Group; Automotive Systems Integration; Quality Management
- Gasoline Systems; Diesel Systems; Chassis Systems Brakes; Chassis Systems Control; Steering Systems
- India

Wolfgang Chur
(until June 30, 2008)

- Consumer Goods and Building Technology; Coordination Sales and Marketing, Consumer Goods, Building Technology, and Industrial Technology; Marketing Communication and Brand Management
- Power Tools; Thermotechnology; Security Systems; Household Appliances
- Middle Eastern Europe; Russia; United Kingdom; France; Spain; Austria

Dr. Rudolf Colm
(until June 30, 2008)

- Purchasing and Logistics; Insurance
- Asia Pacific; Italy

Dr. Rudolf Colm
(from July 1, 2008)

- Consumer Goods and Building Technology; Coordination Sales and Marketing, Consumer Goods, Building Technology, and Industrial Technology; Marketing Communication and Brand Management; Purchasing and Logistics; Insurance
- Power Tools; Thermotechnology; Security Systems; Household Appliances
- Middle Eastern Europe; Russia; United Kingdom; France; Italy; Spain; Austria

Dr. Volkmar Denner

- Electrical Drives; Starter Motors and Generators; Car Multimedia; Automotive Electronics

Gerhard Kümmel

- Business Administration; Finance and Financial Statements; Planning and Controlling; Internal Accounting and Organization
- Commercial Affairs Chassis Systems Brakes and Chassis Systems Control

Dr. Wolfgang Malchow

- Human Resources and Social Services; CIP Coordination; Legal Services; Compliance; Taxes; Intellectual Property; Internal Auditing; Data Protection; External Affairs, Governmental and Political Relations
- Packaging Technology

Peter Marks

- Manufacturing Coordination and Investment Planning; Environmental Protection
- North America; South America

Uwe Raschke
(from July 1, 2008)

- Asia Pacific

Peter Tyroller

- Original Equipment Sales
- Automotive Aftermarket

- **Corporate Responsibilities**
- **Divisional Responsibilities**
- **Regional Responsibilities**

Presidents of the Divisions

Wolf-Henning Scheider
Gasoline Systems

Dr. Ulrich Dohle
Diesel Systems
(until March 31, 2009)

Gerhard Turner
Diesel Systems
(from April 1, 2009)

Andreas Wiegert
Chassis Systems Brakes
(until April 14, 2009)

Gerhard Steiger
Chassis Systems Brakes
(from April 15, 2009)

Dr. Werner Struth
Chassis Systems Control

Dr. Udo Wolz
Electrical Drives

Dr. Stefan Asenkerschbaumer
Starter Motors and Generators

Dr. Uwe Thomas
Car Multimedia

Christoph Kübel
Automotive Electronics

From left:
Dr. Rudolf Colm, Peter Tyroller, Dr. Wolfgang Malchow, Uwe Raschke, Dr. Bernd Bohr, Franz Fehrenbach, Dr. Siegfried Dais, Peter Marks, Dr. Volkmar Denner, Gerhard Kümmel

Robert Hanser
Automotive Aftermarket

Manfred Grundke
Drive and Control Technology
(until January 31, 2008)

Albert Hieronimus
Drive and Control Technology
(from February 1, 2008)

Friedbert Klefenz
Packaging Technology

Holger von Hebel
Solar Energy
(from September 1, 2008)

Uwe Raschke
Power Tools
(until January 31, 2009)

Stefan Hartung
Power Tools
(from February 1, 2009)

Dr. Joachim Berner
Thermotechnology
(until June 30, 2008)

Uwe Glock
Thermotechnology
(from July 1, 2008)

Uwe Glock
Security Systems
(until June 30, 2008)

Gert van Iperen
Security Systems
(from July 1, 2008)

Supervisory Council Report

"For Bosch, thinking and acting for the long term is the basis for responsible corporate leadership – all the more so in times of economic difficulty."

Hermann Scholl

Photograph taken in our Abstatt engineering center

Ladies and gentlemen,

The Bosch Group broke its run of good years in 2008. Our company also keenly felt the effects of the global economic downturn. Nonetheless, despite the difficult climate, Bosch further improved its strategic position in many fields. This was supported by an entire range of acquisitions, a multitude of innovations in all business sectors, and continued international expansion. The work of the supervisory council was marked by the impact of these diverse developments.

The council concerned itself in depth with strategic decisions, such as entry into the new business field of photovoltaics. Key decisions also included the establishment of joint ventures in the fields of exhaust-gas turbochargers and battery technology for automotive drives. In addition, the supervisory council kept a close watch on the economic environment, which deteriorated significantly in the second half of the year. It discussed the consequences of this deterioration for the development of sales and earnings as well as for the employment situation in the Bosch Group. The council looked particularly closely at the current situation in the global automotive industry and the structural changes that are likely to ensue. Further key issues on its agenda included the realignment of the Car Multimedia division as well as the Bosch Group's positioning, business potential, and objectives in the Asia Pacific region.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited and issued an unqualified audit opinion on the Robert Bosch GmbH annual financial statements, on the Bosch Group consolidated financial statements as of and for the year ended December 31, 2008, as well as on the accompanying management reports. The supervisory council itself examined and discussed these documents in detail. All members of the supervisory council had access to the auditor's reports. These were addressed in detail in the presence of the auditor, who also reported on the main audit findings in person.

The supervisory council concurred with the audit findings, without any objections. It also endorsed the Robert Bosch GmbH annual financial statements and the Bosch Group consolidated financial statements, and recommended that the shareholders approve the annual financial statements and the board of management's proposal for the appropriation of net profit.

The supervisory council elections in 2008 resulted in changes in the composition of the council. Employee representative Henning Blum left, as did Jörg Vial as management representative. Daniel Müller and Hans-Peter Gräther, respectively, were appointed to the council as their successors. In addition, Dr. jur. Ulrich Cartellieri and Dr.-Ing. Heiner Gutberlet retired from their positions as shareholder representatives at the meeting on April 10, 2008. In their place, the council welcomed Prof. Dr. Hermut Kormann and Dr. Hans-Friedrich von Ploetz. The supervisory council wishes to thank the retired members for their dedication and their loyal collaboration, and the new members for their willingness to play an active role in the council and to take on responsibility.

Above all, however, the supervisory council would like to thank the board of management and all associates of the Bosch Group for their work and their great dedication in a global economic climate that has become increasingly troubled the world over. Going forward, the supervisory council will continue to closely follow and support them as they take responsibility for and act on behalf of the company.

Stuttgart, April 2009
For the supervisory council

Herm. Scholl

Prof. Dr. Hermann Scholl
Chairman

Supervisory Council, Industrial Trust, International Advisory Committee

Supervisory Council

Prof. Dr.-Ing. Hermann Scholl
Stuttgart
Chairman,
formerly Chairman
of the Board of Management
of Robert Bosch GmbH

Alfred Löckle
Ludwigsburg
Deputy Chairman,
Member of the Works Council
of the Schwieberdingen Plant
and Chairman of the Central
Works Council as well as
of the Combined Works Council
of Robert Bosch GmbH

Dr. h. c. Bo Erik Berggren
Stockholm
(until April 1, 2009)
former Chairman of the
Administrative Board and Chief
Executive Officer of The Stora
Kopparberget Corp.

Henning Blum
Hildesheim
(until April 10, 2008)
Chairman of the Works Council
of the Hildesheim Plant and
Member of the Central Works
Council of Robert Bosch GmbH

Dr. forest. Christof Bosch
Königsdorf
Spokesperson for the Bosch family

Christian Brunkhorst
Mühltal
(from April 1, 2009)
Representative of the Chairman
of Industriegewerkschaft Metall

Dr. jur. Ulrich Cartellieri
Frankfurt
(until April 10, 2008)
former Member of the Board
of Management of Deutsche
Bank AG

Hartwig Geisel
Leinfelden-Echterdingen
Chairman of the Works Council
of the Feuerbach Plant and
Deputy Chairman of the Central
Works Council as well as
of the Combined Works Council
of Robert Bosch GmbH

Hans-Peter Gräther
Freiberg am Neckar
(from April 10, 2008)
Vice-President Purchasing, Power
Tools Division, and Chairman of
the Central Executives' Committee
of Robert Bosch GmbH and of the
Combined Executives' Committee

Dr.-Ing. Heiner Gutberlet
Fellbach-Oeffingen
(until April 10, 2008)
former Chairman
of the Board of Trustees
of Robert Bosch Stiftung GmbH

Dr.-Ing. Rainer Hahn
Stuttgart
former Member
of the Board of Management
of Robert Bosch GmbH

Dr. Aline Hoffmann
Frankfurt
(until March 31, 2009)
Political Secretary,
Industriegewerkschaft Metall

Jörg Hofmann
Stuttgart
Regional Chairman of Industrie-
gewerkschaft Metall,
Baden-Württemberg Region

Prof. Lars G. Josefsson
Stockholm
(from April 2, 2009)
President and Chief
Executive Officer der
Vattenfall AB

Dieter Klein
Wolfersheim
Chairman of the Works Council
of the Homburg Plant and
Member of the Central Works
Council of Robert Bosch GmbH

Prof. Dr. Hermut Kormann
Heidenheim
(from April 10, 2008)
former Chairman of the Board
of Management of Voith AG

Prof. Dr. Olaf Kübler
Zurich
Director Society in Science,
Eidgenössische Technische
Hochschule Zürich

Matthias Georg Madelung
Munich
Member of the Board of Trustees
of Robert Bosch Stiftung GmbH

Daniel Müller
Metzingen
(from April 10, 2008)
Chairman of the Works
Council of the Reutlingen Plant
and Member of the Central Works
Council of Robert Bosch GmbH

Dr. Hans-Friedrich von Ploetz
Berlin
(from April 10, 2008)
Former German Ambassador to Russia

Wolfgang Ries
Lohr
Chairman of the Works Council of Bosch Rexroth Electric Drives and Controls GmbH and Chairman of the Central Works Council of Bosch Rexroth AG and Member of the Combined Works Council of Robert Bosch GmbH

Urs B. Rinderknecht
Zurich
Chief Executive of UBS AG
(until September 30, 2008)

Wolf Jürgen Röder
Hofheim/Taunus
Executive Director,
Otto Brenner Stiftung der Industriegewerkschaft Metall

Tilman Todenhöfer
Madrid
former Deputy Chairman of the Board of Management of Robert Bosch GmbH

Jörg Vial
Nehren
(until April 10, 2008)
Executive Vice President, Global Purchasing, Corporate Sector Purchasing and Logistics, as well as Chairman of the Central Executives' Committee of Robert Bosch GmbH and of the Combined Executives' Committee

Hans Wolff
Bamberg
Chairman of the Works Council of the Bamberg Plant and Member of Central Works Council of Robert Bosch GmbH

Robert Bosch Industrietreuhand KG

General partners

Prof. Dr.-Ing. Hermann Scholl
Stuttgart
Chairman of the Shareholders' Meeting

Tilman Todenhöfer
Madrid

Limited partners

Dr. h.c. Bo Erik Berggren
Stockholm
(until March 31, 2009)

Dr. forest. Christof Bosch
Königsdorf

Dr. Siegfried Dais
Stuttgart

Franz Fehrenbach
Stuttgart

Dr. rer. nat. Jürgen Hambrecht
Ludwigshafen

Prof. Lars G. Josefsson
Stockholm
(from April 1, 2009)

Prof. Dr. Olaf Kübler
Zurich

Dr. Michael Otto
Hamburg

Urs B. Rinderknecht
Zurich

Robert Bosch International Advisory Committee

Prof. Dr.-Ing. Hermann Scholl
Stuttgart
President

Dr. jur. Peter Adolff
Munich
(until December 31, 2008)

Dott. Alessandro Benetton
Treviso/Venice

Dr. h.c. Bo Erik Berggren
Stockholm

Miguel Boyer Salvador
Madrid

Fernão Botelho Bracher
São Paulo
(until December 31, 2008)

Professor the Lord Broers FRS FREng
Cambridge

Dr. Hugo Bütler
Zurich

Prof. Drs. Cornelius A. J. Herkströter
Wassenaar/The Hague

Kensuke Hotta
Tokyo

Baba N. Kalyani
Pune

Dr. Klaus Kinkel
St. Augustin/Bonn

Dr. Henry A. Kissinger KCMG
Washington

Ingo Ploeger
São Paulo
(from January 1, 2009)

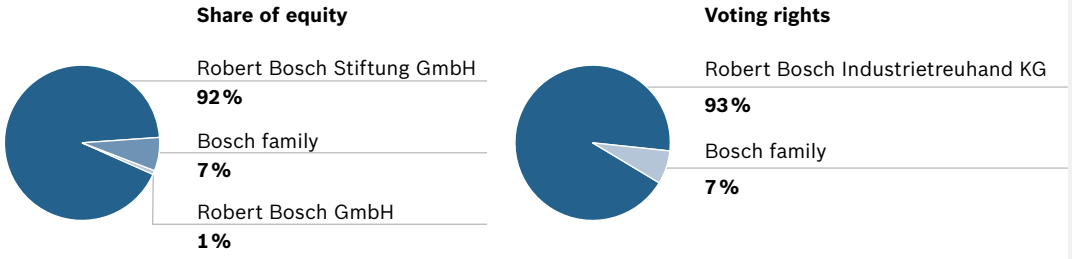
Dr. Hans-Friedrich von Ploetz
Berlin

François Scheer
Paris

Erwin Schurtenberger
Ascona, Beijing

Management Report

Shareholders of Robert Bosch GmbH



Like the global economy as a whole, the Bosch Group, too, was affected by the global downturn in business activity in the course of 2008. As a result, we fell far short of our sales and earnings targets. The Automotive Technology business sector was especially affected, while the impact of the downturn on Consumer Goods and Building Technology was not as severe. In the Industrial Technology business sector, we were still able to boost sales. Despite the significantly worsened economic environment, however, we were able to extend our global market position in all business sectors. This was due both to our innovative products and to an entire series of acquisitions. The unfavorable development of business is likely to last well into 2009. We see chances of a gradual recovery for the global economy in the second half of the year. With respect to our long-term challenges, we continue to be well positioned, thanks to the industries on which we focus, our innovative product portfolio, and our broad global footprint.

Economic environment and business situation

Economic environment

Global economic downturn

In our plans for 2008, we had already anticipated that economic activity would cool down. We had acknowledged that the housing crisis in the U. S. and the associated global financial crisis would not be without effect. We had also expected the rises in the price of raw materials, which were considerable at times, to brake economic developments. However, even we were caught off-balance by the escalation of the financial crisis at the end of September 2008, as well as by the intensity and pace of the subsequent economic downturn.

The distortions in the financial markets and the downturn were mutually reinforcing. Worldwide, we experienced a sharp economic decline in the industrialized countries, especially in the United States. Most of the industrialized nations are now in a recession. The dynamic growth recorded by the emerging markets also slowed significantly. Overall, the global economy grew by just over 2 % in 2008, as compared with our forecast of 3 %.

The automotive industry was especially affected by the economic downturn. In our planning for 2008, we had assumed that while production in North America would fall, global growth of 4 % was still likely. However, when economic activity collapsed in the autumn, the number of vehicles produced also fell significantly in Europe, Japan, and in the emerging markets of Asia and South America. In total, global automobile production was down by around 3 % on the previous year.

After some delay, the downturn also affected the capital goods industry, though this sector was still able to grow significantly over the year as a whole. The global economic conditions for our Consumer Goods and Building Technology business sector worsened, especially in those areas of business closely related to the housing and construction industries. On the whole, however, personal consumption proved to be a stabilizing economic factor.

Business situation

Sales targets not achieved in the Bosch Group

The Bosch Group has also been feeling the effects of the global economic downturn since autumn 2008. While sales were satisfactory overall in the first half of the year, the fourth quarter saw a significant drop. In total, sales were down 2.6 % on the previous year, at approximately 45.1 billion euros. The development of sales was also impacted by the appreciation of the euro against the dollar and other key currencies, which was substantial at times. Disregarding currency effects, sales were down 0.5 %.

The first-time consolidation of some of our acquisitions and of already existing shareholdings had a positive effect on sales, to the tune of 460 million euros. However, most of the acquisitions made in 2008 will only be reflected fully in our sales in 2009. The acquisitions strengthened all our business sectors in equal measure.

The major acquisitions impacting sales in 2008 include:

- In Automotive Technology, the takeover of Holger Christiansen A/S, Esbjerg, Denmark, a remanufacturer of starters and alternators. We also acquired the brake business of Morse Automotive Corporation in Chicago, IL (USA).

Business sectors and divisions		
Automotive Technology	**Industrial Technology**	**Consumer Goods and Building Technology**
▸ Gasoline Systems	▸ Drive and Control Technology[3]	▸ Power Tools
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▸ Chassis Systems Brakes	▸ Solar Energy[4]	▸ Household Appliances[6]
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▸ Electrical Drives		
▸ Starter Motors and Generators		
▸ Car Multimedia[1]	[1] Blaupunkt GmbH (100% Bosch-owned)	[5] Bosch Thermotechnik GmbH (100% Bosch-owned)
▸ Automotive Electronics	[2] ZF Lenksysteme GmbH (50% Bosch-owned)	[6] BSH Bosch und Siemens Hausgeräte GmbH (50% Bosch-owned)
▸ Automotive Aftermarket	[3] Bosch Rexroth AG (100% Bosch-owned)	[7] Bosch Sicherheitssysteme GmbH (100% Bosch-owned)
▸ Steering Systems[2]	[4] ersol Solar Energy AG (96.9% Bosch-owned)	

- In Industrial Technology, we acquired a majority holding in the photovoltaics manufacturer ersol Solar Energy AG, Erfurt, Germany, which develops and manufactures solar cells for electricity-generating modules. We set up a new division, Solar Energy, specifically for our activities in this area.
- In Consumer Goods and Building Technology, we acquired CST/berger, West Lafayette, IN (USA), a manufacturer of laser-based and optical measuring technology. We also purchased L.R. Nelson Corporation, Peoria, IL (USA), a manufacturer of garden irrigation systems, and, in the area of security systems, the video specialist Extreme CCTV Inc, Burnaby, BC (Canada).

A good strategic position

Despite the difficult business developments in fiscal 2008, we believe they confirm that the strategy we are pursuing is the right one. Once again, we benefited from our very broad international base, particularly in the emerging markets in eastern Europe, Asia Pacific, and South America. Their economies still grew significantly on the whole in 2008, despite the global economic downturn. Furthermore, the diversity of our activities was a stabilizing factor, since the various business areas were affected by the economic downturn at different times and with varying levels of intensity. Moreover, we were able to strengthen our market position in all areas. To support this endeavor, we spent 3.2 billion euros on acquisitions and increased shareholdings. At the same time, we were also able to gain market share with innovative products geared to environmental protection and resource conservation. Products such as these now account for roughly one-third of our total sales.

A broad international base as a counterbalance

Developments varied from region to region. Our sales in North America were down 15 % to 5.9 billion euros. After adjusting for currency effects, the decrease was 9 %. Automotive Technology was hardest hit, due to the difficulties facing North American automakers. By contrast, sales in South America again grew at a double-digit rate, both in euros and in local currencies, rising by 12 % to a good 1.7 billion euros. The economic downturn only set in here in the autumn, when the financial crisis came to a head. In Europe, sales fell by a total of 1.9 % to 29.7 billion euros. In local currency terms, the drop amounted to 1.0 %. Again, this was mainly due to significant reductions in call orders from automakers. This applied to western, central, and eastern Europe alike.

In Asia Pacific, we grew our sales in 2008 by 7.0 % in local currency terms. However, due to the temporary weakness in particular of the Korean won and Indian rupee, sales in euros rose by only 3.2 % to 7.9 billion euros in the Asia Pacific region. The weaker growth in Asia Pacific as compared with previous years is also a result of the development of business activity, which led to a substantial fall in production for many automakers, especially in the fourth quarter.

As the market in Asia Pacific promises to generate impressive growth in the medium term, we further expanded our position there. For example, we founded new regional companies in Vietnam and Indonesia. Bosch now operates in around 150 countries through its regional companies, subsidiaries, and sales branches.

Dissimilar developments of the business sectors

The economic downturn impacted our business sectors in different ways. We recorded substantial losses in the Automotive Technology business sector, with sales falling by 6.9 % to 26.5 billion euros. After adjusting for currency effects, sales were down by 5.1 % year on year. Nonetheless, we were still able to maintain our position as the world's largest automotive supplier. New acquisitions contributed some 130 million euros to sales revenue.

We had already factored a downturn in automobile production in North America into our planning as a result of the difficulties experienced by the three major U.S. automakers. However, at roughly 16 %, the decline in production was much higher than the 4 % that we had forecast. Moreover, the automotive market in Europe began cooling down in the middle of the year. We responded at an early stage by adjusting production. However, as the financial crisis escalated in the fourth quarter, many automakers reduced their call orders considerably and at very short notice.

Nearly all business fields in Automotive Technology were affected by the negative market developments, particularly those units that are especially active in the North American market, such as the Chassis Systems Brakes division. In addition, demand for diesel technology was dampened by the rise in the price of diesel, which was steep at times, and by the accompanying minor difference in the price of diesel and gasoline. The global collapse in business activity also worsened the situation in the Car Multimedia division, which we are realigning toward systems integration and OEM business with the automotive industry.

The marked decline in the automotive market overshadows the success we had with a whole series of innovative products that helped strengthen our market position. We once again invested a record amount in research and development in the Automotive Technology sector, with spending in this area amounting to 3.2 billion euros. Demand for products that cut fuel consumption, and thus CO_2 emissions, continues to rise. As a result of the trend toward smaller, more powerful engines, the second generation of our gasoline direct-injection technology is also in ever greater demand. Moreover, increasing numbers of vehicles are being fitted with our start-stop system. Our joint venture company ZF Lenksysteme also recorded significant growth in demand for its electric power steering. Safety remains a top priority, as reflected in the increasing proportion of vehicles fitted with the ESP® electronic stability program.

We were also successful in the emerging markets, particularly with products tailored specifically to requirements in these countries. Such successes include our diesel and gasoline injection systems in India, and, in Brazil, our Flex Fuel system, which allows engines to run on any blend of gasoline and ethanol. In these countries, our local engineering and application centers, as well as the establishment of local supplier networks, are helping to reinforce our market position. At the end of November 2008, we opened a new winter test center for automotive technology in China, in Inner Mongolia.

Strong growth in Industrial Technology

In 2008, Industrial Technology was once again the business sector recording the strongest growth. At 6.7 billion euros, sales were up by roughly 13 %, or 15 % after adjusting for currency effects. These figures were bolstered by the first-time partial consolidation of our acquisition ersol Solar Energy AG. After adjusting for these consolidation effects, sales in the Industrial Technology business sector rose by some 10 %.

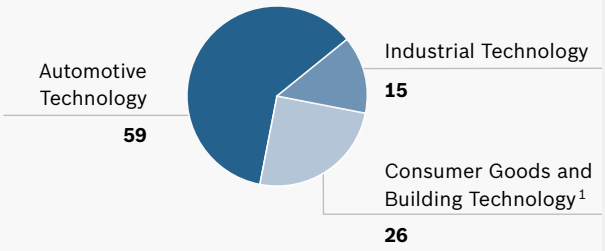
Once again, growth was driven primarily by automation technology at Bosch Rexroth. This division recorded strong growth, especially in Europe and Asia. This development benefited in particular from high order-intake levels in its industrial hydraulics business, but mobile hydraulics also grew significantly despite the difficult situation in the U.S. construction industry and the economic slowdown. The business with components and gearboxes for wind-power generation exhibited particularly strong growth.

The acquisitions we made in automation technology will not be reflected in sales until 2009. Through the takeover of the hydraulics specialist Hägglunds Drives AB, Mellansel, Sweden, we expanded our product portfolio to include more powerful radial-piston motors of the type used in mining and materials handling technology. Additionally, to further reinforce the company's market position, we acquired K. & H. Eppensteiner GmbH & Co KG, Ketsch, Germany, which manufactures filters for hydraulic applications. Bosch Rexroth also expanded its service business through the acquisition of the German companies MSG Maschinen- und Stahlbau GmbH, Joachimsthal, and Interlit Joistgen GmbH, Cologne, which manufacture and sell cooling and lubrication systems, particularly for use with machine tools.

The packaging machinery business developed positively, bolstered by the international expansion of our activities, especially in Asia and eastern Europe, and by a range of innovative product solutions. The acquisition of Paal GmbH & Co KG, Remshalden, Germany, strengthened our market position, enabling us to expand our portfolio to include secondary and case packaging.

Sales by business sector

Bosch Group 2008
Percentage figures

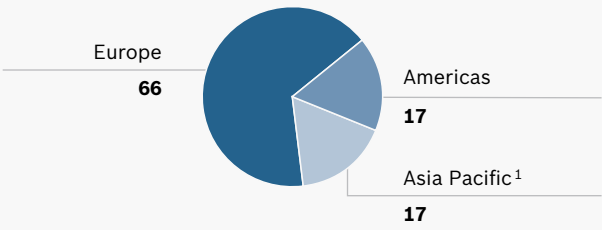


Total: 45.1 billion euros

[1] Including other activities

Sales by region

Bosch Group 2008
Percentage figures



[1] Including other countries

Consumer Goods strengthened in a difficult environment

As a result of the housing crisis in North America, but also in the United Kingdom and Spain, and as a result of substantial currency effects, sales in the Consumer Goods and Building Technology business sector rose only slightly, by 1.4 %, to 11.9 billion euros. After adjusting for currency effects, growth amounted to 4.2 %. Many new acquisitions will not be reflected in sales until 2009. In 2008, consolidation effects came to only 60 million euros.

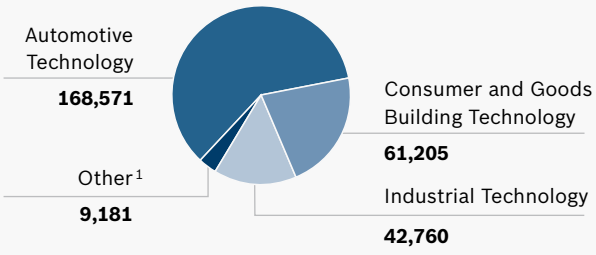
In our power tools business, the acquisition of the Swiss abrasives specialist sia Abrasives Holding AG, Frauenfeld, will not have any effect until fiscal 2009. We also agreed the takeover of a manufacturer of saw blades, Freud SpA, Milan, Italy, at the end of 2008. These two acquisitions further strengthened our market position in the accessories business. The acquisition of CST/berger has also made us a global supplier of laser-based measuring technology. However, innovations, too, played a part in reinforcing our strong position in hand-held power tools, and helped us to expand our position in a global market that was shaped overall by a slight downturn. Many of these innovative products featured lithium-ion batteries. As we also expanded our operations in a number of markets, we were able to compensate for the fall in sales elsewhere, particularly in North America.

There were favorable developments in heating technology, where we profited from amendments to the subsidy policies of a number of European governments. Moreover, after a slowdown in 2007, and following moves by the German government to make its emissions regulations and incentives policies more explicit, the German market picked up once again. The result was an increase in demand for fuel-saving condensing appliances, solar collectors for hot-water generation, and electric heat pumps.

BSH Bosch und Siemens Hausgeräte GmbH felt the effects of the difficult housing market in North America and Spain. The effects of the economic slowdown were also felt in other European markets. Currency effects also constituted a considerable burden. However, BSH was largely able to offset these downturns in sales, since the joint venture further strengthened its market position. Business in eastern Europe and China exhibited dynamic growth, and a large number

Headcount by business sector

Bosch Group
As per January 1, 2009

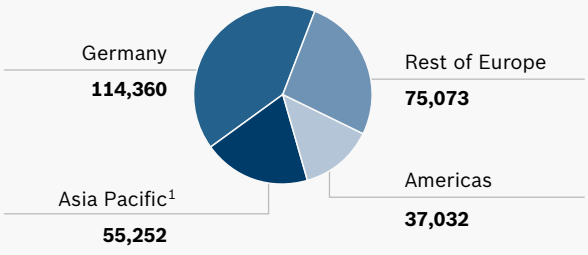


Total: 281,717

[1] Corporate functions and research

Headcount by region

Bosch Group
As per January 1, 2009



[1] Including other countries

of products geared to energy efficiency also played an important role in this development. Key innovations included dishwashers featuring Zeolith® drying technology and heat-pump driers in the area of washing and drying.

In Security Systems, the global economic downturn was reflected primarily in a drop in major infrastructure investments. However, we were able to compensate for the drop in sales in North America by growing in other regions. The figures for our video-surveillance and fire-alarm systems business were especially encouraging. Through the acquisition of the Canadian company Extreme CCTV, we expanded our product portfolio to include video-surveillance systems for use in difficult conditions.

Headcount rises once again

By the end of the year, our global workforce had risen significantly by 10,400 to 281,700. This increase resulted solely from the many company acquisitions we made. In our established businesses, headcount increased again in Asia Pacific and – even if only slightly – in Europe, though it fell in the Americas in equal measure, primarily as a result of the difficult economic situation in North America. Headcount remained stable in Germany. At the end of the year, we employed 114,400 associates in Germany and 167,300 in the rest of the world.

The production cutbacks introduced by automakers also forced us to adjust our output accordingly. In many cases, we succeeded in developing concepts for job security in cooperation with employee representatives. In Germany, such concepts include worktime accounts, collective agreements to reduce working hours, and shorter working weeks. However, in other countries, where these flexible options are available only on a limited basis, if at all, there have also been redundancies. On the whole, our objective is to keep our core workforce despite the decline in economic activity.

We are carrying on our various junior executive programs and are continuing to take on associates for our trainee and Ph.D. programs, as well as apprentices. In 2008, we trained more than 6,100 young people worldwide. We also want to keep the numbers of our associates in our training programs on the high level seen in previous years.

Strategy

Strategic orientation to long-term trends

The currently difficult economic phase does not cast any doubt on our strategy. This takes its lead from fundamental global trends, including first and foremost the urgent task of environmental protection. Furthermore, we are still convinced that the emerging markets will continue their catching-up process, and will eventually evolve into significant economic powers in the medium to long term. Another major development is the increasing scarcity of natural resources. Finally, in many regions of the world, we must prepare ourselves for ageing populations.

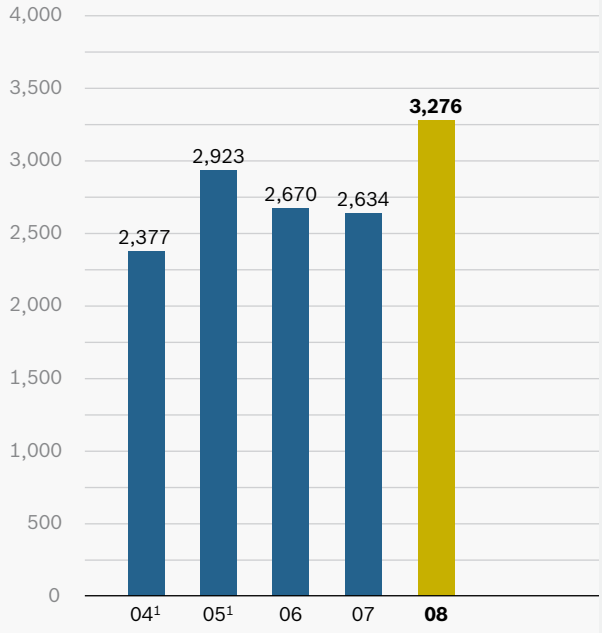
These fundamental trends have shaped our strategy, which we develop on the basis of the Bosch vision. As a leading technology and services company, we want to take advantage of our global opportunities for a strong and meaningful development. Our aim is to enhance the quality of life with solutions that are both innovative and beneficial, as reflected in our slogan "Invented for life." We also strive for sustained economic success and leading market positions in our areas of activity. Entrepreneurial freedom and financial independence allow our actions to be guided by a long-term perspective, all the more so in economically difficult times.

Focus on innovations

Innovations are a key element in our strategy. The growing demands placed on climate protection and energy efficiency will be a major driver of innovation in the years ahead. We regard it as our task to help create an environment worth living in by further

Capital expenditure

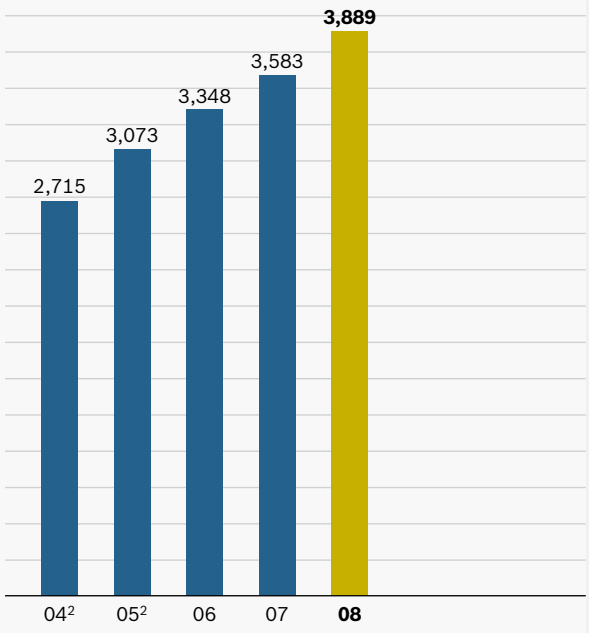
Bosch Group 2004 – 2008
Figures in millions of euros



[1] Pursuant to IFRS, without discontinued operations

Total research and development cost[1]

Bosch Group 2004 – 2008
Figures in millions of euros



[1] Including development work charged directly to customers
[2] Pursuant to IFRS, without discontinued operations

developing our products and devising new solutions. At the same time, the growing demand for technological solutions gives us a great opportunity to stay ahead in the face of tough global competition.

That is why we invested some 3.9 billion euros in research and development in fiscal 2008. At the end of the year, some 32,600 associates were working in this area. Of this total, more than 1,400 were employed in the corporate sector Research and Advance Engineering, where we lay the foundations for future products and processes. The number of patents filed by Bosch worldwide reached the record level of some 3,850. Our commitment to innovation is also acknowledged in the public domain. By way of example, we received the German Future Prize, Federal President's Award for Technology and Innovation 2008, in recognition of our work on new processes and applications in micromechanics.

Approximately 10,000 of our researchers and development engineers work in the Americas and in Asia Pacific, enabling us to focus on the specific requirements of our customers. We expanded our interna-

tional research network in 2008 through the addition of new centers in Singapore and St. Petersburg. And in 2009, too, our research and development expenditure will remain on a high level. Eco-friendly and energy-efficient products are a main focus of our research and development work.

In automotive technology, we are confident that the internal-combustion engine will remain the dominant automotive drive system over the next 20 years. We believe there is still considerable potential for optimizing this engine. In our view, hybrid vehicles are an interim technology en route to the long-term objective of the electric car. Our strategy is to advance these challenging technology concepts in parallel.

Accordingly, we are not only focusing on the further development of our diesel and gasoline direct-injection technologies. In 2008, we also joined forces with Mahle GmbH, Stuttgart, Germany, to set up a joint venture company in the area of exhaust-gas turbochargers. When used in conjunction with turbocharging, gasoline and diesel engines can be made more compact without impairing performance. This also cuts fuel consumption and CO_2 emissions considerably. At the same time, we have further stepped up our development activities for hybrid technology, pooling them in a separate business unit.

Major advances still have to be made when it comes to battery technology for hybrid and electric vehicles. It was for this purpose that we set up the joint venture company SB LiMotive Co Ltd, Suwon, Korea, with the Korean company Samsung SDI. The company's purpose is to drive forward the development of automotive lithium-ion battery technology, and to manufacture these batteries in large-scale series production. The objective is to develop batteries with a much higher energy and power density, as well as a far longer service life, at a much lower cost. We also continue to research and develop in the area of fuel-cell technology, although we believe that fuel cells will tend to be used in stationary applications for generating electricity and heat.

A growing need for safety, the demand for greater comfort, and reduced vehicle weight require that today's driver assistance systems be developed further into active safety systems. This calls for software-intensive systems, an area in which we are systematically expanding our expertise.

Factors such as energy efficiency, environmental protection, safety, and comfort also play a significant role in our other business sectors, particularly in power tools, heating technology, and household appliances. With power tools, new legal regulations for vibration and dust are changing product requirements and driving innovations forward. The biggest impetus continues to come from lithium-ion technology, which increases ease of use through its cordless power supply. With household appliances, we are focusing on the reduction of power and water consumption, as well as on noise emissions and ease of use. In heating technology, we are preparing for a sustained trend toward renewable energies.

There is also increased demand for security in both the public and private sectors. The product portfolio of our Security Systems division ranges from access-control systems and video surveillance for public spaces to public address systems, intrusion detectors, and social alarm systems. In this context, internet-based systems are an area with huge potential.

These trends are also growing in importance in our dealings with industrial customers in automation and packaging technology. In the mobile machinery market, one essential technical requirement is to reduce energy consumption and emissions, while increasing productivity. In 2008, Bosch Rexroth presented a hydraulic hybrid for commercial vehicles, which stores braking energy temporarily in a hydraulic pressure accumulator. This unit is also expanding its activities in the field of renewable energies, taking in everything from gearboxes and actuators for wind-power plants, to hydraulic actuators for solar thermal power plants, to pilot projects for drive technology in the area of ocean-power generation.

We encounter similar requirements for energy efficiency, environmental protection, and safety in the field of plant equipment, and endeavor to find innovative solutions. Examples of our innovations include safety systems integrated into the drive, and variable-speed pumps, which can cut power consumption by up to 50 % while reducing noise emissions. In packaging machinery for confectionery production, we can save substantial amounts of energy and water through our "cooking without water" concept. There are also increasing calls for less packaging material to be used. For example, we now use ultrasound technology to seal flexible packaging. Safety requirements are also becoming stricter. Machinery which is used in the pharmaceuticals industry to package highly active substances is enclosed in order to protect machine operators.

Establishing new areas of business

It is part of our strategy to significantly grow our business with systems and components for utilizing renewable energy. In view of the finite nature of fossil fuels and the need to cut CO_2 emissions, we expect that the use of renewable energies will play an increasingly important role in the future. Decentralized energy generation will also gain in significance.

This was also why we took over photovoltaics manufacturer ersol Solar Energy AG in mid-2008. We will further expand this area of business. In the area of renewable energies – activities relating to wind power, solar thermal systems, heat pumps, and photovoltaics – we generated consolidated sales of around 900 million euros in 2008.

Diversification and internationalization as core strategies

One of our long-term objectives is to achieve an even better balance in our sales structure. We want our Industrial Technology and Consumer Goods and Building Technology business sectors to grow faster than the Group average, but without neglecting any market opportunities in Automotive Technology. The aim is to achieve a rough balance between our automotive business on the one hand and our remaining operations on the other. A corporate structure of this kind helps us to spread risk and underpins our global expansion activities by generating synergies between the business sectors.

We are also adhering to our longer-term objective of generating around 25 % of our sales in Asia Pacific and the Americas respectively. With a sales share of 50 %, Europe will even then remain our largest market. Here, the central and eastern European markets are steadily gaining in importance. Over the next few years, we will be stepping up our activities in Asia Pacific and South America.

Integrated quality management

High quality standards are a firm component of our corporate culture. We pursue an integrated quality management policy, in which we seek to meet the increasing quality requirements set by networked and complex processes and products. At the very beginning of the product-creation process, we focus our full attention on the specific requirements of our customers. We also integrate our suppliers into the product-creation process at a very early stage. This is essential for exploiting the Bosch Product Engineering System and the Bosch Production System to their full effect.

In addition to technical expertise and the ongoing development of our production methods, we have designed our quality management system as an independent organization that reports directly to the board of management. We also continuously improve our associates' problem-solving skills. As a result, we once again succeeded in cutting defect rates and quality costs in 2008.

Further development of purchasing and logistics

The increasingly competitive global market calls for the ongoing development of the methods, processes, and organization of our global purchasing and logistics network. There are also the additional challenges of the increasing volatility of the raw materials markets and the risks for the supply chain caused by the financial crisis. Our objective is to achieve a stable value-added chain from our suppliers to our customers.

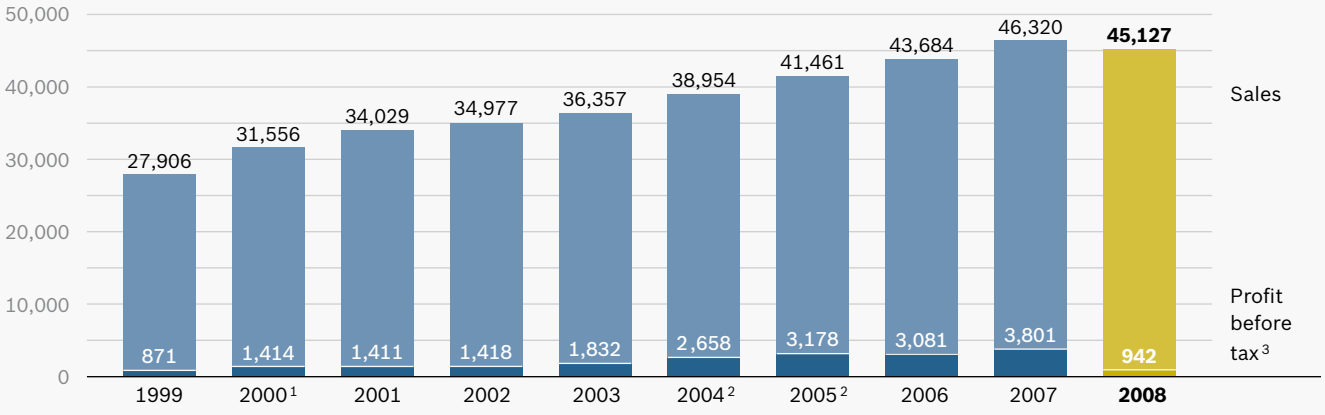
In 2008, the Bosch Group spent 24 billion euros on production materials, merchandise, operating resources, services, and machinery. Roughly half this amount went toward production materials, which we purchased from some 9,000 suppliers. We will continue to increase the number of preferred suppliers, while reducing the number of suppliers overall. In 2008, we stepped up our purchasing activities in the emerging markets, already purchasing more than 30 % of our production materials and merchandise there. Our aim is to use mainly local suppliers for our manufacturing sites on all continents. The principle of purchasing locally helps to simplify the complex logistics processes, as well as to reduce the level of capital tied up in inventory.

Corporate social responsibility

A central aim of our corporate management is to achieve a balance between the company's long-term development on the one hand and societal, social, and ecological concerns on the other. These concerns have traditionally included high environmental and

Sales and profit before tax

Bosch Group 1999 – 2008
Figures in millions of euros



[1] Special effects as a result of the "distribute-recapture method" at Robert Bosch GmbH
[2] Pursuant to IFRS, without discontinued operations; 2004 sales pursuant to HGB: 40 billion euros
[3] Up to 2003 designated income from ordinary business activities pursuant to HGB

social standards. We regard the protection of the environment and conservation of resources as important conditions for safeguarding our activities in the long term. Our goal is to cut CO_2 emissions at our manufacturing locations by at least 20 % from their 2007 level by 2020. Equal opportunities for associates, whatever their cultural background, is a core principle of our human resources work. We also place the highest possible value on occupational health and safety, as well as on the safety of our facilities.

We have set out guidelines for the way we work together and compiled them in the "House of Orientation." Our values, which, alongside future and result focus, also include responsibility and legality, are another key component. The House of Orientation also provides information about our vision, our BeQIK mission as a guideline for our daily activities, and our core competencies for the successful further development of the Bosch Group. The Bosch Business System contributes to the systematic improvement of all internal processes within the company.

Results of operations

Result down significantly

The Bosch Group's profit before tax in 2008 stands at 942 million euros, as compared with 3.8 billion euros in the previous year. At 1.5 billion euros, the operating result is down on the prior-year figure of 3.2 billion euros. The main reasons for this decline in result were the worsened profit situation in Automotive Technology, the burden of the – at times – sharp rise in the price of raw materials, and a negative financial result. The latter was attributable to lower financial income due to higher cash flows resulting from acquisitions, as well as to losses in our securities portfolio. To secure result, we have taken cost-cutting measures on all levels and in all units.

The Automotive Technology business sector suffered the most significant decline, generating an operating result of 321 million euros, compared with 1.7 billion euros the previous year. The return on sales from operations was thus roughly only 1.2 %. This decrease was attributable to under-utilization of production capacity following the significant cuts in call orders by automotive customers, as well as to the steep rise in raw materials prices. We were also forced to recognize 175 million euros in write-downs of property, plant, and equipment in the Chassis Systems Brakes division, due primarily to the fact that our prices were unable to cover costs. A lot of effort will be required to make customer orders profitable in the foreseeable future. The situation was worsened by restructuring costs, by losses from divestments – particularly in the realigned Car Multimedia division – and, as a result of the difficult market environment, by the far greater necessity for provisions for potential losses in a number of areas.

The Industrial Technology business sector also recorded a decline, with an operating result of 447 million euros, compared with approximately 500 million euros in the previous year. This corresponds to a return on sales from operations of 6.6 %. Bosch Rexroth again made the greatest contribution to result. However, the result in 2008 was impacted significantly by the rise in raw materials prices and by the appreciation

of the euro against the dollar, which for a certain time was substantial. The situation was compounded by depreciation on investments, which was higher than in previous years as a result of significant expansion of capacity. The result achieved in packaging technology and in our new photovoltaics business was good.

The Consumer Goods and Building Technology business sector achieved an operating result of 714 million euros, as compared with approximately 880 million euros in the previous year. The result was significantly affected by the difficult market situation in North America and some European countries, by the rise in materials prices, and by currency effects. The return on sales from operations fell to 6.0 %

Financial position and net assets

Financial base secures stability

Thanks to our solid financial base, we were able to spend 3.2 billion euros in 2008 on acquisitions and increased shareholdings, despite the difficult economic environment. We financed the acquisitions by transferring cash and cash equivalents. This is the main reason for the drop in liquidity as per balance sheet from 12 billion euros in the previous year to 8.0 billion euros. Apart from cash and cash equivalents, this liquidity also includes securities and bank balances with a term of more than 90 days. Revaluation of the share portfolios due to the sharp fall in share prices at the year end also played a role in the drop in liquidity as reported on the balance sheet.

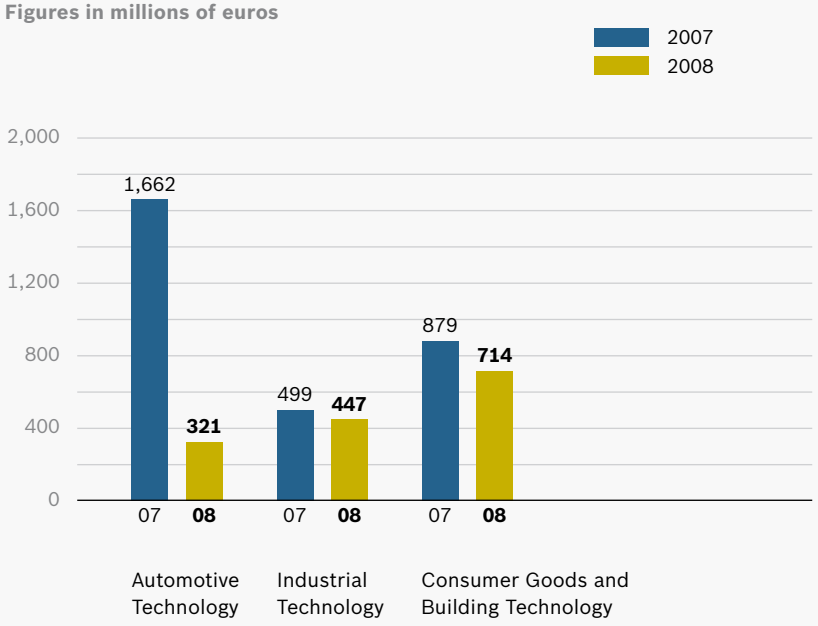
We financed our investments in fixed assets from cash flow from operating activities. In 2008, cash flow amounted to 4.0 billion euros, reaching 8.9 % of sales as compared with 10.9 % in the previous year. Our liquidity as reported on the cash flow statement (cash and cash equivalents) came to 2.3 billion euros.

Timely decisions thanks to an integrated controlling system

On the basis of data generated by a comprehensive and integrated internal controlling system, the board of management receives a monthly business report outlining the performance of the operating units with reference to selected indicators. Apart from variables such as sales revenue and result, it maps the development of total workforce, fixed costs, and current assets, thus enabling timely decisions to be made. Controlling is basically performed by comparing actual and target values whose basis is the business plan agreed at the end of each preceding year. This business plan is embedded into longer-term strategic corporate planning. At the same time, the monthly business report enables a comparison with the actual values from the previous year. As a result of the economic situation and the uncertainties associated with it, we have decided to postpone until March 2009 the approval of the business plan for 2009 in order to achieve an effective basis for planning. The central control parameter of our value-based management system is value contribution, which for the Bosch Group is derived from the target of a sustained pre-tax return on sales of between 7 and 8 %. Its development is the yardstick we use to assess performance. It forms the basis for calculating executives' performance-based annual bonuses, from section-manager level to the board of management. It is also used for portfolio management. The value contribution represents cash flow less cost of capital. The cost of capital applied in 2008 remained unchanged at 8 %.

Operating result by business sector

Bosch Group 2007/2008
Figures in millions of euros



Continued high level of capital expenditure

We invested a total of roughly 3.3 billion euros – some 640 million euros more than in the previous year – in the Bosch Group in 2008 in order to reinforce our international position in the market and build up new areas of business. Capital expenditure significantly exceeded depreciation of property, plant, and equipment, which amounted to 2.4 billion euros.

In regional terms, we invested some 2.4 billion euros in locations in Europe. Major projects meant that much of this investment –1.6 billion euros – was accounted for by Germany. In Asia Pacific, we increased our capital expenditure to around 530 million euros, focusing primarily on China and India. In North and South America, capital expenditure came to approximately 300 million euros. Due to the difficult economic situation worldwide, we have been re-evaluating all planned capital investment since autumn 2008. In 2009, we expect that capital expenditure will be roughly similar in scope to 2007.

We remain committed to our major forward-looking projects, including the new semiconductor factory for eight-inch wafers in Reutlingen, Germany. Construction activities are already at an advanced stage. We will also be investing around 500 million euros up to 2012 in the expansion of our manufacturing capacities for solar cells at the Arnstadt (Germany) location of our subsidiary ersol Solar Energy. Another major investment is the expansion of manufacturing capacities for wind-power technology at our German sites

Consolidated cash flow statement		
Bosch Group 2007/2008	2007	**2008**
Cash flow	5,052	**4,032**
Cash flow as a percentage of sales	10.9	**8.9**
Liquidity[1] at the beginning of the year (Jan. 1)	2,849	**2,789**
Cash flow from operating activities	4,076	**4,444**
Cash flow from investing activities	–3,528	**–4,242**
Cash flow from financing activities	–585	**–719**
Miscellaneous	–23	**–5**
Liquidity[1] at the end of the year (Dec. 31)	2,789	**2,267**

[1] Cash and cash equivalents

Figures in millions of euros

in Witten and Nuremberg, where production is scheduled to start in the first half of 2009. There are also plans to purchase a substantial area of land in the Stuttgart area in 2009. When this land becomes available, we intend to use it as the site of a new research center.

Automotive Technology accounted for roughly two-thirds of capital expenditure in 2008. In addition to the semiconductor factory in Reutlingen, we once again, as in the previous year, invested heavily in production facilities for our common-rail diesel technology and gasoline direct injection technology in Germany, but also in India, China, and Turkey. We also expanded the capacities of our engineering service provider Bosch Engineering GmbH in Abstatt, Germany. In Industrial Technology, we expanded our capacities for components and gearboxes for wind-power generation, as well as for linear technology and hydraulics in Germany and China. In the household appliances business of our Consumer Goods and Building Technology business sector, we once again invested above all in the growth markets China and Russia, as well as in manufacturing facilities for new product series in Germany, Spain, Poland, and Turkey.

Sound balance sheet structure

Our balance-sheet structure remains extremely sound. At the balance sheet date, we disclosed equity of 23 billion euros, with the equity ratio reaching a good 49 %. This reduction from the previous year can largely be attributed to the lower valuation of our shareholdings and listed investments, as well as to the lower profit after tax. In addition to a decrease in the profit before tax, the profit after tax was also impacted by a far higher tax ratio. This was due first and foremost to changes in deferred taxes resulting from the loss situation in North America.

The balanced structure of our non-current financial liabilities also helps to keep our financial situation fundamentally sound. As in the previous year, these liabilities totaled some 2.0 billion euros. They fall due between 2010 and 2016. We also rely on a high degree of flexibility. For example, we have access to unused commercial paper programs to the tune of around 1.5 billion dollars and 1 billion euros. At the end of the year, our cash and cash equivalents, including current bank balances and current securities, stood at 2.7 billion euros.

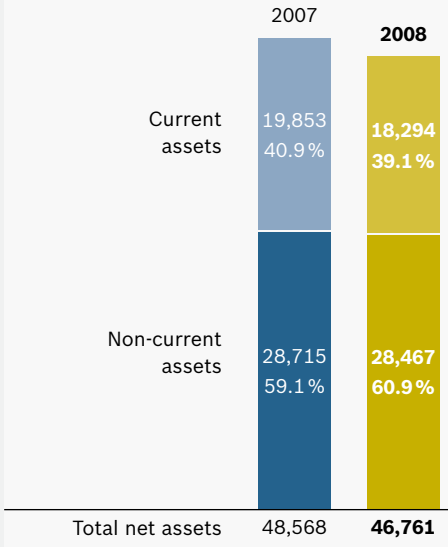
The securities we report under non-current financial assets dropped to 5.1 billion euros, mainly as a result of the high level of acquisitions in 2008 and the worldwide decline in share prices. Our liquidity and securities therefore largely cover our pension provisions of 5.7 billion euros and our current and non-current liabilities. In 2008, the inventories of the Bosch Group increased considerably year on year, mainly as a result of the effects of newly consolidated companies and of reductions in call orders made by customers at short notice in all business sectors in the second half of 2008. We are doing our utmost to reduce inventories worldwide.

Risk limitation through corporate financial management

The Bosch Group has a corporate financial and currency management system. It is designed to ensure the Group's ability to pay at all times, to control cash flows in the best possible way, and to limit the risk of currency exposures at Bosch-Group level. We achieve efficient use of group liquidity by making comprehensive use of cash pools, which we have set up around the world. The financial resources are controlled via the corporate financial management system in cooperation with selected banking partners. The creditworthiness of banks is tested by ratings and by the amount of liable equity. Only banks that meet a stipulated minimum rating criterion are accepted as business partners. Without exception, risk positions must not exceed a defined limit per banking partner. In addition, financial flexibility is ensured through financing programs. We have programs for short-term and longer-term capital market financing. If we utilize these programs, we benefit from the good credit rating of the rating agencies Standard & Poor's (long term AA-/stable, short term A-1+) and Fitch Ratings (short term F1+).

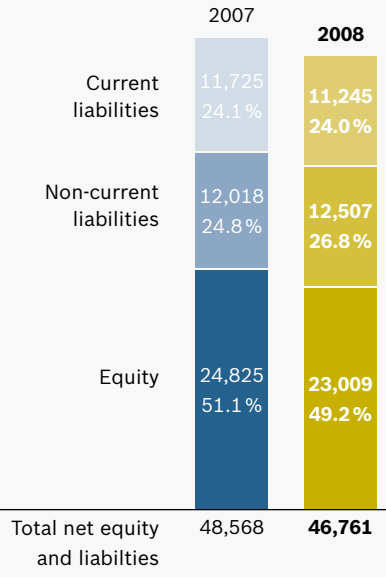
Balance-sheet structure – assets

Bosch Group 2007/2008
Figures in millions of euros/as a percentage of total net assets



Balance-sheet structure – equity and liabilities

Bosch Group 2007/2008
Figures in millions of euros/as a percentage of total net equity and liabilities



Subsequent events

There were no events of material importance subsequent to the balance-sheet date.

Forecast

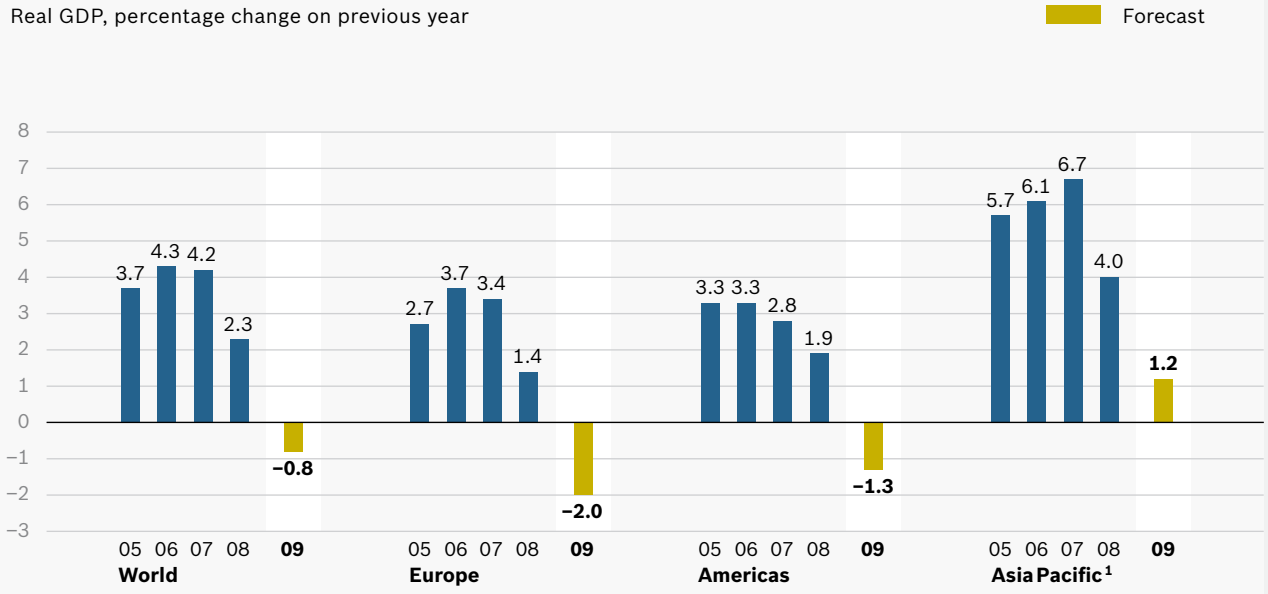
Unfavorable conditions worldwide

At the beginning of 2009, the global economy is characterized by a severe recession. The steep decline in demand and production seen in nearly all industries and regions has continued in the first few months of this year. While the crisis in the financial markets has been defused somewhat thanks to comprehensive government support, the ability of the banking sector to function properly is still very much impaired. Most countries have now also introduced comprehensive stimulus packages, which should show their first positive effects in the spring.

In this situation, we expect the global downturn to bottom out by the middle of 2009, followed by a slight recovery. For 2009 as a whole, however, it has to be expected that global economic performance will fall by roughly 1 %. And for global automotive production, we have to assume that the decline in output this year will be at least 10 %. For 2010, we expect that global growth will gradually firm up, and that global automotive production will also recover. In a number of countries, this recovery will also be helped by programs aimed at reducing the average car fleet age, as

Regional economic growth 2005 – 2009

Real GDP, percentage change on previous year



[1] Including other countries

well as by greater clarity with respect to CO_2 taxation. However, only after several years of expansion will the losses sustained in 2008 and 2009 be recuperated.

Experience has shown that the capital goods industry is subject to particularly sharp fluctuations. We therefore anticipate an especially significant decline in this area in 2009, although demand created as a result of energy policies should go some way toward offsetting this. These policies will especially benefit our activities in renewable energies. In consumer goods, by contrast, we anticipate that the fluctuation in business will be less severe.

Against this backdrop, our objective is to minimize the losses that are likely in 2009, and to lessen the risks to earnings through strict cost-cutting measures. The expected stabilization of business activity means that we see opportunities for appreciable growth in all units and regions in 2010. With the main planks of our strategy, we are well prepared for this recovery: with our broad global footprint, with our policy of focused diversification, and with the clear alignment of our product portfolio to our corporate slogan “Invented for life.”

Risk report

Risk management in the Bosch Group

We have compiled the organizational rules and actions relating to risk management in the Bosch Group into directives, which we review and revise on a regular basis. The executive management of the divisions and the presidents of regional organizations are responsible for identifying and controlling risks at the point of origin, while the corporate departments are responsible for identifying and controlling risks of general relevance.

Defined processes ensure that identified risks and opportunities are forwarded to the relevant decision makers. Internal controls by specialist departments, the Bosch Group internal auditing unit, and the compliance organization ensure compliance with laws, guidelines, and corporate directives. Risk management tools include systematic business field, competition, and regional analyses, as well as regular benchmarking. Moreover, our reporting system delivers monthly reports on all commercially relevant matters.

General risk assessment

On the basis of the individual opportunities and risks set out in the management report, and of the information currently available, there are no additional recognizable risks – apart from the market-related opportunities and risks listed in the forecast above – that might materially impair the net assets, financial position, and results of operations of the Bosch Group in fiscal 2009. Our broad regional and sectoral presence also ensures that risks are spread.

The following risk categories are considered in greater detail:

Strategic risks: We systematically and regularly examine the consequences resulting from the possible concentration of customers and competitors, and focus on aspects such as technological change, dependence on individual suppliers, and the quality delivered by suppliers. The difficult market environment throughout the automotive industry poses a risk at present. This applies in particular to the economic situation of North American automakers. We counter this risk by carefully analyzing our current corporate policies and closely monitoring our trade receivables. We are also expanding our business with emergent local manufacturers in Asia Pacific in particular, with the aim of further improving our regional balance.

Operational risks: One risk we continue to face stems from automakers' demands for further price reductions and from strong price pressure in the area of consumer goods. In addition, we initially have to expect a substantial downturn in business in the first half of 2009. In automotive technology, ever shorter development cycles and increasingly complex systems pose a significant quality risk. This situation is compounded by ever greater demands made of product liability. We counter these risks with intensive quality assurance activities along the entire supply chain. This type of approach can reduce the risk of quality defects, but does not exclude them completely. As a result of the financial crisis, it is much more difficult for our suppliers to take out loans, which may lead to liquidity problems for some of them. We have set up a central expert team and working groups in the divisions and

developed methods for identifying insolvency risks among our suppliers as early as possible. In individual cases, we work with the supplier to define measures that will secure the lasting reliability of deliveries.

IT risks: We have put in place comprehensive measures valid throughout the company to provide organizational and technical protection against all kinds of data loss, manipulation, and theft. We also protect our data against IT system failures by using redundant systems that run independently of location.

Legal risks/compliance: We do not anticipate any material risks as a result of current or pending litigation. We pursue the principle of legality as an integral part of the Bosch values. We have summarized the resulting rules of conduct in a series of guidelines, directives, and in our "Code of Business Conduct." We have also created a global compliance organization for identifying any violations of legal regulations or internal directives quickly and comprehensively.

Financial risks: The operative business of the Bosch Group is impacted by fluctuations in exchange and interest rates. We limit these risks by taking precautionary measures at corporate level. Internal regulations and guidelines set down a mandatory framework and define the responsibilities relating to investment and precautionary measures. According to these regulations, financial tools such as futures trading and interest swaps may only be used in connection with operative business, financial investments, or financing transactions; speculative transactions are not allowed. Hedging transactions are entered into solely via banks whose creditworthiness is regarded as impeccable.

We have substantial financial assets, partly as a counter to our pension obligations. These are subject to interest-rate and exchange-rate risks. We control these risks by means of an investment process geared to our financial exposure. The objective here is to secure appropriate, risk-adjusted returns on invested capital.

Global risks: We systematically examine the economic, legal, and political developments in individual regions and countries and, among other things, assess the risks stemming from disasters or the actions of third parties. We have been keeping a very close eye on the economic distortions since the second half of 2008 and have taken measures to prepare for changed conditions.

Technology and Innovation

Strategic vision and innovative strength are the pillars of our business success. We orient to megatrends such as demographic change, global warming, and the scarcity of resources. Above all, we address the question of how people's quality of life can be improved in the face of such changes. The common denominator linking our research and development efforts is expressed in our corporate slogan "Invented for life." All new products and systems are measured in terms of the benefits they bring to our customers.

Our innovations originate from diverse technological fields. Key areas are the improvement of energy efficiency in all applications, the further development of sensor technology and photovoltaics, and the increasing use of electricity in the drivetrain. We have around 32,600 associates working in research and development, more than 1,400 of them in the corporate sector Research and Advance Engineering.

New center in Singapore

Combining industrial experience and academic research is a key to success in the search for both technical solutions and new technologies. That is why we are cooperating more and more closely with leading scientists at universities and institutes. We deliberately locate close to regional knowledge clusters such as California's Silicon Valley in order to access the expert networks there.

We opened a new regional center for research and advance engineering in Singapore in 2008. The Research and Technology Center Asia Pacific analyzes technological trends and market opportunities in the Asia Pacific region and identifies and promotes issues with potential for further development. The center also coordinates the efforts of the two Bosch research teams that began work in Tokyo and Shanghai in 2005. One focal point of our research in Singapore is organic photovoltaics, a new form of photovoltaics based on hydrocarbons. In St. Petersburg, a further research and technology center is forging networks with Russian academics and high-tech companies (see box). We have signed an agreement with Stanford University in Palo Alto, California, to set up an endowed professorship for the Department of Mechanical Engineering.

To operate high-precision injection valves, we use piezo-ceramic actuators. The performance ability of the piezo actuators is largely determined by the composition of their materials. For this reason, we carry out numerous tests on elementary material properties as part of our materials development efforts. The picture shows a test unit for the characterization of piezoelectric ceramic wafers.

"**Electrical energy** is becoming **more and more important**"

Dr. Klaus Dieterich is president of the Corporate Sector Research and Advance Engineering

How is Bosch research responding to climate change and resource scarcity?
The key question is where we will get our energy from in the long term. Due to the carbon dioxide issues, renewable energies will become more and more important in our energy supply. The end product of many renewable energy plants is electricity. Whether the energy comes from ocean waves, dams, wind, or the sun – it is all channeled into a generator producing electricity. Electrical power will therefore become the primary energy for us, too, and the switchover has already started.

Where specifically is Bosch researching in the renewable energies field?
Our materials researchers, for example, are working to make gearboxes for wind turbines more robust. Another focus is on improving the efficiency of wind turbines by allowing each rotor blade to be adjusted individually. Still another example is photovoltaics to harness the energy of the sun. Here, we are focusing our attention not just on inorganic photovoltaics, which will dominate business in the short and medium term, but also on organic photovoltaics.

Is research into conventional vehicle drive systems still worthwhile?
The supply of fossil fuels is secure for a number of decades to come. That is why, together with our divisions, we continue to invest heavily in the refinement of conventional combustion technology, and this with great success. Among the promising new approaches opening up in this field are downsizing and waste-heat utilization, both for diesel- and gasoline-powered vehicles. Anyone planning to buy a new car today should choose the highly economical, eco-friendly models with advanced combustion technology. To achieve affordable electric drive systems which are capable of covering acceptable distances, we need further intensive research and development – and that means both the automakers and Bosch. The goals are technically very challenging.

How is Bosch research preparing for the ever-increasing use of electricity in the motor vehicle?
We are looking into various technologies for all-electric cars. Research into the utilization of renewable energies is at the forefront here, to make electricity available in the first place. However, the central challenge is storing this electrical energy. Lithium-ion technology currently has the greatest potential in this area. We are making intensive efforts to improve the performance of battery technology. Key issues here are cost, battery life, and the number of charge and discharge cycles.

So Bosch favors all-electric as the drive solution of the future?
In the long term, yes, but we cannot restrict ourselves to just the one scenario for the future. As researchers, we have to keep on asking: what happens if unforeseeable developments or technology leaps occur? That is why we are also continuing our work on the fuel cell. For automotive technology, this is being carried out in the Gasoline Systems division, in a business unit set up specifically for this purpose. We researchers are now concentrating on fuel cells for use in the home – in combined systems where the fuel cell delivers both electricity and heat.

Driving tests to improve safety: We are enhancing driver assistance systems which are designed not only to support drivers but also to alert them, for example, to unintentional lane changes or impending collisions. For these purposes, we carry out driving tests to assess drivers' concentration and distraction levels.

Patents for the environment

The inventiveness of our associates is the bedrock of our innovative strength. We filed 3,850 patent applications in 2008, making us one of the most innovative companies in Germany. Just under 40 percent of these patents were directed at protecting the environment and conserving resources. We spent some 3.9 billion euros on research and development in 2008, equivalent to 8.6 percent of total group sales.

One important concern of our global research activity is the central question of how to make energy utilization more efficient. For example, we are a sustaining member of the MIT Energy Initiative (MITEI) at Massachusetts Institute of Technology in the U.S. This initiative brings together the potential and expertise of more than a dozen leading global companies and the renowned MIT itself. Together, we are developing forward-looking solutions for sustainable energy utilization, focusing on new materials and concepts for energy conversion.

In one of our projects, we are using computer simulations to investigate new materials for batteries. Another project is concerned with thermoelectric materials: in certain semiconductors, large temperature differences produce electrical voltages. With the help of nanotechnology, this effect can be made more intense in certain alloys, making it possible to convert heat directly into electricity. Part of the waste heat, for example, from vehicles or homes can be utilized in this way. In a further project, we are studying how to improve the efficiency of solar cells. The key here is to retain the light in the cell for as long as possible in order to increase the energy yield still further.

An innovation from our Thermotechnology division is also contributing to efficient energy management. For the new generation of Cerapur gas-condensing boilers, we have developed a control unit with a special solar optimization function. In conjunction with solar collectors, the control unit registers empirical data relating to the solar system installed and estimates whether the solar energy likely to be captured by the collectors will be sufficient to heat the water in the home. In this way, the contribution made by this renewable energy to water heating can be significantly increased, achieving an additional energy saving of up to 15 percent. A further advantage of this control unit is that it measures the incoming solar energy striking the collectors at any given time. This means it can recognize in advance whether south-facing rooms are at risk of overheating due to direct insolation; if so, it immediately reduces the temperature of the heating circuit affected. This allows as much as five percent of heating energy to be saved additionally every year.

German Future Prize for sensors

Living proof of our innovative strength: a Bosch team won the annual German Future Prize, Federal President's Award for Technology and Innovation 2008. Our research team developed key processes for micromachined sensors (micro-electromechanical systems – MEMS) which permit completely new uses of these sensors, also outside the automotive area, and therefore open up a major new market. In surface micromachining, moving silicon structures such as springs or membranes are produced from a silicon wafer. Using new processes such as highly complex etching methods, our researchers and developers

A knowledge bridge

How the new research center in Russia operates

Return to Russia: Today, Viacheslav Bekker works for the Bosch Group in St. Petersburg. Born in Kazakhstan, the mechanical engineer studied at Bauman Moscow State Technical University before researching in Germany for several years. St. Petersburg, the metropolis on the Neva river famous for its numerous bridges, is where our new research and development center is being built, and we hope it will create a bridge to the country's huge scientific potential.

"We have good reason to be here," says Bekker. Science education in the country, particularly in mathematics and physics, is very good. There is another reason for the company's involvement. During the period of isolation from Western scientific research, Russia created a great deal of independent knowledge from which Bosch can benefit. Bosch researchers in Russia collect and evaluate information, identify trends, and maintain contacts with the Academy of Sciences, universities, and high-tech companies.

The center is assigned to the company's research unit for advanced functional and sintered materials. "We are successfully expanding our network of contacts in this area," says Bekker. The center is set to grow steadily in the coming years.

created the foundations for the cost-effective large-scale production of sensors by surface micromachining. The sensors work like electronic sensory organs. Extremely economical in their use of electricity, these high-performance sensors are also small and inexpensive.

In addition to conventional uses in automotive technology – for example, as crash sensors for airbags – MEMS like these are being used more and more frequently in consumer electronics products. An acceleration sensor, for instance, can detect whether a laptop is falling from a desk, allowing the hard disk to be protected before impact. Another example is a micromechanical pressure sensor that measures altitude to the nearest 25 centimeters – which with corresponding devices makes mobile navigation possible even in multi-story buildings, as well as for emergency call systems. We are developing further uses for micromachining in healthcare equipment and in high-temperature-resistant sensors which operate reliably even in the harsh environment of an exhaust gas system.

Talking with the navigation system

An innovation developed jointly by our researchers in the Research and Technology Center in Palo Alto, CA (USA), in Germany, and in Shanghai makes it possible for drivers to talk with a car navigation or infotainment system just as they would with a passenger. This innovation is called natural language input (NLI). The development is based on the results of international research projects in the U.S. and Europe. Using the prototype NLI, the driver can communicate in normal language without the need to memorize specific commands. This makes dialogue between user and system easier and operation of the system more convenient and more reliable.

Prize for ultrashort laser pulses

Time and again, awards underline the outstanding expertise of our researchers. One team won the "Oscar" of worldwide laser research, the innovation prize of the Berthold Leibinger Stiftung. The researchers developed a process capable of producing extremely short laser pulses – flashes lasting one-tenth of a nanosecond. The process is already being used in our manufacturing operations to produce extremely fine structures – gently and with unprecedented precision – in our new lambda sensor. The sensor is tuned even more precisely by means of infinitesimal surface alterations. This technology has great potential, as it is suitable for a wide range of materials.

Corporate Research ▸ **www.research.bosch.com**

To allow the production of cost-effective, highly efficient organic solar modules, we are developing printing processes that work in conditions similar to series production. The aim is to speed up manufacturing and lower equipment costs.

Guardian angels are another thing we show our customers. Four out of five skidding accidents can be prevented by our **ESP®** electronic stability program, but the proof of the pudding is in the eating. So we demonstrate the system's capabilities not only with facts and figures, but also with hands-on experience of critical situations – in **advanced driving courses** organized together with automakers. We have had over 93,000 participants so far – mainly dealers, but also fleet operators. It's all about giving these customers of our customers that **moment of sudden insight.**

Chris Knowles,
Managing Director
of Omega Commercials Ltd
in Bolton, U.K.

"ESP® obviously gives you more confidence when driving. After doing the course, it's clear to me that all vehicles we order from now on will have to have this system on board."

Not exactly British, this snow. But it's just what is needed to demonstrate our skid protection system to English fleet managers on a test track near Birmingham. As many as 65 percent of new vehicles in the U.K. are ordered by fleet operators, so it makes sense that their purchasers should get to know our ESP®. This is just one example of how we respond to the particular needs of our customers in different countries. The weather may not be typically British, but the target group for our advanced training courses certainly is.

A sudden lane change, first with, then without ESP®. Our trainer Martin Sismey (right) explains the test procedure to British fleet manager Chris Knowles. In these tests, the customers see for themselves how their vehicles skid in the one instance but not in the next. We are proud to have been the first to introduce this accident protection system on the market, but being the first is hardly enough. We are working hard to encourage its wider use. The European Commission has honored these efforts with its eSafety Award.

Van on the test circuit. We take every opportunity to showcase our anti-skid system at our customers' advanced driving courses, in this case at Mercedes. And vans in particular have a lot of catching up to do. One in two newly registered passenger cars in Europe has ESP®, but only one in three light commercial vehicles. We have developed a special version of the system that recognizes and takes into account a van's payload. Not only our training is specially tailored to our customers, our technology is too.

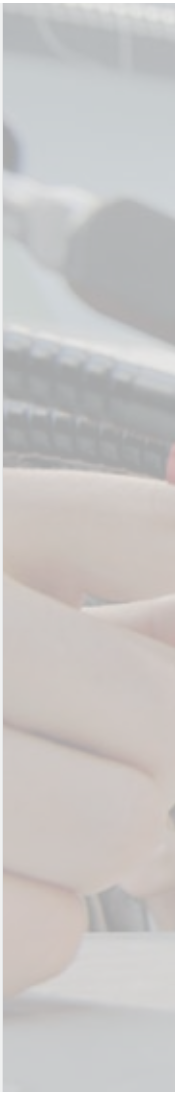
Automotive Technology

Key data	2007	2008
Sales	28,449	**26,475**
Capital expenditure	1,808	**2,195**
R&D cost	2,899	**3,250**

Figures in millions of euros

Following a slight increase in the first half of 2008, global automobile production stagnated and then collapsed in every part of the world in the fourth quarter. For 2008 as a whole, production was down by three percent worldwide, with the U.S. being particularly badly hit. Our Automotive Technology business sector was not able to escape unscathed from this steep downturn. Compared to the previous year, its sales dropped by 6.9 percent to 26.5 billion euros.

At the same time, we also notice a sustained trend toward more eco-friendly vehicles. This reinforces our conviction that products which make driving cleaner, safer, and more economical will be in even greater demand in the future. To make this “Invented for life” technology available in the market, we increased our research and development expenditure once again last year. At some 3.2 billion euros, the 2008 figure was the equivalent of roughly 12 percent of our sales in automotive technology.

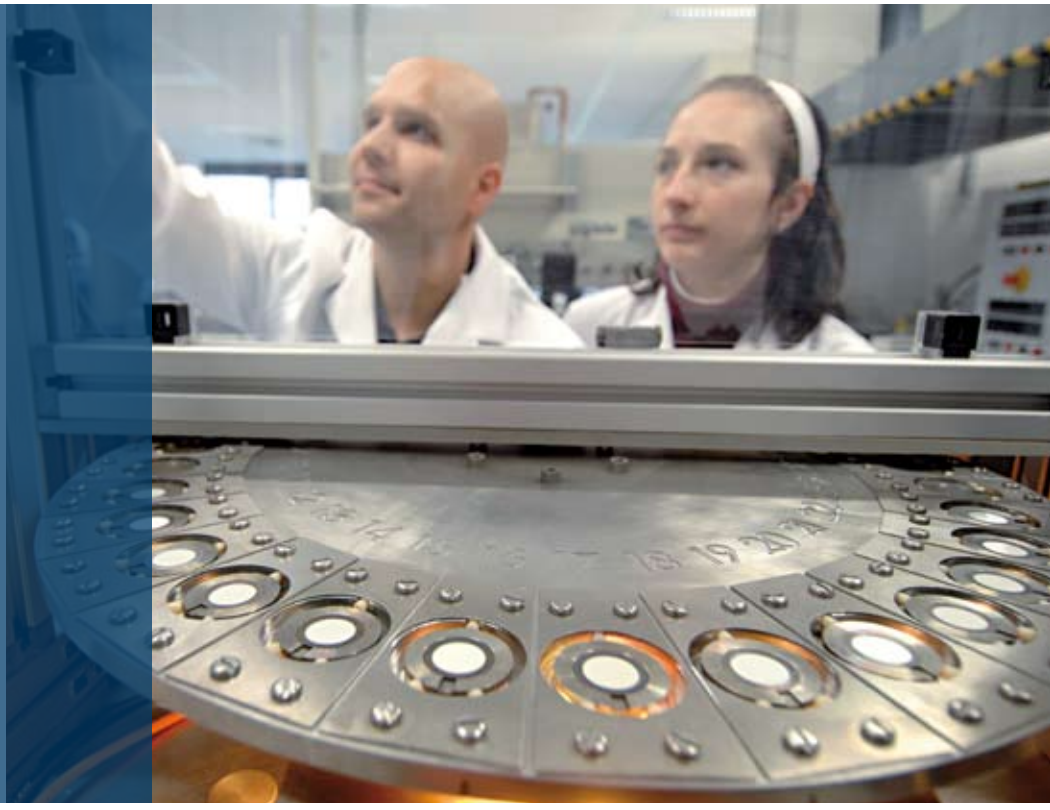


Improving internal-combustion engines

Increasingly strict legislation worldwide is aimed at making exhaust emissions as clean as possible. More and more frequently, these laws are supplemented by regulations that limit fuel consumption by setting maximum CO_2 limits, or base vehicle tax directly on fuel consumption. In light of these developments, our top priority is to continue to improve existing drive technologies in the years to come. At the same time, we are also working with our partners in the automotive industry to develop new concepts for hybrid and electric vehicles.

Over the past few years, the increasing share of vehicles powered by diesel has reduced overall fleet consumption. In 2008, at least every second newly registered car in western Europe was diesel-powered. Common-rail injection technology, which we made ready for series production and have been manufacturing since 1997, has played a major role in this development. This technology has set the standard worldwide. By the start of 2009, we had already supplied 50 million of these systems. We will continue to cut emissions from the diesel engine in the years to come – with even higher injection pressures, for example. The year 2008 saw the start of

In 2008, we started production of a variant of our ESP® brake control system, in which the sensors for measuring the yaw rate and lateral acceleration are integrated into the control unit for the first time. This cuts the space required in the vehicle and reduces the assembly outlay for the entire system. Our picture shows a precision laser being used in our development laboratory to measure the intrinsic vibration of the ESP® control unit.



In lambda sensors, fast operational readiness and a long service life are essential. This places high demands on the materials used. To ensure reliability, we regularly check the temperature resistance of the ceramic from which the sensor element is made.

production of a new system for heavy commercial vehicles. Among other things, this features an additional pressure-generation system in the injector, which is currently capable of increasing injection pressure to 2,100 bar. As a result, fuel is burned even more cleanly and the injection process can be configured even more flexibly than before.

SCR (Selective Catalytic Reduction) catalytic converters are employed to further reduce the share of nitrogen oxide (NOx) in diesel emissions. For these exhaust-gas treatment systems, our Denoxtronic metering module injects the right amount of urea into the exhaust gas flow. Although this technology is in widespread use in commercial vehicles, it was not until 2008 that it was first featured in production passenger cars. Thanks to this technology, it is already possible to meet future emissions limits such as Euro 5, Euro 6, and the emissions limits set by California, which are the world's most demanding.

There is also potential for developing the gasoline engine further. In Europe and the U.S., the trend toward smaller, turbocharged engines continued. Direct injection and turbocharging make it possible to downsize gasoline engines, so that they deliver the same power with less displacement, and consume up to 15 percent less fuel at the same time. This development was reflected in the sales of our second-generation gasoline direct injection technology, which rose by roughly one-third from 2007 to 2008. And in the years ahead, we expect demand to rise strongly. In the near future, we will serve the rapidly growing turbocharger market through a joint venture company – the Stuttgart-based Bosch Mahle Turbo Systems GmbH & Co KG, which we set up with Mahle GmbH in May 2008. It is scheduled to start production in 2011.

Alternatives to gasoline and diesel

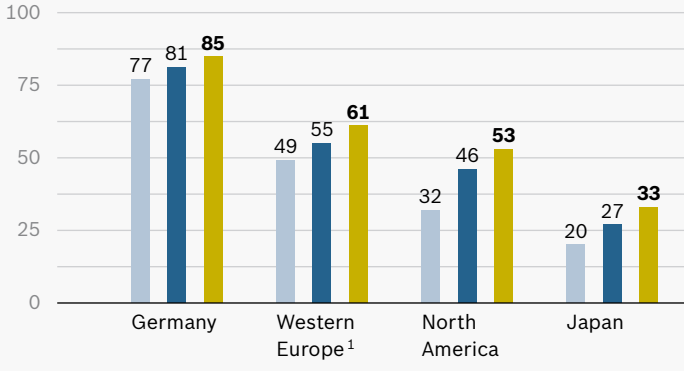
In parallel to the optimization of internal-combustion engines, we are also working on the increasing use of electricity in the drivetrain. At the start of 2009, some 400 of our associates were already working on hybrid and electrical drives. But even if we have already received orders for gasoline and diesel hybrids, we anticipate that only 3 to 5 million hybrid and electric vehicles will be produced worldwide in 2015. Consequently, modified versions of the internal-combustion engine will remain the predominant technology in vehicles for the foreseeable future, and we shall therefore energetically push forward its optimization.

The biggest challenge facing electric vehicles is how to store electrical energy. We have therefore joined forces with the Korean company Samsung SDI to set up the joint venture SB LiMotive Co Ltd. Based in Suwon, Korea, it will develop and manufacture lithium-ion batteries. Cells are to be manufactured there on a large scale from 2011.

One simple yet very efficient way of saving fuel is to automatically shut down and quickly restart the engine during short stops, for example at traffic lights and in stop-and-go traffic. We predict that start-stop systems will be fitted in every second new vehicle in Europe as early as 2012. In 2007, we launched a cost-effective start-stop solution that is now in great demand and is being used by a number of automakers. By the end of 2008, this system had already been fitted in roughly 650,000 vehicles. In the New European Driving Cycle (NEDC), which is the method used in the European Union to measure fuel consumption, the start-stop system can cut fuel consumption by up to five percent, depending on the vehicle model, and by up to eight percent in urban driving. Using specially developed alternators with a very high efficiency rating, the system can achieve even greater savings in urban driving. This Bosch technology is also meeting with growing interest in the U.S., China, India, and South America.

Growing acceptance of ESP®

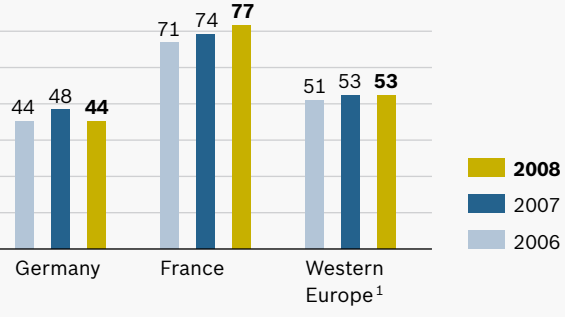
Share of vehicles equipped with an electronic stability program, on the basis of the production of passenger cars in selected markets from 2006 to 2008
Percentage figures



[1] Including Germany

Growing acceptance of diesel

Share of diesel in newly registered cars, based on selected markets from 2006 to 2008
Percentage figures



[1] Including Germany and France

Another way of cutting CO_2 emissions is to use alternative fuels, such as natural gas, ethanol, or second-generation biodiesel. We are the only supplier worldwide to offer complete natural-gas injection systems as original equipment. We also supply Flex Fuel systems that allow any blend of gasoline and ethanol to be used.

Activities in emerging markets

Although vehicle production slowed even in countries like India and China in the last few months of 2008, we anticipate that strong growth will be seen almost exclusively in Asia, South America, and Russia over the next few years. We have been present in most of these markets for many years now, and have set up production facilities there. As ever stricter emission limits are now also being introduced in Asia, limits which can only be met with the help of efficient injection systems, we believe this region offers considerable opportunities for growth in the years ahead. To meet this demand, we stepped up our activities in the region in 2008. We set up a new regional center for research and advance engineering in Singapore, and a new regional company in Indonesia. In Vietnam, we set up a sales company and a plant for the manufacture of continuously variable transmissions. In China, we opened a proving ground primarily to test safety systems, such as the ESP® electronic stability program, in wintry conditions. The new manufacturing and development facilities in Asia focus on diesel technology, whose market share we expect will rise significantly in these regions in the years to come, as well as on components for the low-price segment. In China, for example, we started the manufacture of brake components and engine radiator fans for this segment in 2008. We also expanded our activities relating to electrical drives and air-conditioning fans.

Brake control systems to become mandatory

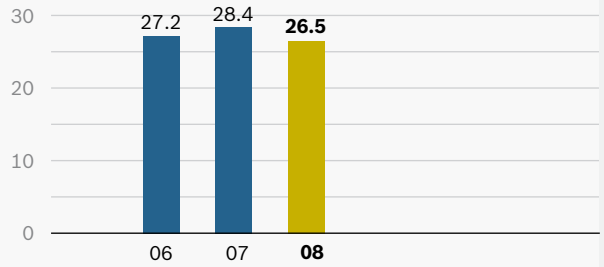
Since they can prevent many accidents, active safety systems play an important role in reducing the number of people injured or killed on the roads. Accord-

Together with Samsung SDI, we have set up the SB LiMotive Co Ltd joint venture, Suwon, Korea, to develop, manufacture, and sell lithium-ion batteries for automotive applications. The joint venture commenced operations on September 1, 2008, and will start series production of ultra-high performance battery systems from 2011. Here we can see a lithium-ion battery system being tested at the Feuerbach location in Stuttgart.

ing to experts, the most effective system currently in the market is ESP®, which we developed and brought into series production in 1995. In most instances, ESP® can prevent vehicles from skidding. A number of independent studies have demonstrated that if it were installed as standard equipment in all cars, this system could cut the number of skidding accidents – which are often fatal – by up to 80 percent. As a result, the U.S. National Highway Traffic Safety Administration has stipulated that ESP® must be phased in as a mandatory feature in all passenger cars by model year 2012. Comparable legislation, which is also intended to include commercial vehicles, is about to be passed for Europe. It aims at mandating ESP® for new models from model year 2012 and for all new vehicles from model year 2015. The growth market Brazil is currently considering making the ABS antilock braking system mandatory for both passenger cars and commercial vehicles from 2014. As a result of this new legislation, we shall be able to considerably increase our sales of these systems.

Automotive Technology sales

Bosch Group 2006 – 2008
Figures in billions of euros



In cooperation with the Stuttgart-based automotive supplier Mahle, we have set up a joint venture for the development, manufacture, and sale of exhaust-gas turbochargers for diesel and gasoline engines. Exhaust-gas turbochargers are one of the key technologies in downsizing concepts that will allow a sustained minimization of fuel consumption and CO_2 emissions in the engines of the future. Our picture shows the calculation of imbalance values on a turbocharger prototype.

Driver assistance systems for even greater safety

Our Vehicle Motion and Safety unit brings together not only ABS and ESP®, but also all other technologies that enhance safety, comfort, and vehicle dynamics. Among other things, we analyze international accident data in order to develop new functions that provide active support for drivers in critical situations. For example, the Predictive Collision Warning system launched in 2006 warns drivers that they are too close to the car in front by briefly jerking the brakes. The system works on the basis of radar data from the Adaptive Cruise Control (ACC) system. In 2009, we will extend this function to include automatic emergency braking. This function cannot as a rule prevent an accident, but it can significantly mitigate its severity and thus significantly reduce the risk of injury.

We began manufacturing night vision enhancement systems in 2005. So far, they have been supplied for premium vehicles, where they are in great demand. Infrared headlights illuminate the road in front of a car, and the image captured on camera is digitally processed and presented to the driver on a display. A new version, which can interpret the captured data, identify pedestrians, and warn the driver in case of danger, will go into series production in 2009. Our automatic parking assistant, which has been available in two compact-class models since 2008, provides additional support. The system measures the parking space and performs the steering movements. All the driver has to do is accelerate and brake.

Another milestone for Bosch diesel technology – the world's first common-rail system for passenger cars with an injection pressure of 2,000 bar. The highly flexible and precise metering of diesel fuel at every stage of operation cuts fuel consumption as well as emissions of carbon dioxide and other pollutants, as well as optimizing the engine's performance. Racing cars equipped with this injection technology have won or placed in the Le Mans 24 Hours endurance race. Our picture shows an associate examining the bore in a high-pressure pump housing.

Percentage share of electronics in cars continues to grow

New systems that enhance safety and comfort, as well as the sensors they employ, would be inconceivable without electronics. In addition to developing the systems themselves, we also devote a great deal of attention to the necessary basic technologies, such as bus systems, electrical and electronic architectures, and software standards. For example, Bosch is a core partner in the Flexray consortium, which is currently working on a new, high-performance data bus system. It is also a member of the Autosar development partnership, which is developing a new standardized software architecture for automobiles. Since 2008, we have been manufacturing control units that use the Flexray communication protocol. Also in 2008, we started manufacturing control units featuring Autosar elements. These activities provide the basis for new functions and for mastering the increasing complexity of vehicles, now and in the future.

New trends in display systems

Instruments with user-definable color displays are increasingly a feature of premium vehicles. They can replicate the traditional round instruments with astounding accuracy and, if necessary, incorporate the readings and warnings of new assistance systems. In 2008, we started production of this display for a further customer.

We are currently making "Dual View," a new type of display technology, ready for series production. This technology allows two different programs to be displayed on one monitor, with the viewing angle determining which of the two programs can be seen. For example, while the driver is shown navigation information, the passenger can watch a film. Series production is scheduled to start in mid-2009.

Expanding our aftermarket activities

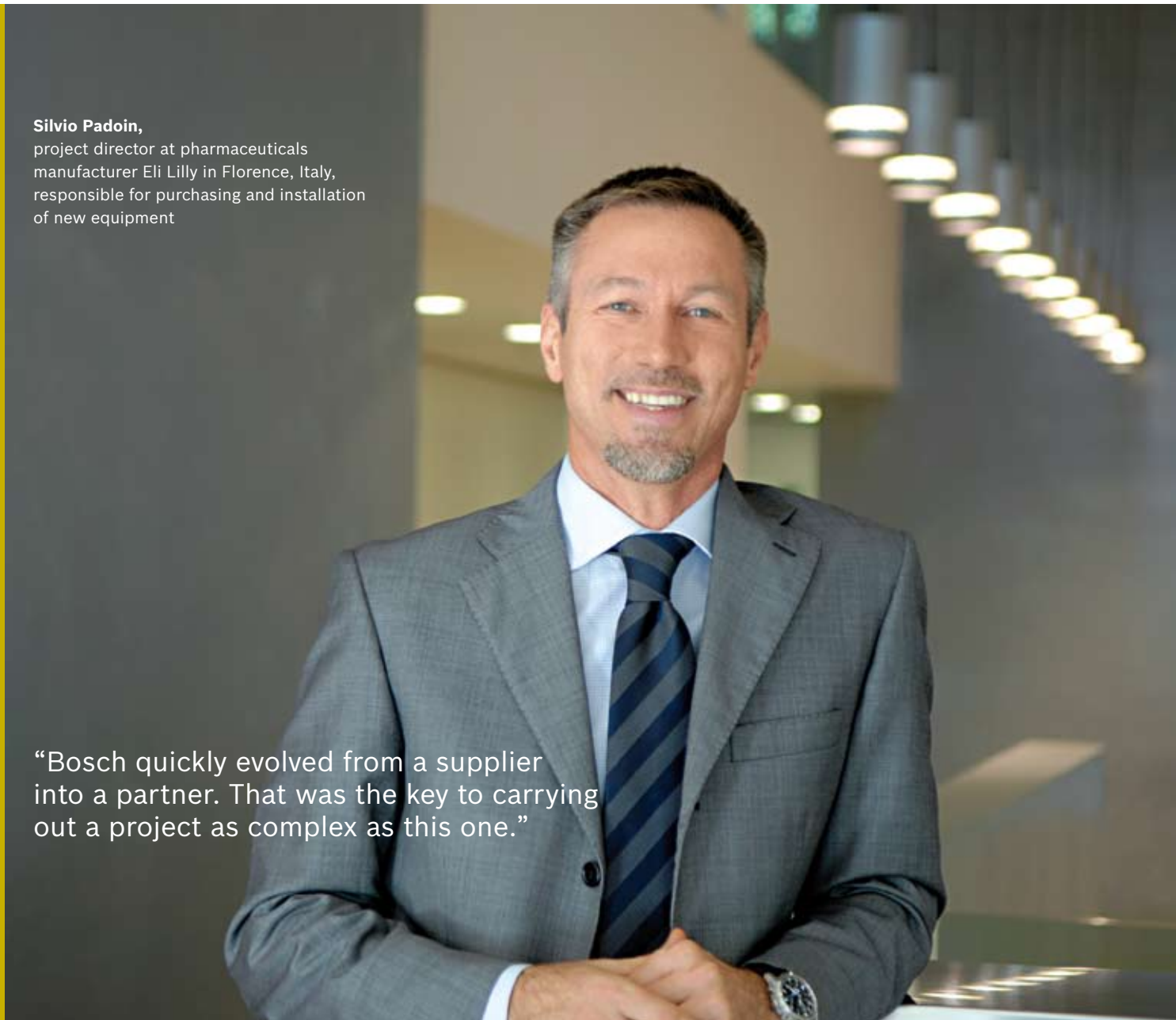
We supply automotive workshops worldwide with spare parts, state-of-the-art testing and diagnostic technology, vehicle-specific data, and technical expertise. As a result of acquisitions, primarily in Asia and the Americas, we stepped up our activities in these areas in 2008. We acquired a diagnostic equipment specialist in China and two companies working in the areas of tire service technology and wheel alignment in the U. S. and Brazil. In September 2008, we acquired the brake pad business of the Morse Group in Chicago, IL (USA), which produces brake pads primarily for the U. S. aftermarket. An alliance with Agramkow Fluid Systems A/S, Sønderborg, Denmark, will make us one of the first companies in the market to offer servicing equipment for air-conditioning systems that use CO_2 as a coolant.

Nowadays, vehicles often cannot be repaired without state-of-the-art diagnostic technology. Bosch launched the first testing unit of this kind 20 years ago and is now the market leader in this segment, having sold over 125,000 KTS diagnostic testing units worldwide. At the start of 2008, we expanded our portfolio for remanufactured spare parts – the Bosch Exchange program – by acquiring Holger Christiansen A/S, Esbjerg, Denmark. The program now includes over 7,000 products from areas such as gasoline and diesel injection, brakes, starters, alternators, and air-conditioning compressors.

With our Bosch Service concept, we operate the world's largest independent workshop network – the Bosch Car Service. There are currently over 1,000 operations in Germany and more than 14,000 worldwide. All of them offer drivers competent service that is not tied to any particular make of car.

▸ **www.bosch.de/k**
▸ **www.zf-lenksysteme.com**

The **products we supply to our customers include vitally important ones.** The kind of insulin diabetics need must be packaged in an absolutely germ-free environment. Bosch builds **packaging equipment for pharmaceuticals manufacturers** – maintaining constant contact with them to fulfill their specific needs. That involves **talking, testing, and training.** It's how we as market leader meet growing demand from our customers in this industry: **global insulin-packaging capacity has tripled** in the space of five years.



Silvio Padoin,
project director at pharmaceuticals manufacturer Eli Lilly in Florence, Italy, responsible for purchasing and installation of new equipment

"Bosch quickly evolved from a supplier into a partner. That was the key to carrying out a project as complex as this one."

No germs. Wherever insulin is packaged, protective gloves are a must. The machine is located in a clean room – an essential but elaborate precaution. The customer's wish: to keep the completely germ-free zone inside the clean room as small as possible. The solution: Bosch isolators, installed at the critical filling stations, shield the insulin. At the Florence plant of pharmaceuticals manufacturer Eli Lilly, our machine is also completely integrated into the plant's process control system. In process technology, customizations like these are the cornerstone of customer service.

Critical glances. Our installer Jürgen Beck (left) and Bernardo Sassoli, a technician at pharmaceuticals manufacturer Eli Lilly in Florence, follow the test run of our insulin filling machine. We had ten experts constantly on site during rollout. But even as we were assembling the machine in our own plant, we were already training associates of our customer there. This close cooperation allowed us to carry out the order – our biggest ever from the pharmaceuticals industry – in record time.

Ten insulin ampoules per second. That's the capacity of our filling and packaging machine installed at pharmaceuticals manufacturer Eli Lilly. No other machine anywhere in the world is as fast as this one. The 20-meter long machine has to master an entire series of processes: clean the glass cartridges, send them through a sterilizing tunnel, fill and seal them, and pack them into magazines. At the end of the day, our technology not only has to be fast and safe, but also has to satisfy the customer.

Industrial Technology

Key data	2007	2008
Sales	5,967	**6,733**
Capital expenditure	403	**662**
R&D cost	285	**283**

Figures in millions of euros

The global business climate in the capital goods and mechanical engineering sectors worsened at the end of 2008. However, our Industrial Technology business sector was still able to benefit from the high level of orders on hand. Sales grew by 13 percent to a total of 6.7 billion euros. Part of this growth is due to the partial consolidation of our new acquisition ersol Solar Energy AG, Erfurt. This company, in which we acquired the majority holding, now forms our new Solar Energy division.

Our subsidiary Bosch Rexroth AG made the largest contribution to this growth. It supplies all major technologies for drive and control applications – from hydraulics to electrics, mechanics, and pneumatics. Bosch Rexroth recorded strong growth in Asia and Europe, particularly in mobile hydraulics, which includes components for off-road vehicles such as agricultural and construction machinery, and gearboxes for harnessing wind energy.

We improved our position in the fragmented global market for packaging technology.

Expanding automation technology

Bosch Rexroth was able to further consolidate its position as one of the leading providers of drive and control technology. Its wind-power unit experienced the most dynamic growth of all. Strong global demand made it necessary for us to expand our manufacturing capacity for this business. New plants for the production of wind-turbine gearboxes were constructed in Nuremberg, Germany, and Beijing, China. Production began in Beijing in the fall of 2008, and has been running in Nuremberg since the beginning of 2009.

In Brno, Czech Republic, we took a new plant into operation for the industrial production of medium- and large-output hydraulic power units. Units such as these are used in presses, for example. In Rochester Hills, IL (USA), we opened a technical center for hydraulic hybrid systems for commercial vehicles.

We expanded our product portfolio in drive and control technology and in our accessories business. This is demonstrated by our acquisition of Hägglunds Drives AB, Mellansel, Sweden, in order to expand our

Work on the inner parts of a machine calls for reliable safety functions for the protection of the operator. In addition to its tried and tested drive-integrated safety technology, Bosch Rexroth now also supplies end-to-end system solutions that include safe peripheral processing and secure communication when performing control tasks.

Power for high altitudes: variable-displacement motors and pumps made by Bosch Rexroth drive the 14 axles of this heavyweight vehicle. The travel drive is designed for high stability and robustness, since these special vehicles have to withstand extreme conditions. They are being used here to transport a total of 66 parabolic mirrors weighing up to 115 metric tons to the top of a 5,100-meter high plateau in the Atacama Desert in Chile. When construction work is completed in 2012, this will be the site of the world's most advanced radio telescope system.

competence in hydraulic drives with high torque ratings, for example for applications in open-cast mining, paper processing, and shipping and offshore technology. In Ketsch, Germany, we acquired K.&H. Eppensteiner GmbH & Co KG, a company that develops and manufactures filters and systems that are installed in hydraulic and lubricating machinery.

We also expanded our service business by acquiring two German companies: Interlit Joisten GmbH in Cologne and MSG Maschinen- und Stahlbau GmbH in Joachimsthal. This allowed us to supplement our portfolio in the area of cooling and lubrication technology and swarf removal, and will make us a strong partner that can offer complete systems, particularly in the field of machine tools.

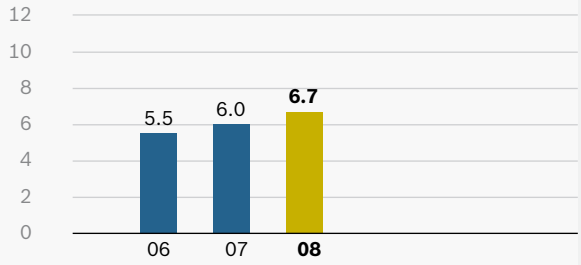
Our strengths as a technology leader and systems supplier with extensive project expertise are reflected in numerous large-scale projects the world over. At the new Opera House in Oslo, Norway, audiences can marvel at the stage effects made possible by the control and drive technology installed exclusively by Bosch Rexroth. We also supplied transmissions for the machinery that drives the lake stage in Bregenz, Austria. In 2008, for example, this machinery moved the huge eye that formed the backdrop for the performance of Puccini's Tosca. Bosch Rexroth is supplying the drives and controls for the prototype of the "Rotating Towers" planned for Dubai and Moscow, which is currently being tested in Italy. In these residential towers, the individual floors will revolve around a central axis. Our technology also makes it possible to transport state-of-the-art radio telescopes through the Chilean Highlands under the toughest climatic conditions. Our engineers designed a special hydrostatic drive for the heavy goods vehicles required for this task.

Following the sun

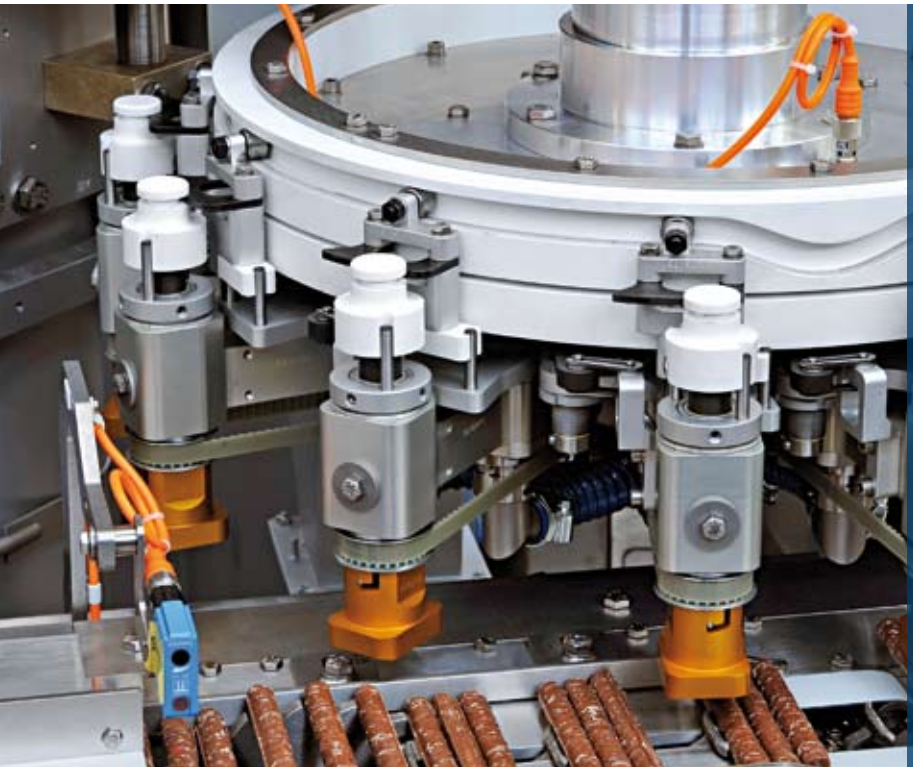
Many of our innovations in the field of industrial technology use energy more efficiently, help protect the environment, and provide greater safety for users. To achieve these goals, we bring together different technologies, which then interact in products such as intelligent valves, low-friction linear guides, or flexible controls. In the field of automation, our new flow couplers for pneumatic valves offer users greater flexibility and lower costs. The new generation of IndraMotion MTX, our electric CNC high-performance control system, features a function that records the cycle times of all the stations on a production machine in order to detect bottlenecks. Our innovative hydraulic tracking systems "follow the sun." In solar thermal power plants, they continuously align the collectors with the position of the sun, thus ensuring optimum utilization of the radiant energy.

Industrial Technology sales

Bosch Group 2006 – 2008
Figures in billions of euros



A motor/controller combination is the latest innovation in the Bosch Rexroth servo drive technology series. The system is so compact that it cuts our customers' cabling costs by up to 85 percent and reduces the size of the control cabinet by up to 70 percent.



Specifically for the quality requirements of the chocolate industry, we have developed a feed wheel for processing chocolate bars at high speeds. This new wheel, which can process up to 800 packaging units a minute, is very gentle on the products and can be configured to suit a range of applications.

Our hydraulic hybrid system, which has already been installed in pilot vehicles used by Berlin's sanitation department and is soon to be introduced in New York City, offers great fuel-saving potential. The hydraulic regenerative braking system cuts the diesel consumption of heavy commercial vehicles and mobile machinery by up to 25 percent.

Systems expertise in Packaging Technology strengthened

Our Packaging Technology division benefited from its activities in the growth markets of Asia and eastern Europe. Above all, we were able to significantly expand our business in China and Russia. High order intakes ensured good business performance again in 2008.

We consistently expanded our expertise in systems and complete solutions. We acquired Paal Verpackungsmaschinen GmbH & Co KG in Remshalden, Germany. The company develops, manufactures, and sells systems for secondary and case packaging. This acquisition allows us to offer our customers, especially those in the foodstuffs and cosmetics sectors, even more comprehensive solutions – right through to palletization.

Our innovations respond to the prevailing trends in our customers' industries. For example, modern forms of application in the pharmaceuticals industry, such as pre-filled syringes or new active substances, place special demands on process and packaging technology. One of our solutions to meet such demands is a new containment system for capsule filling machines. It protects the machine operator from the active substances throughout the entire production process. What's more, the machine is designed with a built-in quality control system, and it cleans itself independently and fully automatically. Energy efficiency and environmental friendliness characterize an innovation from our confectionery systems unit. During the production of hard candy, this system boils the sweet mixture without the usual addition of water, thus reducing water consumption during

In acquiring the majority holding in ersol Solar Energy AG, Erfurt, Germany, we aim to further strengthen our position in the renewable energies field. Ersol is one of Europe's leading manufacturers of solar cells, and has also set up a production facility for the manufacture of thin-film modules. Our picture shows a testing stage in thin-film module production. Here, panes of glass, onto which amorphous silicon will subsequently be deposited, are checked for optical defects before being processed further.

production. One example of our many innovative packaging concepts is the Stick Pack, a customer-friendly and hygienic packaging idea. This lengthwise perforated stick, filled with tea, is a modern lifestyle product that replaces the traditional tea bag. It can even be used as a spoon to stir the tea. This new concept was awarded the "Swiss Star" packaging award.

Rapid growth in the solar market

In just one hour, the amount of solar energy striking the earth is the equivalent of the total energy consumption of its population in an entire year. In other words, the potential it offers is enormous. In view of climate change and the limited reserves of fossil fuels, solar power will play a key role in the energy supply of the future. This is the rationale behind our activities in the area of renewable energies, such as the acquisition of ersol Solar Energy AG, Erfurt. We develop, manufacture, and sell wafer-based silicon solar cells, and produce thin-film modules. Our new Solar Energy division recorded strong growth. The market for photovoltaics developed dynamically, only weakening slightly toward the end of the year. Our activities focused predominantly on Germany and the southern European countries.

We are confident that the use of solar energy will grow, and intend to invest around 500 million euros in expanding our manufacturing capacity by 2012. To this end, we are building an additional large manufacturing site for crystalline solar cells in Arnstadt near Erfurt, Germany. We also intend to set up a module manufacturing facility. Production is scheduled to start at the beginning of 2010. This investment will create more than 1,100 new jobs.

Drive and Control Technology ▸ **www.boschrexroth.com**
Packaging Technology ▸ **http://pa.bosch.com**
Solar Energy ▸ **www.ersol.de**

Green technologies pay off for our customers. Renewable energies are playing an ever greater role in our business with heating installers. In a world of **solar collectors** and **ground-source heat pumps**, today's installers have to be experts in far more than oil and gas boilers. That's why we train them. Each year, **75,000 installers** attend our **training courses** in heating technology. This enables them to apply our ecological solutions for homeowners, their main customers, and this at affordable prices.

Claudia Oesterle,
master heating installer
from Schwäbisch Gmünd, Germany

A roof to practice on. Gone are the days when heating installers mainly worked in cellars and basements. More and more often, they are climbing onto homeowners' roofs. Fitting solar collectors is another thing we train them to do. In heating technology, we are pursuing an ambitious goal: to increase the share of our sales made up by renewable energy systems to 30 percent by 2015. We can only succeed in this if installers are able to handle the new technologies – even at unaccustomed heights. We are helping to ensure that every move our customers make is the right one.

Heat pump in the classroom. Renewable energy systems are only as good as the people who handle and install them. That's why our trainer Daniel Dragos takes great care in showing heating installers how to operate the control system of a new ground-source heat pump. Which menu items are needed for which parameters, which settings are required for which temperatures – all this is demonstrated and practiced. The philosophy we follow is clear: our customers will only sell products to their own customers if they know these products inside and out.

Lots of pipes, one glance, a single movement. Claudia Oesterle, managing director of a heating firm, gets hands-on experience at our Buderus training center in Esslingen, Germany. She adjusts the draft regulator of a wood-fired boiler so that the fuel burns cleanly. Like the control system of a ground-source heat pump, this is all part of learning to work with renewable energies. We train our heating installers in as many systems as possible – and are constantly expanding our training capacity. By the end of 2009, eleven new training centers will have been created for our Buderus brand alone.

Consumer Goods and Building Technology

Key data	2007	2008
Sales	11,732	**11,897**
Capital expenditure	415	**407**
R&D cost	399	**356**

Figures in millions of euros

Our Consumer Goods and Building Technology business sector felt the effects of the slowdown in the construction and consumer goods industries in 2008. Nonetheless, sales of power tools, heating technology, security systems, and household appliances increased slightly, by 1.4 percent, to 11.9 billion euros. In a difficult business environment, we were able to increase our market share worldwide. Key factors in this success were our innovative strength, the brisk pace of our innovations, and our broad spectrum of resource-conserving, eco-friendly, and technologically leading products. We also strengthened our business through acquisitions and investments, and further expanded our global presence in countries such as China, Italy, Canada, Switzerland, and the United States.

Lithium-ion technology: the key to success for power tools

The global market for power tools and accessories for professionals, DIY enthusiasts, and gardeners experienced a slight downturn in 2008. This was due to the slowdown in the construction and consumer goods industries. We succeeded in holding our own in this difficult market environment. There were encouraging developments in Asia, South America, Germany, and eastern Europe, where high demand led to double-digit rates of growth. We enjoyed particular success in the emerging markets of China, Brazil, India, South Korea, and Russia.

We fared better than the market in all our five business fields – hand-held power tools, stationary tools, accessories, electrical garden tools, and measuring tools. In just twelve months, we launched more than 100 new and improved products, including a great many products featuring lithium-ion technology, such as the Uneo, the first tool of its kind in the world. This cordless multifunctional tool weighs just 1.1 kilograms and is three tools in one – a hammer drill, a drill, and a driver. As the pioneer of power tools featuring lithium-ion technology, as well as the technology leader in this field, we also offer gardening enthusiasts an exceptionally wide range of products. Our cordless

Top in accessories: the acquisition of abrasives manufacturer sia Abrasives, based in Frauenfeld, Switzerland, enables us to expand our product range and strengthen our position as one of the leading manufacturers of power-tool accessories. The company's abrasive systems are developed for exacting customer requirements and detailed material analyses. As such, they deliver first-rate Swiss precision and quality. Our picture shows the visual inspection of sandpaper for orbital sanders.

Rotak lawnmowers were especially in demand, since they offer great freedom of movement, but without the emissions and noise of a gasoline mower. They are also as light and powerful as a conventional electrical mower.

To add garden irrigation products to our product portfolio, we purchased parts of the business of L.R. Nelson Corporation, based in Peoria, IL (USA). We also made acquisitions for our accessories segment. For example, we acquired the power-tool accessories business of Freud SpA, headquartered in Milan, Italy. Freud's product portfolio includes circular-saw blades, routers, and cutters for professional users. To step up our activities in the area of surface treatment technology, we also acquired the majority holding in the abrasives manufacturer sia Abrasives Holding AG, based in Frauenfeld, Switzerland.

We were very successful once again with stationary power tools, such as circular saws, and in the fast-growing segment of measuring tools for DIY enthusiasts and professionals. Our laser measuring devices, detection devices, and leveling lasers make it easier for professionals and do-it-yourselfers to plan and carry out their projects. We considerably expanded our measuring-tool business by acquiring CST/berger, West Lafayette, IN (USA), and RoboToolz, Hong Kong. We are now one of the world's leading suppliers in this promising segment.

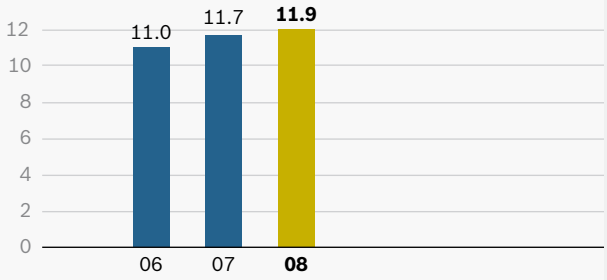
Investments in eco-friendly heating technology

On the whole, the sections of the heating technology market in which we are active developed positively in 2008. Home owners invested more heavily in state-of-the-art heating systems, particularly in Germany, France, the Netherlands, and numerous countries in eastern Europe. High energy prices and a growing awareness of how limited reserves of fossil fuel are have stimulated demand for energy-efficient systems. In addition, several European governments have made it more attractive to invest in energy-efficient heating systems. Thanks to our global presence and broad product range, this development had a positive effect

Construction aids: measuring tools make work on construction sites easier and offer extremely promising prospects for the future. We have invested in this growth market through the acquisition of CST/berger. Based in West Lafayette, IN (USA), this company is a leading manufacturer of measuring technology for professional users and DIY enthusiasts. This takeover considerably improves our position in distance measuring, detection, and leveling, particularly in the U.S. market.

Consumer Goods and Building Technology sales

Bosch Group 2006 – 2008
Figures in billions of euros



on our business. We recorded the strongest growth in the U.S., Germany, France, the Benelux countries, and Turkey. This growth was driven by our resource-conserving condensing appliances, as well as by systems for utilizing renewable energies, such as solar collectors and electric heat pumps. Due to the sharp rise in demand for solar collectors for hot-water generation, we have increased our annual global production capacity to 350,000 units. We intend to further expand our manufacturing presence in this segment, which has great potential for the future.

We are working intensively and without let-up on the heating technology of the future. For example, in a field test featuring 500 appliances, an electricity-generating heater based on Stirling technology is to be tested in several European countries in 2009 and 2010. We have also opened a new engineering center for hot-water heating technologies in Aveiro, Portugal. At a facility covering 3,000 square meters, our heating technology experts are working to further develop hot-water appliances powered by gas, electricity, and solar energy. Our development initiatives are meant to help us better meet the challenges of climate change and offer heating systems which are at the same time more energy-efficient and more cost-effective. Even today, the savings that can be made with our system solutions are considerable. If home owners opt for efficient heating technology, for example by replacing their outdated boiler with a gas-condensing boiler with solar heating support and water heating, they can cut their energy consumption and carbon dioxide emissions by up to 60 percent as compared with conventional heating systems.

We have also invested in our service and sales operations by expanding our network of branches for the Buderus brand. Furthermore, the acquisition of Servico NV, our long-standing sales partner for the Benelux countries, headquartered in Aartselaar, Belgium, has strengthened the sales activities for our Junkers brand.

Sustained high demand for security systems worldwide

Despite the economic slowdown, we also grasped the opportunities arising from the modest development of the market for security and communication systems in 2008. Overall, we grew faster than the market, thanks first and foremost to the expansion of our product range and to the moves we made to strengthen our regional presence. The development of our video-surveillance and fire-alarm systems business was especially positive. We further consolidated our leading position in conference and evacuation systems. There was particularly strong demand for our technology in Asia, South America, and eastern Europe. Nonetheless, we also felt the effects of the economic slowdown, particularly in the United States.

Innovations remained important drivers of growth in 2008. For instance, we launched a software solution for video-image analysis, as well as a video management system. The acquisition of Extreme CCTV Inc, located in Burnaby, BC (Canada), allowed us to expand our product portfolio to include video-surveillance systems for use in extreme conditions, such as high and low temperatures, darkness, and extreme mechanical stress. False alarms have been virtually eliminated by our new Professional Series intrusion detectors, which are designed specifically for industrial use.

In 2008, we fitted a large number of facilities with state-of-the-art security and communication systems. These included airports, manufacturing facilities, warehouses, banks, office and congress centers, concert halls, and sports stadiums. The operators of the ADO The Hague soccer stadium in The Hague, Netherlands, also use our security technology. Here, we installed a video management system with 100 cameras integrated into an IP network – the first system of its kind in Europe. We equipped the Shanghai World Financial Center with a digital public-address and evacuation system. And we also installed all the low-voltage equipment used for early fire detection and evacuation at the European air freight hub of DHL International GmbH at Leipzig Halle Airport in Germany.

Thanks to the acquisition of the Canadian company Extreme CCTV Inc, Bosch is able to offer video cameras for use in extreme conditions. For example, Bosch cameras are used to track the activity of Mount Erebus in the Antarctic, which is nearly 3,800 meters high and the southernmost active volcano on earth. The images are transmitted to research institutes, where they are evaluated by volcanologists. Only extremely robust video cameras can withstand these severe conditions. They have to be able to endure not only the stresses of volcanic activity, but also temperatures as low as minus 60 degrees Celsius.

We further expanded our production of solar thermal systems in 2008. Worldwide, we can now manufacture 350,000 solar collectors each year – 20 percent more than last year. These flat-plate collectors are used in heating technology to harness solar energy for water heating and central heating support. Our picture shows collector production at our location in Wettringen, Germany.

In 2008, our communication center services enjoyed great success, particularly with outsourced business processes. For example, we are now responsible for ticket reservations, ticket sales, and program information for the National Opera in Paris and for the Cirque du Soleil variety show.

BSH: leading the way in sustainability

In 2008, BSH Bosch und Siemens Hausgeräte GmbH, in which Bosch and Siemens each hold a 50 percent share, was awarded the first German Sustainability Award for its corporate strategy, which is geared to economic, ecological, and social sustainability. Since it was quick to identify the potential offered by environmental protection, the company is now able to offer a range of products that is more energy efficient and environmentally friendly than the market average – and this across Europe in virtually all product categories. For example, as compared with similar appliances manufactured 15 years ago, the latest generation of refrigerators and freezers consume up to 78 percent less electricity. For its latest dryers, BSH engineers have developed special, highly-efficient heat pumps that use 40 percent less electricity than appliances in energy efficiency class A.

BSH is one of the world's leading manufacturers of household appliances. In 2008, the company was impacted by the difficulties in the housing markets in the U.S., the U.K., and Spain, which primarily affected sales of built-in appliances. However, BSH was largely able to compensate for this shortfall by increasing its market share in other parts of western and eastern Europe. A number of energy-efficient products also contributed to this development.

Power Tools ▸ **www.bosch-pt.de**
Thermotechnology ▸ **www.bosch-thermotechnology.com**
Security Systems ▸ **www.boschsecurity.com**
Household Appliances ▸ **www.bosch-hausgeraete.de**

We also see **company founders as customers.** But these customers don't have to buy anything from us. Instead, we advise them – and the mentoring is free. In this way, **we pass on our experience** in developing and marketing product ideas. **Supporting young entrepreneurs** and promoting education are key objectives of the **Knowledge Factory** co-founded by Bosch. Start-ups are only successful when they meet customer needs to a tee. And this is where we can help.

An inventor and an entrepreneur. Karlheinz Gerster trained as an economist, but is now building a prototype of a new universal mixing pump. This is a tool for construction tradesmen that flexibly combines four machines in one. Soon, Gerster will launch his invention onto the market. He has started a business and found a partner for the structural steel. Bosch advised him in his project – without any commercial interest of its own, but just as thoroughly as if he were a customer.

Knowledge transfer. Werner Huser (left) worked for over 30 years in development and marketing at Bosch Power Tools. Now in his retirement, he is sharing this experience with others. Like other former executives, he is part of Bosch Management Support – and one of the mentors of the Knowledge Factory. This is how he has come to advise company founder Karlheinz Gerster on his product idea, a universal mixing pump. The two also discuss sales channels – finding the right road to the customer.

Networking. Mario Kröninger worked in both research and marketing at Bosch. Now he has moved to the Knowledge Factory for two years, where he is in charge of the entrepreneurship section. This involves locating promising company founders and supporting them with mentors from the Knowledge Factory's member firms. It's about establishing contacts across many sectors of industry, from biotechnology to construction. When Mario Kröninger returns to Bosch, he too will have picked up a lot of new knowledge.

Our Responsibility

For us, corporate responsibility means maintaining a balance among business, societal, and ecological concerns. We firmly believe this is the only way we can ensure our company's successful long-term development. Even in the past, this balance mattered greatly. For our company founder, Robert Bosch, entrepreneurial endeavor was not an end in itself. Through his company, he wished to contribute to a "meaningful social reality." We follow in this tradition and set ourselves the same task for the future. This is important for the way we define **leadership,** for our dealings with **associates,** for our treatment of the **environment,** and for our involvement in **society.**

Leadership

Our entrepreneurial independence gives us a high degree of autonomy and allows us to pursue our corporate strategy over the long term. The key to this independence is our special ownership structure – with a charitable foundation and the Bosch family as shareholders, and with an industrial trust that carries out the entrepreneurial ownership functions. We enjoy a close relationship with the descendants of our company founder, who are actively involved in our supervisory council, in the meetings of the shareholders, and in the trust. This relationship is an important part of our corporate culture and strengthens the identity of the Bosch Group.

Our goal is to secure the long-term and successful continued development of our company through sustained, profitable growth. Even in difficult times, we keep our sights set firmly on this goal. Despite the need to make savings in the current economic climate, therefore, we believe it is essential to main-

Geared to driving on electricity: as a member of society, we also regard it as part of our responsibility to continue boosting energy efficiency. For this reason, we have been preparing for the electrical age in driving for some time now, even though the internal-combustion engine looks set to remain the predominant drive system for vehicles for the foreseeable future. We are developing a broad array of solutions, ranging from the electric motor (pictured) to power electronics. Moreover, in 2008 we set up the SB LiMotive Co Ltd joint venture with the Korean company Samsung. Its purpose is to further develop lithium-ion battery technology for automotive applications, and to manufacture these batteries on a large scale.

We see educating young people as part of our social responsibility. Worldwide, we are training more than 6,000 of them. Bosch is also involved in the German youth science competition "Jugend forscht."

tain forward-looking investment in key areas such as resource conservation, climate protection, our associates' education and training, and the further expansion of our company.

Orientation for associates

In times of crisis, the expectations made of leadership and communication are especially high. Our House of Orientation is an important source of guidance, providing associates with the answers to three key questions: What drives us? What do we have in common? What do we stand for?

The House of Orientation comprises our Bosch vision as our shared image of the future, our BeQIK mission as a standard for our everyday action, and our core competencies for the ongoing successful development of our company. The Bosch Business System contributes to the continuous improvement of all internal processes.

The Bosch values are another central element of the House of Orientation. In addition to a clear future and result focus, we also commit to responsibility, initiative and determination, openness and trust, fairness, and cultural diversity, as well as to reliability, credibility, and legality.

Compliance with legal requirements has always occupied a position of special importance within our company. As early as 1921, Robert Bosch wrote: "In the long term, an honest and fair approach to doing business will always be the most profitable. And the business world holds such an approach in much higher esteem than is generally imagined." We still share this view today. Accordingly, we expect each of our executives and associates to comply with all legal requirements and internal regulations. We have compiled the principal regulations in a code of business conduct. This code is produced in 39 languages, so that it can be communicated to all associates worldwide.

Corporate social responsibility report

In the latest edition of our corporate social responsibility report, we explain in detail how we understand corporate leadership. The report shows that corporate responsibility can also be quantified and expressed in terms of defined targets and objectives. Through a separate portal on the Bosch website, we provide additional and regularly updated information on all aspects of responsibility. Our aim here is to turn an even brighter spotlight on responsibility and raise awareness both among our associates and in the general public.

Associates

HR management in the Bosch Group is a matter of strategic significance. It helps us to find, develop, and retain capable associates worldwide, and thus to achieve our long-term growth targets. A key factor in the acquisition and retention of capable associates is the good reputation of Bosch as an employer. Through intensive personnel marketing, we have raised our profile among university graduates in a number of markets worldwide – focusing, for example, on the growth region of Asia. In China, our Campus Recruitment Tour of eleven universities generated 22,000 applications. Over the last three years, we have recruited some 3,000 new associates with university degrees there. In India, our On Track event in Chennai gave 750 students from 30 different technical universities an opportunity to learn about the company.

Numerous university alliances have also been forged and expanded in other regions of the world. For example, 75 students at selected Czech universities received a Bosch scholarship. Other cornerstones of the international HR strategy include the Junior Managers Program and the Graduate Specialist Program. These two initiatives for junior executives and future specialists have enabled us to fuel many highly qualified young people's interest in Bosch at an early stage in their career.

In Germany too, we have continued to improve our position as an attractive employer. A study by a German market research institute showed that, in the eyes of the best engineering graduates, we rank second among more than 100 companies. This good reputation allowed us to meet our requirements for outstanding associates again last year. In 2008, we recruited some 8,500 university graduates worldwide, 3,400 of them in Germany. One event that helped us in this recruitment drive was Meet Bosch in Sweden, which was first staged in Arjeplog in 2007. The repeat of this trainee recruiting event at the company's winter test center was a great success in 2008.

Some 200 Ph.D. students have worked on their theses at the company, gathering important industrial experience in the process. The Bosch Ph.D. program offers a number of advantages – financially by being offered as a fixed-term employment contract, professionally in terms of the intensive personal supervision provided, and career-wise because of the excellent opportunities it affords to participants in the labor market.

Last year also saw the first participants embark on our new PreMaster Program. Designed for graduates with a bachelor's degree, its aim is to allow them to gain a year's practical experience at Bosch before launching into studies for their master's degree. This program makes us the first industrial enterprise in Germany to respond to the changing needs of students.

Development options for associates, tailored to their needs

We support the systematic development of our associates and advance their careers by utilizing a range of tools and initiatives. Regular development discussions take place between individual associates, their supervisors, and human resources, and closely involve the board of management if the associate is on track to become a member of senior management. In all the markets of the world, we transfer responsibility to our specialists and managers at an early stage so as to prepare them for the increasingly complex requirements they will face.

Career planning as part of our manager development schemes includes the Specialist Education and Development Program. Tailored to budding specialists, this career program develops subject-specific and personal skills. We expect our future senior executives to have experienced the world of work from different perspectives during the course of their career. Through cross-functional and cross-divisional transfers as well as through international assignments and project work, we allow them to develop the necessary skills.

The Bosch Group's worldwide presence requires not only a high degree of intercultural competence, but also knowledge of local markets. For this reason, cross-functional transfers and international assignments have become more commonplace than ever before. The number of associates who have spent multi-year

assignments outside their country of origin rose once again, by 200 year on year, and now stands at more than 2,500. In encouraging such cross-border assignments, we also consistently foster networking among our associates – networking that is important for our value added, and that repeatedly proves its worth during the development of new products or when setting up new manufacturing sites.

A family-friendly approach pays off

Increasingly, a person's choice of employer depends not only on salary or company car but also, for example, on the options available to help them strike a better work-life balance. Bosch has gained public recognition for the exemplary practices it has adopted in this regard. In Japan, we received the Award for Excellence 2008 from the Ministry of Health, Labor, and Welfare. This prize is awarded annually to especially family-friendly businesses that offer their associates an entire range of flexitime models, for example.

We are also receiving a clear message from the fathers and fathers-to-be in our company, more and more of whom are requesting paternity leave. The options we offer contributed to another sharp rise in the number of fathers taking paternity leave from Bosch in Germany to more than 600 in 2008, roughly twice as many as in the previous year. We welcome this development.

The benefits of diversity

Equal opportunity is another central element of our HR strategy. To further increase the number of women in executive positions, we have developed numerous mentoring and training programs around the globe. In many countries, we use our online career portal to publicize these opportunities. Our aim is to create an environment that enables everyone to develop successfully within the company. In Germany, we have signed the federal government's Charter of Diversity along with 500 other companies, thereby taking an unequivocal stand and showing the general public the benefits of cultural diversity.

Demographic trends require more training

Worldwide competition for the best talent is increasing, driven in part by the ageing population across large areas of the globe. And as associates become older, their education and health are key to our future ability to remain a top performer in the international competitive arena. For some time now, we have been taking extensive action to prepare for demographic change. For example, we assist our associates in maintaining their physical and mental health by offering medical care, nutritional and health advice, as well as various sport and fitness activities at most locations. In Germany alone, there are some 8,000 associates actively participating in around 400 leisure-time groups.

Leveraging expertise and experience

In 1999, we established Bosch Management Support GmbH (BMS) with a view to leveraging existing expertise and experience to the benefit of our company. Due to BMS's high level of acceptance, BMS subsidiaries have now also been set up in the United States and the United Kingdom. There are more than 680 internal senior experts with Bosch experience available across all continents. BMS consultants, all of whom have reached retirement age, are called upon whenever a site requires specialist expertise or is experiencing temporary bottlenecks. The oldest of these consultants is 74.

Ongoing excellence in occupational training

Some 6,100 young people around the world receive occupational training at Bosch, around 4,400 of them in Germany. We consider this to be part of our social responsibility. At the same time, qualitative and quantitative excellence in education ensures that we have the qualified specialists we need. Our aim is also to contribute to social stability in the countries in which we are active. In order to meet our requirements for skilled workers internationally, we offer young people occupational training at a number of locations outside Germany, including in India, Turkey, France, Switzerland, Brazil, Austria, the United States, and China. Combining the acquisition of theoretical knowledge with on-the-job training within the company, this training is based on the dual education system practiced in Germany.

In addition, five sites are now participating in an occupational training project organized by the Shanghai Chamber of Commerce, aimed at future mechatronics engineers and toolmakers. International apprentice exchanges have been taking place at Bosch for more than 50 years. Today, the opportunity to learn about other working practices and to gain early intercultural experience at locations worldwide is taken up by over 30 percent of any one year's apprentice intake across Germany.

Thanks to our associates

Our thanks go out to all our associates for their outstanding commitment and their proven flexibility. Their continuing hard work and personal commitment was crucial in coping with difficult tasks, particularly during the economically tumultuous second half of 2008. Through their dedication and loyalty, each and every one of them helps lay the foundations for our future.

Our thanks also go to the employee representatives, who supported the measures needed to safeguard our future and always worked in a spirit of partnership with the company's management.

Through a range of tools and initiatives, we systematically support our associates' development and advance their careers. We transfer responsibility to them at an early stage so as to prepare them for the increasingly complex requirements they will face in markets around the world.

Environmental involvement: in association with the United Nations, the Bangalore chapter of the international Art of Living Foundation had called on people to plant 100 million trees worldwide during late summer 2008. Associates and managers at our Indian site in Bangalore took part in the campaign. First, the management made a symbolic gesture by handing the Foundation some seedlings. A day later, our associates and a number of Bangalore's local residents set off to plant 2,700 trees.

Environment

Environmental protection has always been an integral part of our corporate strategy. We believe it harbors enormous potential for our company's strong and meaningful development, since the market for environmental technology is growing rapidly. The opportunity for us as a global technology and services company lies in offering products worldwide that provide technical solutions to ecological challenges. Eco-friendly, resource-saving products account for some 40 percent of our research and development expenditure. In 2008, Bosch generated sales of a strong one billion euros from products in the renewable energy sector. This figure includes in full the sales of ersol Solar Energy, which we acquired in 2008. Within the company, too, we help protect the environment. Our system of climate protection management covers everything from the development and manufacture of our products through infrastructure to associate awareness of environmental issues.

Patents for environmental protection

Of the patents we filed in 2008, around 40 percent bore a direct relationship to environmental protection and resource conservation. To promote the development of sustainable technologies and methods, we made 45 of our environmental patents freely available to anyone who wants to make use of them. In doing so, we are taking part in an initiative launched by the World Business Council for Sustainable Development. This Eco-Patent Commons initiative is also supported by other member companies. Among other things, the patents can help reduce fuel consumption, lower emissions, and convert waste heat from the car into usable energy.

ÖkoGlobe environmental prize for Denoxtronic

Since the introduction of emissions legislation, modifications to the inner workings of engines, such as optimized diesel injection systems, have reduced nitrogen oxide emissions by more than 90 percent. In combination with a selective catalytic reduction (SCR) converter, the Bosch-developed Denoxtronic metering system substantially reduces the remaining nitrogen oxide content. For its Denoxtronic system, Bosch won the ÖkoGlobe environmental prize in the Supplier Innovations category. The prize was awarded to us in Germany jointly by an insurance company, an automobile association, and a university.

Innovation award for the CO_2 sensor

The German automobile association ADAC honored our CO_2 sensor with the 2008 Gelber Engel (yellow angel – named after the ADAC road patrol cars) award in the Innovation and Environment category. This climate control sensor measures the carbon dioxide content of the air inside the automobile. As a result, the air conditioning system can be controlled more efficiently, and only as much fresh air as needed is supplied to the interior. Whenever possible, the air conditioning system switches automatically to recirculation mode, in which it operates without any supply of fresh air from the outside. This saves energy and reduces fuel consumption.

Energy efficiency in the home

We were actively involved in the Wirtschaft für Klimaschutz (Business for Climate Protection) initiative organized by the Federation of German Industries (BDI). Its aim was to carry out an extensive analysis of the cost of, as well as the opportunities for, avoiding greenhouse emissions in Germany. Action days were held at which experts informed consumers about the energy efficiency of household appliances. Bosch also provides information on the internet about its most economical refrigerators and dishwashers. There are some 188 million old appliances throughout Europe today. If these were replaced with new highly efficient appliances, we could save as much as 22 million metric tons of CO_2 a year.

In the United Kingdom, Bosch works to promote environmental protection in a number of ways. For example, we give out annual awards for pioneering ideas relating to heating systems and hot-water technology. At the same time, we run an art competition that allows children to give free rein to their creativity and express in pictures their vision of an eco-friendly future.

We offer energy-efficient products in all our divisions. In the area of power tools, for example, Bosch cordless screwdrivers and corded electric straight screwdrivers reduce energy costs considerably as compared with compressed-air screwdrivers. Furthermore, lithium-ion technology dispenses with the need for heavy metals such as nickel and cadmium.

Excellent use of energy at our locations

We are systematically unlocking opportunities to save energy at our manufacturing and development sites. In a project called Excellence Energy, and together with several partners, we had set ourselves the target of reducing energy use by around 10 percent at our Rodez, France site from 2007 to 2009, thereby cutting CO_2 emissions by some 460 metric tons. By eliminating leaks in compressed air lines as well as installing new compressors and lighting systems, we achieved half of the targeted savings after eighteen months. The successful project has been included in the European Commission's Motor Challenge and GreenLight programs and is therefore available to a broad public as a forward-looking example of best practice.

Use of hydropower in the German Allgäu region

We use water power to produce eco-friendly electricity for our German locations in Blaichach and Immenstadt. The Blaichach hydroelectric power plant celebrated its 100th anniversary in 2008. Originally put into operation for a cotton mill, the power plant was taken over by the Bosch Group in 1960. With the power it supplies, the Blaichach site can already meet 10 percent of its energy requirements ecologically. This way, we avoid the emission of some 4,500 metric tons of CO_2 per year. We will continue to focus on eco-friendly power generation in the future, which is why we are investing 7.3 million euros in modernizing this hydropower plant. Its output will increase to 14 million kilowatt-hours per year by the end of 2010, a rise of around 50 percent.

Bangalore takes a deep breath: in this southern Indian city, experts are testing the pollutant emissions of vehicles. The initiative is part of Bosch's Clean Air for Bangalore campaign, which in 2008 was jointly organized by our Indian company Bosch Limited and the German technical cooperation agency Gesellschaft für Technische Zusammenarbeit. We provided the initiative with modern diagnostic equipment, since only when an engine is correctly tuned can pollutant emissions be minimized.

Associates do their bit for the environment

Many of our associates participated in a tree-planting initiative in Bangalore, India. In association with the United Nations, the Bangalore chapter of the international Art of Living Foundation had called on people to plant 100 million trees worldwide between July and October 2008 in order to raise awareness of the UN's Millennium Development Goals. First, all the members of management at our Bangalore site made a symbolic gesture by handing Art of Living some seedlings. Then, the next day, associates and local residents set a green example by taking to the streets with almost 2,700 saplings.

Emissions trading on the Chicago Climate Exchange

Since 2008 we have been a member of the Chicago Climate Exchange, the world's first and North America's only non-governmental organization to operate a legally binding greenhouse-gas emissions registry, reduction, and trading program. By joining, we commit ourselves to reducing by 2010 direct greenhouse-gas emissions from our business activities in the United States by six percent from their average 2000 level. Numerous solutions, systems, and components already use renewable energy, prevent energy wastage, facilitate the use of alternative fuels, and reduce emissions. Worldwide, our aim is to cut CO_2 emissions at our locations by at least 20 percent from their 2007 levels by 2020.

Society

Bosch believes its responsibility stretches beyond the company's boundaries and into society. If society does not provide us with well-educated young talent, or if the environment and climate are not protected, then the Bosch Group will hardly be able to maintain its strong and meaningful development over the long term. This is why we undertake to act beyond the boundaries of our company.

Part of an international network

In our social endeavors, we not only rely on our own insights and experience, but also seek ideas and benchmarks internationally. We are part of a network of associations, non-governmental organizations, and companies working worldwide to eliminate differences in living and working conditions by bringing social and environmental conditions to a uniformly high level everywhere. The Global Reporting Initiative, in which we have been involved since 2006, develops criteria and benchmarks companies can orient to when reporting on their social responsibility. Since there are currently no binding regulations for such reports, this work is important both for companies and for the public in creating transparency, comparability, and accountability. We joined the United Nations Global Compact at the end of 2004. With around 5,000 members worldwide and from every section of society, it is both the largest and the broadest initiative of its kind. The World Business Council for Sustainable Development, of which we have been a member since 2007, aims to drive sustainable development. Finally, Bosch has been a member of Transparency International since its German chapter was formed in 1995. This underlines our commitment to fair business practices and strict compliance with the law.

Lifelong learning and research

Education and research, in equal measure, are central to the future of our society and the competitiveness of a company. This is why Bosch takes an active interest in both educational establishments and research institutes.

As a founding member of the initiative known as Wissensfabrik – Unternehmen für Deutschland e.V. (Knowledge Factory – Companies for Germany), we have now initiated a total of 50 partnerships with educational establishments in several German federal states. Through these, we give children and young people a better understanding of how technology and business work. We join together with kindergartens and schools in developing suitable projects, thereby ensuring that such projects are both interesting and fun.

We collaborate with a number of universities and research institutes around the world. This collaboration takes various forms, such as special teaching posts and guest lectures, participating in and supporting scientific conferences, and financing endowed professorships. For example, we are one of the co-founders of the Interdisciplinary Centre of Advanced Materials Simulation in Bochum, Germany, which, besides Bosch, also involves three other companies, the German federal state of North Rhine-Westphalia as well as three research institutes – the universities of Aachen and Bochum and the Max-Planck-Institut für Eisenforschung (Max-Planck Institute for Iron Research) in Düsseldorf. The center began work in 2008 and focuses primarily on the simulation and development of new high-tech materials tailored to the requirements of modern production processes.

Handmade articles are the main source of income for Grupo Primavera in Campinas, Brazil. Its members are responsible for the entire production process, from planning and creation through purchasing and costing to sales. The proceeds are used to support young women from deprived areas. Grupo Primavera was the initial aid project of Primavera, the association founded by Bosch associates in 1990 that seeks to help needy children around the world. The association subsequently took its name from the Campinas initiative. To date, the association has collected more than 2.5 million euros in donations and cared for around 200,000 children worldwide.

We have a special alliance with Carnegie Mellon University in Pittsburgh, PA (USA), where the Carnegie Bosch Institute for Applied Studies in International Management (CBI) was set up in 1990 with a substantial endowment from our regional subsidiary in North America. The CBI aims to help improve management and train executives at multinational businesses. To achieve this aim, it initiates research projects and supports international networks between representatives of the corporate sector and universities. As well as financing five professorships and research projects, its activities include international conferences. In addition, the CBI has a wide range of seminars specially tailored to the needs of executives at international businesses. The Multipolar Innovation Conference organized by the CBI in 2008 was attended by executives from a variety of industries and covered the different dimensions of innovation. In the same year, the CBI supported the Carnegie Mellon conference on international corporate responsibility in Doha, Qatar.

Helping people in need

Our social endeavors also include charitable projects. In 2001, our regional subsidiary in South Africa began operating a program for associates infected with HIV. This program has since been further developed. It is based on a joint initiative by the South African subsidiaries of other German companies and the German technical cooperation agency Gesellschaft für Technische Zusammenarbeit. It now has five aims. First, it sought to prevent sufferers from being stigmatized and discriminated against and to educate all associates at Robert Bosch South Africa. The next step was to provide care for sufferers and run preventive awareness campaigns. There are specially trained staff available to carry out these ongoing measures. In response to the rising rate of infection, all associates are offered testing, counseling – and guaranteed confidentiality. The sooner sufferers know about their condition, the lower the risk that they will infect others. Finally, the program seeks to enable all infected associates to obtain medical treatment. It has been known

Spreading joy at the Ban Panchana School: Bosch grants are supporting 30 pupils in Thailand. And what is more, the school is also getting new textbooks. And pupils, teachers, and Bosch associates are renovating the sports facilities. Bosch considers this joint project with a Thai foundation to be part of its social responsibility.

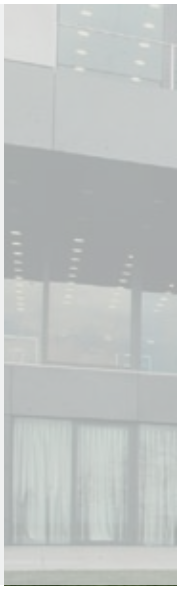
for some time that measures taken in isolation are not enough in the fight against this infectious disease, so partnerships have been formed with municipal and non-governmental organizations.

Our Chinese associates in particular donated very generously when several earthquakes hit the Chinese province of Sichuan in May 2008, killing tens of thousands of people and destroying vast areas. Bosch's regional companies and joint ventures in China also provided substantial assistance. Primavera Hilfe für Kinder in Not e.V. (Primavera Help for Destitute Children), a joint initiative between Bosch associates and retirees, is using the donations from Robert Bosch GmbH to finance the construction of two schools. Associates at our Chinese regional subsidiary are helping Primavera to supervise this project.

- **www.bosch.com/compliance**
- **www.bosch-career.com**
- **http://csr.bosch.com**
- **www.primavera-ev.de**

Robert Bosch Stiftung

Since 1964, the company's majority shareholder has been Robert Bosch Stiftung GmbH, a charitable foundation. The Stiftung carries on the charitable and social endeavors of the company's founder in contemporary form. It sees itself as a foundation that pursues its objectives both with programs and institutions of its own, and by supporting suitable projects and initiatives proposed by others for tackling the tasks faced by society.



With political far-sightedness, the courage of his convictions, and a host of charitable initiatives, Robert Bosch set the standards for the work carried out by the Robert Bosch Stiftung. This foundation currently supports projects in science, health, international relations, education, society, and culture. Each year, some 800 new "internal" and "external" projects are selected, and are supervised by a total of 110 associates. Of the internal projects, 60 percent have an international bearing. The most important instruments used by the Stiftung to achieve its objectives are grants, awards, pilot projects, competitions, and programs for journalists.

Main areas supported by the Stiftung

The work of the Stiftung focuses on the challenges facing society, such as reforming the education system, integrating the immigrant population, adapting to the effects of demographic change, promoting the European ideal, and, increasingly, the changes in the working world. From the very beginning, international understanding has also been one of the central concerns of the Stiftung. Its commitment here is geared to the long term. Many junior executives in politics and administration, the media and culture, business, and the academic world receive support. The Stiftung makes encounters possible, creating opportunities for people to enter into dialogue and to respond to common challenges. It therefore regards promoting cultural exchange as a further way of promoting international understanding. The Stiftung also promotes activities to establish a sustainable health system in Germany. Support is above all given to projects that lead to tangible improvements in everyday life. It addresses the changes in the labor market with programs that help to make the transition between school and labor market smoother, or that are intended to make better use of the potential and ability of older employees. The Stiftung fosters the qualification of workers in the healthcare and nursing professions. It provides answers to demographic change by initiating studies and projects that are intended to provide improvement in the situation of families and help to replace outdated notions of age. The Stiftung aims to strengthen academic learning in Germany. It encourages the best possible use and cultivation of all the potential that is available in the country. It supports young academic talent and helps shape international scientific dialogue. Support is also given to ideas aimed at improving, at a local level, the co-existence of

Tradition and modernity – The Robert Bosch House, the former residence of the company founder, today is the seat of the Robert Bosch Stiftung. The Stiftung also has offices in the neighboring Bosch Haus Heidehof, which serves as a training and conference center for the Bosch Group.

people with different cultural backgrounds. The Stiftung also provides stimuli for the further development of the German education system. It contributes to improving the quality of schools and teaching, supports reforms in the training of early-learning experts, and gives aid to gifted young people from an immigrant background.

In Stuttgart, the following institutions belong to the Stiftung: the Robert Bosch Hospital, the Dr. Margarete Fischer-Bosch Institute for Clinical Pharmacology, and the Robert Bosch Stiftung Institute for the History of Medicine. The Otto und Edith Mühlschlegel Stiftung, the Hans-Walz-Stiftung, the DVA-Stiftung, and the Rochus und Beatrice Mummert Stiftung are dependent foundations within the Robert Bosch Stiftung. They deal in greater depth with issues such as old age, research in complementary medicine, Franco-German relations, or promoting international talent.

The Robert Bosch Stiftung's headquarters are situated in the former residence of Robert Bosch. It also has premises in the Berlin office of Robert Bosch GmbH.

Total 2008 project grants by Robert Bosch Stiftung (in millions of euros)	
Science and research	5.3
Health and humanitarian aid	5.7
International relations: western Europe, USA	11.1
International relations: central and eastern Europe	10.8
Education and society	8.4
Society and culture	6.2
Research at institutes[1] and the hospital	5.9
Investments in the Robert Bosch Hospital	5.4
Dependent foundations	1.2
Total	**60.0**

[1] Dr. Margarete Fischer-Bosch-Institute for Clinical Pharmacology, Institute for Medical History of Robert Bosch Stiftung

▸ **www.bosch-stiftung.de**

Consolidated Financial Statements of the Bosch Group

Contents

Income statement for the period from January 1 to December 31, 2008

	Note	2008	2007
Sales revenue	1	**45,127**	**46,320**
Cost of sales		–31,553	–31,174
Gross profit		**13,574**	**15,146**
Distribution cost and administrative expenses	2	–8,561	–8,486
Research and development cost	3	–3,889	–3,583
Other operating income	4	1,666	1,152
Other operating expenses	5	–1,275	–1,059
Operating profit		**1,515**	**3,170**
Financial income	6	1,904	1,537
Financial expenses	6	–2,477	–906
Profit before tax		**942**	**3,801**
Income tax expense	7	–570	–951
Profit after tax		**372**	**2,850**
of which attributable to minority interests	8	28	78
of which attributable to parent company		344	2,772

Figures in millions of euros

Balance sheet
for the year ended December 31, 2008

Assets	Note	12/31/2008	12/31/2007
Current assets			
Cash and cash equivalents	10	2,267	2,789
Marketable securities	11	396	551
Trade receivables	12	6,971	7,844
Income tax receivables		162	456
Other assets	13	1,672	1,955
Inventories	14	6,826	6,258
		18,294	**19,853**
Non-current assets			
Financial assets	15	7,185	10,503
Income tax receivables		137	130
Property, plant, and equipment	16	12,897	11,857
Intangible assets	17	6,492	4,436
Deferred taxes	7	1,756	1,789
		28,467	**28,715**
Total assets		**46,761**	**48,568**

Figures in millions of euros

Equity and liabilities	Note	12/31/2008	12/31/2007
Current liabilities			
Financial liabilities	18	625	405
Trade payables	19	3,225	3,656
Income tax liabilities		117	168
Other liabilities	20	3,849	3,832
Income tax provisions		212	525
Other provisions	20	3,217	3,139
		11,245	**11,725**
Non-current liabilities			
Financial liabilities	18	2,034	2,001
Other liabilities	20	504	271
Pension provisions	21	5,738	5,741
Income tax provisions		150	155
Other provisions	20	3,076	3,010
Deferred taxes	7	1,005	840
		12,507	**12,018**
Equity	22		
Issued capital		1,200	1,200
Capital reserve		4,557	4,557
Retained earnings		16,784	18,245
Unappropriated earnings		75	72
Minority interests		393	751
		23,009	**24,825**
Total equity and liabilities		**46,761**	**48,568**

Figures in millions of euros

Cash flow statement

	Note 23	2008	2007
Profit before tax		942	3,801
Depreciation and amortization[1]		2,792	2,805
Decrease in pension provisions		–23	–21
Change in non-current provisions		102	–568
Gains on disposal of non-current assets		–90	–127
Losses on disposal of non-current assets		96	96
Gains on disposal of securities		–147	–381
Losses on disposal of securities		410	145
Financial income		–820	–749
Financial expenses		949	494
Interest and dividends received		529	585
Interest paid		–184	–297
Income taxes paid		–524	–731
Cash flow		**4,032**	**5,052**
Increase in inventories		–200	–552
Change in receivables and other assets		2,489	–821
Change in liabilities		–1,474	214
Change in current provisions		–403	183
Cash flows from operating activities (A)		**4,444**	**4,076**
Acquisition of subsidiaries and other business units		–2,219	–273
Additions to non-current assets		–4,167	–3,053
Proceeds from disposal of non-current assets		157	304
Purchase of securities		–4,990	–5,340
Disposal of securities		6,977	4,834
Cash flows from investing activities (B)		**–4,242**	**–3,528**
Acquisition of minority interests		–695	–292
Borrowing		525	158
Repayment of financial liabilities		–465	–361
Dividends paid		–84	–90
Cash flows from financing activities (C)		**–719**	**–585**
Change in liquidity (A+B+C)		**–517**	**–37**
Liquidity at the beginning of the period (January 1)		**2,789**	**2,849**
Exchange-rate related change in liquidity		–41	–33
Increase in liquidity due to changes in consolidated group		36	10
Liquidity at the end of the period (December 31)		**2,267**	**2,789**

Figures in millions of euros

[1] After offsetting write-ups of EUR 3 million (prior year: EUR 3 million)

Statement of recognized income and expense

	2008	2007
Change from marketable financial instruments		
recognized directly in equity	–1,835	–184
transferred to profit or loss	533	–303
Change due to actuarial parameters for pension provisions	16	748
Adjustment item from currency translation of entities outside the euro zone	–233	–221
Deferred taxes	21	–224
Revaluations recognized directly in equity	**–1,498**	**–184**
Profit after tax	372	2,850
Total (sum of profit after tax and revaluations recognized directly in equity in the period)	**–1,126**	**2,666**
of which attributable to minority interests	15	59
of which attributable to parent company	–1,141	2,607

Figures in millions of euros

Statement of changes in equity

			Retained earnings			
	Issued capital	Capital reserve	Earned profit	Treasury stock	Currency translation	
January 1, 2007	**1,200**	**4,557**	**14,243**	**–62**	**39**	
Dividends						
Profit after tax						
Transfer to retained earnings			2,700			
Exchange differences					–202	
Other changes						
December 31, 2007	**1,200**	**4,557**	**16,943**	**–62**	**–163**	
Dividends						
Profit after tax						
Transfer to retained earnings			269			
Exchange differences					–316	
Other changes						
December 31, 2008	**1,200**	**4,557**	**17,212**	**–62**	**–479**	

Figures in millions of euros

Accumulated other comprehensive income						
Securities	Other changes	Total	Unappropriated earnings	**Equity parent company**	Minority interests	**Total equity**
1,978	**–269**	**1,748**	**69**	**21,755**	**727**	**22,482**
			–69	**–69**	–21	**–90**
			2,772	**2,772**	78	**2,850**
			–2,700			
		–202		**–202**	–19	**–221**
–453	271	–182		**–182**	–14	**–196**
1,525	**2**	**1,364**	**72**	**24,074**	**751**	**24,825**
			–72	**–72**	–12	**–84**
			344	**344**	28	**372**
			–269			
		–316		**–316**	83	**–233**
–1,294	–120	–1,414		**–1,414**	–457	**–1,871**
231	**–118**	**–366**	**75**	**22,616**	**393**	**23,009**

Notes to the consolidated financial statements
Principles and methods

Basis of presentation

The consolidated financial statements of the Bosch Group for the year ended December 31, 2008, have been prepared according to the standards issued by the ***I**nternational **A**ccounting **S**tandards **B**oard* (IASB), London. The ***I**nternational **F**inancial **R**eporting Standards* (IFRS's) and the Interpretations of the ***I**nternational **F**inancial **R**eporting **I**nterpretations **C**ommittee* (IFRIC) applicable in the EU at balance-sheet date have been applied. The prior-year figures have been determined using the same principles.

The consolidated financial statements are in line with the provisions of Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] and Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002, on the application of international accounting standards.

The following IFRS's or ***I**nternational **A**ccounting **S**tandards* (IAS's) are applied:

- IAS 1: Presentation of Financial Statements
- IAS 2: Inventories
- IAS 7: Cash Flow Statements
- IAS 8: Accounting Policies, Changes in Accounting Estimates, and Errors
- IAS 10: Events after the Balance-Sheet Date
- IAS 11: Construction Contracts
- IAS 12: Income Taxes
- IAS 14: Segment Reporting
- IAS 16: Property, Plant, and Equipment
- IAS 17: Leases
- IAS 18: Revenue
- IAS 19: Employee Benefits
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21: The Effects of Changes in Foreign Exchange Rates
- IAS 23: Borrowing Costs
- IAS 24: Related Party Disclosures
- IAS 26: Accounting and Reporting by Retirement Benefit Plans
- IAS 27: Consolidated and Separate Financial Statements
- IAS 28: Investments in Associates
- IAS 29: Financial Reporting in Hyperinflationary Economies
- IAS 31: Interests in Joint Ventures
- IAS 32: Financial Instruments: Presentation
- IAS 36: Impairment of Assets
- IAS 37: Provisions, Contingent Liabilities, and Contingent Assets
- IAS 38: Intangible Assets
- IAS 39: Financial Instruments: Recognition and Measurement
- IAS 40: Investment Property
- IFRS 1: First-Time Adoption of International Financial Reporting Standards
- IFRS 3: Business Combinations
- IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 7: Financial Instruments: Disclosures

The Bosch Group has elected not to early adopt IFRS 8 *Operating Segments* that has been adopted by the EU and the changes adopted by the EU to IAS 1 *Presentation of Financial Statements* and IAS 23 *Borrowing Costs* (mandatory application from January 1, 2009).

To enhance the clarity and transparency of the consolidated financial statements, individual items of the consolidated income statement and the consolidated balance sheet have been combined. These items are explained separately in the notes to the consolidated financial statements. The income statement has been prepared using the function of expense method.

The preparation of consolidated financial statements in accordance with IFRS requires that assumptions be made for some items. These assumptions have an effect on the amount of the assets and liabilities, income and expenses, and contingent liabilities disclosed in the consolidated balance sheet.

The group currency is the euro (EUR). Unless otherwise stated, all figures are in millions of euros (EUR million).

The consolidated financial statements prepared as of December 31, 2008, were authorized for disclosure by management on March 17, 2009. The consolidated financial statements and group management report will be filed with the electronic Federal Gazette [*Bundesanzeiger*] and published there.

Basis of consolidation

Besides Robert Bosch GmbH, the consolidated financial statements include all subsidiaries for which Robert Bosch GmbH fulfills the criteria pursuant to IAS 27 *Consolidated and Separate Financial Statements,* or to which the interpretation of the ***S****tanding* ***I****nterpretations* ***C****ommittee* SIC 12 *Consolidation – Special Purpose Entities* apply. These entities are included in the consolidated financial statements from the date on which the Bosch Group obtains control. Conversely, subsidiaries are no longer included when control of the entity is lost.

The capital of the companies consolidated in the fiscal year for the first time is consolidated pursuant to IFRS 3 *Business Combinations* using the purchase method of accounting. At the time of combination, the purchase cost of the shares acquired is offset against pro-rata revalued equity. Assets, liabilities, and contingent liabilities are carried at fair value. Remaining debit differences are accounted for as goodwill. Any credit differences are recognized with effect on income. Any difference resulting from the purchase of additional minority shares is offset against equity.

Joint ventures as defined by IAS 31 *Interests in Joint Ventures* are consolidated proportionately.

Pursuant to IAS 28 *Investments in Associates,* investments are included in consolidation using the equity method if significant influence can be exercised. At present, no entity has been accounted for using the equity method.

Within the consolidated group, intercompany profits and losses, sales, expenses and other income, as well as all receivables and liabilities or provisions are eliminated. In the case of consolidation measures with an effect on income, the effects for income tax purposes are considered and deferred taxes disclosed.

Currency translation

In the separate financial statements of the Group companies, all receivables and liabilities denominated in currencies other than the euro are measured at the spot rate on the balance-sheet date, regardless of whether they are hedged or not. Exchange-rate gains and losses from revaluations are recorded in profit or loss.

The financial statements of the consolidated companies outside the euro zone are translated into euros in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates.* Assets and liabilities are translated at the closing rate at balance-sheet date, while equity is translated at historical rates. The positions of the income statement are translated into euros at the annual average exchange rate. Any resulting exchange-rate differences are recorded directly in equity until the disposal of the subsidiaries, and disclosed as a separate position in equity.

For the most important non-euro currencies of the Bosch Group, the following exchange rates apply:

		Closing rate		Average rate	
	EUR 1 =	12/31/2008	12/31/2007	2008	2007
Australia	AUD	2.03	1.68	1.74	1.63
Brazil	BRL	3.24	2.62	2.67	2.67
China	CNY	9.66	10.74	10.25	10.42
Czech Republic	CZK	26.93	26.62	24.96	27.76
Hungary	HUF	264.78	253.35	251.66	251.31
India	INR	67.63	57.95	63.67	56.61
Japan	JPY	126.14	165.00	152.33	161.20
Korea	KRW	1,839.13	1,377.00	1,606.01	1,272.72
Switzerland	CHF	1.49	1.66	1.59	1.64
United Kingdom	GBP	0.95	0.73	0.80	0.68
United States of America	USD	1.39	1.47	1.47	1.37

Accounting policies

Cash and cash equivalents consist of cash, reserve bank deposits, bank balances with an original maturity of less than 90 days, and checks. Measurement is at amortized cost.

Trade receivables, income tax receivables, other assets (current), and **other financial assets (non-current)** are measured at amortized cost. All discernible specific risks and general credit risks are accounted for by appropriate valuation allowances. This does not apply to derivative financial instruments. For finance leases under which the Bosch Group is the lessor, a receivable is disclosed equivalent to the net investment value. Leases under which substantially all risks and rewards in connection with ownership have been transferred to the lessee are classified as finance leases.

Inventories include raw materials, consumables, and supplies, work in process, finished goods and merchandise, and prepayments. Inventories are stated at purchase cost or cost of conversion using the average cost method. In addition to direct cost, cost of conversion includes an allocable portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. Borrowing cost is not capitalized. Appropriate allowance is made for risks associated with holding and selling inventories due to obsolescence. Inventories are written down further if unfavorable sales conditions make this necessary.

Property, plant, and equipment are measured at cost of purchase or production cost less depreciation. Borrowing cost is not capitalized. Depreciation is charged on a straight-line basis over the economic useful life.

Depreciation is based on the following ranges of useful lives:

	Useful life
Buildings	10–33 years
Plant and equipment	6–14 years
Other equipment, fixtures, and furniture	3–12 years

In accordance with IAS 36 *Impairment of Assets,* impairment losses are recorded on property, plant, and equipment if the recoverable amount has fallen below the carrying amount. Impairment losses are reversed if the reasons for the impairment loss from prior years no longer apply. Repair costs are recognized in the income statement.

In accordance with IAS 17 *Leases,* leased items of property, plant, and equipment which for economic purposes are deemed to be purchases of assets with long-term financing (finance leases) are recognized at the time of addition at the lower of cost or present value of the minimum lease payments. Depreciation is charged over the economic useful life. If it is uncertain whether title to the leased asset will be transferred, the asset is depreciated over the term of the lease agreement (if shorter than the economic useful life). The finance expense from these leases is disclosed under other financial expenses.

Government grants are only recognized pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* if it is sufficiently certain that the assistance will be granted. Grants related to assets are deducted in order to calculate the carrying amount of the asset. Grants related to income are recognized in the income statement of the period in which the expenses are incurred.

Investment property is measured at amortized cost in accordance with IAS 40 *Investment Property.*

Purchased and internally generated intangible assets are capitalized pursuant to IAS 38 *Intangible Assets* if a future economic benefit will flow to the entity from the use of the asset and the cost of the asset can be reliably determined. These assets are generally carried at cost and amortized using the straight-line method over their economic useful life. As a rule, the useful life is four years. Intangible assets accounted for in the course of business combinations have a useful life of up to 20 years.

Goodwill from business combinations represents the difference between the purchase price on the one hand and the pro-rata fair value of the equity at the time of acquisition on the other. Goodwill is allocated to the cash-generating units and tested annually for impairment. If the recoverable amount of the cash-generating unit does not cover the carrying amount of the net asset, impairment losses are charged in accordance with the requirements of IAS 36.

Pursuant to IFRS 1, goodwill existing as of January 1, 2004 (date of transition) was transferred at the carrying amount in accordance with the provisions of the German Commercial Code. Goodwill is also tested for impairment pursuant to the provisions of IAS 36.

Intangible assets with an indefinite useful life are tested annually for impairment. Intangible assets subject to wear and tear are only tested for impairment if there is any indication that they may be impaired.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity on the one hand and to a financial liability or equity instrument of a second entity on the other. As a rule, financial instruments are determined as of the settlement date. Financial instruments are accounted for at amortized cost or fair value. Fair value is the market value. If it is not possible to reliably determine a market value, the fair value is determined using actuarial methods based on available market information. In the case of a financial asset or financial liability not accounted for at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are taken into account.

Under IAS 39 *Financial Instruments: Recognition and Measurement,* the following categories of financial instruments are used in the Bosch Group:

- Held-to-maturity investments
- Loans and receivables
- Financial liabilities measured at amortized cost
- Financial assets and liabilities held for trading
- Available-for-sale financial assets

The fair-value option pursuant to IAS 39 is not exercised.

Financial investments held to maturity, loans and receivables, and current and non-current financial liabilities are measured at amortized cost using the effective interest method. These are mainly loans, trade receivables, and current and non-current other financial assets and liabilities. Impairments of loans and receivables to allow for anticipated credit risks are recognized in the form of specific and general doubtful debt allowances. When determining valuation allowances for the general credit risk, financial assets that could potentially be impaired are grouped together by similar credit risk characteristics, collectively tested for impairment, and, if necessary, written down.

Financial assets and liabilities held for trading are measured at fair value. Changes in value are recognized in profit or loss. These are derivative financial instruments which are mainly used to limit currency and interest risks in accordance with internal risk management. Hedge accounting is not used in the Bosch Group.

Available-for-sale financial assets are those non-derivative financial assets that cannot be allocated to any of the preceding categories. They are carried at fair value. Unrealized gains and losses from changes in market value are disclosed in equity, net of deferred taxes, until they are realized. If a financial asset has to be impaired, the accumulated net loss is eliminated from equity and disclosed in profit or loss. If an impairment loss recorded on equity instruments is reversed in accordance with IAS 39, this is offset directly against equity. Reversals of impairment losses on debt instruments are recognized in profit and loss. They may not exceed the amount for which the impairment loss was recorded.

If the fair value of available-for-sale financial assets cannot be reliably determined, they are accounted for at acquisition cost. These are investments for which there is no active market. Necessary impairment losses are recognized in profit or loss and are not reversed.

As of every balance-sheet date, the carrying amounts of the financial assets which are not measured at fair value through profit or loss are examined for substantial objective indications that an asset may be impaired. Such indications may, for instance, be serious financial difficulties suffered by the debtor, the high probability that insolvency proceedings will be instituted against the debtor, the loss of an active market for the financial asset, a permanent drop in the fair value of the financial asset below amortized cost, or significant changes in the technological, economic, or legal environment, or the market of the issuer. A possible impairment loss is given if the fair value of the asset is lower than the carrying amount. The fair value of loans and receivables is the present value of the estimated future cash flows discounted using the original effective interest rate.

Pursuant to IAS 12 *Income Taxes,* **deferred tax assets and liabilities** are recorded for temporary differences between the tax values and the carrying amounts in the consolidated balance sheet. This also applies to unused tax losses and tax credits if there is assurance beyond reasonable doubt that future taxable profit will be available against which they can be utilized. The deferred tax item equals the estimated tax burden/relief in later periods. The tax rate applicable at the time of realization is taken as a basis. Tax implications from profit distributions are not considered until the resolution for the appropriation of profits has been adopted. If it is uncertain whether recognized deferred taxes can be realized, they are adjusted accordingly.

Liabilities are measured at amortized cost. Liabilities from finance leases are disclosed under other liabilities, at the present value of the future lease installments. The effective interest method is applied when measuring bonds.

Pursuant to IAS 19 *Employee Benefits,* **pension provisions** are recognized using the projected unit credit method, taking future estimated increases in pensions and salaries into account.

Tax provisions pertain to obligations relating to income tax and other taxes. Deferred taxes are disclosed in separate positions of the balance sheet.

Pursuant to IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets,* **other provisions** are recognized if there is a current obligation from a past event which will probably lead to an outflow of resources in future. In addition, it must be possible to reliably estimate the amount of this outflow. Other provisions are measured at full cost. Provisions due in more than one year are stated at their discounted settlement amount.

Revenue from the supply of products and goods or from the provision of services is recognized when title and risk is transferred to the purchaser, less sales deductions. Interest and lease income is recorded according to the contractual agreement and, where appropriate, accrued pro rata temporis. In the case of finance leases, the payments are divided up using actuarial methods.

Cost of sales contains the cost of internally manufactured goods and the cost price of resold merchandise. The production cost of internally manufactured goods contains materials and production cost that can be allocated directly, the allocable parts of indirect overheads, including the depreciation of production equipment and the amortization of other intangible assets, and the devaluation of inventories.

Development cost that cannot be recognized is charged against income in the period incurred.

Consolidation

Consolidated group

Robert Bosch GmbH is headquartered in Stuttgart, Germany. The shareholders of Robert Bosch GmbH are Robert Bosch Stiftung GmbH, Stuttgart (92.0% of the shares), the Bosch family (7.4% of the shares), and Robert Bosch Industrietreuhand KG, Stuttgart, which performs the entrepreneurial ownership functions. Robert Bosch GmbH holds treasury stock equivalent to 0.6% of capital.

Besides Robert Bosch GmbH, the consolidated group comprises a further 382 (prior year: 317) fully consolidated companies. The group developed as follows:

	Germany	Outside Germany	Total
Included in consolidation at December 31, 2006	**40**	**259**	**299**
Additions/formations in fiscal 2007	7	31	38
Disposals/mergers in fiscal 2007	1	18	19
Included in consolidation at December 31, 2007	**46**	**272**	**318**
Additions/formations in fiscal 2008	14	69	83
Disposals/mergers in fiscal 2008	4	14	18
Included in consolidation at December 31, 2008	**56**	**327**	**383**

Pursuant to SIC 12, the consolidated group contains special funds for which the Bosch Group bears the economic risks and rewards.

In fiscal 2008, the following companies or sub-groups were included in the consolidation for the first time:

- ersol Solar Energy AG, Erfurt, Germany (the sub-group comprises five companies),
- Bosch Sensortec GmbH, Kusterdingen, Germany,
- Robert Bosch Venture Capital GmbH, Gerlingen, Germany,
- Landau Electronics GmbH, Landau, Germany,
- Bosch Trading (Shanghai) Co, Ltd, Waigaoqiao (Shanghai), China,
- Bosch Rexroth Electric Drives and Controls (Shenzen) Co, Ltd, Shenzen, China,
- Holger Christiansen A/S, Esbjerg, Denmark (the sub-group comprises 13 companies),
- Derwent Systems Ltd, Cramlington, United Kingdom,
- Forward Vision CCTV Ltd, Church Crockham, United Kingdom,
- Robert Bosch Engineering and Business Solutions Ltd, Bangalore, India,
- Extreme CCTV Inc, Burnaby, BC, Canada,
- ROBERT BOSCH SRL, Bucharest, Romania,
- Hägglunds Drives AB, Mellansel, Sweden (the sub-group comprises 22 companies),
- sia Abrasives Holding AG, Frauenfeld, Switzerland (the sub-group comprises 24 companies),
- Bosch Brake Components LLC, Broadview, IL, USA (business operations of Morse Automotive Corporation, Chicago, IL, USA),
- Health Hero Network Inc, Palo Alto, CA, USA.

Due to corporate restructuring and mergers, the number of subsidiaries included in consolidation was reduced by a total of 18.

Due to additions to the companies included in consolidation, sales revenue increased by EUR 0.5 billion and total assets by EUR 1.1 billion.

Proportionate consolidation

The following financial statements are each included proportionate to the share Bosch holds in their capital:

- BSH Bosch und Siemens Hausgeräte GmbH, Munich, Germany (the sub-group comprises 66 companies),
- ZF Lenksysteme GmbH, Schwäbisch Gmünd, Germany (the sub-group comprises 13 companies),
- United Automotive Electronic Systems Co, Ltd, Shanghai, China,
- KEFICO Corporation, Gunpo, Korea,
- Purolator Filters North America LLC, Fayetteville, NC, USA.

The proportionate consolidation of these companies had the following impact on the assets, liabilities, as well as income and expenses of the Bosch Group:

Effects of proportionate consolidation on assets and liabilities

Figures in millions of euros	2008	2007
Current assets	2,439	2,452
Non-current assets	1,368	1,398
Current liabilities	1,336	1,339
Non-current liabilities	1,151	1,207

Effects of proportionate consolidation on the income statement

Figures in millions of euros	2008	2007
Income	6,346	6,333
Expenses	6,138	6,051

The share of contingent liabilities of these companies attributable to the Bosch Group amounts to EUR 5 million (prior year: EUR 12 million).

Business combinations

The companies listed below were acquired and included in the consolidation for the first time in the reporting period:

				Figures in millions of euros	
Company	Activity and absorbing business sector	First-time consolidation	Share of voting rights	Acquisition cost	Profit share since first-time consolidation
Health Hero Network Inc, Palo Alto, CA, USA	Telemedicine UBI[1]	Jan. 1, 2008	100 %	79	–18
Holger Christiansen A/S, Esbjerg, Denmark	Remanufacturing of starters and generators UBK[2]	Feb. 1, 2008	100 %	147	–15
Extreme CCTV Inc, Burnaby, BC, Canada	Video-surveillance systems UBG[3]	Mar. 1, 2008	100 %	64	–3
ersol Solar Energy AG, Erfurt, Germany	Wafer-based silicon solar cells and thin-film modules UBI[1]	Jul. 1, 2008	93.3 %	1,124	27
CST/berger, West Lafayette, IN, USA, division of The Stanley Works Inc	Laser measuring tools UBG[3]	Jul. 25, 2008	n.a.*	123	–4
Business operations of Morse Automotive Corporation, Chicago, IL, USA	Brake pads UBK[2]	Oct. 1, 2008	n.a.*	40	–6
Hägglunds Drives AB, Mellansel, Sweden	Hydraulic drive systems UBI[1]	Dec. 31, 2008	100 %	521	
sia Abrasives Holding AG, Frauenfeld, Switzerland	Abrasive systems UBG[3]	Dec. 31, 2008	95.1 %	226	

* not applicable because asset deal

[1] Industrial Technology business sector
[2] Automotive Technology business sector
[3] Consumer Goods and Building Technology business sector

The above business combinations were mainly financed by transferring cash and cash equivalents.

At the time of the first-time consolidation, the acquisitions had the following effect on the assets and liabilities of the Bosch Group:

Figures in millions of euros	Health Hero Network	Holger Christiansen	Extreme CCTV	
Current assets	**3**	**113**	**15**	
of which cash and cash equivalents	2	21	2	
Non-current assets	**103**	**80**	**68**	
Financial assets			3	
Property, plant, and equipment	1	29	2	
Intangible assets	102	51	63	
of which goodwill	14	2	41	
Deferred tax assets				
Current liabilities	**24**	**21**	**12**	
Non-current liabilities	**3**	**25**	**7**	
Provisions	3			
Liabilities including deferred taxes		25	7	

Acquisitions led to the disclosure of intangible assets (without goodwill) previously not accounted for. These assets amount to EUR 87 million at Health Hero Network, EUR 49 million at Holger Christiansen, EUR 22 million at Extreme CCTV, EUR 49 million at CST/berger, EUR 352 million at ersol Solar Energy, EUR 23 million at Morse Automotive, EUR 292 million at Hägglunds Drives, and EUR 84 million at sia Abrasives.

In the reporting period, the assets of Accu Industries Inc, Ashland, VA, USA, were acquired, as well as Sunterra LLP and the Nelson Consumer Products division of L.R. Nelson Corp, Peoria, IL, USA, for a total of EUR 39 million.

Assuming that the above companies had already been consolidated for the first time as of January 1, 2008, total sales revenue of the Bosch Group would come to EUR 45,808 million and profit after tax to EUR 320 million.

Discontinued operations

No decisions were taken in the fiscal year 2008 which would have resulted in business units, subsidiaries, or joint ventures being classified as held for sale.

	ersol Solar Energy	CST/berger	Morse Automotive	Hägglunds Drives	sia Abrasives	Total	Total of carrying amounts acquired
	250	**13**	**44**	**120**	**89**	**647**	**603**
	21			13	8	67	67
	1,217	**117**	**28**	**570**	**229**	**2,412**	**358**
	1			1	1	6	6
	212	3	4	28	94	373	330
	1,002	114	24	534	133	2,023	12
	643	65	1	240	47	1,053	
	2			7	1	10	10
	67	**7**	**32**	**54**	**18**	**235**	**234**
	244	**1**		**116**	**65**	**461**	**207**
		1		12	4	20	20
	244			104	61	441	187

Notes to the income statement

1 Sales revenue

Sales revenue amounted to EUR 45,127 million (prior year: EUR 46,320 million). The Automotive Technology business sector accounted for EUR 26,475 million (prior year: EUR 28,449 million) of this total, the Industrial Technology business sector for EUR 6,733 million (prior year: EUR 5,967 million), and the Consumer Goods and Building Technology business sector for EUR 11,897 million (prior year: EUR 11,732 million). Sales revenue that cannot be allocated to the business sectors came to EUR 22 million (prior year: EUR 172 million).

2 Distribution cost and administrative expenses

Figures in millions of euros	2008	2007
Administrative expenses	2,176	2,145
Distribution cost	6,385	6,341
	8,561	**8,486**

The distribution cost includes personnel and indirect costs, depreciation charged in the distribution function, customer service, logistics, market research, sales promotion, shipping, advertising, and warranty costs.

3 Research and development cost

Research and development cost contains both research cost as well as development cost that cannot be capitalized and depreciation on recognized development cost. In addition, it includes development work charged directly to customers.

Figures in millions of euros	2008	2007
Total research and development cost	3,884	3,532
Development cost recognized in the reporting period	–156	–118
Depreciation on recognized development cost	161	169
	3,889	**3,583**

4 Other operating income

Figures in millions of euros	2008	2007
Income from exchange-rate fluctuations	804	435
Income from the reversal of valuation allowances on receivables and other assets	57	44
Income from the disposal of non-current assets	90	51
Income from rent and leases	9	12
Income from the reversal of provisions (not disclosed in the functional areas)	352	335
Sundry other operating income	354	275
	1,666	**1,152**

The income from exchange-rate fluctuations is offset by expenses which are disclosed in other operating expenses. These items contain the effective exchange-rate results and the results from foreign-currency derivatives allocable to the operating business.

Leases are accounted for according to the rules pertaining to operating leases, provided that the substantial risks and rewards associated with the leased asset rest with the lessor. The assets concerned are recognized in property, plant, and equipment and the lease payments received are recorded in other operating income. In the reporting year, income from operating leases came to EUR 9 million (prior year: EUR 12 million).

Government grants related to income amounted to EUR 55 million (prior year: EUR 65 million). They are offset against the respective expenses. If there are no such expenses, the grants are disclosed in sundry other operating income.

5 Other operating expenses

Figures in millions of euros	2008	2007
Expenses from exchange-rate fluctuations	769	468
Valuation allowances on receivables and other assets	118	91
Expenses from the disposal of non-current assets	96	95
Other taxes	22	36
Expenses from the recognition of provisions	50	104
Impairment of goodwill		37
Sundry other operating expenses	220	228
	1,275	**1,059**

6 Financial result

Figures in millions of euros	2008	2007
Investment income	56	43
Gains on disposal of investments		76
Income from investments	**56**	**119**
Interest and similar income	465	557
Interest and similar expenses	–218	–255
Interest result	**247**	**302**
Gains on disposal of securities	147	381
Losses on disposal of securities	–410	–145
Realized exchange-rate gains	644	203
Realized exchange-rate losses	–613	–173
Unrealized exchange-rate gains	131	66
Unrealized exchange-rate losses	–201	–63
Gains on derivatives	406	172
Losses on derivatives	–559	–117
Other income	55	39
Other expenses	–476	–153
Other financial result	**–876**	**210**
Financial result, total	**–573**	**631**
of which financial income	1,904	1,537
of which financial expenses	–2,477	–906

The positions “gains/losses on derivatives” contain transactions to hedge financial assets. The position “other expenses” contains impairments of securities totaling EUR 270 million (prior year: EUR 5 million).

Interest income and expenses are attributable to financial instruments not measured at fair value through profit or loss as follows:

Figures in millions of euros	2008		2007	
	Interest income	Interest expenses	Interest income	Interest expenses
Loans and receivables	161		204	
Held-to-maturity investments	3		6	
Available-for-sale financial assets	294	23	341	24
Financial liabilities measured at amortized cost		189		226

The interest result of the “available-for-sale financial assets" category contains dividend income from equity instruments held, totaling EUR 66 million (prior year: EUR 61 million).

7 Income taxes

Income taxes are classified according to their origin as follows:

Figures in millions of euros	2008	2007
Current taxes	551	860
Deferred taxes	19	91
Income taxes	**570**	**951**

Deferred taxes are calculated on the basis of the tax rates that apply or that are expected to apply given the current legislation in the individual countries at the expected time of realization. Due to the reduction in corporate tax rate to 15% effected by the 2008 corporate tax reform in Germany, the tax rate for German companies from 2008 onwards is 29%, taking trade tax and the solidarity surcharge into account.

The tax rates outside Germany range between 7% and 40%.

As of December 31, deferred tax assets and liabilities are allocable to the following balance-sheet positions:

Figures in millions of euros	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Receivables, other assets, and inventories	308	285	290	259
Securities, investments	122	229	96	233
Property, plant, and equipment	126	568	149	591
Intangible assets	93	528	45	263
Other assets	54		74	11
Liabilities	375	47	371	51
Provisions	1,366	136	1,127	79
Other liabilities		37		29
Unused tax losses and tax credits	529		443	
Gross amount	**2,973**	**1,830**	**2,595**	**1,516**
Valuation allowances	–392		–130	
Netting	–825	–825	–676	–676
	1,756	**1,005**	**1,789**	**840**

There are EUR 307 million in unused tax losses for which no deferred tax assets have been recognized (prior year: EUR 199 million).

Consolidation measures give rise to deferred tax assets of EUR 127 million (prior year: EUR 130 million) and deferred tax liabilities of EUR 48 million (prior year: EUR 64 million).

In the reporting period, deferred taxes of EUR 21 million (prior year: EUR 224 million) were recorded directly in equity. Of this amount, EUR 1 million (prior year: EUR 36 million) relates to the decrease in the surplus from securities and EUR 22 million (prior year: EUR 260 million) to the increase in retained earnings due to the change in actuarial parameters pursuant to IAS 19.

The basis for the expected income tax expense is the German tax rate of 29%. The difference between expected and disclosed income tax expense is attributable to the following factors:

Figures in millions of euros	2008	2007
Expected income tax expense	273	1,482
Variances due to tax rates	–75	–289
Non-deductible expenses	110	93
Zero-rated income	–47	–185
Other differences	309	–150
Income tax expense disclosed	**570**	**951**
Effective tax rate	61%	25%

The position “Other differences” contains the change in valuation allowances on deferred tax assets from unused tax losses of EUR 282 million (prior year: EUR 2 million).

8 Minority interests

Profits attributable to minority interests amount to EUR 70 million (prior year: EUR 93 million). This is counterbalanced by losses of EUR 42 million (prior year: EUR 15 million).

9 Other notes to the income statement

The income statement contains personnel expenses of EUR 12,994 million (prior year: EUR 12,896 million).

Cost of materials amounts to EUR 21,166 million (prior year: EUR 20,681 million). Information about amortization and depreciation is contained in the notes on non-current assets.

Notes to the balance sheet

10 Cash and cash equivalents

Figures in millions of euros	2008	2007
Bank balances (term up to 90 days)	2,233	2,753
Checks, cash, and reserve bank deposits	34	36
	2,267	**2,789**

11 Marketable securities (current)

The securities classified as current are listed securities with a residual term of less than one year as well as securities which are intended for sale within a year.

12 Trade receivables

Figures in millions of euros	2008	2007
Trade receivables	6,971	7,844
of which not impaired and not past due at balance-sheet date	1,574	1,535
of which not impaired and past due at balance-sheet date	173	213
for less than one month	110	148
for more than one month, but less than three months	43	36
for more than three months	20	29

The carrying amount of trade receivables contains allowances for specific doubtful debts of EUR 221 million (prior year: EUR 202 million) and for general credit risks of EUR 169 million (prior year: EUR 152 million).

Trade receivables totaling EUR 9 million (prior year: EUR 2 million) are due in more than one year.

13 Other assets (current)

Figures in millions of euros	2008	2007
Bank balances (term of more than 90 days)	158	533
Loan receivables	167	233
Receivables from finance leases	28	28
Positive market values from derivatives	208	87
Prepaid expenses	129	115
Receivables from tax authorities (without income tax receivables)	663	652
Receivables from board of management, associates	27	25
Sundry other receivables	292	282
	1,672	**1,955**

The receivables from finance leases stem from products leased by the Security Systems division. As a rule, the agreed term is ten years. The receivables are due as follows:

Figures in millions of euros	2008	2007
Gross capital expenditures on finance leases		
due not later than one year	37	36
due later than one year and not later than five years	105	105
due later than five years	52	49
	194	**190**
Present value of outstanding minimum lease payments		
due not later than one year	28	28
due later than one year and not later than five years	84	85
due later than five years	47	44
	159	**157**
Unearned finance income	**35**	**33**

There were no unguaranteed residual values. It was not necessary to write down any lease receivables.

The outstanding minimum lease payments from operating leases mainly stem from activities of the Security Systems division. The minimum lease payments are due as follows:

Figures in millions of euros	2008	2007
Due not later than one year	29	28
Due later than one year and not later than five years	93	88
Due later than five years	52	52
	174	**168**

14 Inventories

Figures in millions of euros	2008	2007
Raw materials, consumables, and supplies	2,148	2,011
Work in process	1,208	1,150
Finished goods and merchandise	3,277	3,025
Prepayments	193	72
	6,826	**6,258**

Of the total amount of inventories, an amount of EUR 57 million (prior year: EUR 140 million) is carried at the lower net selling price. In the fiscal year, impairment losses of EUR 94 million (prior year: EUR 53 million) were recognized in profit or loss. No impairments were reversed, no inventories were pledged.

15 Non-current financial assets

Figures in millions of euros	2008	2007
Securities	5,122	8,086
Investments	1,511	1,817
Other financial assets	552	600
	7,185	**10,503**

Held-to-maturity investments

Figures in millions of euros	2008	2007
Due later than one year and not later than five years	1	21
Due later than five years	8	7
	9	**28**

The financial investments held to maturity have a market value of EUR 9 million (prior year: EUR 27 million).

Other non-current financial assets

Figures in millions of euros	2008	2007
Loans	34	34
Receivables from finance leases	131	129
Other receivables and other assets	387	437
	552	**600**

There are no loans or other receivables due in more than five years.

The carrying amount of the loan receivables contains impairment losses of EUR 4 million (prior year: EUR 4 million).

Of the loan receivables and receivables from finance leases (both current and non-current), an amount of EUR 340 million (prior year: EUR 381 million) is not impaired and not past due.

Non-current securities and investments
The securities consist of fixed-yield and other securities as well as shares which are not designated for sale within twelve months of the balance-sheet date.

The market value of the pledged securities amounts to EUR 195 million (prior year: EUR 205 million). They are used to secure bank guarantees. Medium-term interest-bearing securities equivalent at least to the value of the claims from the bank-guarantee obligations were used for pledging.

At balance-sheet date, the Bosch Group plans to sell unlisted investments measured at amortized cost of EUR 10 million in the following year.

Non-current securities and investments developed as follows:

Figures in millions of euros						
	Available-for-sale financial assets				Held-to-maturity investments	**Total**
	Investments		Securities		Securities	
	measured at fair value	measured at amortized cost	Shares	Other		
Gross values 1/1/2007	**1,728**	**462**	**2,314**	**5,281**	**80**	**9,865**
Changes in consolidated group	3	–72				–69
Additions	36	37	1,813	2,630	20	4,536
Reclassifications			193	–118	–72	3
Disposals	–73		–1,966	–2,034		–4,073
Revaluations	–130		26	–76		–180
Exchange differences	–8	1	–3	–2		–12
Gross values 12/31/2007	**1,556**	**428**	**2,377**	**5,681**	**28**	**10,070**
Depreciation 1/1/2007		**187**				**187**
Changes in consolidated group		–27				–27
Additions		8				8
Write-ups		–1				–1
Depreciation 12/31/2007		**167**				**167**
Carrying amounts 12/31/2007	**1,556**	**261**	**2,377**	**5,681**	**28**	**9,903**
Gross values 1/1/2008	**1,556**	**428**	**2,377**	**5,681**	**28**	**10,070**
Changes in consolidated group		–14				–14
Additions	156	280	1,226	2,713		4,375
Reclassifications			3	–384		–381
Disposals		–2	–1,108	–4,234	–20	–5,364
Revaluations	–730		–1,123	–36		–1,889
Exchange differences	4		7	–9	1	3
Gross values 12/31/2008	**986**	**692**	**1,382**	**3,731**	**9**	**6,800**
Depreciation 1/1/2008		**167**				**167**
Changes in consolidated group		–3				–3
Additions		3				3
Depreciation 12/31/2008		**167**				**167**
Carrying amounts 12/31/2008	**986**	**525**	**1,382**	**3,731**	**9**	**6,633**

16 Property, plant, and equipment

Figures in millions of euros	Land, buildings belonging to operating assets	Investment property	Plant and equipment	Other equipment, fixtures and furniture, leased assets	Prepayments and assets under construction	**Total**
Gross values 1/1/2007	**5,674**	**176**	**15,468**	**6,438**	**831**	**28,587**
Changes in consolidated group	77		143	17	21	258
Additions	177	2	982	604	869	2,634
Reclassifications	161		471	90	–722	
Disposals	–56	–6	–492	–362	–21	–937
Exchange differences	–90		–165	–65	–23	–343
Gross values 12/31/2007	**5,943**	**172**	**16,407**	**6,722**	**955**	**30,199**
Depreciation 1/1/2007	**2,309**	**66**	**10,065**	**4,408**	**27**	**16,875**
Changes in consolidated group	3		–2	10		11
Additions	174	4	1,531	711	8	2,428
Reclassifications	22		17	–14	–25	
Disposals	–35	–3	–393	–331	–1	–763
Write-ups	–1		–1			–2
Exchange differences	–37		–122	–47	–1	–207
Depreciation 12/31/2007	**2,435**	**67**	**11,095**	**4,737**	**8**	**18,342**
Carrying amounts 12/31/2007	**3,508**	**105**	**5,312**	**1,985**	**947**	**11,857**
Gross values 1/1/2008	**5,943**	**172**	**16,407**	**6,722**	**955**	**30,199**
Changes in consolidated group	140		222	52	37	451
Additions	225		1,163	733	1,155	3,276
Reclassifications	117	–23	505	131	–730	
Disposals	–51	–10	–692	–369	–22	–1,144
Exchange differences	81	–1	–141		4	–57
Gross values 12/31/2008	**6,455**	**138**	**17,464**	**7,269**	**1,399**	**32,725**
Depreciation 1/1/2008	**2,435**	**67**	**11,095**	**4,737**	**8**	**18,342**
Changes in consolidated group	5		15	26		46
Additions	215	4	1,448	736	7	2,410
Reclassifications	6	–2	–34	31	–1	
Disposals	–42	–5	–593	–346		–986
Write-ups			–3			–3
Exchange differences	71		–60	8		19
Depreciation 12/31/2008	**2,690**	**64**	**11,868**	**5,192**	**14**	**19,828**
Carrying amounts 12/31/2008	**3,765**	**74**	**5,596**	**2,077**	**1,385**	**12,897**

The total depreciation charge contains the following impairment losses:
- Land and buildings: EUR 44 million (prior year: EUR 0 million)
- Plant and equipment: EUR 174 million (prior year: EUR 191 million)
- Other equipment, fixtures, and furniture: EUR 15 million (prior year: EUR 5 million).

The impairment losses of the fiscal year contain an amount of EUR 134 million attributable to plant and equipment for the production of braking systems as well as the related fixtures and furniture. In addition to this, impairment losses of EUR 41 million were recorded for land and buildings of the Chassis Systems Brakes division. The impairment test was carried out at division level. The recoverable amount was assumed to be the fair value less costs to sell. The fair value was determined by means of a qualified estimate.

The impairment losses of the fiscal year contain an amount of EUR 8 million attributable to plant and equipment for the production of unit-injector systems. The impairment test was carried out at business-unit level. The recoverable amount was assumed to be the fair value less costs to sell. The fair value was determined by means of a qualified estimate.

The carrying amounts contain the following amounts from finance leases under which the Bosch Group is the lessee:
- Land and buildings: EUR 31 million (prior year: EUR 35 million)
- Plant and equipment: EUR 20 million (prior year: EUR 34 million)
- Other equipment, fixtures, and furniture: EUR 17 million (prior year: EUR 18 million).

The obligations entered into to purchase items of property, plant, and equipment amounted to EUR 472 million (prior year: EUR 385 million), restrictions on title totaled EUR 72 million (prior year: EUR 72 million). Government grants for assets of EUR 52 million (prior year: EUR 6 million) were deducted from the additions in the reporting period. The use of these grants is not restricted.

Investment property comprises rented properties which were measured at amortized cost. Valued at fair value, the portfolio came to EUR 93 million (prior year: EUR 134 million). The fair values were determined on the basis of freely available representative lists of market rents and on the basis of the company's own estimates. The rental income from investment property came to EUR 8 million (prior year: EUR 13 million), maintenance expenses totaled EUR 4 million (prior year: EUR 5 million).

17 Intangible assets

The goodwill of EUR 4,411 million (prior year: EUR 3,350 million) is attributable to the business sectors as follows: Automotive Technology EUR 100 million (prior year: EUR 92 million), Industrial Technology EUR 2,757 million (prior year: EUR 1,846 million), Consumer Goods and Building Technology EUR 1,554 million (prior year: EUR 1,412 million).

Goodwill is subjected to an annual impairment test. An impairment loss is recorded when the recoverable amount is below the carrying amount of the cash-generating unit. The recoverable amount is derived from the future cash flows. The cash flows are determined on the basis of business plans with a planning period of five years.

For the Industrial Technology business sector a growth rate of 2.0% (prior year: 1.0%) was applied, for Consumer Goods and Building Technology 2.0% (prior year: 1.0%), and for Automotive Technology 1.0% (prior year: 1.0%). For the Industrial Technology business sector a pre-tax discount rate of 10.6% (prior year: 13.1%) was applied, for

Consumer Goods and Building Technology 10.3% (prior year: 13.4%), and for Automotive Technology 9.6% (prior year: 12.8%). A risk-free interest rate of 3.5% (prior year: 4.5%) and a market risk premium of 5.0% (prior year: 5.0%) were assumed. The standard tax rate used is 29% (prior year: 35%).

Figures in millions of euros	Franchises, industrial rights, licenses, software	Purchased goodwill	Internally generated intangible assets	**Total**
Gross values 1/1/2007	**1,040**	**3,308**	**1,062**	**5,410**
Changes in consolidated group	95	120		215
Additions	153	47	146	346
Disposals	–110		–129	–239
Exchange differences	–23	–33	–1	–57
Gross values 12/31/2007	**1,155**	**3,442**	**1,078**	**5,675**
Amortization 1/1/2007	**499**	**55**	**531**	**1,085**
Changes in consolidated group	2			2
Additions	140	37	195	372
Disposals	–85		–129	–214
Exchange differences	–6			–6
Amortization 12/31/2007	**550**	**92**	**597**	**1,239**
Carrying amounts 12/31/2007	**605**	**3,350**	**481**	**4,436**
Gross values 1/1/2008	**1,155**	**3,442**	**1,078**	**5,675**
Changes in consolidated group	1,020	1,048		2,068
Additions	205	62	188	455
Disposals	–92	–9	–187	–288
Exchange differences	–11	–53	–2	–66
Gross values 12/31/2008	**2,277**	**4,490**	**1,077**	**7,844**
Amortization 1/1/2008	**550**	**92**	**597**	**1,239**
Changes in consolidated group	11			11
Additions	193		189	382
Disposals	–90	–8	–187	–285
Exchange differences	11	–5	–1	5
Amortization 12/31/2008	**675**	**79**	**598**	**1,352**
Carrying amounts 12/31/2008	**1,602**	**4,411**	**479**	**6,492**

The amount of amortization for the fiscal year contains the following impairment losses:

- Franchises, industrial rights, licenses, software: EUR 12 million (prior year: EUR 3 million)
- Internally generated intangible assets: EUR 33 million (prior year: EUR 5 million)

18 Current and non-current financial liabilities

Figures in millions of euros	2008		2007	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Bonds	1	750		749
Liabilities to banks	291	1,261	374	1,229
Commercial papers	324			
Other financial liabilities	9	23	31	23
	625	**2,034**	**405**	**2,001**

Financial liabilities amounting to EUR 812 million (prior year: EUR 1,147 million) are due in more than five years.

Terms and conditions of the major bonds

					Figures in millions of euros	
Interest terms	Interest rate	Beginning of term	End of term	Currrency	Nominal	Market value 12/31/2008
Fixed	4.375 %	05/2006	05/2016	EUR	750	709

The undiscounted cash flows of the non-derivative and derivative financial liabilities are presented in the table below:

Figures in millions of euros	Carrying amount	Undiscounted cash flows					
	2008	2009	2010	2011	2012	2013	2014 ff.
Non-derivative financial liabilities							
Bonds	**751**	34	33	33	33	33	858
Liabilities to banks	**1,552**	383	721	130	55	428	72
Other financial liabilities	**1,265**	1,060	139	15	20	20	30
Finance lease obligations	**56**	25	14	9	7	5	22
Derivative financial liabilities	**179**	138	18	18		2	3

Figures in millions of euros	Carrying amount	Undiscounted cash flows					
	2007	2008	2009	2010	2011	2012	2013 ff.
Non-derivative financial liabilities							
Bonds	**749**	33	33	33	33	33	890
Liabilities to banks	**1,603**	425	78	727	127	54	451
Other financial liabilities	**850**	803	16	4	22	8	13
Finance lease obligations	**61**	24	16	11	7	5	21
Derivative financial liabilities	**28**	21	2	4			1

The undiscounted cash flows contain interest and principal payments. All on-call financial liabilities are allocated to the earliest possible period. The variable interest payments were determined using the last interest rate determined before the respective balance-sheet date.

19 Trade payables

Figures in millions of euros	2008	2007
Trade payables	3,078	3,567
Notes payable	147	89
	3,225	**3,656**

There are no trade payables in the fiscal year which are due in more than one year (prior year: EUR 0 million).

20 Other liabilities and provisions

Other liabilities

Figures in millions of euros	2008		2007	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Loans	67	38	79	30
Accruals in the personnel area	1,273		1,500	
Accruals in the sales and marketing area	422		382	
Other accruals	254		271	
Deferred income	114		108	
Tax liabilities (without income tax liabilities)	313		247	
Finance lease obligations	21	35	21	40
Deferred income from tooling compensation received	46	119	50	120
Prepayments received for inventories	492		442	
Sundry other liabilities	847	312	732	81
	3,849	**504**	**3,832**	**271**

Loans with a residual term of more than five years amount to EUR 15 million (prior year: EUR 14 million). There are no sundry other liabilities due in more than five years (prior year: EUR 6 million).

The accruals in the personnel area mainly relate to vacation and salary entitlements as well as accrued special payments, while those in the sales and marketing area mainly pertain to bonus and commission payments.

Finance lease obligations primarily stem from vehicle lease agreements with terms of three to six years. The liabilities are due as follows:

Figures in millions of euros	2008	2007
Future minimum lease payments		
due not later than one year	24	24
due later than one year and not later than five years	37	39
due later than five years	17	21
Interest portion contained in the future minimum lease payments		
due not later than one year	3	3
due later than one year and not later than five years	8	8
due later than five years	11	12
Present value of outstanding minimum lease payments		
due not later than one year	21	21
due later than one year and not later than five years	29	31
due later than five years	6	9
	56	**61**

Provisions (without income-tax provisions and pension provisions)

Figures in millions of euros	2008		2007	
	up to 1 year	**more than 1 year**	**up to 1 year**	**more than 1 year**
Tax provisions (without income-tax provision)	19	72	21	79
Provisions in the personnel area	410	818	564	790
Provisions in the sales and marketing area	2,224	1,687	2,145	1,476
Other provisions	564	499	409	665
	3,217	**3,076**	**3,139**	**3,010**

Provisions developed as follows:

Figures in millions of euros							
	At 1/1/2008	Changes in consolidated group	Amounts used	Amounts reversed	Increase incl. increase in discounted amount	Exchange adjustments	At 12/31/2008
Tax provisions	780	3	–419	–41	175	–45	**453**
Provisions in the personnel area	1,354	4	–406	–111	380	7	**1,228**
Provisions in the sales and marketing area	3,621	18	–871	–492	1,569	66	**3,911**
Other provisions	1,074	2	–133	–283	418	–15	**1,063**
	6,829	**27**	**–1,829**	**–927**	**2,542**	**13**	**6,655**

Of the total increase in provisions, an amount of EUR 77 million (prior year: EUR 81 million) relates to increases in discounted amount.

Provisions in the personnel area relate to obligations from personnel adjustment measures, from early phased retirement, and other special benefits for which the time or amount cannot yet be precisely determined. Provisions in the sales and marketing area mainly take account of losses from delivery and warranty obligations, including risks from recall, exchange, and product liability cases. Other provisions are mainly recognized for risks from restructuring, purchasing obligations, and renewal obligations for rent and lease agreements.

Contingent liabilities and other financial obligations
No provisions were recognized for the following contingent liabilities, as it is more likely than not that they will not occur:

Figures in millions of euros	2008	2007
Contingent liabilities related to notes issued and transferred	3	6
Contingent liabilities from guarantees	55	63
Contingent liabilities from warranties	1	2
Other contingent liabilities	14	4
	73	**75**

Obligations from operating leases mainly pertain to lease agreements for technical equipment, for IT equipment, and for vehicles. They mature in between two and six years. The minimum amount of the undiscounted future payments from operating leases comes to EUR 599 million (prior year: EUR 582 million). The obligations are due as follows:

Figures in millions of euros	2008	2007
Due not later than one year	197	186
Due later than one year and not later than five years	327	318
Due later than five years	75	78
	599	**582**

The payments of the period recognized in profit or loss of EUR 208 million (prior year: EUR 188 million) are contained in the costs of the functional areas (cost of sales, and distribution, administrative, and research and development cost).

21 Pension provisions

Associates of the companies included in the consolidated financial statements have certain rights in connection with the company pension scheme, depending on the conditions existing in the various countries. The benefit obligations include both currently claimed benefits and future benefit obligations of active associates or associates that have left the company.

The Group's post-employment benefits include both defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company pays voluntary contributions to state or private pension or insurance funds, based on legal or contractual provisions. No further payment obligations arise for the company from the payment of these contributions. The defined benefit plans are funded or unfunded pension systems, or systems financed by insurance premiums.

The Bosch Pension Scheme has been in place for most Bosch Group associates in Germany since January 1, 2006. During the vesting phase, both company and employee contributions are made to the *Bosch Pensionsfonds* (Bosch pension fund) up to the tax-allowed limit for contributions; amounts in excess of this, as well as the claims of associates born before 1951, are transferred to the provision.

Pension provisions for the defined benefit plans are calculated according to the projected unit method in accordance with IAS 19. This involves measuring future obligations using actuarial procedures, with prudent estimates of the relevant factors. Taking account of dynamic components, the future benefit obligations are spread over the entire period of service.

Actuarial calculations and estimates are made for all defined benefit plans. Besides assumptions about life expectancy, the calculations are based on the following parameters, which vary from one country to another depending on the local economic circumstances:

Percentage figures	Europe		Americas		Asia		Africa, Australia		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Discount factor	5.7	5.1	6.0	6.3	1.8	2.0	8.5	9.5	5.7	5.2
Expected return on plan assets	4.9	5.0	7.7	7.7	3.0	3.0	0.0	0.0	5.5	5.7
Future salary increases	3.2	3.2	4.3	4.3	2.5	2.6	7.0	7.0	3.4	3.3
Pension increases	1.9	1.8	3.5	3.5	0.0	0.0	6.0	6.0	2.1	2.0

The assumptions about the expected return on assets are based on a target portfolio structure and the forecast returns in the individual investment categories. These forecasts are based on publicly available and internal capital market studies and forecasts for each category of asset. The estimates of future salary increases are made, among other things, on the basis of the economic situation and inflation.

Adjustments between the actuarial projected benefit obligation – after deducting plan assets – and the provision mainly result from actuarial gains or losses related to changes in the rates of personnel turnover and deviations between the actual salary development and the assumptions used for calculation purposes.

To ensure the transparency of reporting, the actuarial gains and losses from defined benefit plans are recognized outside of profit or loss. In this way, all actuarial gains and losses are accounted for.

If the benefit system is funded externally, the value of the assets of the external pension institutions is deducted from the benefit obligation resulting from the projected unit credit method. The externally funded pension institutions in Germany are Bosch Pensionsfonds AG and Bosch Hilfe e.V.

Pension schemes and obligations are measured at regular intervals, at least every three years. All significant schemes are measured annually by means of comprehensive actuarial procedures.

The present value of the obligation breaks down as follows:

Figures in millions of euros	2008	2007
Present value of the obligation at January 1	8,553	9,278
Changes in the consolidated group	29	6
Current service cost	352	397
Interest cost	433	405
Transfers	16	–6
Past service cost	7	3
Pension payments	–453	–457
Actuarial gains	–551	–844
Currency translation	124	–183
Other	–22	–46
Present value of the obligation at December 31	**8,488**	**8,553**

Plan assets developed as follows:

Figures in millions of euros	2008	2007
Fair value of plan assets at January 1	2,880	2,768
Changes in the consolidated group	29	–7
Expected return on plan assets	168	154
Contributions by the employer	264	255
Contributions by the employees	9	9
Transfers	–1	–12
Benefits paid	–116	–114
Actuarial losses	–580	–35
Currency translation	102	–138
Fair value of plan assets at December 31	**2,755**	**2,880**
Actual income	–412	119
Expected contributions	36	49

The fund assets comprise the following components:

Percentage figures	2008	2007
Shares	27.8	35.2
Fixed-interest securities	38.8	37.1
Property	19.3	18.7
Other	14.1	9.0

The funding status of the defined benefit obligation pursuant to IAS 19 is as follows:

Figures in millions of euros	2008	2007
Present value of benefit obligation from wholly unfunded plans	3,280	3,251
Present value of benefit obligation from plans that are wholly or partly funded	5,208	5,302
Total present value of benefit obligation	8,488	8,553
Plan assets at fair value	–2,755	–2,880
Net obligation	5,733	5,673
Past service cost	8	10
Other	–3	58
	5,738	**5,741**

The table below presents changes in the pension provisions:

Figures in millions of euros	2008	2007
Carrying amount at January 1	**5,741**	**6,548**
Net expense for the period	580	616
Pension payments	–337	–343
Contributions by the employer	–264	–255
Actuarial gains	–16	–748
Other	34	–77
Carrying amount at December 31	**5,738**	**5,741**

The total amount of recognized actuarial gains and losses developed as follows:

Figures in millions of euros	2008	2007
Total actuarial gains/losses at January 1	**–322**	**436**
Actuarial gains/losses of the current year	29	–808
Change of effect pursuant to IAS 19.58 (b)	–42	57
Other changes and adjustments	–3	–1
Total actuarial gains	**–16**	**–752**
Currency effects and changes in the consolidated group		–6
Total actuarial gains at December 31	**–338**	**–322**

The amounts recognized in the income statement are as follows:

Figures in millions of euros	2008	2007
Current service cost	342	388
Interest cost	433	405
Expected return on plan assets	–168	–154
Past service cost	4	
Other	–31	–23
Net expense for the period	**580**	**616**

The net expense is contained in the costs of the functional areas.

Expenses for defined benefit obligations amounted to EUR 783 million (prior year: EUR 667 million).

Other disclosures in the notes:

Figures in millions of euros	2008	2007
Distribution of gains and losses from the valuation	–551	–844
of which from changes in assumptions	–527	–790
of which from unexpected changes in number of beneficiaries	–24	–54
Payments expected in the following year		
additions to plan assets	36	234
directly payable benefits	411	354

Figures in millions of euros	2008	2007	2006	2005	2004
History of the present value of the obligation	8,488	8,553	9,278	9,448	8,446
History of the plan assets	2,755	2,880	2,768	2,584	2,083
History of net obligation	–5,733	–5,673	–6,510	–6,864	–6,363
History of change in obligation due to changes in number of beneficiaries	–24	–54	105	102	
History of change in plan assets (actual vs. expected)	–580	–35	66	138	21

Effect of change in cost trend on medical costs

Figures in millions of euros	2008	2007	One percentage point increase in cost trend		One percentage point decrease in cost trend	
			2008	2007	2008	2007
Present value of the obligation	254	245	285	276	227	217
Service cost and interest cost	19	20	21	23	17	18

22 Equity

The issued capital of EUR 1,200 million and capital reserve of EUR 4,557 million correspond with the balance-sheet items disclosed by Robert Bosch GmbH. The issued capital is divided between the shareholders as follows:

Shareholders of Robert Bosch GmbH

Percentage figures	Shareholding	Voting rights
Robert Bosch Stiftung GmbH	92.0	
Robert Bosch Industrietreuhand KG		93.2
Bosch family	7.4	6.8
Robert Bosch GmbH (treasury stock)	0.6	

Retained earnings contain profits that have not been distributed and that were generated in the past by the entities included in the consolidated financial statements, as well as in accumulated other comprehensive income. The effects of changes in actuarial parameters in the pension provisions are disclosed in the “Other changes” column of accumulated other comprehensive income. This position also contains differences between purchase price and purchased pro-rata equity of additional share purchases.

Retained earnings also consider treasury stock of EUR 62 million.

The unappropriated earnings of the Group match those of Robert Bosch GmbH.

Minority interests
The shares of minority interests in the equity of the consolidated subsidiaries mainly consist of the minority interests in ersol Solar Energy AG, Erfurt, Germany, Bosch Ltd, Bangalore, India, and Bosch Automotive Diesel Systems Co, Ltd, Wuxi, China.

Changes mainly resulted from the takeover of the majority shareholding in ersol Solar Energy AG, Erfurt, Germany, and the takeover of all minority interests in Bosch Corporation, Shibuya-ku, Tokyo, Japan.

Other notes

23 Cash flow statement

The cash flow statement presents cash inflows and outflows from operating activities, investing activities, and financing activities.

The cash flow is derived indirectly, starting from the profit before tax. Cash inflows from operating activities are adjusted for non-cash expenses and income (mainly depreciation of non-current assets), and take changes in working capital into account.

The investing activities consist of additions to non-current assets, including leased assets and the purchase and disposal of subsidiaries and other business entities, as well as of securities.

Financing activities combine the inflows and outflows of cash and cash equivalents from borrowing and repayment of financial liabilities, from dividends, and from the acquisition of minority interests.

Changes in balance-sheet positions contained in the cash flow statement cannot be directly derived from the balance sheet, as these have been adjusted for exchange-rate effects and changes in the consolidated group. The change in accounting for pensions is adjusted to eliminate actuarial gains and losses.

The cash and cash equivalents contained in the cash flow statement contain cash of EUR 2,267 million (prior year: EUR 2,789 million). In the reporting period, there was no transfer restriction for cash and cash equivalents.

Effects on the cash flow from acquisitions are explained in the section on business combinations.

24 Segment reporting

IAS 14 *Segment Reporting* requires that the figures of the financial statements be reported by business segment and geographical segment. Based on the internal management structure, the Bosch Group is divided into three business sectors (primary segmentation). The operating business within the business sectors is the responsibility of the divisions.

Automotive Technology	Industrial Technology	Consumer Goods and Building Technology
Gasoline Systems	Drive and Control Technology[3]	Power Tools
Diesel Systems	Packaging Technology	Thermotechnology[5]
Chassis Systems Brakes	Solar Energy[4]	Household Appliances[6]
Chassis Systems Control		Security Systems[7]
Electrical Drives		
Starter Motors and Generators		
Car Multimedia[1]		
Automotive Electronics		
Automotive Aftermarket		
Steering Systems[2]		

[1] Blaupunkt GmbH (100% Bosch-owned); [2] ZF Lenksysteme GmbH (50% Bosch-owned); [3] Bosch Rexroth AG (100% Bosch-owned); [4] ersol Solar Energy AG (96.9% Bosch-owned); [5] Bosch Thermotechnik GmbH (100% Bosch-owned); [6] BSH Bosch und Siemens Hausgeräte GmbH (50% Bosch-owned); [7] Bosch Sicherheitssysteme GmbH (100% Bosch-owned)

Business sector data

Figures in millions of euros	Automotive Technology		Industrial Technology		Consumer Goods and Building Technology		Reconciliation		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales	26,475	28,449	6,733	5,967	11,897	11,732	22	172	45,127	46,320
Intersegment sales	34		255	177	34	4	–323	–181		
Total sales	26,509	28,449	6,988	6,144	11,931	11,736	–301	–9	45,127	46,320
Operating profit	321	1,662	447	499	714	879	33	130	1,515	3,170
Non-cash expenses (without depreciation)	2,640	2,382	274	296	586	523	2	16	3,502	3,217
Segment assets	17,307	17,856	8,683	5,778	8,398	7,947	86	84	34,474	31,665
Segment liabilities	11,620	11,758	2,633	2,449	4,160	4,196	109	238	18,522	18,641
Capital expenditures on intangible assets and on property, plant, and equipment	2,512	2,029	677	428	529	514	13	9	3,731	2,980
Amortization and depreciation	1,885	1,980	253	196	372	368	4	15	2,514	2,559

Geographical segment data

Figures in millions of euros	Europe		Americas		Asia		Africa, Australia		Reconciliation		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales[1]	29,720	30,289	7,557	8,421	7,061	6,798	789	812			45,127	46,320
Segment assets	25,414	23,238	4,719	4,659	5,032	4,218	322	498	–1,013	–948	34,474	31,665
Capital expenditures on intangible assets and on property, plant, and equipment	2,862	2,229	326	307	519	415	24	29			3,731	2,980

[1] Split based on registered office of the customer.

The reconciliation column shows the elimination of intersegment, intercompany items. This column also contains assets, liabilities, expenses, and income which cannot be directly allocated to the operative business sectors. Positions that belong to financing activities are not included in the segment reporting.

Impairment losses amount to EUR 259 million (prior year: EUR 237 million) for the Automotive Technology business sector and EUR 19 million (prior year: EUR 4 million) for the Consumer Goods and Building Technology business sector. They are disclosed in non-cash expenses. There were no impairment losses in the Industrial Technology business sector.

25 Additional notes on financial instruments

Net profit/loss by category

The table below presents the net effects of financial instruments recognized in the income statement, classified by the categories defined in IAS 39:

Figures in millions of euros	2008	2007
Loans and receivables	304	–17
Held-to-maturity investments	2	5
Available-for-sale financial assets	–262	505
Financial assets and liabilities held for trading	–124	142
Financial liabilities measured at amortized cost	–461	–95

The net profit/loss contains the result of the receivables and loan valuation, the result of the reversal of the reserve from securities in equity, exchange-rate gains and losses, interest income and expenses, as well as the result from derivatives.

Book values, carrying amounts, and fair values by category

Figures in millions of euros	Category pursuant to IAS 39	Carrying amount 2008	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2008
			(Amortized) cost	Fair value recognized directly in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,267	2,267				2,267
Marketable securities		396					
Available-for-sale financial assets	AfS	394		394			394
Held-to-maturity investments	HtM	2	2				2
Trade receivables	LaR	6,971	6,971				6,971
Other current assets		1,672					
Receivables from finance leases	n. a.	28				28	28
Other financial assets	LaR	559	559				559
Derivative financial assets	FAHfT	208			208		208
Non-financial assets within the meaning of IFRS 7	n. a.	877					
Non-current financial assets		7,185					
Available-for-sale financial assets	AfS	5,113		5,113			5,113
Held-to-maturity investments	HtM	9	9				9
Investments	AfS	1,511	525	986			986
Derivative financial assets	FAHfT	74			74		74
Receivables from finance leases	n. a.	131				131	131
Other financial assets	LaR	235	235				236
Non-financial assets within the meaning of IFRS 7	n. a.	112					
Equity and liabilities							
Trade payables	FLAC	3,225	3,225				3,225
Current financial liabilities		625					
Bonds	FLAC	1	1				1
Liabilities to banks	FLAC	291	291				291
Other financial liabilities	FLAC	333	333				333
Other current liabilities		3,849					
Derivative financial liabilities	FLHfT	138			138		138
Finance lease obligations	n. a.	21				21	21
Other financial liabilities	FLAC	697	697				697
Other non-financial liabilities within the meaning of IFRS 7	n. a.	2,993					
Non-current financial liabilities		2,034					
Bonds	FLAC	750	750				715
Liabilities to banks	FLAC	1,261	1,261				1,314
Other financial liabilities	FLAC	23	23				23
Other non-current liabilities		504					
Derivative financial liabilities	FLHfT	41			41		41
Finance lease obligations	n. a.	35				35	35
Other financial liabilities	FLAC	212	212				224
Other non-financial liabilities within the meaning of IFRS 7	n. a.	216					

LaR Loans and receivables
AfS Available-for-sale financial assets
HtM Held-to-maturity investments
FAHfT Financial assets held for trading
FLAC Financial liabilities measured at amortized cost
FLHfT Financial liabilities held for trading
n. a. not applicable

Figures in millions of euros	Category pursuant to IAS 39	Carrying amount 2007	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2007
			(Amortized) cost	Fair value recognized directly in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,789	2,789				2,789
Marketable securities		551					
Available-for-sale financial assets	AfS	472		472			472
Held-to-maturity investments	HtM	79	79				79
Trade receivables	LaR	7,844	7,844				7,844
Other current assets		1,955					
Receivables from finance leases	n. a.	28				28	28
Other financial assets	LaR	1,036	1,036				1,036
Derivative financial assets	FAHfT	87			87		87
Non-financial assets within the meaning of IFRS 7	n. a.	804					
Non-current financial assets		10,503					
Available-for-sale financial assets	AfS	8,058		8,058			8,058
Held-to-maturity investments	HtM	28	28				28
Investments	AfS	1,817	261	1,556			1,556
Derivative financial assets	FAHfT	114			114		114
Receivables from finance leases	n. a.	129				129	129
Other financial assets	LaR	206	206				206
Non-financial assets within the meaning of IFRS 7	n. a.	151					
Equity and liabilities							
Trade payables	FLAC	3,656	3,656				3,656
Current financial liabilities		405					
Liabilities to banks	FLAC	374	374				374
Other financial liabilities	FLAC	31	31				31
Other current liabilities		3,832					
Derivative financial liabilities	FLHfT	21			21		21
Finance lease obligations	n. a.	21				21	21
Other financial liabilities	FLAC	699	699				699
Other non-financial liabilities within the meaning of IFRS 7	n. a.	3,091					
Non-current financial liabilities		2,001					
Bonds	FLAC	749	749				715
Liabilities to banks	FLAC	1,229	1,229				1,314
Other financial liabilities	FLAC	23	23				23
Other non-current liabilities		271					
Derivative financial liabilities	FLHfT	7			7		7
Finance lease obligations	n. a.	40				40	35
Other financial liabilities	FLAC	96	96				117
Other non-financial liabilities within the meaning of IFRS 7	n. a.	128					

The carrying amounts of the financial assets and liabilities, classified by the categories defined in IAS 39, are as follows:

Figures in millions of euros	2008	2007
Loans and receivables	10,032	11,875
Held-to-maturity investments	11	106
Available-for-sale financial assets	7,018	10,348
Financial assets held for trading	282	201
Financial liabilities measured at amortized cost	6,793	6,857
Financial liabilities held for trading	179	28

Composition of the derivative financial instruments

Figures in millions of euros	Market values				Nominal values	
	2008 up to 1 year	2008 more than 1 year	2007 up to 1 year	2007 more than 1 year	2008	2007
Derivatives with a positive market value						
Interest derivatives	**6**	**13**	**5**	**29**	**617**	**1,015**
of which interest swaps		9	3	28	161	510
of which other interest derivatives	6	4	2	1	456	505
Foreign currency derivatives	**199**	**3**	**80**	**10**	**2,205**	**1,371**
Other derivatives	**3**	**58**	**2**	**75**	**73**	**76**
Derivatives with a negative market value						
Interest derivatives	**1**	**6**	**3**	**5**	**538**	**711**
of which interest swaps		4	1	5	52	382
of which other interest derivatives	1	2	2		486	329
Foreign currency derivatives	**101**	**14**	**13**	**2**	**1,433**	**821**
Other derivatives	**36**	**21**	**5**		**182**	**282**

The foreign currency derivatives are mainly forward exchange contracts.

26 Capital and risk management

Capital management

The main objective of the centralized capital management of the Bosch Group is to maintain the company's sound financial substance and thus to secure the financial independence and flexibility required for further growth.

The central controlling parameter of our financial target system is value contribution, which represents cash flow less cost of capital. Its development is the yardstick we use to assess performance, and it is also used for portfolio management. It is supplemented for capital management purposes by the conventional financial, liquidity, and indebtedness indicators.

Hedging policy and financial derivatives
The operative business of the Bosch Group is impacted in particular by fluctuations in exchange and interest rates. Business policy aims to limit these risks by means of hedging. All hedging transactions are implemented at corporate level.

Internal regulations and guidelines set down a mandatory framework and define the responsibilities related to investment and hedging transactions. According to these regulations, derivatives may only be used in connection with operative business, financial investments, or financing transactions; speculative transactions are not allowed. Limits for business transactions are an important element of these guidelines. Hedges are entered into solely via banks whose creditworthiness is regarded as impeccable; the yardstick is the rating given by leading agencies taking current developments in the financial markets into account.

Within the corporate finance department, there is a spatial and functional segregation of trading, settlement, and control functions. Key tasks of the control function include determining risks using the value-at-risk method as well as the basis-point-value method, and regular compliance checks with instructions and guidelines.

Each month, the risk of financial investments is calculated using the value-at-risk concept for the next month. Prescribed risk limits for the various investment categories limit the potential loss. The forecast quality of the value-at-risk method is tested by means of monthly backtesting. Management is informed monthly about the performance of investments and hedges and the result of the risk analyses.

Currency risks
Currency risks of the operative business are mitigated by the central management of selling and purchasing currencies. The currency risk is determined on the basis of the worldwide consolidated cash flow in the respective foreign currencies. Cash inflows and outflows in the respective currencies are netted and the resulting net position is the subject of central currency management.

The largest net currency position of the planned foreign currency cash flow is in CNY.

Hedging largely takes the form of forward exchange contracts; currency options and cross-currency interest rate swaps to secure financing are used to a lesser extent. These transactions, which are only entered into with banks, are subject to minimum requirements.

The risk of the entire operative foreign currency position is determined using the value-at-risk concept, supplemented by worst-case analyses. These risk analyses and the hedge result are determined monthly and presented to management. In addition to this, most of the interest-bearing investments in special funds are secured against currency fluctuations.

To present the currency risks in accordance with IFRS 7 *Financial Instruments: Disclosures* for the most important foreign currencies, all monetary assets and monetary liabilities denominated in foreign currency for all consolidated companies were analyzed at balance-sheet date and sensitivity analyses carried out for the respective currency pairs, in terms of the net risk.

A change in the EUR of 10% (compared with the closing rate) against the foreign currencies listed in the table would have the following implications for the profit before tax:

Figures in millions of euros	10% increase in EUR		10% decrease in EUR	
	2008	2007	2008	2007
CHF	29	43	–28	–43
CNY	2	–16	–5	16
CZK	–39	–17	44	17
HUF	–16	–17	19	17
USD	–81	–26	77	26

A change in the USD of 10% (compared with the closing rate) against the foreign currencies listed in the table would have the following implications for the profit before tax:

Figures in millions of euros	10% increase in USD		10% decrease in USD	
	2008	2007	2008	2007
CNY	–46	–24	46	24

The profit effects displayed mainly result from loan relationships within the Bosch Group. The currency risk for the balance sheet does not correspond to the economic risk, which is determined on the basis of forecast cash flows.

Interest-rate risks
Risks from anticipated changes in interest rates on investments and borrowings are limited by means of derivative financial instruments. These are mainly interest swaps and, to a lesser extent, interest options. By using receiver swaps that mature no later than 2010, part of the variable interest receipts from short-term money market investments is changed into fixed interest rates. Payer swaps are used to exchange part of the floating interest expense for a loan from the European Investment Bank into a fixed rate.

An analysis of the interest risk was carried out in accordance with IFRS 7. The sensitivity analysis considered assets and liabilities subject to floating interest rates, available-for-sale fixed-rate securities, and interest derivatives. Due to immateriality, mutual funds and money market funds are not considered.

A change in the market interest rate by 100 basis points (starting from interest rate on the cut-off date) would have the following effect on the reserve from securities in equity and the profit before tax:

Figures in millions of euros	Increase in market interest-rate level by 100 basis points		Decrease in market interest-rate level by 100 basis points	
	2008	2007	2008	2007
Reserve from securities	–154	–266	154	266
Profit before tax	1	23	–1	–23

Share-price risks
Derivatives are used on a small scale to limit the risks from investments in shares.

The analysis of the share-price risk in accordance with IFRS 7 took into account share portfolios in the "available-for-sale financial assets" category and investments measured at fair value as well as share derivatives with a carrying amount of EUR 2,354 million (prior year: EUR 4,291 million).

A change in the share price by 10% (starting from share price on the cut-off date) would have the following effect on the reserve from securities in equity and the profit before tax:

Figures in millions of euros	10% increase in share price		10% decrease in share price	
	2008	2007	2008	2007
Reserve from securities	237	435	–218	–426
Profit before tax	–1	7	–18	–16

Other price risks
The Bosch Group is not exposed to any significant other price risks as defined by IFRS 7.

Credit risks
The maximum credit risk is the carrying amount of the financial assets recognized in the balance sheet. The credit risk from customer receivables is recorded and monitored on an ongoing basis. Responsibilities and duties relating to credit risks are governed by an internal directive. This mainly concerns the stipulation of payment terms, fixing of credit limits, release of deliveries, and receivables monitoring.

There is no indication of any significant defaults of financial assets exposed to credit risks that are neither impaired nor past due.

Liquidity risks
The development of financial assets and liabilities is recorded and monitored on an ongoing basis. Internal directives regulate the duties and responsibilities of liquidity management and planning. The company has liquidity reserves in the form of highly liquid assets totaling EUR 2,663 million (prior year: EUR 3,340 million). In addition to that, there are two established commercial paper programs with a volume of EUR 1,000 million and USD 2,000 million, of which USD 450 million has been drawn. There is also a medium-term-note program with a volume of EUR 2,000 million, of which EUR 750 million has been drawn. See the section on current and non-current financial liabilities for more information about liquidity risks.

27 Related parties disclosures

As shareholder, Robert Bosch Industrietreuhand KG exercises majority voting rights at Robert Bosch GmbH. In addition, Robert Bosch Industrietreuhand KG is accountable for the internal audit of the Bosch Group. The costs incurred for this of EUR 11 million (prior year: EUR 8 million) were borne by Robert Bosch GmbH.

A part of the pension obligations and funds is outsourced to Bosch Pensionsfonds AG and Bosch Hilfe e.V. Robert Bosch GmbH is the sole shareholder of Bosch Pensionsfonds AG. Bosch Hilfe e.V. is co-owned by Robert Bosch GmbH, Stuttgart, Blaupunkt GmbH, Hildesheim, and Robert Bosch Elektronik GmbH, Salzgitter. Bosch Hilfe e.V. is integral in Group pension planning. Parts of the asset portfolio are invested in property which is rented to Robert Bosch GmbH. In addition, Bosch Hilfe e.V. is owner of Robert Bosch Wohnungsgesellschaft mbH, Stuttgart, which builds and rents property for Bosch associates.

Robert Bosch Stiftung GmbH, Stuttgart, is the tenant of several properties belonging to Robert Bosch GmbH, Stuttgart.

As of December 31, 2008, receivables from related parties came to EUR 40 million (prior year: EUR 64 million) and liabilities to related parties to EUR 8 million (prior year: EUR 13 million).

Sales, receivables, and liabilities due to and from related parties

Figures in millions of euros	Sales		Receivables		Liabilities	
	2008	2007	2008	2007	2008	2007
EMASA, Equipos y Maquinarias SA, Chile	19	21	4	2		4
RBS Thermotechnology Co Ltd, China	3	3		1	3	1
BT Magnet-Technologie GmbH, Germany			8	4	1	1
Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, Germany	61	66	7	16		
VB Autobatterie GmbH & Co KGaA, Germany	5	5	13	14		2
Ishida do Brasil Ltda, Brazil		1		1		
Weifu High Technology Co Ltd, China	33	63	2	19	1	
KBX Motorbike Products Private Ltd, India		13		2		
Advanced Driver Information Technology Corporation, Japan	1					1
Akebono Brake Industry Co Ltd, Japan						1
Hochiki Corporation, Japan	21	11	4	2		
Knorr-Bremse Commercial Vehicle Systems Japan Ltd, Japan	1				1	1
Ohta Iron Works Co Ltd, Japan				1	1	1
Doowon Precision Industry Co Ltd, Korea	11	11	1	1		
Rotzinger AG, Switzerland			1	1	1	1
Associated Fuel Pump Systems Corporation, USA	6	2				

Total remuneration of management in key positions

The members of management in key positions are the general partners of Robert Bosch Industrietreuhand KG, the members of the supervisory council, and the members of the board of management of Robert Bosch GmbH.

The total remuneration of members of management in key positions totals EUR 22 million in the fiscal year 2008 (prior year: EUR 33 million) and breaks down as follows:

Figures in millions of euros	2008	2007
Short-term benefits	15	19
Post-employment benefits	7	12
Other long-term benefits	0	2

Share-based payments are not made.

There are no provisions (valuation allowances) for doubtful debts due from key management personnel. Moreover, no expenses were incurred for uncollectible or doubtful receivables.

The Bosch Group pays other related parties compensation totaling EUR 0.2 million (prior year: 0.1 million) for various services, mainly consulting activities. At the end of the fiscal year there were neither receivables nor liabilities from these business transactions. Guarantees have neither been given nor received.

28 Additional disclosures pursuant to Sec. 315a HGB

Shareholdings of the Bosch Group
The list of the Bosch Group's shareholdings is submitted to the electronic Federal Gazette [*Bundesanzeiger*] and published there.

Remuneration of members of the board of management and supervisory council
The total remuneration of the members of the board of management (including provisions) comes to EUR 13 million in the fiscal year, and that of the former members of the board of management and their dependents to EUR 8 million. The remuneration of the members of the supervisory council comes to approximately EUR 1 million. An amount of EUR 81 million has been accrued at Robert Bosch GmbH for pension commitments to former members of the board of management and their survivors.

Headcount

	Annual average 2008		Annual average 2007	
	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportional)	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportional)
EU countries	176,547	16,671	171,358	16,609
Rest of Europe	12,670	2,252	11,590	2,009
Americas	38,333	2,868	38,844	3,135
Asia, Africa, Australia	55,208	6,321	45,770	5,075
	282,758	**28,112**	**267,562**	**26,828**

Stuttgart, March 17, 2009

Robert Bosch GmbH
The Board of Management

Auditor's report

We have audited the consolidated financial statements prepared by Robert Bosch GmbH, comprising the balance sheet, the income statement, statement of recognized income and expense, cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the shareholder agreement is the responsibility of the parent company's managing directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany: IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's managing directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB, and supplementary provisions of the shareholder agreement, and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 17, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner
German Public Auditor

Dieter Wißfeld
German Public Auditor

Ten-Year Summary of the Bosch Group

	1999	2000	2001	2002	2003[1]	2004[2]	2005[2]	2006	2007	2008
Sales revenue	**27,906**	**31,556**	**34,029**	**34,977**	**36,357**	**38,954**	**41,461**	**43,684**	**46,320**	**45,127**
Share outside Germany as percent	66	72	72	72	71	72	73	74	75	74
Research and development cost[3]	1,921	2,030	2,274	2,487	2,650	2,715	3,073	3,348	3,583	3,889
– as a percentage of sales revenue	6.9	6.4	6.7	7.1	7.3	7.0	7.4	7.7	7.7	8.6
Capital expenditure	1,946	2,111	2,368	2,006	2,028	2,377	2,923	2,670	2,634	3,276
– of which in Germany	893	851	905	903	1,002	1,057	974	968	1,138	1,610
– of which outside Germany	1,053	1,260	1,463	1,103	1,026	1,320	1,949	1,702	1,496	1,666
– as a percentage of sales revenue	7.0	6.7	7.0	5.7	5.6	6.1	7.0	6.1	5.7	7.3
– as a percentage of depreciation	128	118	123	108	118	135	156	116	108	136
Depreciation of property, plant, and equipment	1,523	1,788	1,924	1,865	1,713	1,758	1,870	2,309	2,428	2,410
Annual average number of associates (thousands)	194	197	218	226	229	234	249	258	268	283
– located in Germany	97	91	99	103	105	107	110	110	111	114
– located outside Germany	97	106	119	123	124	127	139	148	157	169
– as of Jan. 1 of subsequent year	195	199	221	224	232	238	251	261	271	282
Personnel expenses	8,298	8,950	9,959	10,815	10,994	11,179	11,936	12,534	12,896	12,994
Total assets	**20,832**	**24,504**	**27,783**	**27,475**	**31,995**	**41,170**	**45,554**	**46,940**	**48,568**	**46,761**
Equity	6,646	8,288	9,014	8,885	11,760	17,428	20,943	22,482	24,825	23,009
– as a percentage of total assets	32	34	32	32	37	42	46	48	51	49
Cash flow	3,258	3,729	3,681	3,352	3,727	3,977	4,352	4,521	5,052	4,032
– as a percentage of sales revenue	11.7	11.8	10.8	9.6	10.3	10.2	10.5	10.3	10.9	8.9
– profit after tax	460	1,380[4]	650	650	1,100	1,870	2,450	2,170	2,850	372
Unappropriated earnings (dividend of Robert Bosch GmbH)	41	2,603[4]	50	60	60	63	63	69	72	75

Currency figures in millions of euros

[1] Before 2004, figures pursuant to the provisions of the German commercial code
[2] With the exception of profit after tax, without discontinued operations
[3] Including development work charged directly to customers
[4] Special effects as a result of the “distribute-recapture method” at Robert Bosch GmbH

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– Bosch today
– Corporate Social Responsibility

The above brochures can be ordered at:

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Title pictures

Setting up test procedures for a gasoline direct-injection system. With a special ultraviolet laser, we can make the injection behavior and the vaporization of the fuel visible. Using an image-enhancing ultraviolet camera, the vaporization patterns can be captured for projection or print.

In 2008, we started production of a new variant of our ESP® brake control system. For the first time, the sensors to measure yaw rate and lateral acceleration are integrated in the control unit.

Work on the inner parts of a machine calls for reliable safety functions for the protection of the operator. Bosch Rexroth has the system solutions to meet these needs.

A new addition to our range of accessories for power tools. By acquiring a Swiss abrasives manufacturer, we have extended our product portfolio and strengthened our market position.

Photos
Foreword, Supervisory Council Report

Franz Fehrenbach, the chairman of the Bosch board of management, in front of the solar house developed by Darmstadt Technical University with support from Bosch. The building takes all the energy it needs from the sun, and won the internationally renowned Solar Decathlon staged by the U.S. Department of Energy.

Hermann Scholl, the chairman of the supervisory council, in the “workshop” of our Abstatt engineering center. Here, test vehicles are fitted with measuring equipment, and joined with new systems undergoing application and development work.

More than eighty years ago, Hesser packaging machines were already renowned for their trouble-free operation. Yet when it comes to meeting the high standards of our customers in the pharmaceuticals, cosmetics, confectionery, and food industries, reliability of the kind shown by this forerunner of Bosch Packaging Technology is the rule, not the exception.

As cars got faster, Bosch devoted more and more attention to vehicle safety. The Bosch-Dewandre servo brake from 1927 stopped cars quickly and safely, thus paving the way for modern vehicle safety systems such as the ESP® electronic stability program.

Nearly a century ago, Buderus central heating marked a milestone in home heating. A boiler in the cellar sent warmth to radiators throughout the home, replacing the traditional stoves in each room. It was an extraordinarily convenient, customer-oriented solution: no more shoveling coal in every room, and an end to irksome ashes and cinders in the living room.

“The trust of our customers and the reputation of our goods are worth more than a passing gain. True, the reputation of the products we deliver is distinguished. But we must make sure it remains that way and is never put at risk.”

Robert Bosch

Even at the age of 70, Robert Bosch was still active in the company, though no longer a member of the board of management of what was then Robert Bosch AG. As the company’s founder, he uniquely embodied business integrity and entrepreneurial values in the eyes of Bosch customers, such as those who visited the company’s stand at the International Motor Show in Berlin in 1931.

“You don’t owe me your business”
Customer Orientation at Bosch

For the young entrepreneur Robert Bosch, his first bicycle was a significant investment. His pride in his new acquisition clearly shows on a business card from 1890, for which the then 29-year-old had himself photographed with his bike. He used his bicycle to call on his customers – indicating how important it was to him, even at this early stage in his career, to be able to contact them quickly and directly. At the time, nearly 120 years ago, customer orientation was not yet a common phrase. But Robert Bosch knew even then that if he wanted his business to be successful over the long term, he had to earn his customers’ trust.

Some 30 years later, Robert Bosch wrote: “You say you think you have to buy from me? What makes you think that? You could get what you need at plenty of other places. You don’t owe me your business.” This tongue-in-cheek remark expressed his conviction that acquiring customers has nothing to do with persuasion and everything to do with cultivating mutual trust.

Nearly a century may have passed since Robert Bosch wrote these words, but the ongoing development and cultivation of long-term customer relations is still a central pillar of Bosch corporate strategy. And it applies to the company’s entire range of customers, from industrial companies placing bulk orders to private individuals who choose a Bosch product at a hardware store.

That basic trust is also essential to development partnerships with the company’s customers. How else could they know they can rely on Bosch? And how can someone who purchases a Bosch product for private use be sure they have made the right choice? They both trust in the quality of the Bosch brand and can be certain that customer care doesn’t end with the purchase; instead, it starts there.

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