Annual Report 2009

BOSCH
Invented for life

The Bosch Vision
Creating value – sharing values

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.

If we want to work successfully as a team in a globalized 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.

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 the values we live by – day for 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	2008	2009
Sales revenue	45,127	**38,174**
percentage change from previous year	–2.6	**–15**
Sales revenue generated outside Germany		
as a percentage of sales revenue	74	**76**
Research and development cost	3,889	**3,603**
as a percentage of sales revenue	8.6	**9.4**
Capital expenditure	3,276	**1,892**
as a percentage of depreciation	136	**80**
Associates		
average for the year	282,758	**274,530**
as of January 1, 2009/2010	281,717	**270,687**
Total assets	46,761	**47,509**
Equity	23,009	**23,069**
as a percentage of total assets	49	**49**
Profit before tax	942	**–1,197**
as a percentage of sales revenue	2.1	**–3.1**
Profit after tax	372	**–1,214**
Unappropriated earnings (dividend of Robert Bosch GmbH)	75	**67**

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 275,000 associates generated sales of 38.2 billion euros in fiscal 2009. 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 growth. Each year, Bosch spends more than 3.5 billion euros for research and development, and applies for some 3,800 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 [2]	Power Tools
Diesel Systems	Packaging Technology	Thermotechnology [4]
Chassis Systems Brakes	Solar Energy [3]	Household Appliances [5]
Chassis Systems Control		Security Systems [6]
Electrical Drives		
Starter Motors and Generators		
Car Multimedia		
Automotive Electronics		
Automotive Aftermarket		
Steering Systems [1]		

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

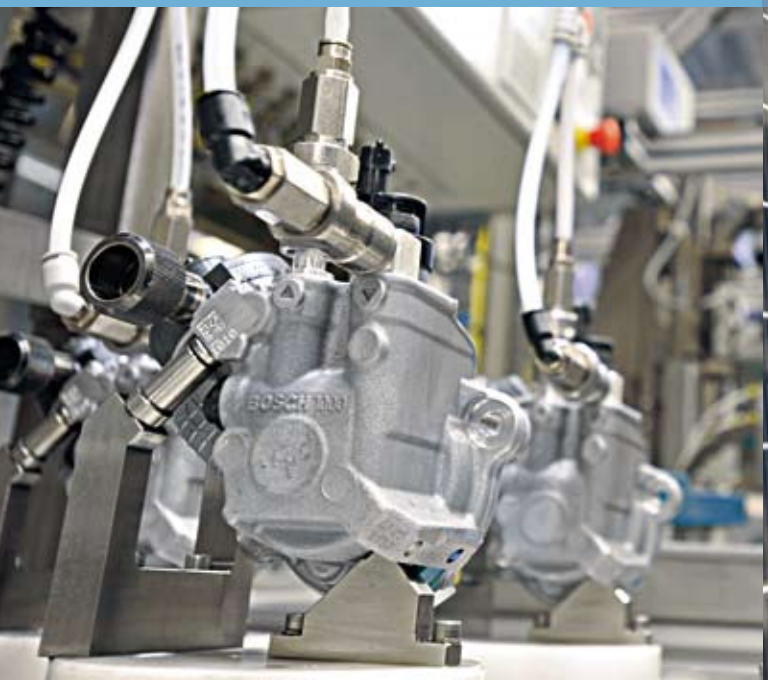
www.bosch.com

Contents

Energy efficiency and resource conservation: Innovation focus of the Bosch Group

Automotive drive systems

Whether with diesel or hybrid drive, we are reducing fuel consumption – en route to the 85 mpg car.



Electricity from the wind and the sun

The photovoltaic and wind-turbine components we produced in 2009 help to generate electricity for two million homes.

Conserving resources and increasing energy efficiency is a leitmotif for the Bosch Group. It runs not only through all our business sectors but also through this annual report, which presents four examples of our work in this area:

– Automotive drive systems
– Electricity from the wind and the sun
– Heat pumps and climate control for buildings
– Repair of used automotive technology

These examples illustrate how we help to save fossil fuels and tap renewable sources of energy. At the same time, they show in very concrete terms that pressing ecological questions call for technological answers. This is the case today and will be the case in the future. So it is only fitting that over 45 percent of our research and development spending should go into environmental protection and resource conservation.

Heat pumps and climate control

A system of heat pumps helps balance temperatures in buildings – 30 percent more efficiently than conventional air conditioning systems.

Repair of used automotive technology

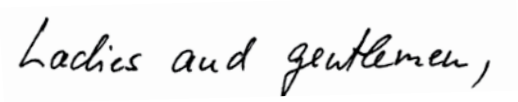
We remanufacture used components. In doing so, we save 23,000 metric tons of CO_2 emissions a year as compared with making new ones.

At Bosch, this innovation focus can draw on a long tradition. As early as the mid-1970s, in the wake of the first oil crisis, we launched our three-point research and development program to make driving safer, cleaner, and more economical. Today, our endeavors reach far beyond the car. We call it technology "Invented for life." This is more than a slogan – it is a strategic template for all our business sectors.

Technology that conserves vital resources or enhances our natural environment offers major business opportunities for the entire Bosch Group. Eco-friendly products that help conserve resources already account for a full third of our sales, a figure that will increase further as the issue of climate protection becomes more urgent. Our responsibility for the world of tomorrow already pays dividends today.

Foreword

"Our main concern in 2009 was striking a balance between doing what was immediately necessary to safeguard the company and doing what was required in the long term to develop the company further. In line with our focus on sustained performance, we made a conscious decision not to optimize short-term earnings." Franz Fehrenbach



2009 was a very difficult year for us. For our company, it represented a painful break in a sustained upward trend. However, thanks to clearly defined measures, we were able to secure our company's financial stability and turn the tide for the better. Safeguarding the long-term future of the Bosch Group has always been our highest priority. It remained important to us to retain our core workforce with all their knowledge and experience as far as we were able to, but without failing to make vital structural adjustments at the same time.

While the economic crisis may not be over, there are now signs across the globe that a recovery is taking shape. Key emerging countries in Asia have already put the recession firmly behind them. We are confident that our company, too, will continue to make significant strides toward overcoming the crisis in 2010. The lesson we have drawn from the deepest global recession in some 60 years is that while globalization opens up opportunities for significant growth, we must at the same time be more attuned to the risks inherent in a recession that grips the entire world simultaneously. The underlying cause of such a development is the steadily increasing integration of the global economy. For this reason, issues pertinent to ensuring our long-term financial stability will take an even higher priority in the future. This is true not only for us and other industrial enterprises but also for the financial sector in particular. Ensuring that capital markets can continue to function properly is therefore a task at the very top of the international agenda. There are many questions here that call for urgent answers.

But we also have to acknowledge that the world is changing in many ways that may not necessarily be rooted in the financial and economic crisis alone. Certain key trends, which have been imminent for years, have now intensified and picked up pace. This is especially true of Asia's increasingly important role in the world economy. At the same time, the

Franz Fehrenbach in the diesel-pump manufacturing facility in Stuttgart-Feuerbach, where we use the most advanced processes to produce the especially economical CP4 high-pressure diesel injection pump.

global significance of protecting the environment and conserving resources continues to rise. This underscores the relevance and validity of our long-term strategy, which has been in step with these developments for quite some time now. Even today, some 20 percent of our sales come from Asia Pacific. And around one-third of our revenue is generated by products designed to save energy and conserve resources. In 2009, we took further decisive steps toward expanding these product segments. In order to highlight the importance of this issue for our company, we have made it the theme of this year's annual report.

I join with my colleagues on the board of management in expressing sincere gratitude to all our associates for their efforts and their readiness to shoulder personal burdens in order to help overcome the crisis. This loyalty is a strong foundation we can build on. 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. This kind of support is of vital importance, and especially in difficult times. In the same way, we greatly value the constructive attitude shown by our company's employee representatives.

The challenges for us will be to lead our company back to the path of long-term success, to leverage the favorable opportunities available to us worldwide, and to build on our strengths ahead of the foreseeable structural changes.

Franz Fehrenbach
Chairman of the Board of Management

Board of Management

Franz Fehrenbach
Chairman

- Corporate Planning; Corporate Communications with Brand Management and Marketing Communication; Senior Executives; Real Estate and Facilities

Dr. Siegfried Dais
Deputy Chairman

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

Dr. Bernd Bohr

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

Dr. Rudolf Colm

- Coordination, Consumer Goods and Building Technology business sector; Purchasing and Logistics; Insurance
- Power Tools; Thermotechnology; Security Systems; Household Appliances
- France; United Kingdom; Spain; Italy; Austria; Russia; Middle Eastern Europe; Middle East; Africa

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

- Asia Pacific

Peter Tyroller

- Marketing and Sales; 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

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

Christoph Kübel
Automotive Electronics

Robert Hanser
Automotive Aftermarket

Albert Hieronimus
Drive and Control Technology

Friedbert Klefenz
Packaging Technology

Holger von Hebel
Solar Energy

Uwe Raschke
Power Tools
(until January 31, 2009)

Dr. Stefan Hartung
Power Tools
(from February 1, 2009)

Uwe Glock
Thermotechnology

Gert van Iperen
Security Systems

Supervisory Council Report

Hermann Scholl in the Nuremberg manufacturing facility for large wind-turbine gearboxes. This new plant went into operation in 2009.

Ladies and gentlemen,

The Bosch Group felt the full force of the deep recession in 2009. The priority for the board of management and the supervisory council was therefore to safeguard the company. At the same time, however, the supervisory council also supported the board of management in its efforts to keep future opportunities firmly in the company's sights during this difficult phase.

The council kept itself fully and regularly abreast of business developments. Key issues in this regard included the comprehensive steps taken to secure liquidity and stabilize the earnings trend, as well as changes in the risk position of customers and suppliers. Besides maintaining a close watch over the rigorous cost-cutting measures, the supervisory council also concerned itself in depth with the board of management's approach of prioritizing adjustments in working time to mitigate the drop in employment while pressing ahead with necessary structural adjustments in specific areas. The supervisory council likewise addressed ongoing developments with regard to renewable energies. Another point for discussion was the changes in the automotive market, which have been further accelerated by the economic crisis. The presence and onward expansion of the Bosch Group in specific key markets was an additional point of focus. The supervisory council also looked at compliance with the company's Code of Business Conduct, which is binding for all associates.

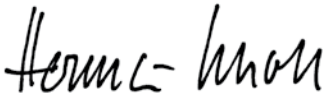
PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited and issued an unqualified audit opinion on the Robert Bosch GmbH annual financial statements, on the Bosch Group consolidated financial statements as of and for the year ended December 31, 2009, as well as on the accompanying management reports. The supervisory council discussed these documents in detail and subjected them to its own examination. All members of the supervisory council had access to the auditor's reports. These were addressed in detail in the pres-

"Being independent enables the Bosch Group to sustain its long-term focus, also in difficult economic times. This harbors great opportunity, but also imposes great responsibility." Hermann Scholl

ence 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 endorse the consolidated financial statements. It similarly recommended that the shareholders approve the board of management's proposal for the appropriation of net profit.

Effective April 1, 2009, Dr. h. c. Bo Erik Berggren, a member of the supervisory council for many years, resigned from this position. His successor effective April 2, 2009, is Prof. Dr. Lars G. Josefsson. Dr. Aline Hoffmann additionally stepped down from the supervisory council as of March 31, 2009. At the suggestion of the combined works council and the German metalworkers' union IG Metall, Christian Brunkhorst was appointed a new member of the supervisory council by order of the Stuttgart local court effective April 1, 2009. 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.

The supervisory council would especially like to thank the board of management and all associates of the Bosch Group for their work, their exceptional commitment, and their readiness to make personal financial sacrifices in order to safeguard the company. The supervisory council will support them in their responsibility and commitment to mastering the crisis and driving the company's onward development.



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 location
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.

Dr. forest. Christof Bosch
Königsdorf

Spokesperson
for the Bosch family

Christian Brunkhorst
Mühltal

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

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

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. 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 of
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

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

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

former German Ambassador
to Russia

Wolfgang Ries
Lohr

Chairman of the Works Council
of Bosch Rexroth Electric Drives
and Controls GmbH, 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

former Chief Executive of UBS AG

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

Hans Wolff
Bamberg

Chairman of the Works Council
of the Bamberg plant and
Member of the 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

Dott. Alessandro Benetton
Treviso (Venice)

Dr. h. c. Bo Erik Berggren
Stockholm

Miguel Boyer Salvador
Madrid

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

Dr. Hans-Friedrich von Ploetz
Berlin

François Scheer
Paris

Erwin Schurtenberger
Ascona, Beijing

Highlights **2009**

January

50 million common-rail systems for diesel engines since 1997. This technology made the diesel a modern, eco-friendly engine.

Widest-selling power tool: The fourth generation of the Ixo drill/driver is launched. With more than eight million sold since 2003, the small and handy Ixo is the world's widest-selling power tool.

Innovation of the year: Indian media single out the start-stop system made by Bosch as the "innovation of the year." Together with the Indian automaker Mahindra & Mahindra, Bosch receives the "Autocar Award."

March

Federal Chancellor lays foundation stone: In Arnstadt, Germany, Federal Chancellor Angela Merkel laid the foundation stone for a new Bosch Group plant, which will manufacture crystalline solar cells and modules.

September

Anniversary in Feuerbach: The Feuerbach plant has existed for 100 years. Set up on the outskirts of Stuttgart in order to increase the proportion of parts made in-house, it is the Bosch Group's largest location worldwide, employing a workforce of 12,000.

Groundbreaking ceremony in Korea: Turning the sod for an SB LiMotive manufacturing facility in Ulsan, South Korea. This joint venture of Samsung SDI and Bosch also won a first order from a German automaker to supply lithium-ion battery cells for use in electric vehicles.

October

Bosch celebrates 100 years in China: On October 19, 1909, the German trading company Walter Schärff & Co, based in Shanghai, began selling Bosch magnetos in China, where cars were still relatively rare. Today, China is one of the Bosch Group's most important markets.

2010

November

Accolade: The Jewish Museum Berlin confers its “Award for Understanding and Tolerance” on the Bosch Group. This is the first time the award has been presented to a company.

Award for environmental commitment: Franz Fehrenbach, the chairman of the Bosch board of management, receives the highly regarded B.A.U.M. environment award. Presented by the German Environmental Management Association, the award acknowledges his unflagging commitment to environmental protection and resource conservation.

January

Technological leap: Bosch Sensortec launches the world’s smallest acceleration sensor. Encased in an LGH housing, it is used for consumer-electronic applications.

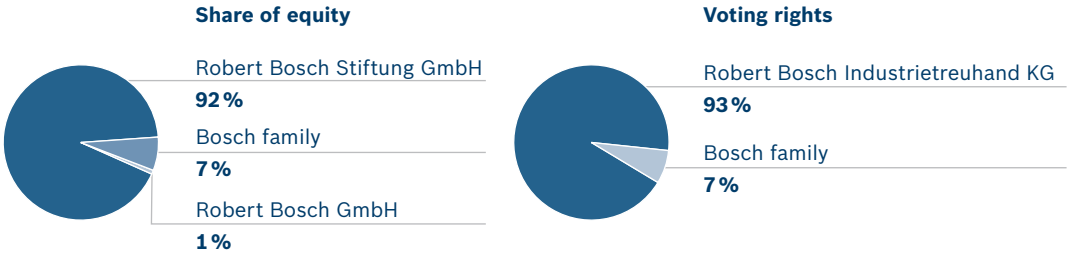
March

Forward-looking project: In Reutlingen, Germany, the new semiconductor facility for eight-inch wafers goes into operation. At a total of 600 million euros, the new wafer fab, in which semiconductors and micromechanical components will be manufactured, is the largest single investment in the history of the Bosch Group.

Brake assistant: The Bosch predictive emergency braking system features in a production car for the first time. With this system, three out of every four rear-end collisions can be avoided.

Group Management Report

Shareholders of Robert Bosch GmbH



Two thousand and nine was the most difficult fiscal year the Bosch Group has experienced in recent decades. The global economic crisis led to a considerable drop in sales, and the result for the year disclosed a serious loss. The Industrial Technology and Automotive Technology business sectors were especially hard hit. By contrast, the Consumer Goods and Building Technology business sector was not as badly affected by the global recession. By imposing comprehensive cost-cutting measures, we were able to limit the loss recorded by the Bosch Group and to secure our sound financial position. Moreover, and despite the global economic crisis, we further strengthened our market position, particularly in Asian growth markets such as China and India. At the same time, we made progress in areas of future significance, especially in those leading to more energy efficiency, resource conservation, and environmental protection. Due to the severity of the recession, it will still take some time before the economy recovers in all the world's regions. We anticipate that, in 2010, the Bosch Group will be able to recover more than half the sales revenue lost in the previous year and record a positive result again.

The economic crisis hit the automotive and capital goods industries especially hard.

Economic environment and business situation

General conditions

Severest global recession for more than 60 years

In our business plans, we anticipated a deep global recession for 2009, but did not foresee the sheer scale of the downturn. The crisis peaked in the first half of 2009, with global economic output falling by around 4 percent. After this time, and as we had expected, the sweeping global stimulus packages and support measures helped defuse the crisis. As a result, a gradual recovery began to take hold during the second half of the year, with major Asian countries such as China and India in particular soon returning to their former dynamic course of development. And in Europe and the Americas as well, the economic situation also improved slowly. Overall, global economic output in 2009 fell by around 2 percent. The industrialized countries alone experienced a drop of 3 percent. Germany and Japan were hardest hit by the recession, each recording a fall in economic output of 5 percent. This meant that we experienced the severest global recession for more than 60 years.

The economic crisis first affected the global automotive industry especially hard. Output of passenger cars and commercial vehicles fell by 12 percent in 2009, to around 62 million units. Production fell more sharply than sales of new vehicles, as manufacturers substantially reduced their inventories. The low point of global automotive production was reached in the first quarter of 2009. After this time, there was a marked recovery in the production of passenger cars in particular, boosted primarily by a massive increase in China. At the same time, demand in many other countries also grew as a result of government incentive programs. These schemes mainly supported sales of smaller vehicles. Demand for heavy commercial vehicles, by contrast, remained on an extremely low level over the entire year.

There was a certain time-lag before the effects of the economic crisis were felt in the capital goods industry. Though if anything, the decline here was more severe. Not only did incoming orders suffer a massive drop, but there were also wide-scale cancellations of existing orders. The decline in this sector did not bottom out until the fall of 2009. Incoming orders remained on a very low level at the end of the year.

As in previous recessions, the downturn in the consumer goods sectors was less marked. Personal consumption was above all a stabilizing factor in those countries in which it was possible to support the labor market with policies for adapting flexibly to the crisis. However, those consumer goods sectors that are closely linked with the construction industry felt the effects of the real estate crisis, particularly in North America and a number of major European markets.

Business sectors and divisions

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

Business situation

Economic crisis leads to drop in sales

The global economic crisis had a serious impact on the business developments of the Bosch Group. In the first quarter of 2009, sales were down by more than 25 percent year on year. The recovery that began to take hold in mid-2009 was in no way sufficient to compensate for this slump. As a result, sales for the year as a whole came to 38.2 billion euros, down 15 percent on the previous year. Currency effects had no noticeable relevance for the overall sales disclosed for the Bosch Group.

The companies consolidated for the first time in 2009 and the full inclusion of companies acquired in 2008 contributed 840 million euros to sales revenue, once divestments had been taken into account.

The companies having a major effect on sales revenue include the following:

- In the Industrial Technology business sector, the takeover of the hydraulics specialist Hägglunds Drives AB, Mellansel, Sweden. We also strengthened the Packaging Technology division through the acquisition of Paal Verpackungsmaschinen GmbH, Remshalden, Germany. Both companies were acquired in 2008.
- In our Consumer Goods and Building Technology business sector, the acquisition of the abrasives specialist sia Abrasives Holding AG, Frauenfeld, Switzerland, at the end of 2008. We also agreed to purchase a manufacturer of circular-saw blades, Freud SpA, Milan, Italy, at the end of 2008. The acquisition took place in the second quarter of 2009. Through the acquisition of Loos Deutschland GmbH, Gunzenhausen, Germany, in 2009, we also expanded our Thermotechnology division's commercial and industrial activities in the steam and hot-water boiler segment.

Business in Asia is a stabilizing factor

Our broad international base paid dividends – even in the face of the severe economic crisis of 2009. Although the financial and economic crisis affected our business activities in all regions at the start of 2009, we benefited considerably from the dynamic economic activity that developed in the Asian markets – first in China and then in India – in particular from the middle of the year onward. In China, we increased our sales by 29 percent in euros and 21 percent in local currency terms. In India, sales grew by around one percent in euros and a good 6 percent in local currency terms. However, in Asia Pacific as a whole, our sales fell nominally by around 2 percent (and by around 6 percent in local currencies) to 7.7 billion euros. This was largely due to the weak development of sales in Japan. Nonetheless, sales in Asia Pacific accounted for 20 percent of our total sales for the first time.

Although the markets in Europe and the Americas picked up in the second half of the year, sales for the year as a whole remained well below their previous-year figure as a result of the steep decline in the first half of the year. Our sales in Europe were down 20 percent to 23.8 billion euros. In local currencies, the decrease was 18 percent. Following a considerable drop in sales in North America in 2008, 2009 saw a further drop of 11 percent to 5.3 billion euros, or 13 percent after adjusting for currency effects. This was mainly due to the difficulties facing North American automakers and the crisis on the real estate market. In South America, sales fell by 16 percent to 1.4 billion euros, or 13 percent after adjusting for currency effects.

Varied impact on business sectors

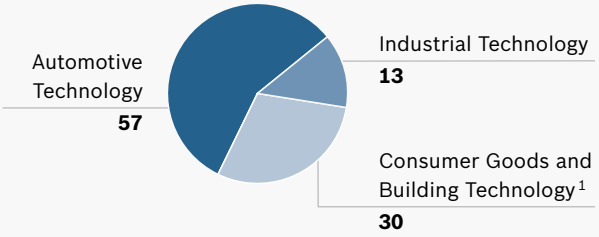
In 2009, both the regional presence and the diversified structure of the Bosch Group made it possible to compensate for the severe drop in sales in individual units. This applies especially to the Consumer Goods and Building Technology business sector, whose consumer-related areas were much less badly affected by the crisis than were our other two business sectors.

The Automotive Technology business sector was the first to be particularly hard hit by the economic downturn, with the sharp decline that began in the fall of 2008 continuing into the first few months of 2009. In the first quarter, sales were down by around one-third year on year. Business began to pick up again halfway through 2009. Nonetheless, at 21.7 billion euros for the year as a whole, sales were down 18 percent year on year, or 19 percent after adjusting for currency effects.

Nearly all the areas in which Automotive Technology does business were affected by the steep market decline, particularly those with a high proportion of commercial-vehicle business, most notably the Diesel Systems and Starter Motors and Generators divisions and our Steering Systems joint venture. For diesel technology, the situation was further exacerbated by the far lower share of diesel engines among new car registrations in western Europe. On average for the year as a whole, only 46 percent of newly registered passenger cars were diesels, compared to 53 percent in 2008. The reason for this is the lower diesel share in the compact vehicle segments, which were the prime target for most national economic stimulus packages in the automotive sector. Business in North America remained very difficult in 2009, with two major manufacturers filing for bankruptcy. These proceedings have now been concluded. As in the previous year, the Chassis Systems Brakes division was especially hard hit by the downturn in sales of sport utility vehicles and light trucks. In fall 2009, we agreed a deal to sell our foundation brakes-related activities in North America to the Japanese brake manufacturer Akebono. This deal has now been concluded. In spring 2009, we also spun off the global aftermarket and component business of our Car Multimedia division.

Sales by business sector

Bosch Group 2009
Percentage figures

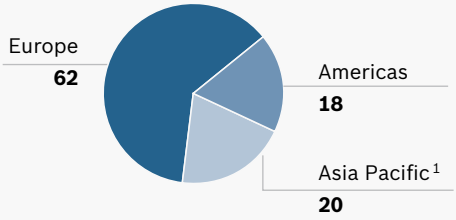


Total: 38.2 billion euros

[1] Including other activities

Sales by region

Bosch Group 2009
Percentage figures



[1] Including other countries

Despite the economic crisis, we continued to drive forward areas of activity that are important for the future of the company, such as further reducing vehicles' fuel consumption and emissions. Our research and development expenditure in Automotive Technology totaled some 2.9 billion euros. We also announced the establishment of a joint venture with the German companies Deutz AG and Eberspächer GmbH & Co KG in the area of diesel exhaust-gas treatment. Target markets include mobile machinery such as excavators, wheel loaders, tractors, and combine harvesters, as well as heavy trucks and stationary machinery. At the end of the year, we already employed 500 associates in the area of alternative drives. Furthermore, our joint venture for lithium-ion batteries SB LiMotive Co Ltd, which was founded in 2008, was awarded its first contract. We also strengthened our market position in the spare parts and workshop business, with the Automotive Aftermarket division expanding its portfolio of workshop concepts through the acquisition of AutoCrew GmbH, Schweinfurt, Germany.

Automotive Technology in particular was able to benefit from its strong position in the Asian growth markets India and China and utilize their early re-covery. The business sector recorded nearly one-quarter of its sales in Asia Pacific in 2009. In these fast-growing emerging markets, the challenge is to combine affordable forms of individual mobility with eco-friendly technology. For these markets, we have developed a series of products designed to meet these particular requirements without compromising on quality.

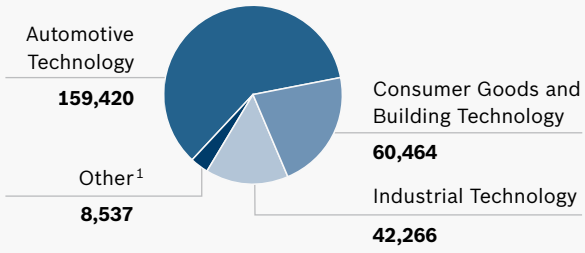
Severe downturn in Industrial Technology

The steepest drop in sales in 2009 was recorded by our Industrial Technology business sector. In this business sector, the low point of the downturn was reached only in the third quarter of 2009. For the year as a whole, sales fell by 24 percent to 5.1 billion euros, or 25 percent after adjusting for currency effects.

This sharp fall in sales was due above all to developments in the Drive and Control Technology division, in which we pool various areas of automation technology as well as our activities for wind turbine gearboxes. As throughout the mechanical engineering and capital goods industries, incoming orders plummeted and existing orders were canceled. Incoming orders

Headcount by business sector

Bosch Group
As per January 1, 2010

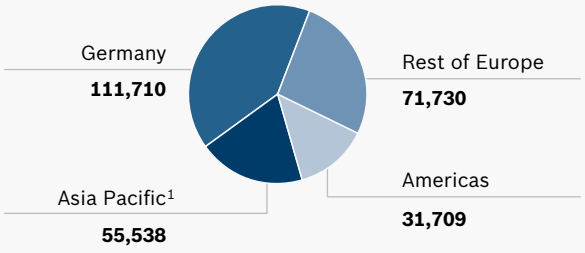


Total: 270,687

[1] Corporate functions and research

Headcount by region

Bosch Group
As per January 1, 2010



Total: 270,687

[1] Including other countries

began to pick up slowly only in fall 2009, but still remained on a low level at the end of the year. This applied above all to mobile and industrial hydraulics. In the wind power segment, the financial crisis initially caused some delay for projects. Toward the end of the year, there were signs of recovery. We believe that the market for wind power has strong potential in the medium to long term. Its growth continued unabated in Asia, with China on the way to becoming the largest single market for wind turbines. We produce gearboxes for wind turbines in Beijing.

The packaging machinery business proved relatively stable, with a high order backlog at the start of 2009. However, incoming orders in this division also showed a decline over the course of the year. It benefited from its broad regional base and cross-sector portfolio, with the expansion of its business in Asia proving particularly valuable.

The market for photovoltaics, which Bosch entered in 2008 through the acquisition of a majority shareholding in ersol Solar Energy AG, Erfurt, Germany, generally declined in 2009. Apart from the difficult economic situation and the consequent postponement of projects due to financial bottlenecks, one significant contributing factor was the phasing-out of incentive schemes in the important Spanish market. The strong rise in demand in the second half of the year in other European core markets and additional stimuli to growth from countries such as the U.S. and China were not enough to compensate fully for these market losses. This situation, coupled with additional stiff competition from Chinese suppliers, caused prices to plummet by more than 30 percent. The Solar Energy division felt the full effect of these developments, recording a considerable fall in sales revenue despite increased sales volumes. Further price pressures are likely to result from the German government's current plans to further reduce the feed-in tariffs for solar-generated electricity.

Nonetheless, photovoltaics remains a growth field in which we pursue long-term objectives. That is why we purchased the remaining shares in ersol Solar Energy AG in 2009, which now operates under the name Bosch Solar Energy AG. We also acquired a majority shareholding of around 69 percent in aleo solar AG. This German company, based in Prenzlau and Oldenburg, is an established solar module manu-

facturer with a broad sales base. This gives us more direct access to the end-customer market. We also expanded our know-how in thin-film technology through the acquisition of a majority shareholding in Johanna Solar Technology GmbH, Brandenburg, Germany. The two companies were not consolidated until the end of 2009, which meant these acquisitions had no effect on sales last year.

Consumer goods least affected by crisis

For our consumer-related activities, the economic crisis meant a downturn only to a limited extent. Sales in the Consumer Goods and Building Technology business sector fell by around 5 percent to roughly 11.3 billion euros, or just under 3 percent after adjusting for currency effects.

Our power tools business recorded a steep drop in sales, even though we succeeded in further strengthening our market position. This was mainly due to the continued weakness of the real estate market in North America and major European countries. The eastern European market also declined considerably. Both developments led to a marked fall in demand from professional users in particular. There were, however, more favorable developments in the DIY market, especially for garden tools.

Thermotechnology was less affected by the economic crisis. Above all, the German market, which is important for us, proved relatively stable. In contrast, conditions were especially difficult in eastern Europe and Turkey. Business in the United Kingdom picked up during the course of the year. We recorded growth of more than 15 percent for solar thermal systems and expanded our capacities in this area. We reinforced our position in the commercial and industrial heating market through the acquisition of Loos, a manufacturer of large boilers. We also announced the acquisition of Köhler & Ziegler Anlagentechnik GmbH, Lollar, Germany. The company manufactures cogeneration plants for natural gas and biogas, with outputs ranging from 20 kilowatts to 2 megawatts. In making this acquisition, we reinforce our expertise in the area of combined heat and power.

Once again, the business of BSH Bosch und Siemens Hausgeräte GmbH proved stable. The decline in its sector was moderate compared to other industries, not least thanks to a robust German market. BSH was also able to gain market share, with its energy-efficient products playing a role in this success. The joint venture company was also able to significantly expand its activities in China, which has now become its second largest sales market.

The global economic crisis led to a decline in the market for security technology. The product business of our Security Systems division was especially affected by the recession. In contrast, a large number of major projects ensured that sales in the building technology business remained roughly on a par with the prior-year level. The communication centers in the service business saw their sales increase.

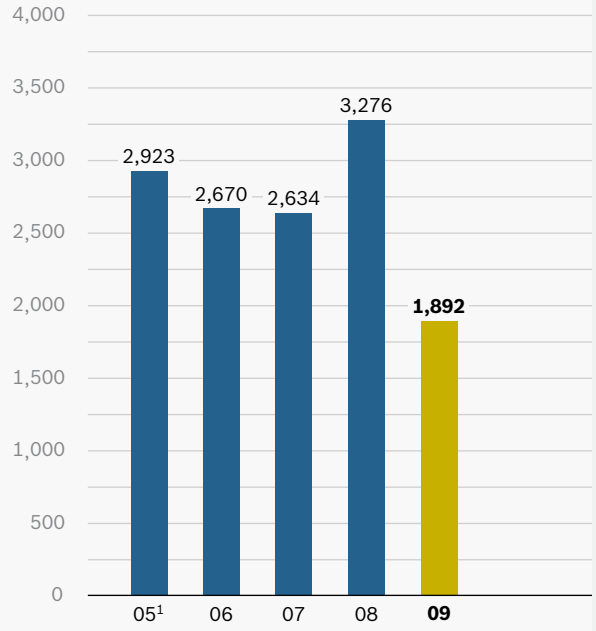
Adjusting workforce with a sense of proportion

Despite the economic crisis and the resulting slump in sales, our goal for 2009 was to keep our core team together as far as possible, but without shirking any structural changes that were necessary. The task, therefore, was to differentiate as clearly as possible between cyclical and structural overcapacity, and to make full use of the various opportunities available for reducing working hours. At times, up to 100,000 associates – some 65,000 of them in Germany – were affected by reduced working hours. Together with employee representatives, we devised a series of solutions – even for countries that did not have corresponding government-subsidized and collectively agreed schemes in place. However, the economic crisis has increased the pressure to restructure areas that are no longer competitive. Wherever possible, we aim to shed jobs in as socially compatible a way as possible.

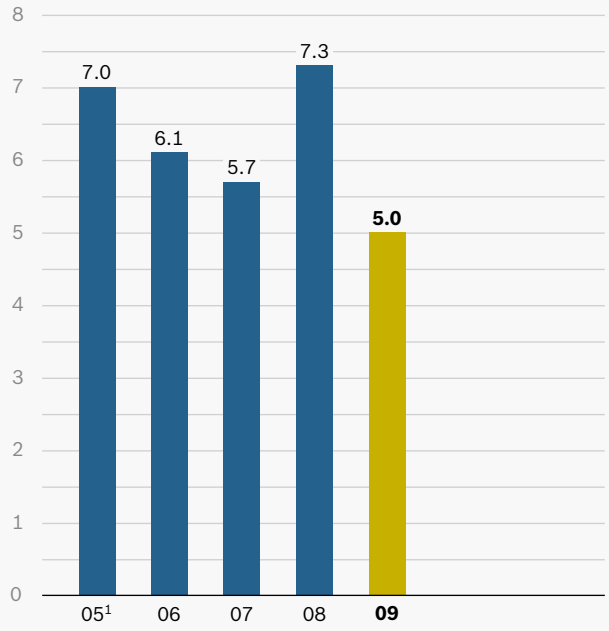
Capital expenditure

Bosch Group 2005 – 2009

Figures in millions of euros



Percentage of sales revenue



[1] Pursuant to IFRS, without discontinued operations

This differentiated approach was viewed positively by many of our associates, despite their having to make financial concessions, some of them considerable. Their strong loyalty to the company was also evident in our global associate survey in fall 2009, which had a participation rate of over 80 percent. Even in difficult times like these, more than four-fifths said they were "proud to work for Bosch."

By the end of the year, the number of associates worldwide had fallen by 11,000 – or 4 percent – to 271,000. Disregarding the associates who joined the company as a result of acquisitions, the decrease was around 14,000 or 5 percent. In absolute terms, Europe saw the biggest drop in headcount, followed by North and South America. In contrast, the total number of associates in Asia Pacific rose slightly. In real terms, i.e. if all adjustment measures are taken into account, the level of employment in 2009 was down around 12 percent on the previous year. So these measures more or less compensated for the decline in sales, though they did not equate to a rise in productivity. If we are to remain competitive, it is essential that we make up for this in the recovery phase.

Strategy

Striking a balance between saving money and securing the future

In 2009 we adhered to our long-term strategy. We did so even though our top priority was initially that of securing the company's future. So we had to manage the balancing act of doing what was immediately necessary to secure the company's existence and doing what was required in the long term to develop the Bosch Group further. Our goal was to keep our options open for the future despite the need to give priority to crisis management. Therefore, we made a conscious decision not to minimize losses in the short term. Instead, we decided to keep our core team of associates – and their expertise – on board. However, the crisis made it all the more necessary to put into practice any reorganization measures needed as quickly as possible.

In business policy, one of our top priorities was to secure liquidity. As a precaution, we borrowed extra funds on the capital market. Our divisions also systematically implemented cost-cutting measures on all levels. For the most part we did not set any rigid targets, in order to give the units more flexibility in implementation. Investments and acquisitions were limited and focused on what was necessary for the future of the company, and inventories were subjected to renewed scrutiny and reduced substantially. We also kept a very close eye on the risks associated with our suppliers and customers and took action as and when necessary.

Sticking to the strategy

Core elements of our strategy remain in place despite the difficult situation. These include a strong international presence, focused diversification, and a high level of innovative strength. Our long-term strategy takes its lead from fundamental global trends which will still apply once the crisis is over.

As a result of the crisis, the pace of the catching-up process in the emerging markets has increased, particularly in Asia. Up to 2020, we expect average annual growth of around 5 percent in Asia Pacific, twice as high as the rate of increase in economic output in Europe or the Americas. Of the three world's major economic regions, by 2020 Asia Pacific is thus likely to account for around 40 percent of global economic output, with Europe and the Americas each accounting for 30 percent.

We are well prepared for these developments. We will step up our activities in Asia Pacific, but without neglecting the other regions. We anticipate that the share of Bosch Group sales generated in Asia Pacific will increase to around 30 percent in the longer term. Europe and the Americas will remain important and attractive regions in the future, with a sales share of 45 percent and 25 percent respectively. This is due not only to their high level of economic output today but also to the additional potential they offer in areas such as environmental protection and energy efficiency. These areas – along with the growing challenge posed by the increasing scarcity of natural resources – are playing an ever more important role in all our business sectors.

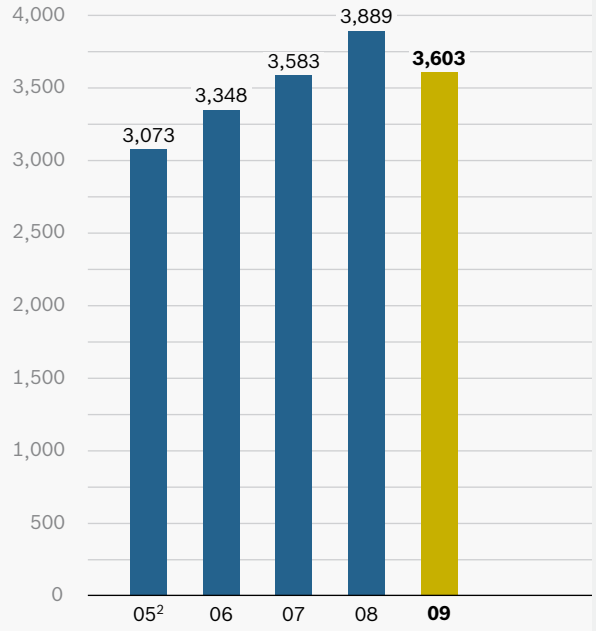
Focused diversification

One of our key strategic goals is to achieve a better balance in our sales structure. We want our Industrial Technology and our 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. Also in the crisis year 2009, it was evident that a corporate structure of this kind helps us to spread risk. It is part of our strategy of focused diversification to significantly grow our business with systems and components for generating renewable energy. Acquisitions in recent years in the area of

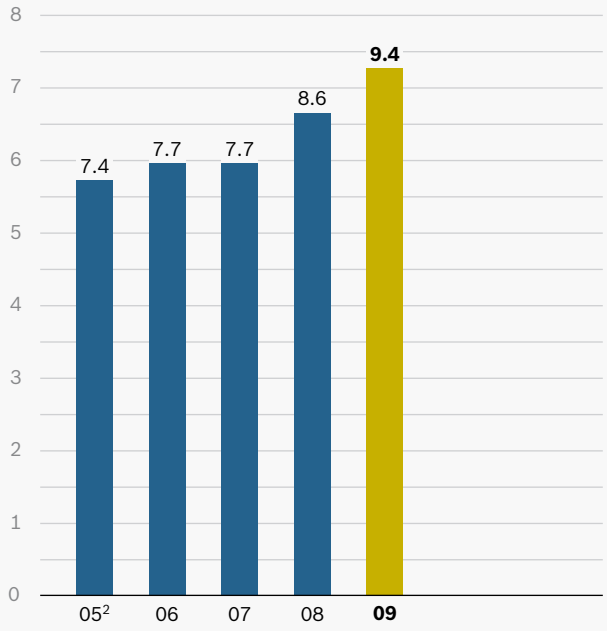
Total research and development cost[1]

Bosch Group 2005 – 2009

Figures in millions of euros



Percentage of sales revenue



[1] Including development work charged directly to customers
[2] Without discontinued operations

photovoltaics have been made to complement our operations in solar thermal systems, heat pumps, and wind-power components, thus establishing a further business pillar that we will continue to strengthen in the future. Despite the sometimes restrained demand last year for products for generating renewable energy, our consolidated sales came to around one billion euros in this area in 2009.

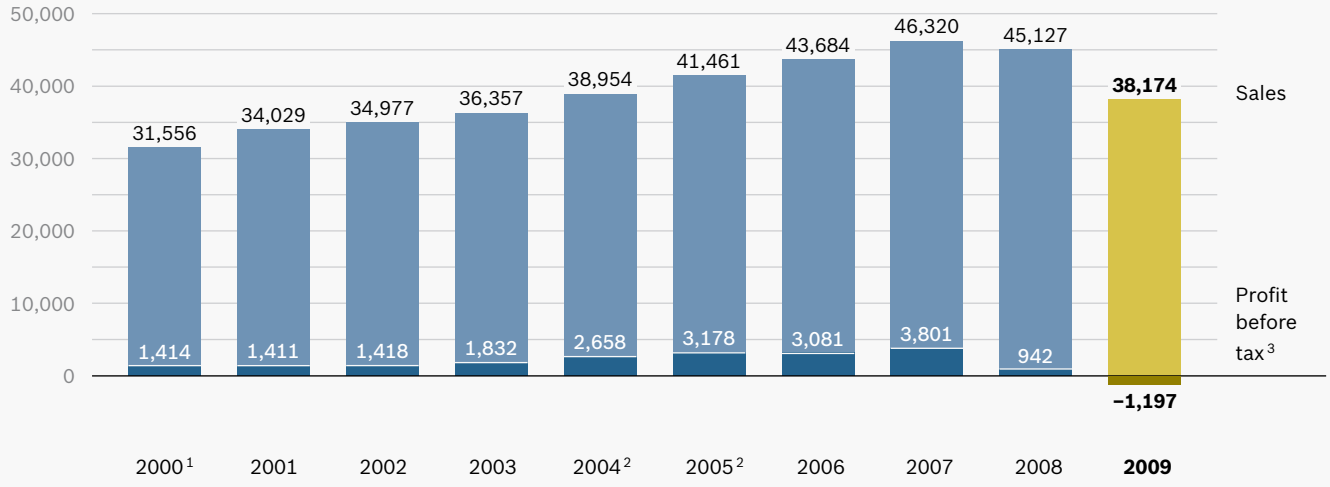
Maintaining our innovative strength

Environmental protection is a major growth market for the future. In the years ahead, products that help improve energy efficiency or reduce emissions will be important growth drivers. Even today, they account for around one-third of our sales. Therefore, one of our prime objectives in 2009 was to maintain our innovative strength. Annual research and development expenditure was maintained at a high level of around 3.6 billion euros. At the end of the year, some 33,000 associates were employed in this area. Filing more than 3,800 patents in 2009, we were able to maintain an equally high level of innovation.

Sales and profit before tax

Bosch Group 2000 – 2009

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

In future, the major challenge will lie in pursuing parallel development strategies – not just in the area of automotive technology, but also, for example, in heating systems. This will take considerable effort. On the one hand, we want to focus on further developing established technologies, with the aim of quickly launching affordable products that increase energy efficiency and reduce emissions. For example, we believe considerable potential still exists for reducing the fuel consumption and CO_2 emissions of the internal-combustion engine. The situation is similar in heating systems, with the use of condensing technology for oil- or gas-fired central heating, or the use of combined heat and power.

On the other hand, we are also investing heavily in new areas of technology such as the electric car, which hold out prospects of a significant share of sales and earnings only over the long term. In this area, a number of challenging technical tasks still have to be solved, and the necessary infrastructure has to be established. In the area of energy use, we are extending our activities in photovoltaics, solar thermal systems, and wind power. We are also increasingly turning our attention to internet technology and, more specifically, the far-reaching technological opportunities and changes that it brings about. One nucleus for further developments is Innovations Software Technology GmbH, Immenstaad,

Germany, a company that we acquired in 2008. In addition to its banking and commercial business, this company is now also developing automotive aftermarket platforms for us. Robert Bosch Healthcare is opening up the field of telemedicine in the North American market and in selected European countries. To support these activities, we acquired the U.S. companies Health Hero Network in 2008 and ViTelNet in 2009.

Bosch vision points the way forward

The Bosch vision forms the basis of our strategy. As a leading technology and services company, we want to take advantage of our global opportunities for 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 strategic slogan "Invented for life." We also strive for sustained economic success and leading market positions in our areas of activity. As the crisis has demonstrated, our entrepreneurial freedom and financial independence allow our actions to be guided by a long-term perspective.

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. As a result of the economic crisis, we were faced with the special entrepreneurial challenge of maintaining a balance between safeguarding the company in the short term and preserving the company's opportunities for the future. We regard the protection of the environment and the conservation of resources as important conditions for safeguarding our activities in the long term. Our target for 2020 remains the same – to cut CO_2 emissions at our manufacturing sites by at least 20 percent from their 2007 level. Equal opportunity 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. The Bosch Business System contributes to the systematic improvement of all internal processes within the company. The managers of all units are responsible for working with their associates to drive forward a process of continuous improvement in order to achieve our goals.

Quality management further improved

High quality standards are a firm component of our BeQIK mission and corporate culture. To support this, we constantly work to improve our quality management. The issues it addressed in 2009 included the introduction of a comprehensive system to trace and to help reduce defect costs in the Automotive Technology business sector. We are also applying these insights to other areas. Internationally as well, we are strengthening our quality management. One task was to set up a customer-oriented quality organization and provide intensive training for associates in the growth markets China and India. At the same time, we are also improving our engineering methods so as to lay the foundation for quality as early as the product-creation process. To this end, we also look in great depth at the actual stresses and strains to which our products are subjected throughout their life cycle in order to gain further insights for development and testing. Generally speaking, our efforts allowed us to further reduce our quality costs in 2009. Customers appreciate the efforts we make. In automotive technology, for example, they presented us with a series of major quality awards.

Purchasing volume adjusted

The economic crisis also posed a major challenge for our purchasing and logistics organization. The top priority was to maintain a stable supply base in a period of great uncertainty. During this time, our established strategy of increasingly focusing the purchasing organization on a number of preferred suppliers had a positive effect. We continue this policy, particularly in the further expansion of supplier relationships in fast-growing emerging markets such as those in Asia, Mexico, and South America. In 2009, we purchased more than one-third of our production materials and merchandise from emerging markets. Our strategy also includes the closer pooling of purchasing requirements, information, and expertise as well as taking a consistent line in the supplier market, with purchasing activities adapted more strongly to specific categories of materials.

We substantially reduced our inventories in 2009 by pursuing a systematic inventory management strategy. As a result, purchasing volumes fell more than sales. Overall, we spent around 17.5 billion euros on production materials, merchandise, operating resources, services, and machinery, compared to around 24 billion euros in 2008. The further development of our supplier relationships helped us in another respect. Our intensive cooperation with suppliers meant that we made good progress in the quality of supplied parts.

Great demands placed upon controlling, especially in the economic crisis

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. Key performance indicators include sales revenue and result, total workforce, investments, fixed costs, and current assets. Shaped as it was by economic crisis, 2009 saw controlling faced with the demanding tasks of closely monitoring current business developments and promptly providing the figures needed as a basis for the business-policy measures required to safeguard liquidity and result.

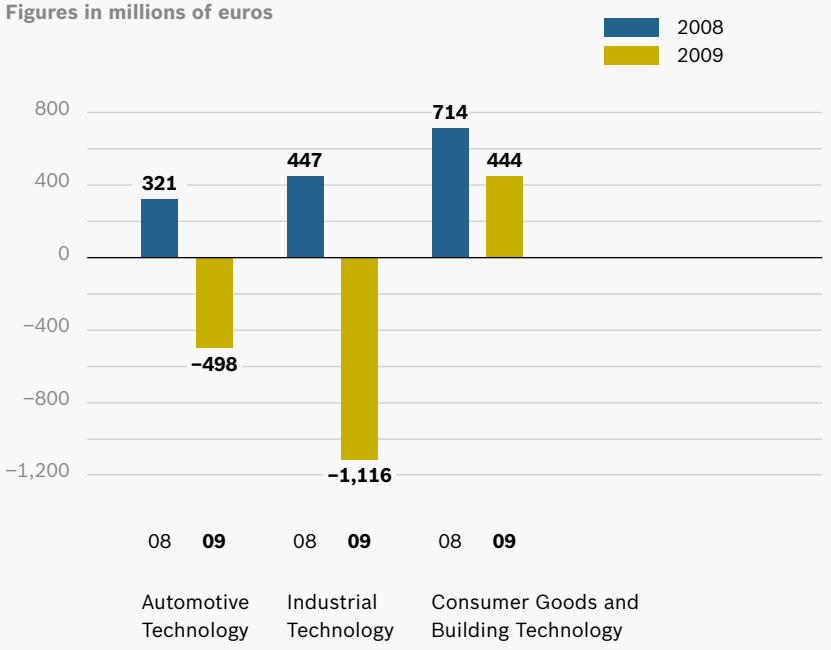
Controlling is basically performed by comparing actual and target values whose basis is the business plan, which itself is embedded into longer-term strategic corporate planning. In order to have an up-to-date set of data, we postponed the approval of the business plan for 2010 and the years that follow until the first quarter of 2010. The monthly business report also enables a comparison with the actual values from the previous year. Until figures return to their pre-crisis level, a comparison with the figures for 2007 will also be significant in assessing the group's further development.

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 percent. Its development is the yardstick we use to assess performance. It thus forms the basis for calculating the performance-based part of executives' variable remuneration, 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 2009 remained unchanged at 8 percent. To better dovetail the way result is reported in internal and external accounting, we have included earnings before interest and tax (EBIT) in our internal accounting system as an additional ratio for operating result. Internal EBIT equates to the term "operating result" previously used in the external financial statements, which is why we have chosen to switch to this term.

EBIT (formerly operating result) by business sector

Bosch Group 2008/2009

Figures in millions of euros



Results of operations

Clearly negative result

The Bosch Group recorded a considerable loss as a result of the decline in its sales. We disclose a negative pre-tax result of 1.2 billion euros for 2009, as compared with a positive result of some 940 million euros in the previous year. At minus 1.2 billion euros, our earnings before financial result and tax (EBIT) are also clearly negative, following a positive EBIT of 1.5 billion euros in 2008. The term EBIT replaces the previously used term “operating result.”

Apart from the fall in sales, the significantly negative result was mainly due to the high provisions set up in connection with restructuring measures, as well as to substantial impairment losses. These negative factors were only partly offset by our comprehensive cost-cutting measures and the lower cost of raw materials. Due to the low interest-rate level and the increase in borrowed funds, the financial result for 2009 is slightly negative at minus 46 million euros, and this despite the improved conditions for investments. For fiscal 2008, we recorded a clearly negative financial result of some 570 million euros. At minus 1.2 billion euros, the 2009 result after tax was also negative, following a positive result of some 370 million euros the previous year.

The Automotive Technology and Industrial Technology business sectors, which were worst hit by the economic crisis, posted significant losses. In Automotive Technology, the total loss amounted to some 500 million euros, as compared with a positive EBIT

Consolidated statement of cash flows

Bosch Group 2008/2009
Figures in millions of euros

	2008	2009
Cash flow	4,032	**1,910**
Cash flow as a percentage of sales	8.9	**5.0**
Liquidity[1] at the beginning of the year (Jan. 1)	2,789	**2,267**
Cash flows from operating activities	4,444	**2,912**
Cash flows from investing activities	–4,242	**–3,558**
Cash flows from financing activities	–719	**1,294**
Miscellaneous	–5	**22**
Liquidity[1] at the end of the year (Dec. 12)	2,267	**2,937**

[1] Cash and cash equivalents

of approximately 320 million euros in the previous year. The result of this business sector in particular was burdened by restructuring provisions. Nonetheless, we achieved improvements in sales and marketing provisions as a result of improved cost levels in some units, as well as of our efforts to improve quality. In the Chassis Systems Brakes and the Starter Motors and Generators divisions, as well as in our Steering Systems joint venture, we had to charge impairment losses on property, plant, and equipment totaling some 135 million euros.

The greatest burden on result was recorded by the Industrial Technology business sector. This sector also posted the biggest percentage drop in sales. The total loss amounted to approximately 1.1 billion euros, following a positive EBIT of some 450 million euros the previous year. This was mainly due to the decline in demand in the Drive and Control Technology division as a result of the recession and the sustained steep drop in prices in the Solar Energy division. As a result, Solar Energy recorded impairment losses on intangible assets and goodwill to the tune of 425 million euros. Further impairment losses on intangible assets amounting to around 50 million euros relate to the Healthcare unit, and result from the slower growth rate of the telemedicine market.

By contrast, the Consumer Goods and Building Technology business sector achieved a positive EBIT of some 445 million euros, as compared with roughly 700 million euros in the previous year. All divisions contributed to this result. The business with household appliances proved particularly stable.

Financial position and net assets

Financial strength preserved

Despite the severe economic crisis, we have been able to preserve our financial strength. Given the major uncertainties, securing liquidity was a top priority. Our cost-cutting measures, investment cutbacks, and a systematic approach to inventory management enabled us to achieve a free cash flow of some 750 million euros at the end of the year, on a par with the previous year. As a result, we were able to finance our investments in fixed assets from cash flow from operating activities. This also applies to our company transactions and increased shareholdings, which amounted to approximately 740 million euros. In 2009, cash flow amounted to 1.9 billion euros, reaching 5.0 percent of sales as compared with 8.9 percent in the previous year. Our liquidity as reported on the statement of cash flows (cash and cash equivalents) came to 2.9 billion euros.

The liquidity as per statement of financial position rose from 8.0 billion euros in the previous year to 10.5 billion euros. Apart from cash and cash equivalents, this liquidity also includes securities and bank balances with a term of more than 90 days. Our precautionary measures to secure liquidity by borrowing also play a role here. We issued a note loan of 500 million euros, bonds totaling 1.3 billion euros, and a private placement of 300 million euros. The rise in liquidity as per statement of financial position is also a result of the revaluation of our stock portfolio due to the significantly higher share prices at the year end.

Adjustment of the capital expenditure budget

In the Bosch Group, we invested some 1.9 billion euros in 2009. This was significantly less than in 2008, when capital expenditure came to roughly 3.3 billion euros. Due to the slump in sales as a result of the economic crisis, we decisively reduced our capital expenditure budget and postponed or extended the period of sup-

Corporate financial management pays off

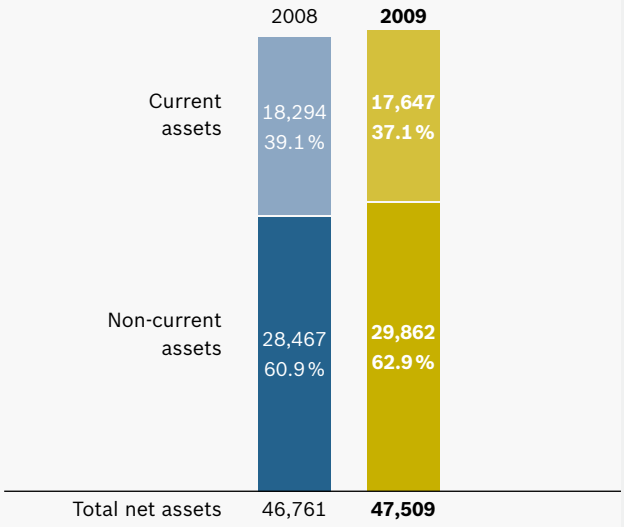
The Bosch Group has a corporate financial and currency management system. It is designed to ensure the group's ability to pay at all times, to control cash flows in the best possible way, and to limit the risk of currency exposures at Bosch Group level. The special challenge it had to meet in 2009 was to secure liquidity and to minimize investment risks.

We increased our borrowing with the goal of ensuring our ability to pay, also with respect to the potential risk of suppliers and customers defaulting. Corporate financial management is responsible for managing our borrowing and financial investments. In terms of financial investments, we place high demands on the creditworthiness of banks. In view of the uncertainties in the banking sector, we laid down strict limits for each institute to minimize risk, and kept a close eye on banks' business developments. Since our financial position remained sound, we were largely able to maintain our good credit rating among the rating agencies. Standard & Poor's left our long-term rating unchanged at AA-, but it set the outlook to "negative."

Structure of the statement of financial position – assets

Bosch Group 2008/2009

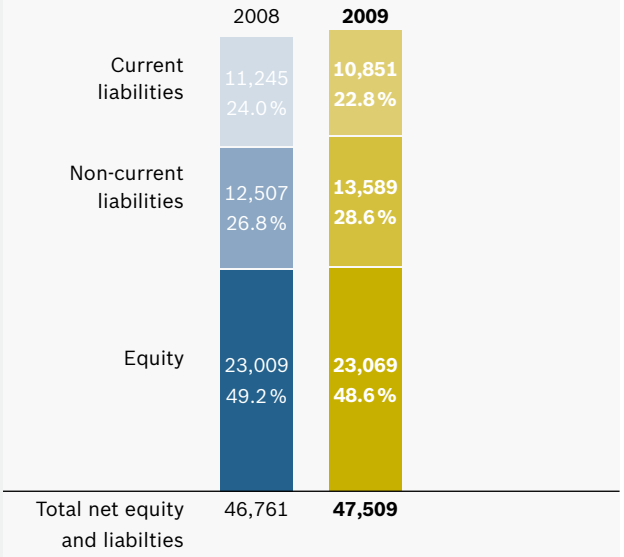
Figures in millions of euros/as a percentage of total net assets



Structure of the statement of financial position – equity and liabilities

Bosch Group 2008/2009

Figures in millions of euros/as a percentage of total net equity and liabilities



plementary investments. Our goal was to continue with projects of significance for the company's future, even during this difficult period. These reductions meant that capital expenditure in 2009 fell short of depreciation of property, plant, and equipment, which amounted to 2.4 billion euros.

In regional terms, we invested some 1.4 billion euros in locations in Europe, as compared to 2.4 billion euros in the previous year. A substantial part of this figure was again accounted for by Germany, with an investment volume of roughly 930 million euros compared to 1.6 billion euros in 2008. In Asia Pacific, investments fell by 155 million euros year on year, to some 375 million euros. We invested roughly 125 million euros in North and South America compared to some 300 million euros in the previous year.

We pressed on with major projects of importance for the company's future. These include the new semiconductor fab for eight-inch wafers in Reutlingen, Germany. The inauguration is now scheduled for spring 2010, slightly later than originally planned. In 2009, we also began the construction of additional manufacturing capacity for solar cells at our Arnstadt (Germany) location. Another major investment is the expansion of manufacturing capacity for wind-power technology at our German locations in Witten and Nuremberg. In addition, we signed a memorandum of understanding relating to the acquisition of a large

area of land near Stuttgart. This land is to be the site of a new research center. The details of this agreement are currently under negotiation.

Investments in Automotive Technology were subject to the biggest cutbacks. We did, however, expand the capacity of our engineering service provider Bosch Engineering GmbH in Abstatt, Germany. The significant reduction in investments in the Industrial Technology business sector was partly due to the completion of manufacturing facilities for components and gearboxes for wind-power generation in Germany and China in 2008. Compared to the previous year, there was less demand for supplementary investments in the Consumer Goods and Building Technology business sector.

Structure of statement of financial position remains sound

The structure of our statement of financial position remains sound, despite the significant loss recorded in 2009. At the end of the reporting period, we disclosed equity of 23.1 billion euros. At nearly 49 percent, the equity ratio was on a par with the prior-year level. The negative result after tax was offset by the higher evaluation of our stocks and listed investments following the recovery in the capital market.

The balanced structure of our non-current financial liabilities also helps to keep our financial situation sound. Due to loans taken out, these liabilities totaled some 3.4 billion euros. They fall due between 2010 and 2019. We also have access to unused commercial paper programs to the tune of around two billion dollars and one billion euros. At the end of the year, our cash and cash equivalents, including current bank balances and current securities, stood at 3.4 billion euros.

The securities we report under non-current financial assets amounted to 6.7 billion euros at the end of the year. Our liquidity and securities therefore covered our pension provisions of 5.8 billion euros and our current and non-current liabilities. Our net financial position reached a good 500 million euros.

The inventories of the Bosch Group fell by 1.4 billion euros year on year, to 5.4 billion euros. The adjustment measures that we introduced as a result of the slump in sales played a part in this. Trade receivables fell only slightly due to the upturn in business in the fourth quarter. We did not have to record any major bad debts.

Subsequent events

There were no events of material importance subsequent to the end of the reporting period.

Forecast

Catching-up process in 2010

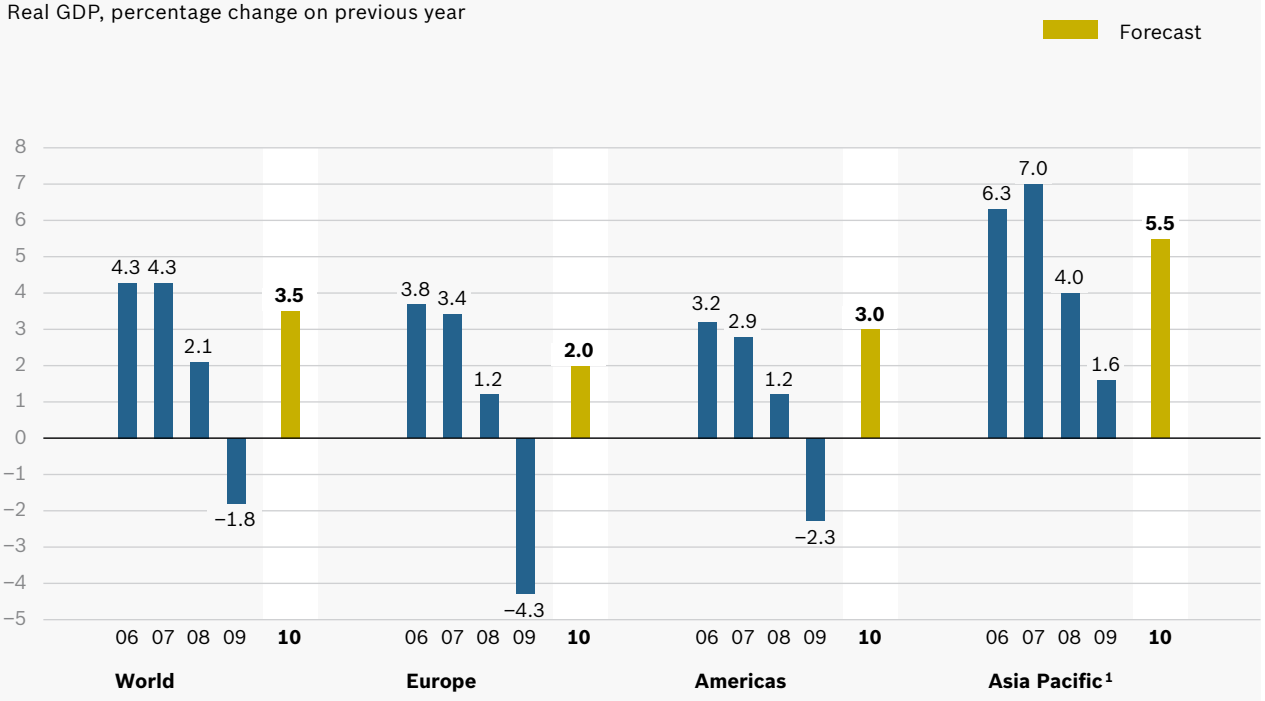
After the serious setbacks in the previous year, 2010 will be dominated by a catching-up process. Besides our efforts to further improve our competitiveness and to further increase our products' market share in all regions, the recovery of the global economy will be of decisive importance.

We have started 2010 with a favorable economic tailwind, especially from the major Asian emerging markets. Although there are also signs of improvement in Europe, North America, and Japan (which were especially hard hit by the recession), most of their industries still have a long way to go before the pre-crisis levels are regained.

Further developments will depend on the subsequent effects of the financial crisis, which are being manifested in the form of huge national debts in many countries. Following the economic stimulus packages to stabilize their economies, a number of European

Regional economic growth 2006 – 2010

Real GDP, percentage change on previous year



[1] Including other countries

countries with high structural deficits are now faced with tough restructuring programs. Initial cool-down can also be seen in China, but here this is due to unexpectedly strong growth and the concomitant risk of overheating. However, most countries are likely to continue their expansive policies so as not to jeopardize the recovery.

On the whole, we do not expect the recovery of the global economy to stall in the course of the year. At the same time, however, we do not expect the rate of growth to gain significantly in pace. Nonetheless, we believe there is a greater likelihood of the growth forces in the global economy stimulating one another than there is of a return to recession.

Given the current economic developments, we expect global economic growth of just over 3 percent in 2010, which should remain on this level in 2011. The emerging markets above all will make the biggest contribution to this growth, with predicted economic growth of around 6 percent this year. Growth in the industrialized countries this year, on the other hand, will likely be limited to around 2.5 percent only. On a global scale, therefore, it is likely that last year's drop in economic output will be offset as early as 2010, thanks to the emerging markets. This also applies to North America, but not to Europe or Japan.

Similar developments are expected for global automobile production. In terms of unit volumes, it may

be possible in 2010 to make up for the roughly 12 percent drop in sales last year. This does not apply to the value of this production, however, because growth will be centered primarily on low-cost vehicle classes in the emerging markets.

International developments in private consumption and business investment will be as diversified as developments in economic output. Emerging markets, especially in Asia, will likely lead the way with strong rates of growth. In contrast, demand for consumer goods in industrialized countries will rise more slowly due to consumers' lower disposable income and, in some cases, high debts, even though low rates of inflation and widespread tax cuts will help. Moreover, the signs of an easing of the situation on the labor markets may also improve the consumer climate. By contrast, the high capacity reserves in many industries mean that the situation in the European and North American capital goods industry is likely to improve only slowly. Nonetheless, we also anticipate a noticeable recovery in this area in the second half of 2010, once again stimulated above all by demand from the emerging markets.

Against this global backdrop, we were once again able to increase the sales of the Bosch Group considerably in the first few months of this year. However, this growth is also due in large part to the low baseline levels of the previous year. For 2010 as a whole, we believe we have a good chance of making up for more than half of last year's decline in sales, and of recording a positive result again.

We especially anticipate a change for the better in Automotive Technology, bolstered first and foremost by continued strong growth in Asia and a marked recovery in North America. In Industrial Technology, by contrast, we expect growth to pick up only in the second half of 2010. In Consumer Goods and Building Technology as well, the positive stimuli this year will be generally moderate. In terms of the sectors in which we operate, therefore, Automotive Technology will make the biggest contribution to the recovery of our business activities worldwide in 2010. In regional terms, we will benefit above all from brisk business in Asia.

For 2011, we expect the upward trend to continue, with the possibility of regaining for the most part the level of the pre-crisis year 2007. Re-establishing a greater degree of balance among our operations by business sector and region should also help us achieve this goal. However, the stronger regional shift toward Asia will continue and may even become more manifest.

In all regions, we have the advantage that our products put us in a good position to tackle the global challenges of increasing energy efficiency, protecting the environment, and conserving resources. Customer feedback from across the globe confirms that we have been able to further improve our competitive position in many areas through hard work, a long-term strategy, and a clear focus on our strengths. This reinforces our conviction that we will overcome the foreseeable structural changes, return to a stable growth course in the years ahead, and in the medium term once again achieve a return on sales that will generate sufficient financial resources to secure our future growth.

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 in accordance with the latest statutory regulations. The executive management of the divisions and presidents of regional organizations are responsible for identifying and controlling risks at the point of origin, while the board of management of Robert Bosch GmbH – with support from the corporate departments – is responsible for identifying and controlling risks of general relevance.

Defined processes ensure that identified risks and opportunities are forwarded to the relevant decision-makers. Instructions for action, information, training, and internal controls by specialist departments, by the Bosch Group internal auditing unit, and by the compliance organization underline our ongoing commitment to ensuring the complete legality of our actions. Risk management tools include systematic business field, competition, and regional analyses. Moreover, our reporting system delivers monthly reports on all commercially relevant matters.

General risk assessment

On the basis of the information currently available and the individual risks listed, there are no additional recognizable risks, apart from the market-related opportunities and risks listed in the forecast above, that will materially impair the net assets, financial position, and results of operations of the Bosch Group in fiscal 2010. 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 changes in the markets, the supplier environment, the possible concentration of customers and competitors, and technical developments. In automotive technology, we anticipate radical shifts in the market as a result of the worldwide trend toward smaller vehicles and engines, a change that has been accelerated by the economic crisis. In addition, the competitive environment will change as a result of the wide-scale introduction of electric vehicles over the longer term. We are preparing for this development well in advance. In heating systems, we are closely examining the changes resulting from the merging of the heating and air-conditioning markets.

Operational risks: In 2009, one priority for our risk management was to carefully analyze the financial situation of our suppliers and customers in order to secure supplier relationships and minimize bad debts. As a result of the financial crisis, many of our suppliers found it very difficult to obtain loans. As the economy recovers, the increased demand for finance will mean that this situation will initially not improve. In individual cases, we work together with suppliers to define measures that will secure the lasting reliability of delivery. Last year, despite a marked rise in the number of suppliers entering insolvency or at risk of doing so, we were not faced with any major burdens. Nor were there any appreciable bad debts, not even as a result of the insolvency proceedings that faced two U.S. automakers in the course of the year.

However, the high volatility of the prices of listed raw materials, which was exacerbated by the financial crisis, presents a higher risk than in the past. We counter this development to some extent through price escalator clauses and forward transactions. One continuing risk has its origin in automakers' demands for further price reductions and in high price pressures in the area of consumer goods. In automotive technology, moreover, shorter development cycles for increasingly complex systems pose an increased quality risk,

and will continue to do so in the future. This situation is compounded by ever greater demands made of product liability. We counter this situation by implementing intensive quality assurance activities along the entire supply chain, so as to reduce the risk of poor quality.

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 respond to the growing demands and increasing sensitivity of data protection by means of a comprehensive set of policies and a broad-based and well trained data protection organization. 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 impending litigation. The principle of legality is an integral part of the Bosch values and is reinforced through a global compliance organization. Each manager has personally undertaken to abide by the "Code of Business Conduct" and takes part in a global training program. Via a hotline available in their native language, associates can report any possible breaches to the compliance organization. These measures help uncover any violations comprehensively and at an early stage. Experience up to now has shown that associates make use of these tools. Cases of misconduct are not tolerated, and have immediate disciplinary consequences.

Financial risks: The operative business of the Bosch Group is impacted by fluctuations in exchange and interest rates. On the whole, our strategy of establishing a strong global presence coupled with local production eases currency risks. We also 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 payment transactions, investments, and precautionary measures. According to these regulations, financial tools such as futures trading and interest swaps may be used only 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. 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. Due to the financial crisis, we closely monitored the development of our banking partners and minimized risk by setting limits.

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.

Technology and Innovation

Climate change and scarcity of natural resources are the great challenges of the future. We are meeting these challenges with innovations that secure our sustained business success. At all times, our guiding principle is to enhance the quality of life. We employ some 33,000 researchers and developers, around 1,300 of them in the corporate sector Research and Advance Engineering. They are engaged in designing, testing, and researching innovative systems, components, technologies, and methods. Their work focuses on improving energy efficiency in all business fields, on driving forward electrification for both automotive and industrial applications, on utilizing renewable energies, and on making manufacturing technologies more efficient.

International exchange

Around the world, we are in close contact with distinguished universities, research institutes, and scientific organizations. Our regional centers in the U.S., Russia, Singapore, China, and Japan monitor local trends and analyze market opportunities. In this way, we acquire knowledge that is vital for the development of future products. Our innovative strength secures our long-term success. We spent some 3.6 billion euros on research and development in 2009, equivalent to 9.4 percent of total group sales. With 3,870 patent applications, we were among Germany's most inventive companies. Some 45 percent of these patents dealt with inventions that protect the environment and conserve resources.

To enable us to maintain our pace of innovation going forward, we are setting up a new center for research and advance engineering near Stuttgart. There, we will pool our competencies and strengthen interdisciplinary collaboration. Initially, around 1,100 permanent staff will work at this research center. In 2009, we signed a preliminary agreement to purchase the land, the details of which are currently being negotiated.

Cost-efficient electric drives

One focal point of our research activity is the future of electric vehicle drives. Following initially subdued growth over the next few years, we expect the market share of electric vehicles to increase as from 2020. In today's hybrid vehicles, electric drives are still combined with internal-combustion engines. In our view, this comparatively complex technical solution is only an interim step. The first generation of electric vehicles is still largely based on platforms designed for operation with internal-combustion engines.

By contrast, the second generation of electric vehicles will be based on dedicated vehicle platforms and architectures. The key factors are energy efficiency and weight. We therefore examine the function of each and every component to find out how much energy it consumes, how heavy it is – and whether there is possibly an alternative solution. By far the biggest cost

We are improving materials and processes in order to make microelectro-mechanical (MEMS) sensors for cars even smaller and more robust. This will provide the basis for control processes that further reduce fuel consumption.

driver is the battery. Together with our partner Samsung SDI, we are working to cut its weight and its cost, and to vastly increase its performance.

Another key factor is climate control. Whereas cars with internal-combustion engines produce large amounts of waste heat, battery-driven vehicles have to be heated electrically. This considerably reduces their range. One conceivable solution, therefore, would be to use a heat pump for thermal management, as it can both heat and cool. This way, energy requirements for electrical heating could be reduced by up to 60 percent.

Projects in microsystems technology

Via two projects, Bosch is an important partner in the "MicroTEC Südwest" cluster. This was one of five winners of the German government's competition to find outstanding technology clusters. As a lead company, Bosch is responsible for the activities focused on mobility, whose strategic aim is to develop new technologies in microsystems engineering and materials research. Above all, it is hoped that this work will result in robust sensors that can withstand high temperatures and be used for automotive drives that conserve resources. A further aim is to develop highly sensitive far-infrared detectors for cost-effective driver assistance systems.

The objective of the "SiC-Tech" project is to develop exhaust-gas sensors that will allow the pollutant emissions and fuel consumption of internal-combustion engines to be reduced. It is hoped that the combination of highly resilient silicon carbide and microsystems engineering will create the technological basis for sensors that are adapted to the extreme conditions in the exhaust system. The idea is to create prototypes of particulate filter sensors for diesel engines and combustion-chamber pressure sensors for spark-ignition engines, providing a basis for future generations of such devices.

The "RTFIR" (room temperature far infrared) project aims to develop high-resolution micromechanical

We are developing laser processes to be used in the manufacture of solar modules. Finer structures and enhanced electrical properties increase efficiency, allowing more sunlight to be converted into electrical energy.

infrared detector arrays. These detectors, used in night vision systems, help warn drivers of pedestrians and animals in road traffic, and will thus play an essential role in reducing the number of traffic accident victims. Far infrared sensors open up a wide range of other possible applications: in security technology (surveillance), for example, in industrial and process engineering, as well as in energy technology, environmental technology, and medical technology.

Automatic parking

Our researchers are also working to improve driver assist functions for cars. Working with prototypes, we have further developed our semi-autonomous parking assist system. We now have a fully automatic system for parallel parking ready for production. As the car is driven along, the system uses ultrasound sensors to measure the distance to other cars or obstacles and thus to identify a parking space. When the driver confirms that he wishes to park, the system guides the vehicle automatically into the space. The driver merely operates the gear selector lever and leaves the system to handle steering, braking, and accelerating. This means parking will become much easier and corrections will be a thing of the past. However, responsibility for road safety remains with the driver. He thus has to monitor the system, and can intervene at any time. Researchers are working on an extension of the system for parking spaces set at a 90-degree angle to the road.

Lasers structure solar cells

We are working successfully to enhance the market opportunities of future technologies. Examples include manufacturing processes for organic photovoltaics. In contrast to inorganic photovoltaics, organic photovoltaics does not use silicon. Instead, solar energy is absorbed and converted into electricity by means of thin polymer films deposited on a flexible substrate. The research departments of BASF, Bosch, and Heliatek GmbH, Dresden (in which we hold a share of around 20 percent), are developing thin-film systems like this. To make functioning solar modules from them, the individual ultra-thin films have to be scored into strips.

We are setting up a laboratory to research into innovative technologies for lithium-ion batteries. The picture shows the examination of a paste used to manufacture electrodes for batteries.

In this way, a high-performance array of interconnected photovoltaic thin-film cells is produced. Extreme precision is needed for this manufacturing process. Ultrashort pulse lasers are particularly suitable for the structuring operation. Developed by our researchers, these techniques are so precise and dependable that they meet the exacting requirements of large-scale series production. To manufacture the solar module, the laser, among other things, structures a metal coating measuring only a few 100 nanometers in thickness directly above an even thinner organic coating system, without damaging the latter. The advantages of the laser technique lie in a gentle structuring operation coupled with outstanding yet cost-efficient precision. In this way, our researchers are fulfilling one of the prerequisites for low-cost organic photovoltaics.

Our researchers again received awards for their work in the past year. Associates from the thermoplastics, thermosets, and injection molding technology research department won the 2009 “Innovative Materials” award of the Association of German Engineers (VDI). Together with researchers from other companies, they developed biopolymers (plastics derived from renewable raw materials such as the castor-oil plant). Our researchers have already tested applications for the classic internal-combustion engine, such as pedal modules, engine-cooling fans, and steering-angle sensors. The components weigh less and make less of an impact on the environment. In the future, applications in combination with new technologies such as those used in the electric motor are conceivable.

www.research.bosch.com

How does high pressure in driving result in low fuel consumption? Very simple: by helping the diesel engine increase its useful output for every unit of energy (i.e. fuel) it takes in. Produced in both Feuerbach (Germany) and Jihlava (Czech Republic), the CP4 common-rail pump delivers fuel pressure of up to 2,200 bar. Not only that, it also builds up this pressure very quickly, making the CP4 ideal for fuel-efficient start-stop operation. With solutions like this, we can reduce diesel consumption by some 30 percent, paving the way for an 85 mpg mid-size car. And we don't stop there, but go on to combine the internal-combustion engine with an electric motor to create a hybrid drive system that cuts fuel consumption by as much as 40 percent.

Innovative technology for the

85 mpg car

Saves fuel: The CP4 common-rail pump, produced at the Feuerbach plant and elsewhere

Automotive Technology

Key data	2008	2009
Sales	26,475	**21,716**
Capital expenditure	2,195	**1,165**
R&D cost	3,250	**2,862**

Figures in millions of euros

In 2009, the automotive industry experienced its worst economic downturn for decades. Global vehicle production fell by 13 percent compared to the previous year and by 16 percent compared to 2007. Sales in the commercial vehicle segment were down by half. The markets in North America (down 33 percent) and Japan (down 32 percent) plummeted especially sharply. And at minus 17 percent, Europe was also hard hit. In contrast, the Asian markets continued to record high rates of growth: 48 percent in China and 14 percent in India. Our Automotive Technology business sector was severely affected by the overall decline, with sales falling by 18 percent to 21.7 billion euros.

We expect that it will be 2012 before global automobile production regains the levels of 2007. Any additional growth will be recorded primarily in Asia's emerging markets. At the same time, there is a global trend toward smaller, lower-cost vehicles. We are well prepared for the challenges that lie ahead thanks to our global presence and wide-ranging product portfolio. For example, there are already some 24,000 Bosch associates working in China and nearly 20,000 in India.

Our new semiconductor plant in Reutlingen went into operation in March 2010. State-of-the-art processes ensure competitive costs and also allow the company to start production of power semiconductors. A total of some 600 million euros will be invested in this project.

In 2009, we continued to work intensely on the development of future vehicle generations. Our aim is to make personal mobility as sustainable as possible: in other words, eco-friendly and resource-conserving. We firmly believe that while the automobiles of the future will be powered by electricity, the conventional internal-combustion engine will remain the dominant drive technology for the next 20 years. We therefore continue to develop our technology for gasoline and diesel engines while at the same time pressing ahead with our work on hybrid and electric vehicles. This two-pronged development approach is one of the reasons we spent just under three billion euros on research and development in automotive technology in 2009.

Internal-combustion engines still have great potential

In the years ahead, reducing the fuel consumption, and thus also the CO_2 emissions, of the vehicle fleet will mainly be achieved by optimizing internal-combustion engines. Gasoline and diesel will remain the dominant fuels during this time, supplemented on a regional basis by natural gas, synthetic fuels, and biofuels. We already offer the appropriate technologies for markets around the world.

Gasoline engine efficiency can be increased a further 30 percent by means of downsizing, which is what we call the combination of a reduced displacement volume with turbocharging and direct injection systems. Our second generation of gasoline direct injection systems has been in series production since 2007, and is used by many automakers worldwide. We expect the market for this technology to triple by 2016. The fifty-fifty joint venture company we founded with Mahle GmbH & Co KG, Stuttgart, in 2008 will allow us to keep pace with the rising demand for turbochargers.

By combining improvements in our common-rail injection technology with other engine-related meas-

Precision: By early 2010, we had already produced three million CP4 pumps for our common-rail systems – with positively hair-splitting accuracy. Piston clearance, for example, must be no more than a few ten-thousandths of a millimeter. Tightness and operation of the pump are also rigorously tested. This is how we provide for quality, millions of times over.

Bosch produced its 200 millionth brake control system in 2009. We also started production at our first local ABS manufacturing facility in India in the same year.

ures, we can also further reduce the fuel consumption of diesel engines by a good 30 percent. In 2009, for example, new solenoid injectors with pressure-balanced valves went into production. As these injectors open and close more quickly, the intervals between the individual injections are very short, and this makes for better combustion. We are currently working on a common-rail system for high-performance engines. This uses injection pressures of over 2,000 bar and piezo valves to atomize the diesel fuel even more finely. These systems can be configured to comply with the Euro 6 emission regulation, which is set to come into effect in 2014.

Systems for clean exhaust emissions

We offer two series-produced systems for treating the exhaust gas of diesel vehicles. The Denoxtronic metering system injects urea into the exhaust-gas flow and, in combination with an SCR catalyst, reduces nitrogen-oxide emissions. Our second metering system, Departronic, injects diesel fuel into the exhaust duct, thus facilitating the regeneration of the particulate filter.

At the beginning of 2010, we joined forces with Eberspächer GmbH & Co KG, Esslingen (Germany), and Deutz AG, Cologne (Germany), to establish the joint venture company Bosch Emission Systems GmbH & Co KG in Stuttgart. The company, in which we have the industrial leadership, is set to be ready to supply complete exhaust-gas treatment systems for construction and agricultural machinery and commercial vehicles from the end of 2010.

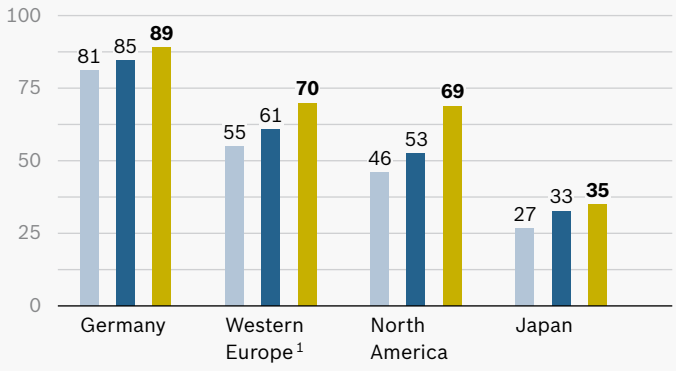
Our hybrid technology goes into series production

At the end of 2009, around 500 Bosch associates were already working on alternative drive technologies. Since the start of 2010, we have supplied technology for the hybrid versions of two European vehicle models. In the SB LiMotive Co Ltd joint venture company

Integration: The electric motor for the Bosch hybrid drive develops power in a minimum of space, allowing it to be integrated into the powertrain. There, the machine has two functions: as a motor, it permits purely electric driving over short distances, while as a generator it feeds braking energy back into the battery.

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 2007 to 2009
Percentage figures



[1] Including Germany

formed with Samsung SDI, South Korea, in 2009, we are developing lithium-ion batteries for vehicles. From the electric motor and power electronics to the battery, we therefore offer automakers all the components they need for the electrification of the powertrain, whether for hybrid vehicles or for all-electric cars.

We achieve further reductions in fuel consumption by developing innovations for auxiliary powertrain systems. In 2009, for example, we supplied the one millionth starter for start-stop systems, and we foresee strong growth rates for this cost-effective technology in the years ahead, particularly in Europe. The system can be improved further still in combination with our ultra-efficient generators, which went into series production at the start of 2010. Even at low engine speeds, these generators allow the starter battery to be charged faster, which means that the start-stop function can be used more frequently. In turn, optimized electric motors increase the efficiency of fan modules or wiper systems. We also focus on the weight of each individual component. Time and again, we make considerable progress even with products that appear to have reached technical maturity, such as brake calipers, engine cooling fans, or electric servo motors.

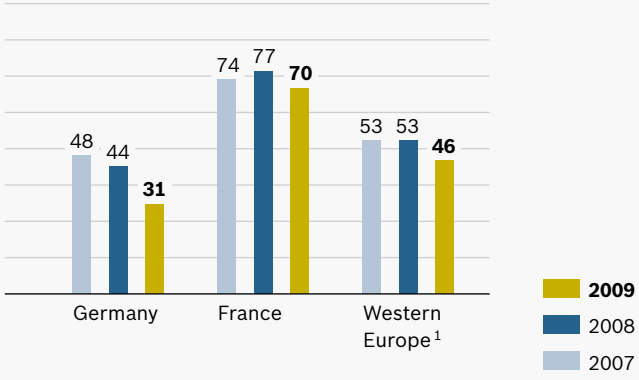
Active safety systems increasingly becoming mandatory

In 2009, many countries followed the lead of the U.S., which in 2007 had already mandated the ESP® electronic stability program for all cars from model year 2012 onwards. A comparable regulation will apply in Australia and the European Union from November 2013 and November 2014 respectively. And Brazil is mandating the ABS antilock braking system for all vehicles as well as airbags for all passenger cars and light commercial vehicles from 2014. We serve all the world's markets with our brake and restraint systems, and therefore anticipate above-average growth in the years ahead. We were the first manufacturer to open manufacturing facilities for brake control systems in Brazil in 2007 and in India in 2009. We have been manufacturing in China since 2003.

Inspection: The Bosch hybrid system will come onto the market with VW and Porsche in 2010. The pre-production prototypes are being intensively tested, including measurement of insulation resistances. The team working on this is at the same time young, highly motivated, and tightly focused. The average age of the workforce here, in the business unit for electric vehicles and hybrid systems, is 35.

Acceptance of diesel

Share of diesel in newly registered cars, based on selected markets from 2007 to 2009
Percentage figures



[1] Including Germany and France

We use accident data analyses to develop additional safety and assistance functions that support drivers in critical situations and even help them to avoid such situations. At the start of 2010 we launched our predictive safety system. This uses radar and video sensors to detect potential obstacles, issue warnings, and assist the braking process. If the driver does not react, the system automatically triggers a full emergency braking operation shortly before the accident. In this way, it reduces the force of the impact. The system also displays any road signs it recognizes and issues a warning if it notices that the vehicle has departed from its lane unintentionally.

We also took new generations of many other products into series operation in 2009. Our third-generation radar sensor, for example, is in great demand. Not only is it more powerful, it is also more compact, and, thanks to its silicon-germanium technology, much more cost-effective than previous generations. In our new Dual View display system, information is visible only from a certain angle. In this way, driver and passenger can receive different sets of information. The features and user-friendliness of our new low-cost navigation system for OEMs have received excellent reviews. It is currently revolutionizing the market, since it offers original equipment performance at the market price of a portable device.

Our Automotive Aftermarket division provides the aftermarket and workshops worldwide with a complete range of diagnostic and workshop equipment and a comprehensive spare-parts range, from new parts to exchange parts. The acquisition of AutoCrew GmbH, Schweinfurt (Germany), in April 2009 enabled us to expand our portfolio of workshop concepts. With more than 500 workshops, AutoCrew supplements the existing Bosch Service concept, with its more than 14,500 operations worldwide. There are plans for further international expansion in the years ahead.

www.bosch-kraftfahrzeugtechnik.de

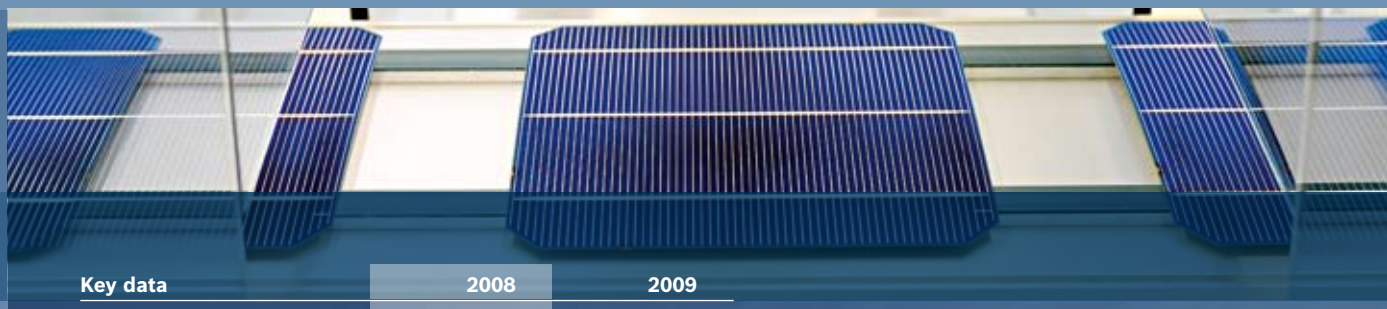
Why are sun worshippers not the only ones to benefit from blue skies over the Klein Matterhorn peak in Switzerland? Because the ski station generates electricity from sunshine with a façade-mounted photovoltaic array using Bosch solar cells. But for us, technology for renewable energies does not stop here – it also means large gearboxes for wind turbines. Two new production lines for these products have gone on stream in Nuremberg and Beijing. Altogether, the components we produced in 2009 help to generate over 3,000 megawatts of electricity from the wind and the sun. That's enough to supply more than two million four-person households for a year.

Electricity from the wind and the sun for

2 million homes

Utilizes solar energy: Stefan Rathgeber, key account manager at Bosch Solar Energy, in front of the photovoltaic system on the Klein Matterhorn

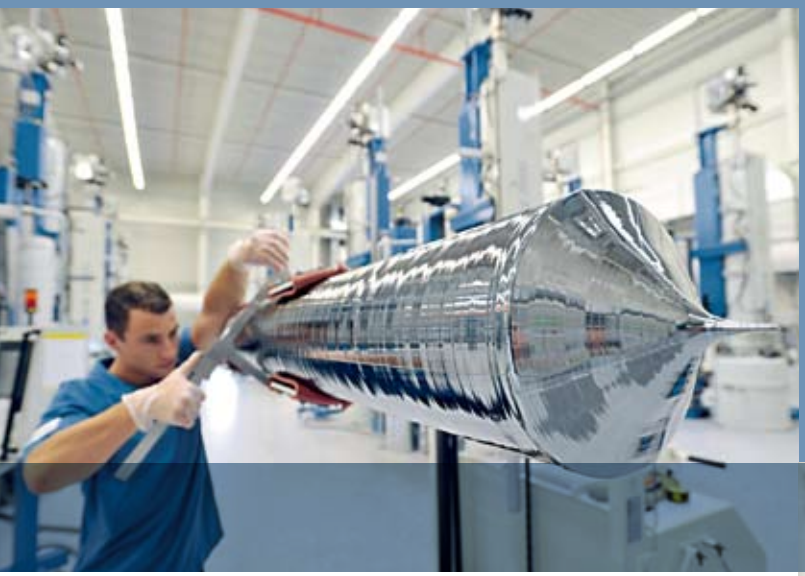
Industrial Technology



Key data	2008	2009
Sales	6,733	**5,105**
Capital expenditure	662	**393**
R&D cost	283	**309**

Figures in millions of euros

It was only after some delay that capital goods were affected by the global economic and financial crisis. Due to a healthy backlog of orders, the low point of business activity was not reached until the third quarter of 2009. Annual sales of this business sector fell by 24 percent to 5.1 billion euros. This was largely due to business developments at our subsidiary Bosch Rexroth AG, and more specifically its drive and control technology business. For a time, the weak economy also affected our business with wind turbine components, although the situation improved toward the end of the year. Despite the market downturn, our packaging technology business remained relatively stable, thanks to a high backlog of orders and only a slight drop in new business. Our solar energy business, however, came under considerable pressure – from the financial and economic crisis on the one hand and the discontinuation of the incentive programs in Spain and increased competition from Chinese suppliers on the other. We nonetheless intend to maintain our focus on this strategically important business area and further stepped up our activities in 2009.



Crystal growing: 2.30 meters long, 21 centimeters thick, over 170 kilograms in weight – what looks like a silver rocket is monocrystalline silicon as it comes out of the crystal grower at Bosch Solar Energy in Erfurt, Germany. Sliced into wafers, it is fabricated with the help of MEMS technology into 6,000 solar cells that can produce 24 kilowatts of electricity.

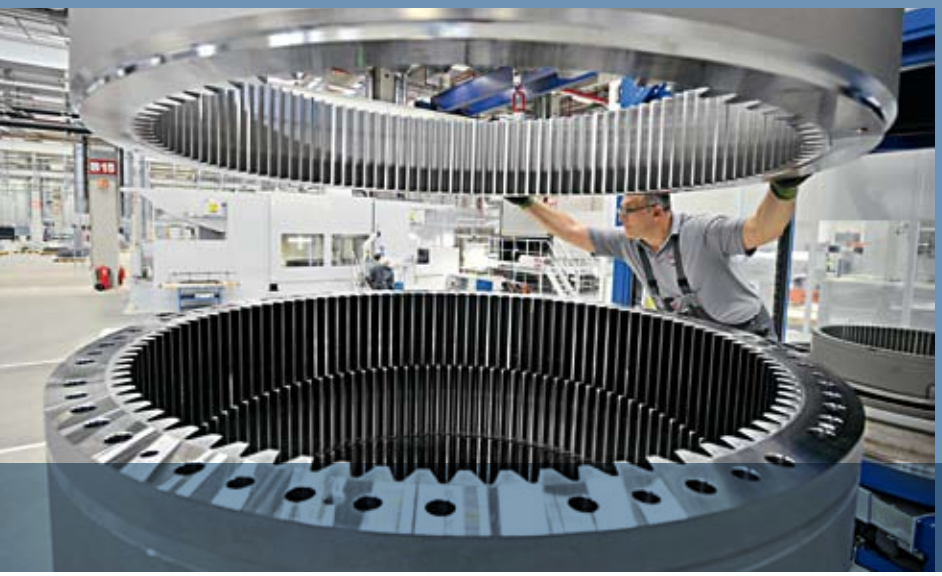
Bosch Rexroth's IndraDrive electric drives with integrated control function make for simple, reliable, and cost-effective automation.

Commitment to wind power

As one of the world's leading suppliers of all major technologies for drive and control applications – from hydraulics and electrics to mechanics and pneumatics – Bosch Rexroth felt the first effects of the economic downturn in the mobile hydraulics area, which includes components for non-road vehicles such as agricultural and construction machinery. In the meantime, incoming orders in this area have stabilized at a low level. After a time, the downturn spread to factory automation and industrial hydraulics. The wind power business stagnated, hampered by delays in the approval of loans for wind farms.

Despite these developments, we remain confident that the wind turbine business is a promising market with excellent potential for growth. We continued to expand our capacities in 2009, opening a manufacturing facility for large wind-turbine gearboxes in Nuremberg, as well as a new plant in Beijing. Up to now, we have invested some 180 million euros in these two plants. Of this sum, roughly 50 million euros were invested in the difficult year 2009. We are also systematically expanding our product portfolio. For example, in 2009 we acquired a majority shareholding in IGUS ITS GmbH, headquartered in Dresden, Germany. The company develops, produces, and sells monitoring systems for wind turbine rotor blades.

We are able to bring our expertise to bear in numerous large-scale projects worldwide. As a technology leader and systems supplier, our subsidiary Bosch Rexroth AG delivers highly-efficient drive and control solutions for a wide range of industries. Our internationally renowned stage technology was used at the Eurovision Song Contest in Moscow to move scenery



A matter of microns: The hollow wheels of our large wind-turbine gearboxes have to be placed exactly on top of each other before they are hardened in the nitriding furnace. Our gearbox plants process tons of high-alloy steel down to the nearest micron. Precision engineering like this makes a 20-year service life possible, no matter how harsh the weather.

quickly and noiselessly. Bosch Rexroth components also played a key role in a major tunneling project in Wuhan, China. Seventy-two specially-designed thrust cylinders were used in the construction of a 3,630-meter tunnel under the Yangtze river. Our pumps and drives are also used to move the biggest excavator ever built in China – weighing 200 metric tons. Aluminum profiles that we manufactured are used to support the world's largest astronomical binocular telescope on Mount Graham in Arizona (USA). Our engineers designed a complex structure to direct light from the stars to a high-resolution spectrograph. Their special achievement was to design the aluminum profile structure in such a way that the fiber optic cable can be moved horizontally and vertically together with the two mirrors without obscuring the light hitting the telescope.

Innovations for energy efficiency

Our innovations help improve machine efficiency, thus also driving down energy costs. In this way, we develop products for customers that deliver lasting cuts in energy consumption without compromising on productivity. Take our energy analysis software, for example. It is integrated into the IndraMotion MTX control system to provide a clear picture of the machine's motion profile, with the aim of identifying potential savings. Using an electronic control system, our new variable-speed pump drives for hydraulic units recognize when a machine tool needs to run on full power and when not. This reduces energy consumption by between 40 and 70 percent and lowers CO_2 emissions accordingly. Operators of molding machines, machine tools, and presses also benefit from cost savings and quieter operation. After innovations in the supply of cooling lubricants for machine

Megawatts: Sixty-three overhead cranes handle lifting duties in our Nuremberg manufacturing plant for large wind-turbine gearboxes. At the beginning of the assembly process, a 1.2 metric-ton spur-gear stage is placed in the gearbox case. The end product weighs 22 metric tons. Fitted in a 2.5-megawatt wind turbine, it helps to produce electricity for 1,400 homes.

Ultrasound sealing technology – a pioneering packaging solution for products that are sensitive to extreme temperatures, steam, and air. The system seals products precisely and hermetically.

tools have been factored in, we are able to cut energy consumption levels by as much as 88 percent.

We have also improved the safety of large tractors by equipping the vehicles' hydraulic power brakes with an antilock braking system. This ensures that tractors can be controlled in critical situations.

Our drive and control technologies are also ideal for the future exploitation of marine energy. The robustness and reliability of our hydraulics are especially valuable when exposed to the tough conditions in this environment. They are used in systems that capture marine energy via underwater rotors or cylinders. Initial prototype systems in Norway are currently testing our concepts for corrosion resistance and maintenance-free operation.

Packaging technology: large orders from China

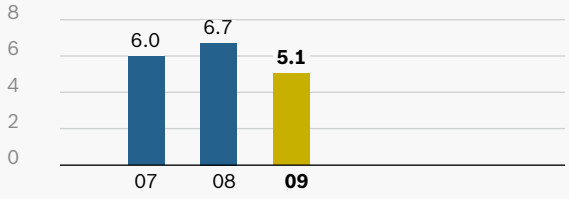
Our Packaging Technology division received fewer orders in the first few months of the year, particularly from the food industry. However, business picked up in the second half of the year. The pharmaceutical and service segments maintained their high order levels. On the whole, business remained relatively stable throughout 2009. We stepped up our activities in Asia, and our strong market presence helped us win several large orders in China. For example, we have won an order to supply a Chinese drug company with five lines for filling liquid pharmaceutical products in sterile conditions.

We are also opening up new areas of business, such as systems for filling liquid and paste-like food into resealable pouches. We also continue to expand our locations: in Sandved, Denmark, the associates of our

Industrial Technology sales

Bosch Group 2007 – 2009

Figures in billions of euros



subsidiary Moeller & Devicon A/S, a specialist in diagnostic technology, moved into a new office building complete with customer center and new assembly shop. We also built a new pharmaceutical biotechnology competence center in Dresden, Germany. We are now also represented in Bursa, Turkey, through our specialist machinery and assembly systems business unit.

Our innovations are tailored to relevant industry trends such as the demand for safety. This is a key feature of our new bottling and sealing machine for clinical test batches. This system fills sterile injection vials quickly and reliably, but takes up little space. A new filling system makes the handling of highly active substances even safer. Its disposable components are packaged under clean and sterile conditions before being dispatched to customers.

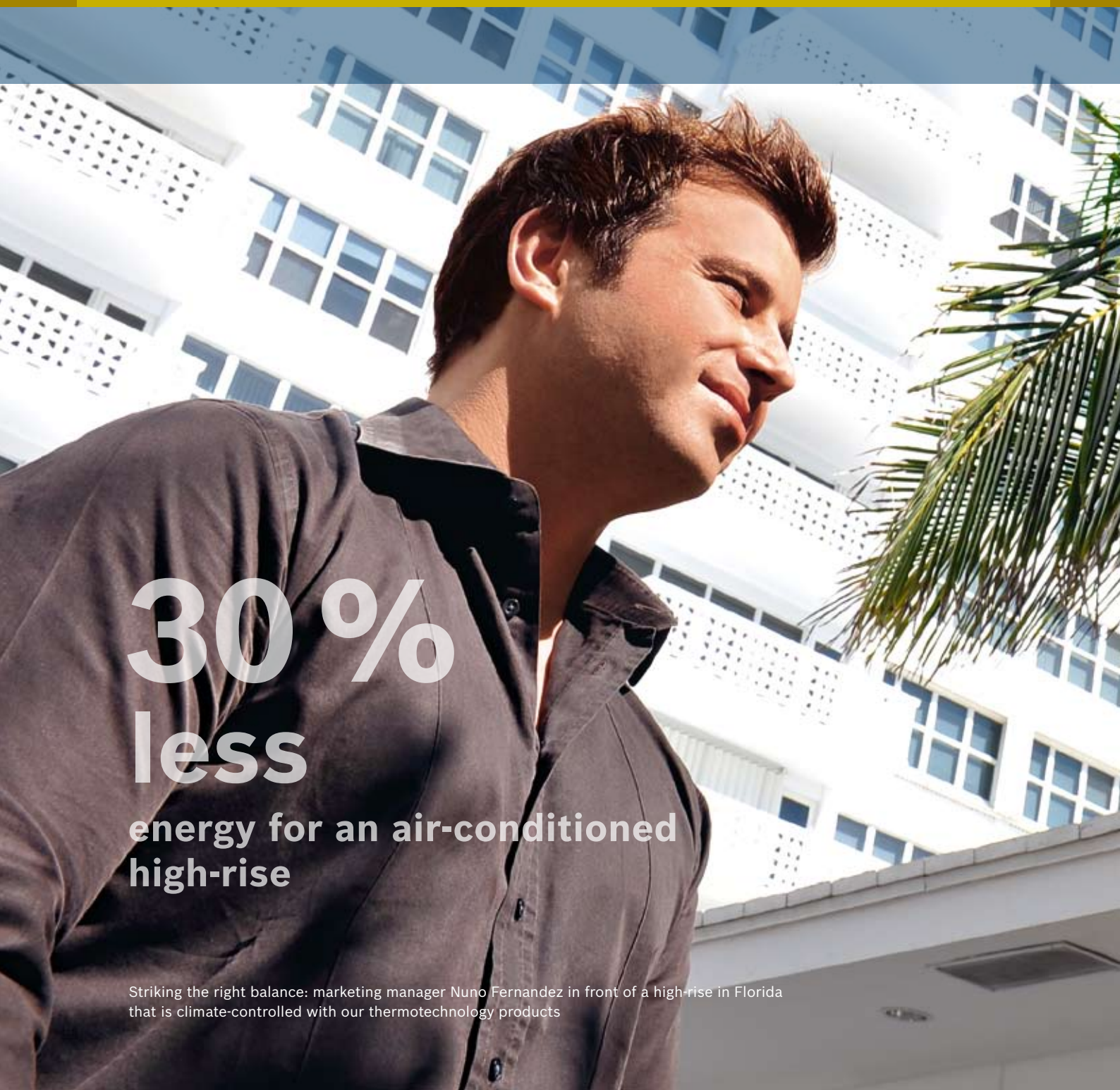
Photovoltaics market offers potential

After recording strong growth in 2008, the photovoltaics market shrank in 2009. The global economic and financial crisis, coupled with the discontinuation of incentive programs and tough competition from Chinese suppliers, caused prices of solar cells and modules to plummet. However, we are confident that the enormous potential of solar energy for supplying mankind with energy will take on increasing importance. That is why we are systematically building up our Solar Energy division, which develops, manufactures, and sells silicon solar cells and produces thin-film modules. A new manufacturing facility is being constructed at our location in Arnstadt, Germany.

We are also rounding off our portfolio in our drive to become a full-service photovoltaics supplier. We acquired a majority shareholding in aleo solar AG, Germany, an established brand manufacturer of solar modules. These are produced using mono- or polycrystalline solar cells, and are sold via an extensive dealer network. We also acquired 64 percent of the shares in Johanna Solar Technology GmbH, Brandenburg, Germany, which produces thin-film solar modules. In addition, we entered into a cooperation agreement with Allianz Climate Solutions GmbH, Munich, with the goal of jointly planning, financing, and producing turnkey photovoltaic plants. These large-scale systems, which are set to be built worldwide, will each deliver one megawatt and more of electrical power. We have already concluded the first large-scale projects. Since December 2009, a 955 kWp (kilowatt peak) photovoltaic power plant has been in operation on the roof of the Bosch parking garage across the A8 freeway, near where it passes the Stuttgart trade fair site. Also in Germany, other solar power plants have been taken into operation in Erfurt, Fraureuth, and Ronneburg.

www.boschrexroth.com
www.boschpackaging.com
www.bosch-solarenergy.de

How can you use the side of a high-rise facing the sun to heat the shaded side? By transferring the excess heat from the one side to the other. It's made possible by a system of over 100 heat pumps that control the climate in the building. Conversely, lower temperatures on the shaded side can be used to cool the sun-facing side. This temperature-balancing act can also be carried out in shopping malls and factories. So far, we have mainly sold this technology in North America, but are now increasingly marketing it in Europe. After all, compared with conventional air conditioning systems, it achieves energy and CO_2 savings of more than 30 percent.

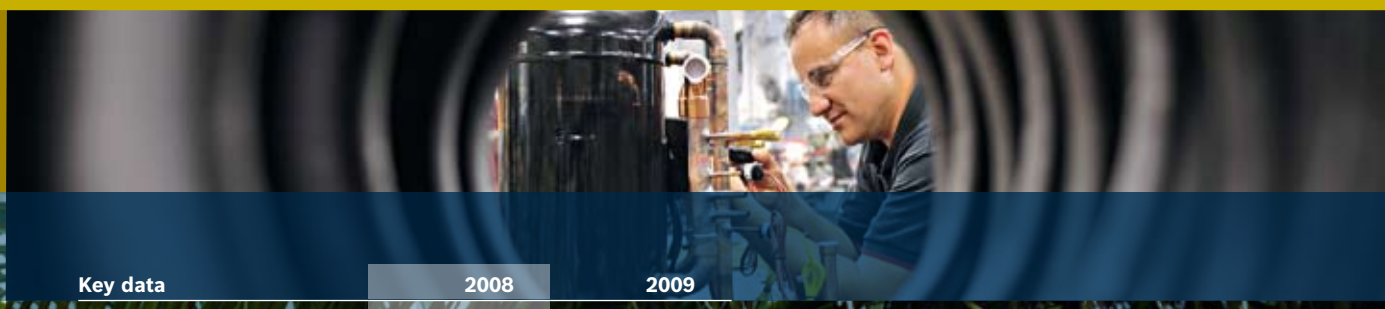


30 % less

energy for an air-conditioned high-rise

Striking the right balance: marketing manager Nuno Fernandez in front of a high-rise in Florida that is climate-controlled with our thermotechnology products

Consumer Goods and Building Technology



Key data	2008	2009
Sales	11,897	**11,331**
Capital expenditure	407	**311**
R&D cost	356	**428**

Figures in millions of euros

Although our Consumer Goods and Building Technology business sector also felt the effects of the economic and financial crisis in 2009, it was not as badly hit as our other business sectors. Sales of power tools, heating technology, security systems, and household appliances fell by 4.8 percent to 11.3 billion euros. Despite difficult circumstances, we were able to strengthen our position in many areas and increase our market share. Key factors in this success were our innovative strength, our brisk pace of innovation, and our broad spectrum of resource-conserving, eco-friendly, and technologically leading products. We also strengthened our business through acquisitions and further expanded our global presence.

Bosch is one of the pioneers of power tools that use lithium-ion technology. Our new-generation Isio grass and shrub shears are lightweight, handy, and powerful. They are also fitted with a microelectronic anti-blocking system to automatically prevent the blades from jamming in thicker branches.

Undiminished innovative strength in the power tools market

The global market for power tools continued to shrink in 2009. This was due to the sustained downturn in the construction industry and the weak economic situation in many consumer goods markets. Sales plummeted in Europe, particularly in the eastern European countries. Demand in South America and Asia, on the other hand, experienced only a slight decline. Industrial power tools were particularly badly hit by the drop in demand. This was largely due to the real estate crisis in North America. Although the trend toward DIY had a positive impact on power tools for do-it-yourselfers, it was not enough to fully compensate the slump. Overall, sales of hand-held power tools, stationary tools, electric garden tools, and accessories all performed better than the market. Our innovative strength and brisk pace of innovation were fundamental to our success. As in previous years, we generated around 35 percent of our sales in 2009 with products that had been on the market for less than two years. We launched more than 120 new and improved power tools in 2009, complemented by numerous new accessories. This rate of innovation is no accident, but instead the result of consistent process management from initial idea to market launch. Bosch has a culture of innovation that systematically promotes creativity and ideas. Our innovation strategies are derived from comprehensive market research and trend studies.

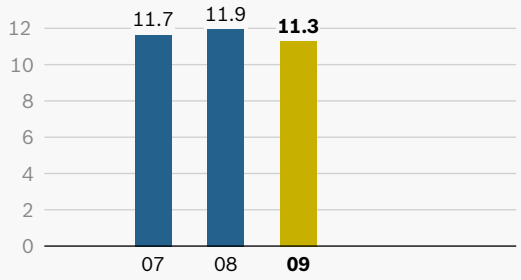
The accessories segment benefited above all from the synergies generated by the acquisitions we made in 2008. For example, we launched over 650 Bosch-branded abrasives products made by the newly-acquired Swiss company sia Abrasives. We also made considerable progress thanks to our acquisition of Freud SpA, Milan, Italy, a manufacturer of accessories for wood-

Geothermal energy: Extracting energy from the ground – this is made possible by the electric heat pumps we produce in Florida (USA) and Sweden. This puts us among the world market leaders in this field. The heat pumps manufactured in North America provide highly energy-efficient support for heating and, whenever necessary, cooling buildings.

Consumer Goods and Building Technology sales

Bosch Group 2007 – 2009

Figures in billions of euros



working power tools. In this way, we further extended our position as one of the world's leading manufacturers of accessories. Our garden tool sales also benefited from the trend toward DIY. We increased our market share further still thanks to the acquisition in 2008 of the garden watering business of N.L. Nelson Corporation, Peoria, IL (USA), and the launch of further innovative garden tools with lithium-ion battery technology. This enabled us to outperform the market as a whole and to extend our position as one of the leading manufacturers of garden tools.

Full-service provider for large-scale and industrial boilers

In our heating systems business, the negative economic development was offset by steady orders for replacement systems. The German market in particular had a stabilizing effect on our business development. In contrast, demand fell sharply in eastern Europe, while our key European markets – the United Kingdom, the Netherlands, Spain, and France – remained below their prior-year level. Due to the drop in energy prices in 2009, consumers were under less pressure to invest in energy-saving heating technology. Nonetheless, we still recorded significant growth in sales of systems utilizing renewable energies, particularly in the solar collector segment.

To keep pace with the strong rise in demand for solar thermal systems, we continued to expand our manufacturing capacities. For instance, we took a new manufacturing plant into operation at our location in Wettringen, Germany, thereby increasing our production of high-performance solar collectors from 50,000 to 200,000 units a year. Added to the 150,000 collectors that we manufacture each year at our location in Aveiro, Portugal, this takes our overall annual capacity to 350,000 units. Our solar collectors, which

Eco Plus Home: A family of six in Canada is demonstrating how to live in comfort for a year without oil or gas. Bosch supplies the building technology, from photovoltaic and solar thermal systems to the electric heat pump for air conditioning. The objective of the project is to generate more electricity than is consumed in the course of a year.

We acquired the large-scale boiler manufacturer Loos in 2009, helping us further expand our international business in commercial steam and hot water boilers.

use the sun's heat to generate hot water and support space heating, are marketed under our national and international brands, including Buderus, Junkers, and Worcester.

Our acquisition of Loos Deutschland GmbH, Gunzenhausen, Germany, a leading European supplier of highly-efficient steam and hot-water boilers for trade and industry, has further expanded our position in this global growth market. We are now able to offer our customers (heating and plant engineering businesses) an end-to-end product range offering outputs of up to 38 megawatts, as well as complete integrated solutions for large-scale systems from a single source. These large-scale systems are used, for example, in industry, hospitals, department stores, and hotels.

Advanced heating technology is increasingly being tailored to individual customer requirements, and this not only in the case of large-scale systems. As a result, there is also an increasing demand for support and advice. A wide range of up-to-date training courses is therefore a must. We provide our customers with the space they need for training in the latest technologies. For example, two new training centers opened their doors in 2009 – the Buderus Academy in Lollar, Germany (Buderus's flagship training center), and the Greenhouse in Tranås, Sweden, which offers practical training in heat-pump technology.

Innovations and project expertise for security

The market for security technology declined in 2009. The increase in service sales was not sufficient to offset the shortfall in the global product business caused by the recession. In contrast, our building technology business in Germany performed well.

Product innovations continued to play a key role in driving our security systems business in 2009. For example, we equipped our Dinion 2X and Flexidome 2X cameras with high-performance technology to ensure high-quality images even in low light conditions. We were also able to strengthen our market position for digital public-address and evacuation systems by launching a new version of our Praesideo system. This is the first system on the market to be certified in line with the EN 54-16 and ISO 7240-16 standards for fire-alarm systems. We also set new standards in the market when we launched a fire-alarm system for small to medium-sized buildings and a modular intrusion system.

Investors around the world place their trust in our security systems. The Jinan Olympic Sports Center in China, which covers an area of 55,000 square meters, is equipped with the Praesideo public-address and evacuation system. State-of-the-art video technology watches over the new district court in Woburn, MA (USA). We supplied the digital congress technology for both the G20 summit in London and the UN climate conference in Copenhagen. The new dual-unit coal-fired power plant in the Moorburg district of Hamburg, Germany, was fully equipped with Bosch security and communications technology.

Going against the general trend, the service business of our Bosch Communication Center was very successful during the year. For example, we were commissioned by the Michelin Group in July 2009 to provide support for members of its "Michelin OnWay" customer loyalty program in Germany, Switzerland, and Austria. The year 2009 also saw the opening of new call centers in Deventer, Netherlands, and in Barcelona, Spain.

In the area of product development, we attach great importance to efficient energy use and the conservation of natural resources. For example, our LED spotlights for filming with video cameras now require just a third of the former 70 watts, while providing more evenly distributed light. New power amplifiers for audio applications with "Direct Drive Technology" dispense with resource-intensive output transformers, thereby saving on raw materials such as iron and copper.

Energy-efficient household appliances

BSH Bosch und Siemens Hausgeräte GmbH – in which Bosch and Siemens each hold a 50 percent share – has long played a pioneering role in the development and production of innovative and energy-efficient household appliances. In addition to helping conserve natural resources, these products also give the company a unique competitive edge in the face of tough international competition. Like the entire Bosch Group, BSH regards a business policy that reconciles ecological and economic concerns as the basis for a corporate strategy that is geared to sustainability.

The innovative strength of this joint venture is reflected in a wide range of new products – products that also set new international standards. Recent examples include a highly-efficient tumble dryer equipped with heat-pump technology, and the Zeolith® dishwasher with a new energy recovery system. This appliance won the German "Innovationspreis für Klima und Umwelt" (innovation award for climate and environment) in February 2010.

Bosch and Siemens, the main brands in BSH's comprehensive portfolio, are the best-selling household appliance brands in Europe. Their product range includes large and small household appliances, floor care equipment, and water heaters. BSH's six special brands Gaggenau, Neff, Thermador, Constructa, Viva, and Ufesa cater to individual customer requirements, while the five regional brands Balay, Lynx, Pitsos, Profilo, and Coldex safeguard the company's image and ensure high market shares in regional markets. BSH is one of the three leading manufacturers of household appliances in the world, with more than 60 subsidiaries in over 40 countries and 42 factories located in 13 countries in Europe, the U.S., South America, and Asia. Especially in China, the BSH brands are in high demand.

www.bosch-pt.com
www.bosch-thermotechnology.com
www.boschsecurity.com
www.bosch-home.com

How can we use scrap iron to scrimp on energy? ***By sending it for repair, not to the scrap yard. By remanufacturing used automotive technology products instead of producing them new, Bosch is reducing carbon dioxide emissions by 23,000 metric tons a year. This recycling process benefits our customers as well. They get the exchange parts over 30 percent cheaper than new parts, but with the same guarantee. In 2009, Bosch reconditioned 2.5 million parts, 630,000 of them at its Göttingen plant. Here, we repair parts such as starter motors and return them to the market – a practical example of resource conservation.***

23,000 t less

carbon dioxide thanks to exchange parts

Turning old into new: Nese Akpinarli, an associate at our Göttingen plant, with a batch of remanufactured starters

Our Responsibility

In challenging times, expectations directed at management are particularly high. In such times, it is more crucial than ever to maintain a balance between business, technological, social, and ecological concerns. This also means striking a balance between safeguarding the company over the short term and preserving its business opportunities over the long term. However, in times like these, corporate responsibility also means **facing up to essential adjustments** as well as proactively determining and **driving forward the changes** necessary in the company. We are part of a long tradition in this respect, one that goes back to our founder. It was always important to Robert Bosch that he maintain a “happy medium” between business interests and social obligations. This is important for the way we define **leadership,** for the way we deal with **associates,** for the way we treat the **environment,** and for the way we engage with **society.**

Logistics: The Göttingen site is our collection point for used automotive technology from more than 50 countries. The parts that arrive here are assessed by experienced associates. Identical parts are collected at a sorting station. Our exchange program covers 9,000 different parts in total, so the logistics have to be carefully planned.

We conducted our third associate survey in 2009. Bosch associates in over 50 countries were asked for their views on how to improve the company – voluntarily and anonymously.

Leadership

Despite the pressing need to manage the difficulties arising from the financial crisis, long-term challenges must remain a priority. This is because our overriding goal is to secure the successful, sustained development of our company. Our entrepreneurial freedom and financial independence enable us to act beyond the immediate measures required to maintain the company, even when the going gets tough. It is clear, for example, that the current economic crisis is driving globalization ever faster. And beyond the short term, issues such as resource conservation, energy efficiency, and environmental protection continue to grow in importance. We also need to develop concepts that can help us adapt to ageing populations in many countries. We continue to align our strategy with these challenges.

The key to our 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 and the meetings of the shareholders, as well as in the trust. This relationship is an important part of our corporate culture and strengthens the identity of the Bosch Group. We are extremely proud to have received the “Award for Understanding and Tolerance” from the Jewish Museum Berlin in November 2009, recognizing the work and the approach of the Bosch Group. This distinction is a great honor and an even greater responsibility.

Flexibility: A used alternator is completely dismantled. Each individual part is cleaned and worn contacts and seals are replaced as old is turned into new. We can overhaul 2,000 different types of alternators alone, so our work processes have to be flexible.

Collaboration with the University of Stuttgart: Franz Fehrenbach talks to students about trends in research and development.

A frame of reference in difficult times

With 270,000 associates worldwide, an international company like the Bosch Group can draw great strength from shared values and guidelines, particularly in tough times. In order to provide our associates with a frame of reference, we have collected the principles and guidelines which we observe in our dealings with our partners and each other and published them in a brochure known as the House of Orientation. The vital importance of such principles has become even more apparent in the current economic and financial crisis, which, at its core, is also an ethical crisis.

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 joins this list, providing a framework for the continuous improvement of all internal processes in the company. The Bosch values are a further central element of the House of Orientation. In addition to a clear future and result focus, we commit to responsibility, initiative and determination, openness and trust, fairness, and cultural diversity, as well as to reliability, credibility, and legality.

These values create a common ground and are part and parcel of our corporate responsibility. Responsibility means promoting the sustainable growth of the company entrusted to us. At the same time, it is indispensable to a company aiming for long-term global success. This is not a simple course to take, as emphasized by our founder, Robert Bosch, whose example we strive to follow. He wrote in 1936: “It was not always easy to find a happy medium between the entrepreneur who needs to assert himself and the socially-minded businessman.”

Quality: The slip-ring end frames of dismantled alternators move along roller conveyors to the inspection station. They have just been cleaned and are now to be visually inspected. Are the dimensions right, are there any cracks? We examine every last detail meticulously. Like everything else, remanufacturing stands or falls on quality.

Associates

The drop in sales resulting from the financial and economic crisis meant that a lot was demanded of our staff. For example, up to 100,000 associates worldwide are working shorter hours. However, such schemes have allowed us to retain most of these associates. We have also taken on new associates – notably in renewable energies and electromobility, as well as in the growth markets of Asia. In China and India, our largest Asian markets, 1,700 new associates joined us.

Our numerous entry programs for highly qualified junior executives make us a sought-after employer in all other regions as well. Some 3,000 applicants around the globe joined Bosch last year. Two hundred and sixty candidates joined our ranks through the Junior Managers Program and the Graduate Specialist Program.

Survey confirms strong associate loyalty

Following the associate surveys of 2005 and 2007, we conducted our third in 2009. We asked some 242,000 associates to evaluate the quality of management, conditions in the workplace, the company's image, and, for the first time, work-life balance. The excellent response rate of over 82 percent demonstrates that even in the current situation our associates still realize the importance of this tool. And the positive responses regarding satisfaction reveal their strong loyalty to the company: four out of five associates are proud to work for Bosch.

Collaborating with universities to ensure the supply of young talent

Together with partners from politics and science, we founded a center for power electronics studies and research in Germany. Up to the year 2020, the alliance will invest over 25 million euros in teaching posts and

Test program: The dismantled parts are put back together. Armatures, planetary gears, yokes, and relays are reassembled into complete starter motors at the assembly station in our remanufacturing facility. They still have a test program to complete – not a spot check, but instead every single assembly.

In mid-2009, the new Buderus Akademie building was opened in Lollar, Germany. Some 600 tradespeople, planners, and engineers attend thermotechnology courses here each year.

undergraduate places at the University of Stuttgart and the Reutlingen University of Applied Sciences. As a global technology company, we also work with other scientific institutions in countries such as the U.K., China, Japan, Singapore, and the U.S. Our objective is to ensure the long-term supply of qualified young talent.

Ongoing associate development

In order to prepare our specialists and managers for ever more complex challenges in the world's markets, we promote their development with a series of tools and initiatives. We use our competence management program to ascertain training requirements. To cover these requirements, we have set up Bosch Training Centers in Brazil, the U.S., Germany, India, China, and Japan. They offer globally standardized associate training programs. Statistically, each of our associates attended a training event twice in 2009. This is the equivalent of some 520,000 participants, 13 percent more than in the previous year.

Diversity as a driver of innovation

Our HR strategy has sharpened its focus on promoting diversity and equal opportunity. The Tata Nano car in India is an example of just how successful this can be: associates of many nationalities worked together to develop new technologies and products for this microcar. Such collaboration in international teams is becoming more and more central to our business. Over 2,000 associates are currently working on multi-year assignments outside their country of origin. We give them and their families everything they need before transferring, such as enhancement of their intercultural competence and foreign language skills.

Saving: All exchange parts returned from remanufacturing to our distributors are given the "Bosch Exchange" quality seal. It certifies that they have the same quality as a new part, even though they cost less. Remanufacturing them saves material and energy, so the quality seal is also an environmental seal of approval.

Bosch is a main sponsor of the annual Nashik Run. Over 16,000 participants take part in the five-kilometer charity run through this large city near Mumbai. The donations benefit the needy in India.

Demographic developments call for health management

As demographic change progresses, Bosch is systematically expanding its in-company health management program. The objective is to further improve the range of health-related activities at the roughly 70 locations in Germany, to make them accessible to as many associates as possible, and, in this way, to make the workforce generally healthier. This new concept networks and pools our activities, at the same time incorporating new scientific findings from the University of Heidelberg. We are also considering how to transfer this knowledge to our international locations.

Occupational training levels still high

Even in times of economic unrest, we still offer over 6,000 young people around the world occupational training at Bosch, some 4,400 of them in Germany. This follows in the tradition of previous years where similarly high levels were attained. We meet our international requirements for skilled workers by offering young people occupational training on a par with German standards also at our international locations, including those in China, India, Austria, Switzerland, and the United States.

Thanks to our associates

Our thanks go to all our associates for their personal commitment and willingness to shoulder burdens. Their hard work and close identification with Bosch were crucial in coping with difficult tasks in difficult times. 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 with a view to finding a solution.

In the eastern Canadian province of New Brunswick, a family of six will participate in a pilot project, spending a whole year living in a house without oil or gas. Their aim is to show that they can maintain their standard of living relying solely on renewable energy, thereby producing virtually no carbon dioxide. The building technology supplied by Bosch comprises an electric heat pump, a solar thermal system, and a photovoltaic installation.

Environment

The demand for "green" technology of the kind offered by Bosch for vehicles, buildings, and industry is rising again steadily. The combination of tougher environmental regulations and programs to stimulate the economy is driving growth in renewable energies. Eco-friendly, resource-saving products now generate over one-third of our sales. This segment also accounts for some 45 percent of our research and development expenditure. Within the company, too, we help to protect the environment. Our climate protection management focuses not only on considering environmental impact when developing and manufacturing our products, but also on improving the environmental footprint of all our locations worldwide.

Expansion of wind-power capacity

With the opening of our plant in Nuremberg and the construction of a new plant in Beijing, we strongly expanded our production capacities for wind-power gearboxes in 2009. The U.S. and Chinese governments are also promoting the expansion of wind power to meet the increasing demand for energy while cutting CO_2 emissions. We intend to participate in this market growth with our gearboxes and drive solutions. The sum of 180 million euros we have invested in Nuremberg and Beijing so far, 50 million of that in the difficult year of 2009 alone, shows how we are moving forward here.

Energy efficiency in manufacturing

By 2020, we want to have cut carbon dioxide emissions at our manufacturing sites by at least 20 percent from their 2007 level. Internal targets, ongoing reporting, and a fostering of associate awareness will help boost energy productivity. For instance, a waste heat recovery system in Reutlingen, Germany, saved around 3,000 metric tons of CO_2 in 2009 alone.

In Singapore, the new Bosch regional headquarters for southeast Asia has received several awards for eco-friendly construction.

The children in Heishui County in China are thrilled with their new Musu Bosch Central School. A year and a half after an earthquake devastated the region, lessons are underway again in well-equipped classrooms.

Resource conservation

Bosch plays a significant role when it comes to conserving resources at our four locations in Brazil. For the past ten years, these locations have been pursuing the target of "Descarga Zero," or zero waste. In 2009, 93 percent of all waste was recycled. An important example of waste recycling is industrial oil. In the past, it was changed at predetermined intervals. We now filter the oil regularly, and use oil grades with significantly longer change intervals. In other countries, solar energy systems such as the one on the roof of our cafeteria in Milan (Italy) help to reduce greenhouse gas emissions as well.

B.A.U.M. Environmental Award

The chairman of the Bosch board of management, Franz Fehrenbach, received an important environmental award in 2009. The award recognized his long-term and unflagging commitment to protecting the environment and conserving resources in Bosch Group activities, and to the continuous development of forward-looking technologies. B.A.U.M., the German Environmental Management Association, annually confers this honor on personalities who demonstrate outstanding commitment to environmental protection and sustainable development. This follows Franz Fehrenbach's distinction in 2006 by the WWF and the German business magazine "Capital" as Eco-Manager of the Year.

Society

In our Corporate Social Responsibility Report published for the second time at the end of 2008, we described the principles behind our actions, as well as what we do for associates, the environment, and society. Our company founder, Robert Bosch, laid the foundations for this understanding. For him, entrepreneurial endeavor was never an end in itself. Instead, he wanted to help shape a "meaningful social reality," and so do we.

Associates help people help themselves

The year 2009 marked a special anniversary for us in China: Bosch had established its first branch office there one hundred years before. With some 24,000 associates, China now makes up the company's second-largest workforce after Germany. When the Chinese province of Sichuan was hit by several earthquakes in 2008, our Chinese associates donated generously to help the victims. In September of our Chinese centennial year, 17 months after the earthquakes, two new schools opened in the once-devastated province. Their construction was financed by donations from our associates, our Chinese regional companies, Robert Bosch GmbH, and Primavera Hilfe für Kinder in Not e. V. (Primavera Help for Destitute Children), a joint initiative of Bosch associates and retirees for aid projects.

In all, 1,600 students and 120 teachers at the Taiqing Bosch School in Pengzhou now have 10,500 square meters of classrooms, laboratories, and dormitories at their disposal. Replacing three earthquake-damaged schools, the Musu Bosch Central School serves as the primary school for over 800 children. Our company's expertise supported the construction of both earthquake-proof schools.

In January 2009, the seventh Nashik Run was staged. Bosch is one of the founders of this initiative and, along with two other companies, is a main sponsor of the five-kilometer charity run through the streets of this city near Mumbai. The more than 16,000 participants ran for a good cause, collecting around 90,000 euros in donations to help the needy in India.

Schoolchildren today, associates tomorrow

In order to encourage more girls to pursue degrees in science and engineering, we are running the Girls' Campus program jointly with the Robert Bosch Stiftung for the third year. During the school year, girls in grades 8 to 10 enjoy the opportunity to discover more about technology and technical professions at companies and research institutes. With the focus on students conducting their own experiments, the program also includes lectures and guided tours. In addition, students receive training in self-assurance and presentation skills.

The Robert Bosch Stiftung and Robert Bosch GmbH also run other independent projects to foster young engineering talent. The foundation has initiated "NaT-Working," one of the largest programs of its kind in Germany, to network students and teachers with scientists and engineers. As a founding member of the "Wissensfabrik" (Knowledge Factory) initiative, Robert Bosch GmbH is now also involved in over 50 cooperation projects with day care centers and schools.

Sparking enthusiasm and early interest in engineering and science is one of our priorities, which explains our involvement in the German youth science competition "Jugend forscht." We have organized the Baden-Württemberg regional competition since 1985. Bosch apprentices have also successfully participated in this competition.

As a founding member of "acatech," the German Academy of Engineering and Technology, we also promote the interests of these disciplines. Our objective here is to strengthen awareness of the importance of future technologies for society and the economy, and to encourage more young people to study science and technology.

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.

In line with the values of Robert Bosch, as well as with the wishes he expressed in his will, many of the foundation's projects develop and test solutions for social and societal challenges. These include the integration of migrants, the shaping of demographic change, education, health, age-related issues, and the sustainable use of our natural resources. These projects are funded by the dividends the Stiftung receives as a shareholder in Robert Bosch GmbH. Just like the company itself, the Stiftung pursues the goal of developing high-quality solutions and ideas that are of lasting practical benefit. The market in which the Stiftung operates is society as a whole. In 2008 and 2009, the Robert Bosch Stiftung was honored five times in Germany's "365 landmarks in the land of ideas" competition.

Making encounters possible

On an international level, foundations can also play a part in maintaining constructive dialogue even in difficult situations, in helping parties see different perspectives in a conflict situation, and in creating understanding for others by enabling encounters, especially among young people. The following are just some of the programs established with these goals in mind – a summit meeting for European citizens, an exchange program for young executives in Europe's government administrations, and meetings between young German and Russian entrepreneurs. Sponsorship of cultural projects also plays a special role in the foundation's work. The Stiftung has sponsored authors and literary translators for many years.

People are the focal point of many projects. In the "Jugend denkt Europa" (Young Ideas for Europe) program, for example, young people are encouraged to play an active role in shaping their environment, and meet with others to discuss their visions for the future of Europe. Science and research help safeguard the future viability of our societies and make a contribution to solving global problems. The Robert Bosch Stiftung also awards the Robert Bosch Junior Professorship for the Sustainable Use of Natural Resources, which in 2009 went to the agricultural engineer Asia Khamzina from Uzbekistan. She is investigating how the salination of large tracts of agricultural land in central Asia can be halted and reversed in order to improve the global CO_2 balance in the long term.

Tradition and modernity – The Robert Bosch House, the former residence of the company founder, is today 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.

Accelerating the pace of reform

The "Deutscher Schulpreis" (German school award) and a large number of other educational programs run by the Stiftung are designed to help accelerate the pace of reform in Germany's education system. The Stiftung is focusing increasingly on the transition from school to training and the working world. With regard to ageing and demographic change, the central issue is how preconceptions of age must be changed so that there is greater awareness of the potential of older people. Families are the smallest social unit in our society and also its social center. A further goal of the Robert Bosch Stiftung is to strengthen the position of the family.

The Robert Bosch Hospital, the Dr. Margarete Fischer-Bosch Institute for Clinical Pharmacology, and the Institute for the History of Medicine are also part of the Stiftung. 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.

Total 2009 project grants by Robert Bosch Stiftung

Figures in millions of euros	
Science and research	5.8
Health and humanitarian aid	4.5
International relations: western Europe, America, Turkey, Japan, India	11.3
International relations: central Europe, southeast Europe, the CIS states, China	11.1
Education and society	8.7
Society and culture	7.0
Research at institutes[1] and the hospital	7.2
Investments in the Robert Bosch Hospital	6.0
Endowments within the Stiftung	2.5
Total	**64.1**

[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

Income statement for the period from January 1 to December 31, 2009

	Note	2009	2008
Sales revenue	1	**38,174**	**45,127**
Cost of sales		–27,518	–31,553
Gross profit		**10,656**	**13,574**
Distribution and administrative cost	2	–7,819	–8,561
Research and development cost	3	–3,603	–3,889
Other operating income	4	1,084	1,666
Other operating expenses	5	–1,469	–1,275
EBIT		**–1,151**	**1,515**
Financial income	6	1,370	1,904
Financial expenses	6	–1,416	–2,477
Profit before tax		**–1,197**	**942**
Income taxes	7	–17	–570
Profit after tax		**–1,214**	**372**
of which attributable to minority interests	8	46	28
of which attributable to parent company		–1,260	344

Figures in millions of euros

Statement of comprehensive income for the period from January 1 to December 31, 2009

	2009	2008
Profit after tax	**–1,214**	**372**
Change from marketable financial instruments		
recognized in other comprehensive income	1,102	–1,820
of which attributable to minority interests		2
transferred to profit or loss	62	517
of which attributable to minority interests	3	–5
Change in actuarial gains and losses for pension provisions	49	38
of which attributable to minority interests		3
Adjustment item from currency translation of entities outside the euro zone	178	–233
of which attributable to minority interests	4	–13
Other comprehensive income	**1,391**	**–1,498**
Comprehensive income	**177**	**–1,126**
of which attributable to minority interests	53	15
of which attributable to parent company	124	–1,141

Figures in millions of euros

Statement of financial position for the year ended December 31, 2009

Assets	Note	12/31/2009	12/31/2008
Current assets			
Cash and cash equivalents	10	2,937	2,267
Marketable securities	11	467	396
Trade receivables	12	6,840	6,971
Income tax receivables		234	162
Other assets	13	1,737	1,672
Inventories	14	5,432	6,826
		17,647	**18,294**
Non-current assets			
Financial assets	15	9,200	7,185
Income tax receivables		130	137
Property, plant, and equipment	16	12,572	12,897
Intangible assets	17	6,205	6,492
Deferred taxes	7	1,755	1,756
		29,862	**28,467**
Total assets		**47,509**	**46,761**

Figures in millions of euros

Equity and liabilities	Note	12/31/2009	12/31/2008
Current liabilities			
Financial liabilities	18	740	625
Trade payables	19	2,916	3,225
Income tax liabilities		106	117
Other liabilities	20	3,587	3,849
Income tax provisions		197	212
Other provisions	20	3,305	3,217
		10,851	**11,245**
Non-current liabilities			
Financial liabilities	18	3,445	2,034
Other liabilities	20	429	504
Pension provisions	21	5,786	5,738
Income tax provisions		200	150
Other provisions	20	2,873	3,076
Deferred taxes	7	856	1,005
		13,589	**12,507**
Equity	22		
Issued capital		1,200	1,200
Capital reserve		4,557	4,557
Retained earnings		16,862	16,784
Unappropriated earnings		67	75
Minority interests		383	393
		23,069	**23,009**
Total equity and liabilities		**47,509**	**46,761**

Figures in millions of euros

Statement of changes in equity

			Retained earnings		
	Issued capital	Capital reserve	Earned profit	Treasury stock	Currency translation
January 1, 2008	**1,200**	**4,557**	**16,943**	**–62**	**–163**
Total profit					–220
Dividends					
Change in retained earnings			269		
Other changes					–96
December 31, 2008	**1,200**	**4,557**	**17,212**	**–62**	**–479**
Total profit					174
Dividends					
Change in retained earnings			–1,327		
Other changes					22
December 31, 2009	**1,200**	**4,557**	**15,885**	**–62**	**–283**

Figures in millions of euros

Other comprehensive income						
Securities	Other changes	Total	Unappropriated earnings	**Equity parent company**	Minority interests	**Total equity**
1,525	**2**	**1,364**	**72**	**24,074**	**751**	**24,825**
–1,300	35	–1,485	344	**–1,141**	15	**–1,126**
			–72	**–72**	–12	**–84**
			–269			
6	–155	–245		**–245**	–361	**–606**
231	**–118**	**–366**	**75**	**22,616**	**393**	**23,009**
1,161	49	1,384	–1,260	**124**	53	**177**
			–75	**–75**	–20	**–95**
			1,327			
	–1	21		**21**	–43	**–22**
1,392	**–70**	**1,039**	**67**	**22,686**	**383**	**23,069**

Statement of cash flows

	Note 23	2009	2008
Profit before tax		–1,197	942
Depreciation and amortization[1]		3,424	2,792
Decrease in pension provisions		–68	–23
Change in non-current provisions		–195	102
Gains on disposal of non-current assets		–92	–90
Losses on disposal of non-current assets		157	96
Gains on disposal of securities		–172	–147
Losses on disposal of securities		238	410
Financial income		–511	–820
Financial expenses		600	949
Interest and dividends received		328	529
Interest paid		–197	–184
Income taxes paid		–405	–524
Cash flow		**1,910**	**4,032**
Change in inventories		1,626	–200
Decrease in receivables and other assets		62	2,489
Decrease in liabilities		–712	–1,474
Change in current provisions		26	–403
Cash flows from operating activities (A)		**2,912**	**4,444**
Acquisition of subsidiaries and other business units		–397	–2,219
Additions to non-current assets		–2,380	–4,167
Proceeds from disposal of non-current assets		262	157
Purchase of securities		–6,073	–4,990
Disposal of securities		5,030	6,977
Cash flows from investing activities (B)		**–3,558**	**–4,242**
Acquisition of minority interests		–84	–695
Borrowing		2,185	525
Repayment of financial liabilities		–712	–465
Dividends paid		–95	–84
Cash flows from financing activities (C)		**1,294**	**–719**
Change in liquidity (A+B+C)		**648**	**–517**
Liquidity at the beginning of the period (January 1)		**2,267**	**2,789**
Exchange-rate related change in liquidity		18	–41
Increase in liquidity due to changes in the consolidated group		4	36
Liquidity at the end of the period (December 31)		**2,937**	**2,267**

Figures in millions of euros

[1] After offsetting write-ups of EUR 17 million (prior year: EUR 3 million)

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, 2009, 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* (IFRSs) and the Interpretations of the ***I****nternational* ***F****inancial* ***R****eporting* ***I****nterpretations* ***C****ommittee* (IFRIC) applicable in the EU at the end of the reporting period 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 IFRSs or ***I****nternational* ***A****ccounting* ***S****tandards* (IASs) are applied:

- IAS 1: Presentation of Financial Statements
- IAS 2: Inventories
- IAS 7: Statement of Cash Flows
- IAS 8: Accounting Policies, Changes in Accounting Estimates, and Errors
- IAS 10: Events after the Reporting Period
- IAS 11: Construction Contracts
- IAS 12: Income Taxes
- 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
- IFRS 8: Operating Segments

The Bosch Group has elected not to early adopt the amendments to IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 3 *Business Combinations,* and IAS 27 *Consolidated and Separate Financial Statements* adopted by the EU (mandatory application for fiscal years beginning on or after July 1, 2009).

To enhance the clarity and transparency of the consolidated financial statements, individual items of the consolidated income statement and the consolidated statement of financial position 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 statement of financial position.

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, 2009, were authorized for disclosure by management on March 11, 2010. 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 through profit or loss. 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 closing rate at the end of the reporting period, 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 the end of the reporting period, 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 as other comprehensive income 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 =	12/31/2009	12/31/2008	2009	2008
Australia	AUD	1.60	2.03	1.77	1.74
Brazil	BRL	2.51	3.24	2.77	2.67
China	CNY	9.80	9.66	9.53	10.25
Czech Republic	CZK	26.47	26.93	26.44	24.96
Hungary	HUF	270.84	264.78	280.59	251.66
India	INR	67.04	67.63	67.38	63.67
Japan	JPY	133.16	126.14	130.33	152.33
Korea	KRW	1,666.97	1,839.13	1,773.20	1,606.01
Switzerland	CHF	1.48	1.49	1.51	1.59
United Kingdom	GBP	0.89	0.95	0.89	0.80
United States of America	USD	1.44	1.39	1.39	1.47

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 depreciation that can be directly allocated to the production process. Appropriate allowance is made for risks associated with holding and selling inventories due to obsolescence. Inventories are devalued further when the net selling price of the inventories has fallen below cost.

Property, plant, and equipment are measured at cost of purchase or production cost less depreciation and, if necessary, impairment losses. 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.

Borrowing costs incurred in connection with the acquisition, construction, or production of qualifying assets are included in the cost of this asset for the period of time until the asset is commissioned and subsequently written off with the asset concerned. Other borrowing costs are recorded as expenses.

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 *First-time Adoption of International Financial Reporting Standards,* 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. 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. 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 (the most common methods are the discounted cash flow method and the Black-Scholes model). The fair values needed to present the market values required by IFRS 7 are determined in the same way. The fair value of current financial assets and liabilities corresponds to the carrying amount.

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
- 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 impairment losses are necessary, 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 or 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 the end of every reporting period, 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 in 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.

In accordance with IAS 12 *Income Taxes,* **deferred tax assets and liabilities** are recorded for temporary differences between the tax carrying amounts and the carrying amounts in the consolidated statement of financial position unless they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the profit before tax nor the taxable profit. 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 generally 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 statement of financial position.

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 the 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 375 (prior year: 382) fully consolidated companies. The group developed as follows:

	Germany	Outside Germany	Total
Included in consolidation at December 31, 2007	**46**	**272**	**318**
Additions/formations in fiscal year 2008	14	69	83
Disposals/mergers in fiscal year 2008	4	14	18
Included in consolidation at December 31, 2008	**56**	**327**	**383**
Additions/formations in fiscal year 2009	9	21	30
Disposals/mergers in fiscal year 2009	2	35	37
Included in consolidation at December 31, 2009	**63**	**313**	**376**

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

In the fiscal year 2009, the following companies or sub-groups were included in the consolidation for the first time:

- aleo solar AG, Prenzlau, Germany (the sub-group comprises seven companies),
- Bosch Rexroth Filtration Systems GmbH, Ketsch, Germany,
- Johanna Solar Technology GmbH, Brandenburg an der Havel, Germany,
- Loos Deutschland GmbH, Gunzenhausen, Germany,
- Paal Verpackungsmaschinen GmbH, Remshalden, Germany,
- Robert Bosch Healthcare GmbH, Waiblingen, Germany,
- Robert Bosch Argentina Industrial SA, Buenos Aires, Argentina,
- sia Abrasives Australasia Holding Pty Ltd, Rowville, Australia (the sub-group comprises four companies),
- Bosch Packaging Technology (Hangzhou) Co, Ltd, Hangzhou, China,
- Robert Bosch Company Ltd, Hongkong, China,
- Freud Produzioni Industriali SpA, Milan, Italy,
- Pozzo SpA, Brugherio, Italy,
- Bosch Packaging Services KK, Chiba, Japan,
- Freud Canada Inc, Mississauga, ON, Canada,
- Robert Bosch Sdn Bhd, Kuala Lumpur, Malaysia,
- Loos Austria GmbH, Bischofshofen, Austria,
- Bosch Communication Center SRL, Timisoara, Romania,
- Robert Bosch Saratow AG, Engels, Russian Federation,
- Freud America Inc, High Point, NC, USA.

Due to corporate restructuring and mergers, the number of subsidiaries included in consolidation was reduced by a total of 37.

Due to changes to the consolidated group, sales revenue increased by EUR 0.8 billion and total assets by EUR 0.5 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 (50%), Munich, Germany (the sub-group comprises 67 companies),
- ZF Lenksysteme GmbH (50%), Schwäbisch Gmünd, Germany (the sub-group comprises 12 companies),
- United Automotive Electronic Systems Co, Ltd (51%), Shanghai, China,
- KEFICO Corporation (50%), Gunpo, Korea (the sub-group comprises three companies),
- Purolator Filters North America LLC (50%), Fayetteville, NC, USA.

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

Effects of proportionate consolidation on assets and liabilities

Figures in millions of euros	2009	2008
Current assets	2,596	2,439
Non-current assets	1,424	1,368
Current liabilities	1,470	1,336
Non-current liabilities	1,156	1,151

Effects of proportionate consolidation on the income statement

Figures in millions of euros	2009	2008
Income	6,013	6,346
Expenses	5,813	6,138

The share of these companies' contingent liabilities attributable to the Bosch Group amounts to EUR 10 million (prior year: EUR 5 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
Freud Group, Milan, Italy	Accessories for woodworking power tools UBG[1]	Apr. 1, 2009	100 %	156	–6
Loos Group, Gunzenhausen, Germany	Large scale boilers UBG[1]	Aug. 1, 2009	100 %	132	–2
aleo solar AG, Prenzlau, Germany	Solar modules UBI[2]	Dec. 31, 2009	68.70 %	82	
Johanna Solar Technology GmbH, Brandenburg an der Havel, Germany	Thin-film modules UBI[2]	Dec. 31, 2009	81.98 %	34	

[1] Consumer Goods and Building Technology business sector

[2] Industrial Technology business sector

The above business combinations were mainly financed by transferring cash and cash equivalents. A direct shareholding of 64.17 % in Johanna Solar Technology GmbH was acquired, a further 17.81 % is held by aleo solar AG. The purchase price stated relates to the purchase of the direct shareholding.

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	Freud	Loos	aleo solar	Johanna Solar	Total	Total of carrying amounts acquired
Current assets	**86**	**48**	**89**	**8**	**231**	**221**
of which cash and cash equivalents	5	15	1		21	21
Non-current assets	**189**	**140**	**80**	**94**	**503**	**155**
Financial assets		4	13		17	17
Property, plant, and equipment	28	24	41	40	133	127
Intangible assets	156	110	25	53	344	2
of which goodwill	85	66	13	26	190	
Deferred tax assets	5	2	1	1	9	9
Current liabilities	**81**	**20**	**35**	**51**	**187**	**190**
Non-current liabilities	**39**	**35**	**21**	**7**	**102**	**58**
Provisions	4	16	2		22	22
Liabilities including deferred taxes	35	19	19	7	80	36

Acquisitions led to the disclosure of intangible assets (without goodwill) previously not accounted for. These assets amount to EUR 70 million at the Freud Group, EUR 44 million at the Loos Group, EUR 12 million at aleo solar, and EUR 26 million at Johanna Solar.

Other acquisitions in the reporting period included the Australian Industrial Abrasives (AIA) Group, Sydney, Australia, and the business operations of COR pumps and compressors AG, Stuttgart, Germany, for a total purchase price of EUR 14 million.

Assuming that the above companies had already been consolidated for the first time as of January 1, 2009, total sales revenue of the Bosch Group would come to EUR 38,606 million and profit after tax to EUR –1,227 million.

Discontinued operations

No decisions were taken in the fiscal year 2009 which would have resulted in business units, subsidiaries, or joint ventures being classified as held for sale.

Notes to the income statement

1 Sales revenue

Sales revenue amounted to EUR 38,174 million (prior year: EUR 45,127 million). The Automotive Technology business sector accounted for EUR 21,716 million (prior year: EUR 26,475 million) of this total, the Industrial Technology business sector for EUR 5,105 million (prior year: EUR 6,733 million), and the Consumer Goods and Building Technology business sector for EUR 11,331 million (prior year: EUR 11,897 million). Sales revenue that cannot be allocated to the business sectors came to EUR 22 million (prior year: EUR 22 million).

2 Distribution cost and administrative expenses

Figures in millions of euros	2009	2008
Administrative expenses	1,984	2,176
Distribution cost	5,835	6,385
	7,819	**8,561**

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	2009	2008
Total research and development cost	3,543	3,884
Development cost recognized in the reporting period	–145	–156
Depreciation on recognized development cost	205	161
	3,603	**3,889**

4 Other operating income

Figures in millions of euros	2009	2008
Income from exchange-rate fluctuations	535	804
Income from the reversal of valuation allowances on receivables and other assets	67	57
Income from the disposal of non-current assets	43	90
Income from rent and leases	12	9
Income from the reversal of provisions (not disclosed in the functional areas)	76	352
Sundry other operating income	351	354
	1,084	**1,666**

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, provided they are not disclosed as sales revenue, are recorded in other operating income.

Government grants related to income amounted to EUR 102 million (prior year: EUR 55 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	2009	2008
Expenses from exchange-rate fluctuations	453	769
Valuation allowances on receivables and other assets	169	118
Expenses from the disposal of non-current assets	157	96
Other taxes	19	22
Expenses from the recognition of provisions	68	50
Impairment of goodwill	194	
Sundry other operating expenses	409	220
	1,469	**1,275**

6 Financial result

Figures in millions of euros	2009	2008
Investment income	39	56
Gains on disposal of investments	49	
Income from investments	**88**	**56**
Interest and similar income	315	465
Interest and similar expenses	–217	–218
Interest result	**98**	**247**
Gains on disposal of securities	172	147
Losses on disposal of securities	–238	–410
Exchange-rate gains	558	775
Exchange-rate losses	–516	–814
Gains on derivatives	198	406
Losses on derivatives	–203	–559
Other income	39	55
Other expenses	–242	–476
Other financial result	**–232**	**–876**
Financial result, total	**–46**	**–573**
of which financial income	1,370	1,904
of which financial expenses	–1,416	–2,477

The positions “gains/losses on derivatives” contain transactions to hedge financial assets. The position “other expenses” contains impairments of securities totaling EUR 30 million (prior year: EUR 270 million).

Capitalized borrowing costs of EUR 5 million have been deducted from interest expenses. The underlying borrowing rate is 4.0 %.

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	2009		2008	
	Interest income	Interest expenses	Interest income	Interest expenses
Loans and receivables	77		161	
Held-to-maturity investments	4		3	
Available-for-sale financial assets	232	18	294	23
Financial liabilities measured at amortized cost		198		189

The interest result of the “available-for-sale financial assets" category contains dividend income from equity instruments held, totaling EUR 58 million (prior year: EUR 66 million).

7 Income taxes

Income taxes are classified according to their origin as follows:

Figures in millions of euros	2009	2008
Current taxes	358	551
Deferred taxes	–341	19
Income taxes	**17**	**570**

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 positions in the statement of financial position:

Figures in millions of euros	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Receivables, other assets, and inventories	343	213	308	285
Securities, investments	83	248	122	229
Property, plant, and equipment	124	569	126	568
Intangible assets	86	405	93	528
Other assets	98		54	
Liabilities	348	48	375	47
Provisions	1,168	65	1,366	136
Other liabilities	1	22		37
Unused tax losses and tax credits	754		529	
Gross amount	**3,005**	**1,570**	**2,973**	**1,830**
Valuation allowances	–536		–392	
Netting	–714	–714	–825	–825
	1,755	**856**	**1,756**	**1,005**

There are EUR 1,308 million in unused tax losses for which no deferred tax assets have been recognized (prior year: EUR 307 million). Within the next three years, EUR 43 million (prior year: EUR 18 million) of these unused tax losses will be forfeited.

Consolidation measures give rise to deferred tax assets of EUR 98 million (prior year: EUR 127 million) and deferred tax liabilities of EUR 18 million (prior year: EUR 48 million).

In the reporting period, deferred taxes of EUR 182 million (prior year: EUR 21 million) were recorded as other comprehensive income. Of this amount, EUR 32 million (prior year: EUR 1 million) reduces the surplus from securities and EUR 150 million reduces retained earnings due to the change in actuarial parameters pursuant to IAS 19 (prior year: EUR 22 milion increase in retained earnings).

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	2009	2008
Profit before tax	–1,197	942
Expected income tax expense	–347	273
Variances due to tax rates	–80	–75
Non-deductible expenses	129	110
Zero-rated income	–78	–47
Other differences	393	309
Income tax expense disclosed	**17**	**570**
Effective tax rate	–1%	61%

The position “Other differences” contains the change in valuation allowances on deferred tax assets from unused tax losses and from temporary differences of EUR 378 million (prior year: EUR 282 million).

8 Minority interests

Profits attributable to minority interests amount to EUR 49 million (prior year: EUR 70 million). This is counterbalanced by losses of EUR 3 million (prior year: EUR 42 million).

9 Other notes to the income statement

The income statement contains personnel expenses of EUR 12,787 million (prior year: EUR 12,994 million).

Cost of materials amounts to EUR 17,260 million (prior year: EUR 21,166 million). Information about amortization and depreciation is contained in the notes on non-current assets.

Notes to the statement of financial position

10 Cash and cash equivalents

Figures in millions of euros	2009	2008
Bank balances (term up to 90 days)	2,916	2,233
Checks, cash, and reserve bank deposits	21	34
	2,937	**2,267**

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	2009	2008
Trade receivables	6,840	6,971
of which not impaired and not past due at the end of the reporting period	1,659	1,574
of which not impaired and past due at the end of the reporting period	121	173
for less than one month	71	110
for more than one month, but less than three months	23	43
for more than three months	27	20

The carrying amount of trade receivables contains allowances for specific doubtful debts of EUR 273 million (prior year: EUR 221 million) and for general credit risks of EUR 169 million (prior year: EUR 169 million).

Trade receivables totaling EUR 17 million (prior year: EUR 9 million) are due in more than one year.

13 Other assets (current)

Figures in millions of euros	2009	2008
Bank balances (term of more than 90 days)	256	158
Loan receivables	196	167
Receivables from finance leases	26	28
Positive market values from derivatives	111	208
Prepaid expenses	92	129
Receivables from tax authorities (without income tax receivables)	681	663
Receivables from board of management, associates	44	27
Sundry other receivables	331	292
	1,737	**1,672**

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	2009	2008
Gross capital expenditures on finance leases		
due not later than one year	35	37
due later than one year and not later than five years	109	105
due later than five years	53	52
	197	**194**
Present value of outstanding minimum lease payments		
due not later than one year	26	28
due later than one year and not later than five years	88	84
due later than five years	47	47
	161	**159**
Unearned finance income	**36**	**35**

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	2009	2008
Due not later than one year	30	29
Due later than one year and not later than five years	99	93
Due later than five years	48	52
	177	**174**

14 Inventories

Figures in millions of euros	2009	2008
Raw materials, consumables, and supplies	1,742	2,148
Work in process	936	1,208
Finished goods and merchandise	2,543	3,277
Prepayments	211	193
	5,432	**6,826**

Of the total amount of inventories, an amount of EUR 101 million (prior year: EUR 57 million) is carried at the lower net selling price. In the fiscal year, impairment losses of EUR 2 million (prior year: EUR 94 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	2009	2008
Securities	6,738	5,122
Investments	1,942	1,511
Other financial assets	520	552
	9,200	**7,185**

Held-to-maturity investments

Figures in millions of euros	2009	2008
Due later than one year and not later than five years		1
Due later than five years	6	8
	6	**9**

The financial investments held to maturity have a market value of EUR 6 million (prior year: EUR 9 million).

Other non-current financial assets

Figures in millions of euros	2009	2008
Loans	22	34
Receivables from finance leases	135	131
Other receivables and other assets	363	387
	520	**552**

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

The carrying amount of loan receivables contains allowances for specific risks of EUR 1 million (prior year: EUR 1 million) and for general credit risks of EUR 2 million (prior year: EUR 3 million).

Of the loan receivables and receivables from finance leases (both current and non-current), an amount of EUR 349 million (prior year: EUR 340 million) is not impaired and not past due. There are no loan receivables and receivables from finance leases (both current and non-current) which are not impaired but past due.

Non-current securities and investments
The securities consist of interest-bearing and other securities as well as shares which are not designated for sale within twelve months of the end of the reporting period.

The market value of the pledged securities amounts to EUR 297 million (prior year: EUR 195 million). They are used to secure bank guarantees. Medium-term interest-bearing securities and units equivalent at least to the value of the claims from the bank-guarantee obligations were used for pledging.

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 cost	Shares	Other		
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**
Gross values 1/1/2009	**986**	**692**	**1,382**	**3,731**	**9**	**6,800**
Changes in consolidated group	–2	–137				–139
Additions	2	182	1,040	4,295		5,519
Reclassifications				–359		–359
Disposals	–88	–22	–914	–3,088	–3	–4,115
Revaluations	488		486	161		1,135
Exchange differences	–2	6	–1	–1		2
Gross values 12/31/2009	**1,384**	**721**	**1,993**	**4,739**	**6**	**8,843**
Depreciation 1/1/2009		**167**				**167**
Changes in consolidated group		–76				–76
Additions		85				85
Disposals		–14				–14
Exchange differences		1				1
Depreciation 12/31/2009		**163**				**163**
Carrying amounts 12/31/2009	**1,384**	**558**	**1,993**	**4,739**	**6**	**8,680**

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 1/1/2008	**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**
Gross values 1/1/2009	**6,455**	**138**	**17,464**	**7,269**	**1,399**	**32,725**
Changes in consolidated group	217		60	35	9	321
Additions	191	4	614	438	645	1,892
Reclassifications	263	25	653	199	–1,140	
Disposals	–97	–1	–1,241	–870	–57	–2,266
Exchange differences	11		156	17	–2	182
Gross values 12/31/2009	**7,040**	**166**	**17,706**	**7,088**	**854**	**32,854**
Depreciation 1/1/2009	**2,690**	**64**	**11,868**	**5,192**	**14**	**19,828**
Changes in consolidated group	15		–21	9	–1	2
Additions	207	3	1,433	725	6	2,374
Reclassifications	12	2	–9	1	–6	
Disposals	–67		–1,112	–828	–1	–2,008
Write-ups			–16		–1	–17
Exchange differences	–4		100	7		103
Depreciation 12/31/2009	**2,853**	**69**	**12,243**	**5,106**	**11**	**20,282**
Carrying amounts 12/31/2009	**4,187**	**97**	**5,463**	**1,982**	**843**	**12,572**

The total depreciation charge contains the following impairment losses:
- Land and buildings: EUR 26 million (prior year: EUR 44 million)
- Plant and equipment: EUR 81 million (prior year: EUR 174 million)
- Other equipment, fixtures, and furniture: EUR 29 million (prior year: EUR 15 million)

The impairment losses of the fiscal year contain an amount of EUR 15 million attributable to plant and equipment of the Starter Motors and Generators division. In addition to this, impairment losses of EUR 7 million were recorded for land and buildings of the Starter Motors and Generators division. The impairment test was carried out at business-unit level. The recoverable amount was assumed to be the fair value less cost 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 38 million attributable to plant and equipment and the 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 cost 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 4 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 cost 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 24 million (prior year: EUR 31 million)
- Plant and equipment: EUR 13 million (prior year: EUR 20 million)
- Other equipment, fixtures, and furniture: EUR 21 million (prior year: EUR 17 million)

The obligations entered into to purchase items of property, plant, and equipment amounted to EUR 353 million (prior year: EUR 472 million), restrictions on title totaled EUR 91 million (prior year: EUR 72 million). Government grants for assets of EUR 58 million (prior year: EUR 52 million) were deducted from the additions in the reporting period.

Investment property comprises rented properties which were measured at amortized cost. Measured at fair value, the portfolio comes to EUR 153 million (prior year: EUR 93 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 9 million (prior year: EUR 8 million), maintenance expenses totaled EUR 4 million (prior year: EUR 4 million).

17 Intangible assets

Figures in millions of euros	Acquired intangible assets (without goodwill)	Acquired goodwill	Internally generated intangible assets	Total
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**
Gross values 1/1/2009	**2,277**	**4,490**	**1,077**	**7,844**
Changes in consolidated group	164	214	–1	377
Additions	117	7	180	304
Disposals	–124	–3	–207	–334
Exchange differences	14	16		30
Gross values 12/31/2009	**2,448**	**4,724**	**1,049**	**8,221**
Amortization 1/1/2009	**675**	**79**	**598**	**1,352**
Changes in consolidated group	1			1
Additions	542	194	246	982
Disposals	–116		–206	–322
Exchange differences	1	2		3
Amortization 12/31/2009	**1,103**	**275**	**638**	**2,016**
Carrying amounts 12/31/2009	**1,345**	**4,449**	**411**	**6,205**

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

- Acquired intangible assets (without goodwill): EUR 294 million (prior year: EUR 12 million)
- Internally generated intangible assets: EUR 72 million (prior year: EUR 33 million)

The declining photovoltaics market and fierce competition from Chinese suppliers, which was accompanied by a drop in prices, resulted in the reporting period in impairment losses on intangible assets (not including goodwill) of the Solar Energy division of EUR 241 million. Impairment losses of EUR 48 million were also charged on intangible assets in the Healthcare unit.

The goodwill of EUR 4,449 million (prior year: EUR 4,411 million) is attributable to the business sectors as follows: Automotive Technology EUR 100 million (prior year: EUR 100 million), Industrial Technology EUR 2,646 million (prior year: EUR 2,757 million), Consumer Goods and Building Technology EUR 1,703 million (prior year: EUR 1,554 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 Automotive Technology business sector, a growth rate of 1.0% (prior year: 1.0%) was applied, for Industrial Technology 2.0% (prior year: 2.0%), and for Consumer Goods and Building Technology 2.0% (prior year: 2.0%). For the Automotive Technology business sector, a pre-tax discount rate of 10.0% (prior year: 9.6%) was applied, for Industrial Technology 10.0% (prior year: 10.6%), and for Consumer Goods and Building Technology 10.6% (prior year: 10.3%). A risk-free interest rate of 4.0% (prior year: 3.5%) and a market risk premium of 5.0% (prior year: 5.0%) were assumed. The standard tax rate used is 29% (prior year: 29%).

The annual impairment test of the Solar Energy division resulted in impairments of goodwill totaling EUR 184 million.

18 Current and non-current financial liabilities

Figures in millions of euros	2009		2008	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Bonds		2,346	1	750
Promissory loans		499		
Liabilities to banks	738	579	291	1,261
Commercial papers			324	
Other financial liabilities	2	21	9	23
	740	**3,445**	**625**	**2,034**

Financial liabilities amounting to EUR 1,833 million (prior year: EUR 812 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**	**Currency**	**Nominal**	**Fair value 12/31/2009**
Fixed	4.375%	05/2006	05/2016	EUR	750	778
Fixed	3.750%	06/2009	06/2013	EUR	700	723
Fixed	5.125%	06/2009	06/2017	EUR	600	645
Fixed	5.000%	08/2009	08/2019	EUR	300	320

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					
	2009	2010	2011	2012	2013	2014	2015 ff.
Non-derivative financial liabilities							
Bonds	**2,346**	105	105	105	791	79	1,737
Promissory loans	**499**	21	21	21	21	358	164
Liabilities to banks	**1,317**	768	132	55	416	29	30
Other financial liabilities	**1,021**	883	66	27	25	23	30
Finance lease obligations	**46**	26	10	7	5	3	19
Derivative financial liabilities	**80**	61					20

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

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 end of the respective reporting period.

19 Trade payables

Figures in millions of euros	2009	2008
Trade payables	2,820	3,078
Notes payable	96	147
	2,916	**3,225**

There are trade payables of EUR 4 million (prior year: EUR 0 million) which are due in more than one year.

20 Other liabilities and provisions

Other liabilities

Figures in millions of euros	2009		2008	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Loans	77	70	67	38
Accruals in the personnel area	949		1,273	
Accruals in the sales and marketing area	434		422	
Other accruals	284		254	
Deferred income	110		114	
Tax liabilities (without income tax liabilities)	341		313	
Finance lease obligations	20	26	21	35
Deferred income from tooling compensation received	48	116	46	119
Prepayments received for inventories	427		492	
Sundry other liabilities	897	217	847	312
	3,587	**429**	**3,849**	**504**

Loans with a residual term of more than five years amount to EUR 12 million (prior year: EUR 15 million). As in the prior year, there are no sundry other liabilities due in more than five years.

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	2009	2008
Future minimum lease payments		
due not later than one year	22	24
due later than one year and not later than five years	28	37
due later than five years	16	17
Interest portion contained in the future minimum lease payments		
due not later than one year	2	3
due later than one year and not later than five years	7	8
due later than five years	11	11
Present value of outstanding minimum lease payments		
due not later than one year	20	21
due later than one year and not later than five years	21	29
due later than five years	5	6
	46	**56**

Provisions (without income tax provisions and pension provisions)

Figures in millions of euros	2009		2008	
	up to 1 year	**more than 1 year**	**up to 1 year**	**more than 1 year**
Tax provisions (without income tax provision)	19	76	19	72
Provisions in the personnel area	722	901	410	818
Provisions in the sales and marketing area	2,005	1,365	2,224	1,687
Other provisions	559	531	564	499
	3,305	**2,873**	**3,217**	**3,076**

Provisions developed as follows:

Figures in millions of euros							
	At 1/1/2009	Changes in consolidated group	Amounts used	Amounts reversed	Increase incl. increase in discounted amount	Exchange adjustments	At 12/31/2009
Tax provisions	453	–14	–110	–46	165	44	**492**
Provisions in the personnel area	1,228	–5	–356	–111	850	17	**1,623**
Provisions in the sales and marketing area	3,911	9	–1,008	–595	1,057	–4	**3,370**
Other provisions	1,063	5	–306	–81	388	21	**1,090**
	6,655	**–5**	**–1,780**	**–833**	**2,460**	**78**	**6,575**

Of the total increase in provisions, an amount of EUR 84 million (prior year: EUR 77 million) relates to increases in discounted amount.

Provisions in the personnel area relate to obligations from personnel adjustment measures, from early phased retirement, and from 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	2009	2008
Contingent liabilities related to notes issued and transferred	1	3
Contingent liabilities from guarantees	37	55
Contingent liabilities from warranties	1	1
Other contingent liabilities	7	14
	46	**73**

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 amounts to EUR 567 million (prior year: EUR 599 million). The obligations are due as follows:

Figures in millions of euros	2009	2008
Due not later than one year	178	197
Due later than one year and not later than five years	326	327
Due later than five years	63	75
	567	**599**

The payments of the period recognized in profit or loss of EUR 210 million (prior year: EUR 208 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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Discount factor	5.7	5.7	6.0	6.0	1.5	1.8	9.3	8.5	5.6	5.7
Expected return on plan assets	4.9	4.9	7.7	7.7	2.5	3.0	n.a.	n.a.	5.5	5.5
Future salary increases	2.9	3.2	4.2	4.3	2.5	2.5	7.0	7.0	3.1	3.4
Pension increases	1.7	1.9	2.6	3.5	n.a.	n.a.	6.0	6.0	1.8	2.1

n.a. not applicable

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 to 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	2009	2008
Defined benefit obligation at January 1	**8,488**	**8,553**
Changes in the consolidated group	99	29
Current service cost	318	352
Interest cost	467	433
Transfers	1	16
Past service cost	–33	7
Pension payments	–531	–453
Actuarial gains	–36	–551
Currency translation	–37	124
Other	–8	–22
Defined benefit obligation at December 31	**8,728**	**8,488**

Plan assets developed as follows:

Figures in millions of euros	2009	2008
Fair value of plan assets at January 1	**2,755**	**2,880**
Changes in the consolidated group	98	29
Expected return on plan assets	159	168
Contributions paid / received	–46	264
Contributions by the employees	12	9
Transfers	–16	–1
Benefits paid	–138	–116
Actuarial gains and losses	159	–580
Currency translation	–24	102
Other	–2	
Fair value of plan assets at December 31	**2,957**	**2,755**
Actual income	318	–412
Expected contributions	278	36

The fund assets comprise the following components:

Percentage figures	2009	2008
Shares	33.7	27.8
Fixed-interest securities	42.6	38.8
Property	12.8	19.3
Other	10.9	14.1

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

Figures in millions of euros	2009	2008
Present value of benefit obligation from wholly unfunded plans	3,148	3,280
Present value of benefit obligation from plans that are wholly or partly funded	5,580	5,208
Total present value of benefit obligation	8,728	8,488
Plan assets at fair value	–2,957	–2,755
Net obligation	5,771	5,733
Past service cost	7	8
Other		–3
Asset amount not recognized as of December 31 due to the limitation pursuant to IAS 19.58 (b)	8	
	5,786	**5,738**

The table below presents changes in the pension provisions:

Figures in millions of euros	2009	2008
Carrying amount at January 1	**5,738**	**5,741**
Changes in the consolidated group	9	
Net expense for the period	573	580
Transfers	17	
Pension payments	–393	–337
Contributions paid / received	46	–264
Actuarial gains	–191	–16
Other	–13	34
Carrying amount at December 31	**5,786**	**5,738**

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

Figures in millions of euros	2009	2008
Total actuarial gains at January 1	**–338**	**–322**
Actuarial gains / losses of the current year	–195	29
Change of effect pursuant to IAS 19.58 (b)	4	–42
Other changes and adjustments		–3
Total actuarial gains	**–191**	**–16**
Currency effects and changes in the consolidated group	–8	
Total actuarial gains at December 31	**–537**	**–338**

The amounts recognized in the income statement are as follows:

Figures in millions of euros	2009	2008
Current service cost	306	342
Interest cost	467	433
Expected return on plan assets	–159	–168
Past service cost	–33	4
Other	–8	–31
Net expense for the period	**573**	**580**

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

Expenses for defined benefit obligations amounted to EUR 744 million (prior year: EUR 783 million).

Other disclosures in the notes:

Figures in millions of euros	2009	2008
Distribution of gains and losses from the valuation	–36	–551
of which from changes in assumptions	–32	–527
of which from unexpected changes in number of beneficiaries	–4	–24
Payments expected in the following year		
additions to plan assets	278	36
directly payable benefits	68	411

Figures in millions of euros	2009	2008	2007	2006	2005
History of the present value of the obligation	8,728	8,488	8,553	9,278	9,448
History of the plan assets	2,957	2,755	2,880	2,768	2,584
History of net obligation	–5,771	–5,733	–5,673	–6,510	–6,864
History of change in obligation due to changes in number of beneficiaries	–4	–24	–54	105	102
History of change in plan assets (actual vs. expected)	159	–580	–35	66	138

Effect of change in cost trend on medical costs:

Figures in millions of euros	2009	2008	One percentage point increase in cost trend		One percentage point decrease in cost trend	
			2009	2008	2009	2008
Present value of the obligation	159	254	174	285	147	227
Service cost and interest cost	19	19	21	21	17	17

22 Equity

The issued capital of EUR 1,200 million and capital reserve of EUR 4,557 million correspond with the items of the statement of financial position 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 other comprehensive income. The effects of changes in actuarial parameters in the pension provisions are disclosed in the “Other changes” column of 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 comprise the minority interests in Bosch Ltd, Bangalore, India, and Bosch Automotive Diesel Systems Co, Ltd, Wuxi, China.

Changes resulted, above all, from the acquisition of the majority shareholding in aleo solar AG, Prenzlau (Germany), and in Johanna Solar Technology GmbH, Brandenburg (Germany), as well as the acquisition of all minority interests in Bosch Solar Energy AG (formerly: ersol Solar Energy AG), Erfurt (Germany), and in sia Abrasives Holding AG, Frauenfeld, Switzerland.

Other notes

23 Statement of cash flows

The statement of cash flows 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 mainly 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 positions of the statement of financial position contained in the statement of cash flows cannot be directly derived from the statement of financial position, 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 statement of cash flows comprise cash of EUR 2,937 million (prior year: EUR 2,267 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

Business sector data

Figures in millions of euros	Automotive Technology		Industrial Technology	
	2009	2008	2009	2008
External sales	21,716	26,475	5,105	6,733
Intersegment sales	54	34	137	255
Total sales	21,770	26,509	5,242	6,988
EBIT	–498	321	–1,116	447
Non-cash expenses (without depreciation)	2,100	2,381	486	274
Amortization and depreciation	1,898	1,885	345	253
Impairment losses on intangible assets and property, plant, and equipment	180	259	476	
Non-cash expenses	822	633	77	77
Assets	6,972	7,376	2,514	3,172

Based on the internal management and reporting structure, the Bosch Group is divided into three business sectors. These are the reportable segments, and result from the combination of divisions in accordance with the criteria set forth in IFRS 8. The operating business within the business sectors is the responsibility of the divisions.

The operations of the Automotive Technology business sector mainly comprise injection technology for internal-combustion engines, powertrain peripherals, alternative drive concepts, systems for active and passive driving safety, assistance and comfort functions, technology for in-car information and communication, as well as concepts, technology, and service for the automotive aftermarket.

The Industrial Technology business sector combines the following activities:
- Automation technology (hydraulics, pneumatics, all important technologies for drives, controls, and motion),
- Packaging technology (machines and packaging lines for the confectionery, foodstuff, and pharmaceuticals industries),
- Photovoltaics (solar cells and photovoltaic modules).

The operations of the Consumer Goods and Building Technology business sector comprise the production and distribution of
- Power tools (tools for the trade, industry, and DIY, accessories, garden tools, as well as measuring equipment),
- Heating systems (heating and hot-water boilers including open- and closed-loop control systems),
- Security systems (video surveillance, public address systems, evacuation systems, and access control),
- Household appliances (appliances for cooking, dishwashing, washing, drying, cooling, freezing, cleaning of floor surfaces, etc.).

	Consumer Goods and Building Technology		All other segments		Consolidation		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
	11,331	11,897	22	22			38,174	45,127
	16	34			–207	–323		
	11,347	11,931	22	22	–207	–323	38,174	45,127
	444	714	19	33			–1,151	1,515
	696	567	4	2			3,286	3,224
	413	372	4	4			2,660	2,514
	40	19					696	278
	96	183	6	1			1,001	894
	4,035	4,443		2			13,521	14,993

Business segments which are not reportable are combined and presented in the category “All other segments.” This mainly relates to financial and holding companies. Positions that belong to financing activities are not included in the segment reporting.

Value added is the main controlling parameter of our valued-based management. In addition to this earnings ratio, the internal reporting to management also reports EBIT at segment level. EBIT is earnings before taxes and before financial result.

Transfer prices between the business segments are determined at arm’s length.

The main items included in non-cash expenses are bad debt allowances, additions to provisions, as well as losses on the disposal of items of property, plant, and equipment and of intangible assets.

The main items included in non-cash income are income from the reversal of provisions as well as gains on the disposal of items of property, plant, and equipment and of intangible assets.

Segment assets comprise trade receivables as well as inventories, in both cases before valuation allowances.

Reconciliation statements

Figures in millions of euros	2009	2008
Sales		
Sales by reportable segment	38,359	45,428
All other segments	22	22
Consolidation	–207	–323
Group sales	**38,174**	**45,127**
EBIT		
EBIT by reportable segment	–1,170	1,482
All other segments	19	33
Financial income	1,370	1,904
Financial expenses	–1,416	–2,477
Profit before tax	**–1,197**	**942**
Assets		
Assets by reportable segment	13,521	14,991
All other segments		2
Allowances and impairment losses on segment assets	–1,249	–1,196
Other current assets	5,375	4,497
Non-current assets	29,862	28,467
Group assets	**47,509**	**46,761**

Disclosures by important country

Figures in millions of euros	Sales by registered office of the customer		Non-current assets[1]	
	2009	2008	2009	2008
Europe	**23,824**	**29,720**	**14,512**	**14,842**
of which Germany	9,325	11,747	9,677	9,975
of which France	2,492	3,104	331	360
of which the U.K.	1,639	2,018	145	179
of which Italy	1,577	2,276	530	437
Americas	**6,661**	**7,557**	**1,881**	**2,148**
of which the U.S.	4,421	4,932	1,081	1,371
Asia	**6,987**	**7,061**	**2,269**	**2,296**
of which China	2,874	2,226	1,024	966
of which Japan	1,571	2,078	685	785
Other regions	**702**	**789**	**115**	**103**
Group	**38,174**	**45,127**	**18,777**	**19,389**

[1] The non-current assets consist of intangible assets and property, plant, and equipment.

The customer structure of the Bosch Group in the reporting period does not reveal any concentration on individual customers.

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	2009	2008
Loans and receivables	–76	304
Held-to-maturity investments	4	2
Available-for-sale financial assets	116	–262
Financial assets and liabilities held for trading	92	–124
Financial liabilities measured at amortized cost	–120	–461

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.

The valuation gains and losses from securities and equity investments are presented in the statement of comprehensive income.

Book values, carrying amounts, and fair values by category

Figures in millions of euros	Category pursuant to IAS 39	Carrying amount 2009	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2009
			(Amortized) cost	Fair value recognized in other comprehensive income	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,937	2,937				2,937
Current investments		467					
Available-for-sale financial assets	AfS	467		467			467
Trade receivables	LaR	6,840	6,840				6,840
Other current assets		1,737					
Receivables from finance leases	n. a.	26				26	26
Other financial assets	LaR	746	746				746
Derivative financial assets	FAHfT	111			111		111
Non-financial assets within the meaning of IFRS 7	n. a.	854					
Non-current financial assets		9,200					
Available-for-sale financial assets	AfS	6,732		6,732			6,732
Held-to-maturity investments	HtM	6	6				6
Investments	AfS	1,942	558	1,384			1,384
Derivative financial assets	FAHfT	67			67		67
Receivables from finance leases	n. a.	135				135	135
Other financial assets	LaR	182	182				182
Non-financial assets within the meaning of IFRS 7	n. a.	136					
Equity and liabilities							
Trade payables	FLAC	2,916	2,916				2,916
Current financial liabilities		740					
Liabilities to banks	FLAC	738	738				738
Other financial liabilities	FLAC	2	2				2
Other current liabilities		3,587					
Derivative financial liabilities	FLHfT	56			56		56
Finance lease obligations	n. a.	20				20	20
Other financial liabilities	FLAC	828	828				828
Other non-financial liabilities within the meaning of IFRS 7	n. a.	2,683					
Non-current financial liabilities		3,445					
Bonds	FLAC	2,346	2,346				2,471
Promissory loans	FLAC	499	499				555
Liabilities to banks	FLAC	579	579				648
Other financial liabilities	FLAC	21	21				21
Other non-current liabilities		429					
Derivative financial liabilities	FLHfT	24			24		24
Finance lease obligations	n. a.	26				26	26
Other financial liabilities	FLAC	170	170				181
Other non-financial liabilities within the meaning of IFRS 7	n. a.	209					

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 2008	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2008
			(Amortized) cost	Fair value recognized in other comprehensive income	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,267	2,267				2,267
Short-term investments		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					

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	2009	2008
Loans and receivables	10,705	10,032
Held-to-maturity investments	6	11
Available-for-sale financial assets	9,141	7,018
Financial assets held for trading	178	282
Financial liabilities measured at amortized cost	8,099	6,793
Financial liabilities held for trading	80	179

Composition of the derivative financial instruments

Figures in millions of euros	Market values				Nominal values	
	2009 up to 1 year	2009 more than 1 year	2008 up to 1 year	2008 more than 1 year	2009	2008
Derivatives with a positive market value						
Interest derivatives	**3**		**6**	**13**	**250**	**617**
of which interest swaps				9	9	161
of which other interest derivatives	3		6	4	241	456
Foreign currency derivatives	**100**	**6**	**199**	**3**	**1,487**	**2,205**
Other derivatives	**8**	**13**	**3**	**58**	**91**	**73**
Derivatives with a negative market value						
Interest derivatives	**9**	**2**	**1**	**6**	**828**	**538**
of which interest swaps	8	2		4	629	52
of which other interest derivatives	1		1	2	199	486
Foreign currency derivatives	**45**	**2**	**101**	**14**	**1,413**	**1,433**
Other derivatives	**2**	**20**	**36**	**21**	**291**	**182**

The foreign currency derivatives are mainly forward exchange contracts.

The fair values of financial assets and financial liabilities were derived as follows:

Figures in millions of euros	2009		
	Price listed on active markets	Other significant observable input parameters	Total
Financial assets			
Investments	**1,384**		**1,384**
Derivative financial instruments		**178**	**178**
of which current		111	111
of which non-current		67	67
Other securities	**6,970**	**229**	**7,199**
of which current	448	19	467
of which non-current	6,522	210	6,732
Financial liabilities			
Derivative financial instruments		**80**	**80**
of which current		56	56
of which non-current		24	24

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;

we take the rating given by leading agencies as well as current developments in the financial markets into account. Due to the financial crisis, the creditworthiness of the banking partners of the Bosch Group is closely monitored and the risk mitigated by means of even tighter counterparty limits.

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. Based on the business plan, estimated inflows and outflows in the various countries for the planning period are aggregated in a foreign exchange balance plan. The resulting net position is used for the central management of currency exposures.

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 currency swaps to secure group financing are used to a lesser extent. These transactions, which are only entered into with banks, are subject to certain 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. Interest-bearing investments in currencies other than EUR are also generally hedged against currency fluctuations.

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

A change in the EUR of 10% (starting from 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	
	2009	2008	2009	2008
CHF	17	29	–18	–28
CZK	–31	–39	34	44
HUF	–16	–16	17	19
JPY	–15	–2	8	–8
RUB	–13	–9	13	9
USD	–77	–81	65	77

A change in the USD of 10% (starting from the closing rate) against the foreign currency 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	
	2009	2008	2009	2008
CNY	–32	–46	32	46

The effects on earnings shown here mainly result from loans within the Bosch Group which, by way of an exception, were not granted in the local currency of the borrower, e.g. because it can be repaid from expected cash flows in this currency. The currency risk for the statement of financial position 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 the floating interest expense for a loan from the European Investment Bank and for promissory note tranches 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	
	2009	2008	2009	2008
Reserve from securities	–160	–154	160	154
Profit before tax	12	1	–12	–1

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, investments measured at fair value, as well as share derivatives with a carrying amount of EUR 3,365 million (prior year: EUR 2,354 million).

A change in the share price of 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	
	2009	2008	2009	2008
Reserve from securities	338	237	–312	–218
Profit before tax	5	–1	–27	–18

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 statement of financial position. 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 at the end of the reporting period of any significant defaults of trade receivables or of other financial assets exposed to credit risks that are neither impaired nor past due.

The sections on trade receivables and non-current financial assets contain further information about credit risks.

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 3,404 million (prior year: EUR 2,663 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, neither of which had been drawn at the end of the reporting period. There is also a medium-term-note program with a volume of EUR 3,000 million, of which EUR 2,350 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 11 million) were borne by Robert Bosch GmbH.

A part of the pension obligations and funds has been outsourced to Bosch Pensionsfonds AG. Robert Bosch GmbH is the sole shareholder of Bosch Pensionsfonds AG. Bosch Hilfe e.V. provides assistance to associates of the co-owners in emergencies (emergency assistance). Bosch Hilfe e.V. is co-owned by Robert Bosch GmbH, Stuttgart, Robert Bosch Car Multimedia Holding GmbH, Hildesheim, and Robert Bosch Elektronik GmbH, Salzgitter. A part of the asset portfolio of Bosch Hilfe e.V. consists of its ownership in 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, 2009, receivables from related parties came to EUR 42 million (prior year: EUR 40 million) and liabilities to related parties to EUR 15 million (prior year: EUR 8 million).

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

Figures in millions of euros	Sales		Receivables		Liabilities	
	2009	2008	2009	2008	2009	2008
FMP Group (Australia) Pty Ltd, Australia	4		2		1	
EMASA, Equipos y Maquinarias SA, Chile	7	19	2	4		
RBS Thermotechnology Co, Ltd, China	3	3	3			3
Weifu High Technology Co, Ltd, China	8	33	1	2	6	1
BT Magnet-Technologie GmbH, Germany			4	8	2	1
Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, Germany	23	61	5	7		
VB Autobatterie GmbH & Co KGaA, Germany	3	5	11	13	1	
Advanced Driver Information Technology Corporation, Japan		1				
Akebono Brake Industry Co, Ltd, Japan					2	
Denso Corporation, Japan	3	7	1			
Hochiki Corporation, Japan		21		4		
Knorr-Bremse Commercial Vehicle Systems Japan Ltd, Japan		1			1	1
Ohta Iron Works Co, Ltd, Japan					1	1
Doowon Precision Industry Co, Ltd, Korea	6	11		1		
Advanced Diesel Particulate Filters Sp. z o.o, Poland			13			
Rotzinger AG, Switzerland				1	1	1
Associated Fuel Pump Systems Corporation, USA	1	6				

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 18 million in the fiscal year 2009 (prior year: EUR 22 million) and breaks down as follows:

Figures in millions of euros	2009	2008
Short-term benefits	13	15
Post-employment benefits	5	7
Other long-term benefits		0

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 0.3 million (prior year: EUR 0.2 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.

Declaration of compliance with the German Corporate Governance Code
The declaration of compliance required by Sec. 161 AktG ["Aktiengesetz": German Stock Corporations Act] for the listed company aleo solar AG, Prenzlau (Germany), which was included in the consolidated financial statements of the Bosch Group for the first time in the fiscal year 2009, was issued by the board of management and supervisory council of aleo solar AG and is publicly accessible on the internet site of aleo solar AG.

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 11 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 80 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 2009		Annual average 2008	
	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportional)	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportional)
EU countries	172,123	16,428	176,547	16,671
Rest of Europe	13,921	2,363	12,670	2,252
Americas	33,913	2,305	38,333	2,868
Asia, Africa, Australia	54,573	6,623	55,208	6,321
	274,530	**27,719**	**282,758**	**28,112**

Auditor's fees
The fees of the group auditor for assurance and advisory services in Germany amount to:

Figures in millions of euros	2009
Fees for	
Audit services	4.7
Audit-related services	0.1
Tax advisory services	0.4
Other services	1.2

Stuttgart, March 11, 2010

Robert Bosch GmbH
The Board of Management

Auditor’s Report

We have audited the consolidated financial statements prepared by Robert Bosch GmbH, Stuttgart, comprising the income statement, the statement of comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and 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 11, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner
German Public Auditor

Dieter Wißfeld
German Public Auditor

Ten-Year Summary of the Bosch Group

	2000	2001	2002	2003[1]	2004[2]	2005[2]	2006	2007	2008	2009
Sales revenue	**31,556**	**34,029**	**34,977**	**36,357**	**38,954**	**41,461**	**43,684**	**46,320**	**45,127**	**38,174**
Percentage share of sales revenue generated outside Germany	72	72	72	71	72	73	74	75	74	76
Research and development cost[3]	2,030	2,274	2,487	2,650	2,715	3,073	3,348	3,583	3,889	3,603
– as a percentage of sales revenue	6.4	6.7	7.1	7.3	7.0	7.4	7.7	7.7	8.6	9.4
Capital expenditure	2,111	2,368	2,006	2,028	2,377	2,923	2,670	2,634	3,276	1,892
– of which in Germany	851	905	903	1,002	1,057	974	968	1,138	1,610	928
– of which outside Germany	1,260	1,463	1,103	1,026	1,320	1,949	1,702	1,496	1,666	964
– as a percentage of sales revenue	6.7	7.0	5.7	5.6	6.1	7.0	6.1	5.7	7.3	5.0
– as a percentage of depreciation	118	123	108	118	135	156	116	108	136	80
Depreciation of property, plant, and equipment	1,788	1,924	1,865	1,713	1,758	1,870	2,309	2,428	2,410	2,374
Annual average number of associates (thousands)	197	218	226	229	234	249	258	268	283	275
– located in Germany	91	99	103	105	107	110	110	111	114	113
– located outside Germany	106	119	123	124	127	139	148	157	169	162
– as of Jan. 1 of subsequent year	199	221	224	232	238	251	261	271	282	271
Personnel expenses	8,950	9,959	10,815	10,994	11,179	11,936	12,534	12,896	12,994	12,787
Total assets	**24,504**	**27,783**	**27,475**	**31,995**	**41,170**	**45,554**	**46,940**	**48,568**	**46,761**	**47,509**
Equity	8,288	9,014	8,885	11,760	17,428	20,943	22,482	24,825	23,009	23,069
– as a percentage of total assets	34	32	32	37	42	46	48	51	49	49
Cash flow	3,729	3,681	3,352	3,727	3,977	4,352	4,521	5,052	4,032	1,910
– as a percentage of sales revenue	11.8	10.8	9.6	10.3	10.2	10.5	10.3	10.9	8.9	5.0
Profit after tax	1,380[4]	650	650	1,100	1,870	2,450	2,170	2,850	372	–1,214
Unappropriated earnings (dividend of Robert Bosch GmbH)	2,603[4]	50	60	60	63	63	69	72	75	67

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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Additional information can be taken from the company brochures
– Bosch today
– Corporate Social Responsibility

The above brochures can be ordered at:

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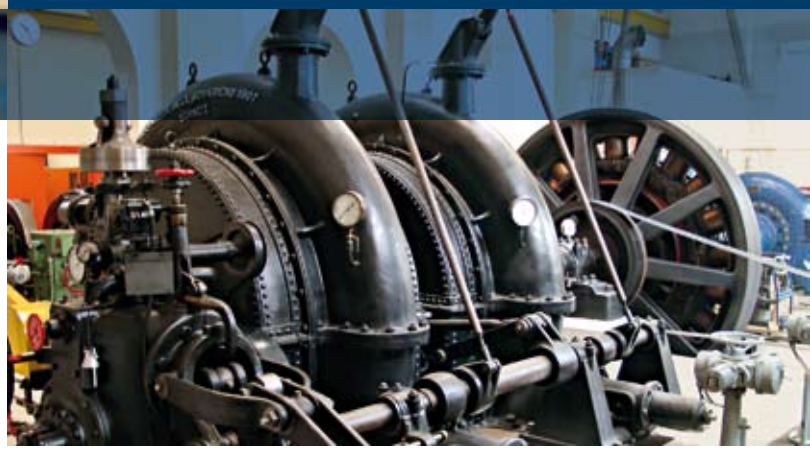
Title picture
In December 2009, together with the operators of Stuttgart airport, Bosch Solar Energy commissioned a 955 kWp photovoltaics array on the roof of the Bosch parking garage across the A8 freeway, near where it passes the airport. This solar power station can supply the annual electricity requirements of roughly 250 four-person households. This is the first time Bosch Solar Energy has acted as a prime contractor in a photovoltaics project.

Visual inspection of photovoltaic elements (2009)
The Arnstadt (Germany) location of the Bosch Solar Energy division manufactures silicon-based products for generating power from the sun.



Dynamo at the hydropower plant in Blaichach, Germany (2005)
From 1907, this company-owned power station supplied electrical power for the Bosch plant in Blaichach. Only after nearly 100 years of reliable operation was it replaced by a new power station.

Natural energy

When Bosch acquired a majority shareholding in ersol Solar Energy AG, headquartered in Erfurt, Germany, in 2008, solar energy in the broader sense of the term was hardly a new area of endeavor for the company. As early as in 1975, Bosch had tested the use of solar collectors to provide hot water for an experimental house called "Tritherm," and in 1993, the Thermotechnology division had begun selling solar thermal modules for single and multiple-family dwellings to support gas-fired heating systems. But the position solar energy now occupies at Bosch has changed radically: ersol, which is now our Solar Energy division, is a key element of the company's strategy for the future. Today, building on its business with solar thermal energy, components for wind turbines, and geothermal heat pumps, Bosch has set a fundamental strategic course for its new activities: these are to focus on providing technology to produce energy from inexhaustible sources. The underlying conviction is that in the long run, renewable energy will have to replace energy from fossil fuels. Bosch has thus entered into this field in order to safeguard its own future. And with its expertise in manufacturing large volumes to high standards of quality and precision, Bosch will help establish the use of renewable energies all over the world.

Water power

In the south of Germany, an era over a century old came to an end in the fall of 2005. The old hydropower plant that had provided the Bosch location in Blaichach with electricity for so many years was shut down and replaced by a new one. The old power plant embodies the basic principles that hold for all Bosch manufacturing sites. Facilities that make sense are kept intact, even if they may seem old-fashioned; improvements are introduced wherever they make manufacturing more efficient, enhance worker safety, or reduce production-related pollution. The "Bosch-Zünder," the in-house newspaper established in 1919, has reported since its earliest days on such measures to protect the environment – long before concern for the environment came into public focus. Over the years, articles have featured things such as safeguards against waste of raw materials (December 1930), new combined heating and power plants to increase efficiency (January 1938), the setting up of closed-cycle waste water systems (January 1967), and environmental protection as a development aim (October 1971). The attitude behind all these initiatives has progressively developed into a pillar of the corporate mindset: the long tradition of using resources sparingly paved the way for environmental protection as a Bosch corporate goal – and unites economy and ecology in the company to this very day.

Pioneering days

As early as the mid-1960s, Bosch engineers were working on electric drives for vehicles. The researchers were so far ahead of their time that they had even begun experimenting with systems for autonomous vehicle operation. One example of the pioneering spirit at Bosch is the hybrid drive system, combining an internal-combustion engine with an electric motor. Cars with such systems have been helping cut emissions and fuel consumption in urban traffic since 1997. By 1973, however, Bosch had already developed a prototype based on a Ford Escort that could run purely on electricity, though its range was limited. In hybrid operation, the vehicle was set in motion electrically, before the combustion engine took over once it reached 30 kilometers per hour, recharging the battery at the same time. The car was conceived primarily for low-emission city driving – which we now realize was a far-sighted vision of things to come. At Bosch, it is the precursor of today's hybrid projects.

Cockpit of the Bosch hybrid prototype (1973)
Bosch presented its first hybrid prototype at the IAA Motor Show in Frankfurt in September 1973, when the time such a car would be everyday reality still seemed a long way off.

Robert Bosch and the natural world

"My preference lay more with zoology and botany," Robert Bosch noted in his memoirs in 1921. Despite his decision to train as a precision mechanic, a pragmatic decision that brought him undreamed-of success, his original inclinations remained. Their roots can be found in the home where he grew up: his family kept not only an inn, but also cattle on grazing land. The rural surroundings in which Robert spent the first nine years of his life, before the family moved to the nearby city of Ulm, had a decisive influence on his character. The influence of nature is a central theme in Bosch's life. His interest in natural medicine, his mountain retreats, and the agricultural ambitions that culminated in his building up a large agricultural estate in Bavaria accompanied him well into old age. While this may not have established Bosch as the prototype of an ecologically-minded entrepreneur, he did see business activities in relation to the community and the environment. This mindset – still evident in the company to this day – is characterized by wise foresightedness, long-term planning and goal-setting, and the sparing use of resources.

Visionary and lover of nature (1925)
Robert Bosch on his agricultural estate in Upper Bavaria. Originally purchased with the aim of extracting peat for power generation, Bosch subsequently produced food on this farm. Bottled milk from the Bosch farm was available even in Munich, nearly 50 kilometers away.

An engineer and a lover of nature

In the fall of 1876, at the age of 15, Robert Bosch entered into an apprenticeship as a precision mechanic – on his father's advice. However, as he later noted in his memoirs in 1921, at that time he had actually felt a stronger inclination toward zoology and botany. In his formative years, he was fascinated by the plant and animal world, and passion and respect for nature were to remain throughout his life.

This affinity for nature so deeply ingrained in Robert Bosch stemmed in large part from the values his parents had instilled in him, as well as from the countryside where he grew up. And it remained a defining force in his worldview after he went into business. The sparing use of resources and the manufacture of energy-efficient products for Bosch customers were important expressions of this affinity. For Robert Bosch, this entrepreneurial approach bridged the ostensible gap between nature and technology.

During Bosch's lifetime, sustainability was central to the way he conducted business. Even now, long after his death, it remains a central concern of the Bosch Group and is pursued on all levels. In 1973, for example, the company introduced its first environmental guideline – for all locations worldwide. One year later, the board of management made "safe, clean, economical" the overriding development goal in automotive technology.

With the step-by-step entry into wind, solar, and geothermal technologies starting in the year 2000, Bosch embarked on a new and fundamental strategic course. The company had long focused on developing products which required ever fewer resources to manufacture and operate. The new challenge was now to establish products in the market that open up renewable sources of energy, thus providing compelling technological responses to the burning ecological issues of the day.

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