Annual Report 2005

BOSCH

Invented for life

The Bosch Vision
Creating value – sharing values

If we want to work successfully as a team, and in markets which are becoming ever more global and ever more complex, then we need a common image of the future for our company. This image – this vision – will help us bring our strategic thinking into clear alignment.

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

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

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

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

Key Data

Bosch Group	2004[1]	2005[1]
Sales revenue	38,954	**41,461**
percentage change from previous year	–	**+6.4**
Sales generated outside Germany		
as a percentage of sales	72	**73**
Research and development cost	2,715	**3,073**
as a percentage of sales	7.0	**7.4**
Capital expenditure	2,377	**2,923**
as a percentage of depreciation	135	**156**
Number of associates		
average for the year	234,180	**248,853**
as of January 1, 2005/2006	237,688	**250,975**
Total assets	41,170	**45,554**
Equity	17,428	**20,943**
as a percentage of total assets	42	**46**
Profit before tax	2,658	**3,178**
Profit after tax	1,870	**2,450**
Unappropriated earnings (dividend of Robert Bosch GmbH)	63	**63**

Currency figures in millions of euros

[1] With the exception of profit after tax, figures apply to continuing operations only

The Bosch Group

Bosch is a leading global supplier of automotive and industrial technology and of consumer goods and building technology. The Bosch Group comprises some 280 subsidiary companies, of which more than 250 are located outside Germany. The objectives of our activity are sustained profitable growth and the safeguarding of our independence – the independence which allows us to pursue long-term strategies. The guiding principles of our actions are our vision, our BeQIK mission, and our values.

The company originated as the "Workshop for Precision Mechanics and Electrical Engineering" founded in 1886 by Robert Bosch (1861-1942). Since 1964, its majority shareholder has been a non-profit foundation, Robert Bosch Stiftung GmbH. This institution carries on the charitable and social endeavors of the company's founder in contemporary form. The entrepreneurial ownership functions are carried out by Robert Bosch Industrietreuhand KG.

The Bosch Values

- Future and Result Focus
- Responsibility
- Initiative and Determination
- Openness and Trust
- Fairness
- Reliability, Credibility, and Legality
- Cultural Diversity

Ownership structure and corporate governance of Robert Bosch GmbH

- Robert Bosch Stiftung
  92 % share of equity
  no voting rights
- Bosch family
  8 % share of equity
  7 % voting rights
- Robert Bosch Industrietreuhand KG
  93 % voting rights

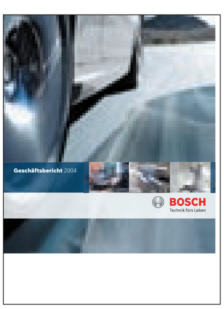
Business sectors and divisions

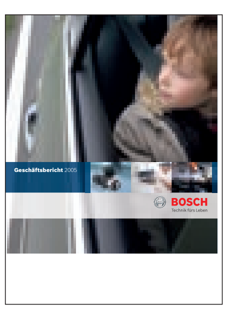
Automotive Technology	Industrial Technology	Consumer Goods and Building Technology
Gasoline Systems	Automation Technology[3]	Power Tools
Diesel Systems	Packaging Technology	Thermotechnology
Chassis Systems Brakes		Household Appliances[4]
Chassis Systems Control		Security Systems
Energy and Body Systems		
Car Multimedia[1]		
Automotive Electronics		
Automotive Aftermarket		
Steering Systems[2]		

[1] Blaupunkt GmbH (100 % Bosch-owned)
[2] ZF Lenksysteme GmbH (50 % Bosch-owned)
[3] Bosch Rexroth AG (100 % Bosch-owned)
[4] BSH Bosch und Siemens Hausgeräte GmbH (50 % Bosch-owned)

Contents

Invented for life
Our Annual Report 2005 once again takes up the theme of people and technology. While the 2004 report centered on selected associates behind our innovations, this time we have shifted the focus to our technology, showing the benefits it brings to people. True to our slogan “Invented for life.”





Two pictures, one story:
The cover photo on our 2005 Annual Report is derived from the cover of the 2004 Annual Report. The 2004 picture symbolized dynamism in all our areas of business, including, of course, our largest business sector, Automotive Technology. In 2005, we see seven-year-old Kilian sitting in a safe, clean automobile. Our technology is invented for life. The cover design has thus evolved to reflect our new slogan.

Introduction

"Our primary objective is the long-term safeguarding and further development of our company. At the same time, we must always give due consideration to social and environmental concerns."

Franz Fehrenbach

Ladies and gentlemen,

The Bosch Group had a successful year in 2005. Its growth rate may not quite have matched that of the previous year's, but we improved our result, and our global workforce continued to expand. These are clear indications that our long-term strategic approach is paying off. More than anything else, however, these positive results are thanks to the joint efforts of our roughly 250,000 associates around the world. On behalf of my colleagues on the Board of Management, I would like to thank each and every one of them for their contribution. Our thanks go also to our customers, suppliers, and other business partners for their close cooperation, as well as to our shareholders and Supervisory Council members for their loyal support. We look forward to our continued shared success.

Our greatest challenge remains accelerated globalization. Although this goes hand in hand with profound structural change, at the same time it opens up many new opportunities. We want to actively turn this change to our own advantage. The enormous dynamism in countries like China and India, but also in eastern Europe and the Americas, is bringing about profound shifts in the balance of global economic power. These regions are also rapidly catching up in terms of technical knowledge and its practical application, a development which will have a sustained impact on the international division of labor. Our company is particularly affected by massive structural changes in the global automotive industry. These changes demand new ideas, new approaches, and major adjustments from suppliers like us. But we are not only on the receiving end. The automobile has lost nothing of its attractiveness as a means of personal mobility across the globe, and we shall continue to make an important contribution to keeping this attractiveness alive and in line with environmental requirements. With this in mind, we shall continue to drive innovations, and to allocate the considerable resources necessary for their creation.

As a company with worldwide operations, we register the speed of global change day in, day out. Such speed calls for great flexibility on our part. On the other hand, an innovative company like Bosch requires change – indeed, even thrives on it. It is our shared responsibility within the Bosch Group to constantly further develop our capabilities, to think long-term, to act with foresight and, when forced to adapt, to seek timely solutions and to make sure they work. This is especially important as regards the structuring of our international locations. How ever much we need to expand our international presence in order to grow, we must also give our established locations in the advanced industrial countries the means to respond to ever fiercer competition. We see considerable potential here in R&D efficiency, in product and process innovation, and in manufacturing processes, both at our own facilities and at those of our suppliers. We are confident that our associates are ready to take up these challenges with dedication and determination. Only with such commitment, and by pulling together, can we manage to secure for our company a strong and meaningful development.

In charting the course that our company must take in gaining this development, we can derive support from our House of Orientation. Distributed to Bosch Group associates worldwide last year, this brochure communicates our vision, our mission, and our values together with the capabilities and methods we want to bring to bear in order to assure our company a successful future. Only if all of us in the Bosch Group have a shared view of “what drives us, what we have in common, and what we stand for” will we be able to do full justice to our ambition of making available to our customers solutions that are at the same time innovative and beneficial. This is what we mean by our slogan, “Invented for life.” And it is also why this slogan is the theme we have chosen to guide you through this annual report.

With best regards,

Board of Management

Franz Fehrenbach
Chairman

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

Siegfried Dais
Deputy Chairman

- Research and Advance Engineering; Technology Coordination; Information Systems and Services
- Car Multimedia; Automation Technology

Bernd Bohr

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

Wolfgang Malchow

- Human Resources and Social Services; CIP Coordination; Legal Services; Taxes; Internal Auditing
- Packaging Technology

Peter Marks

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

Presidents of the Divisions
as per March 1, 2006

Wolf-Henning Scheider
Gasoline Systems

Ulrich Dohle
Diesel Systems

Andreas Wiegert
Chassis Systems Brakes

Werner Struth
Chassis Systems Control

Rainer Lohse
Energy and Body Systems

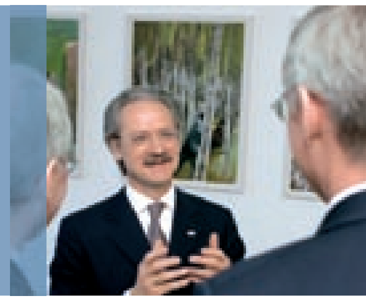
Uwe Thomas
Car Multimedia

Volkmar Denner
Automotive Electronics

Eugen Konrad
Automotive Aftermarket

Wolfgang Chur

- ▶ Consumer Goods and Building Technology; Trade Sales; Marketing Communication and Brand Management
- ▶ Power Tools; Thermotechnology; Household Appliances
- ▶ Middle Eastern Europe; United Kingdom; France; Spain; Austria



Rudolf Colm

- ▶ Purchasing and Logistics; Insurance
- ▶ Asia Pacific; Italy

Gerhard Kümmel

- ▶ Business Administration; Finance and Financial Statements; Planning and Controlling;
- ▶ Commercial Affairs Chassis Systems Brakes, Chassis Systems Control

Volkmar Denner

- ▶ Automotive Electronics; Energy and Body Systems; Steering Systems

from January 1, 2006

Peter Tyroller

- ▶ Original Equipment Sales
- ▶ Automotive Aftermarket

from January 1, 2006

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

Retired from the Board as of December 31, 2005:

Wolfgang Drees

Kurt Liedtke

Manfred Grundke
Automation Technology

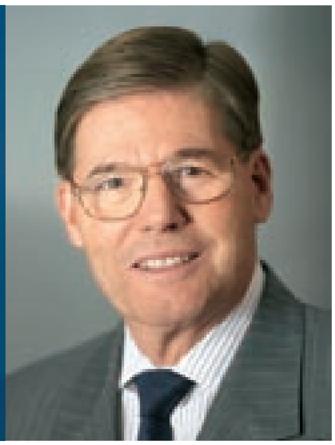
Friedbert Klefenz
Packaging Technology

Uwe Raschke
Power Tools

Joachim Berner
Thermotechnology

Uwe Glock
Security Systems

Supervisory Council Report



“Responsible corporate management is partly about striking the right balance – a balance between result focus and values such as responsibility, openness and trust, fairness, credibility, and cultural diversity. This is fundamental to long-term success.”

Hermann Scholl

Ladies and gentlemen,

The Bosch Group continued to develop well in 2005. The Supervisory Council was kept informed by the Board of Management throughout the year and gave close attention at its meetings to business developments, corporate strategy, the financial situation, and investment plans. It received briefings on and appraised the business environment, new engineering developments, the competitive position of individual divisions, quality issues, and cost-cutting measures. The Supervisory Council was informed about business developments in written monthly reports. On important matters arising between meetings, it received ad-hoc written reports from the Board of Management. The Chairman of the Supervisory Council was also informed of key developments and impending decisions in timely fashion.

Other major discussion topics in 2005 included the difficult situation in the U.S. automaking industry and its impact on the sector and the Bosch Group, the German debate on particulate matter centering around diesel emissions, and the company's opportunities and activities in the growth markets of India and North America. The implications of the change in accounting standards used for the Bosch Group consolidated financial statements, from national standards based on the German Commercial Code (HGB) to International Financial Reporting Standards (IFRS), were also reviewed and discussed at length.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited and issued an unqualified audit opinion on the Robert Bosch GmbH annual financial statements, the Bosch Group consolidated financial statements, and the accompanying management reports as of and for the year ended December 31, 2005. The Supervisory Council subjected these statements and reports to detailed discussion and its own scrutiny, and was briefed on the company's risk management system by the Board of Management. All members of the Supervisory Council had access to the auditor's reports. These were addressed in detail in the presence of the auditor, who also reported on the main audit results in person. The Supervisory Council concurs with the results of the audit. Based on the final results of its own examination, there are no objections to be raised. The Supervisory Council approves, and recommends that the shareholders approve, the financial statements of Robert Bosch GmbH and the consolidated financial statements. It also recommends that the shareholders approve the Board of Management's proposal for the appropriation of net profit.

Jürgen Ulber retired from office effective the end of the Supervisory Council meeting on April 5, 2005. The Supervisory Council would like to thank him for his constructive and loyal collaboration. At the same time, pursuant to a decision of the Stuttgart local court, Aline Hoffmann was appointed new Supervisory Council member.

Wolfgang Drees and Kurt Liedtke retired from the Board of Management as of December 31, 2005. The Supervisory Council would like to thank them for their long-standing commitment to the company. At the shareholders' recommendation, the Supervisory Council appointed Volkmar Denner and Peter Tyroller Deputy Members of the Board of Management effective January 1, 2006.

The Supervisory Council would like to thank the Board of Management and associates for the successful work of the past year. It will continue to support all efforts to sustain the positive future development of the Bosch Group.

Stuttgart, April 7, 2006
For the Supervisory Council

Prof. Dr. Hermann Scholl
Chairman

Supervisory Council

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

Walter Bauer
Kohlberg
Deputy Chairman,
Chairman of the Works Council
of the Reutlingen Plant
and Chairman of the Central
Works Council as well as of
the Combined Works Council
of Robert Bosch GmbH

Dr. jur. Peter Adolff
Munich
former Member of the Board
of Management of Allianz
Versicherungs-Aktiengesellschaft

Dr. h. c. Bo Erik Berggren
Stockholm
former Chairman of the
Administrative Board and Chief
Executive Officer of The Stora
Kopparberget Corp.

Henning Blum
Hildesheim
Chairman of the Works Council
of the Hildesheim Plant and
Member of the Central Works
Council of Robert Bosch GmbH

Dr. jur. Ulrich Cartellieri
Frankfurt
former Member of the Board
of Management of Deutsche
Bank AG

Dr.-Ing. Heiner Gutberlet
Fellbach-Oeffingen
Chairman of the Board of
Trustees of Robert Bosch
Stiftung GmbH

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

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

Aline Hoffmann
Frankfurt
(from April 6, 2005),
Political Secretary at HQ,
Industriegewerkschaft Metall

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

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

Werner Neuffer
Stuttgart
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

Wolfgang Ries
Lohr
Chairman of the Works Council
of Rexroth Indramat GmbH
and Chairman of the Central
Works Council of Bosch Rexroth AG
as well as Member of the
Combined Works Council of
Robert Bosch GmbH

Urs B. Rinderknecht
Zurich
Chief Executive of UBS AG

Wolf Jürgen Röder
Hofheim/Taunus
Managing Member of the
Executive Board of Industrie-
gewerkschaft Metall

Hans Peter Stihl
Remseck
General Partner of
STIHL Holding AG & Co. KG

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

Jürgen Ulber
Frankfurt
(up to April 5, 2005),
Political Secretary at HQ,
Industriegewerkschaft Metall

Jörg Vial
Nehren
Senior Vice President,
Global Policies and Strategies,
Corporate Sector Purchasing
and Logistics, as well as
Chairman of the Central Executives'
Committee of Robert Bosch GmbH
and of the Combined Executives'
Committee

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

Robert Bosch International Advisory Committee

Prof. Dr. Hermann Scholl
Stuttgart
President

Dr. Peter Adolff
Munich

Dott. Alessandro Benetton
Treviso/Venice

Dr. h.c. Bo Erik Berggren
Stockholm

Miguel Boyer Salvador
Madrid

Fernão Botelho Bracher
São Paulo

Professor the Lord Broers FRS FREng
Cambridge

Dr. Hugo Bütler
Zurich

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

Kensuke Hotta
Tokyo

Dr. Klaus Kinkel
St. Augustin/Bonn

Dr. Henry A. Kissinger KCMG
Washington

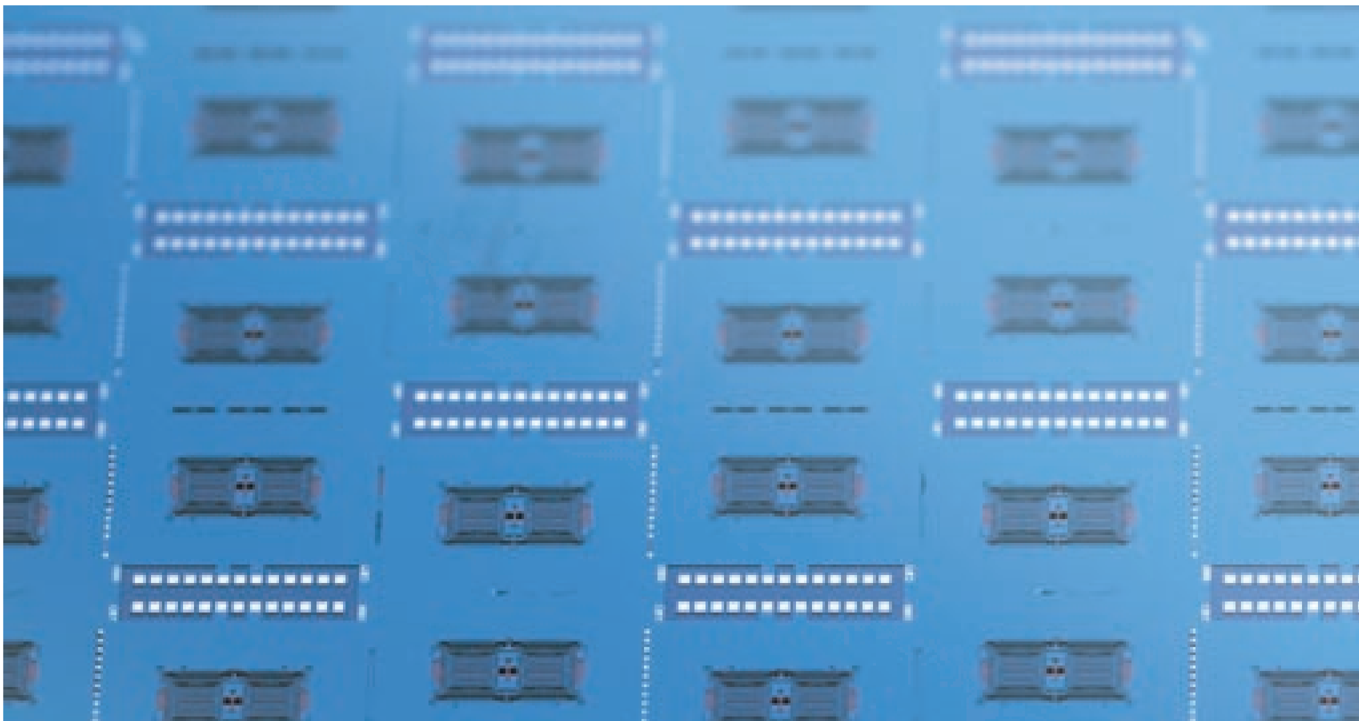
Charles F. Knight
St. Louis

Dr. Hans-Friedrich von Ploetz
Berlin

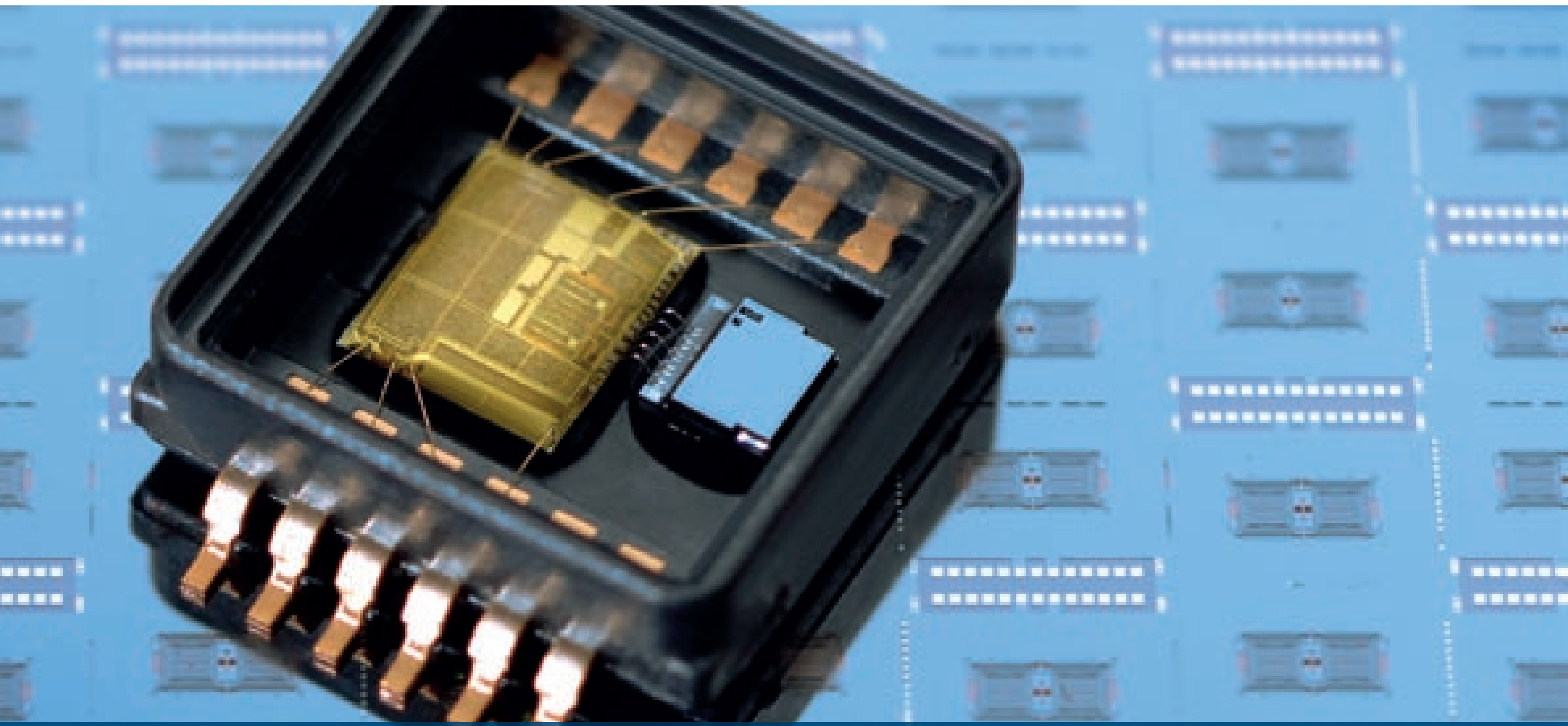
François Scheer
Paris

Erwin Schurtenberger
Ascona, Beijing

Parents have a sixth sense when it comes to their children’s needs. And for additional safety and comfort in the car, they know they can rely on Bosch expertise.



Udo-Martin Gómez with son Tim
Section Manager, Sensor Engineering
Bosch Automotive Electronics



Udo-Martin Gómez, Section Manager in Sensor Engineering at Bosch Automotive Electronics in Reutlingen, Germany, fastens his young son Tim into his safety seat, starts the car, and drives off. Invisibly, a host of electronic helpers watch over father and son. They include yaw-rate sensors, which, together with acceleration sensors, form a key component of the ESP® electronic stability program. Micromechanical sensors also ensure that safety devices such as seat-belt pretensioners, head airbags, and rollover bars are activated in time. Based on yaw-rate measurements of a vehicle's rotation around its vertical axis, navigation systems can calculate a vehicle's exact position. These sensors require minimum space and are robust, durable, and insensitive to temperature fluctuations. Such micro-electromechanical systems (MEMS) require development and production know-how which takes many years to develop. Good that Bosch is along for the ride.

Management Report

The Bosch Group maintained its forward momentum through 2005. Our strong international presence and the good position we hold in different areas of activity again proved a major advantage. While our Automotive Technology business felt the effects of the significantly weaker growth in European and North American car production, our other business sectors profited from strong worldwide demand for capital goods and an improved climate in many consumer goods segments. All in all, the sales growth achieved came up to our expectations. We were able to further improve our result. Our consolidated financial statements are prepared for the first time in accordance with International Financial Reporting Standards (IFRS). On the whole, we expect the positive trend to continue in 2006, even though global competition will further intensify in all areas.

Business and strategy

Business situation

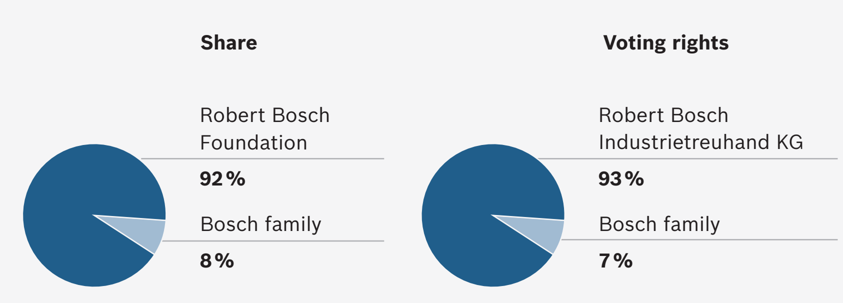
Growth in global economy continues

The global economy continued to show strong growth in fiscal 2005 despite significantly higher prices for raw materials. The strongest stimuli came again from Asian emerging markets and from North America. Growth in western Europe and Germany remained weak in comparison, although the economy picked up somewhat over the course of the year. The global economy grew at an overall rate of nearly 3.5 % in real terms in 2005, as compared with a good 4 % in the previous year.

Our business sectors, however, were significantly affected by regional and structural differences. For example, growth in worldwide automotive production, at just under 3 %, was significantly slower than the roughly 5.5 % figure in the previous year. Indeed, with the exception of eastern Europe and Germany, our core markets in Europe and North America came close to stagnation. For the first time in a considerable period, German automakers again benefited not only from a slight upturn in sales in Germany but also from high export volumes.

By contrast, the worldwide climate for the sale of capital goods remained favorable in 2005, bolstered primarily by the very dynamic economies of the Asian emerging markets, especially China. Moreover, the situation in this sector also brightened in Europe, and notably in Germany, for the first time in years. The global economic situation for our consumer goods activities was certainly positive, although the regional differences here were far greater. The German market remained the most serious weak spot in this area.

Shareholders of Robert Bosch GmbH



Premiere for IFRS

For fiscal 2005, the consolidated financial statements of Robert Bosch GmbH have for the first time been prepared in accordance with International Financial Reporting Standards (IFRS). The prior-year figures have also been restated on an IFRS basis. These standards are based on the principle of providing the users of the financial statements information about the net assets, financial position, and results of operations of the company that is needed when taking business decisions. Consequently, the valuation of certain balance-sheet items, such as securities, is based on market values. The German Commercial Code (HGB) accounting principles complied with in past years were geared to a far greater degree to creditor protection.

First-time application of IFRS results in numerous differences compared with past reporting practices. These include differences in the disclosure of sales (continuing operations only) and, due to other valuation methods, in the determination of result. Under the new standards, assets and liabilities are classified according to whether they are current or non-current. Another significant change relates to the layout of the income statement, which is now prepared according to the function of expense method. Details on the differences are explained in the notes to the consolidated financial statements, which begin on page 80.

Bosch Group holds course for growth

We achieved our growth targets in the past year, both for the Bosch Group as a whole and for our individual business sectors. Sales for 2005, reported on an IFRS basis for the first time, come to 41.5 billion euros. This represents a 6.4% increase over the corresponding prior-year figure. Measured on the previous accounting basis, the increase is 5 %. The growth figure pursuant to IFRS is higher because these standards dictate that revenue from discontinued activities be subtracted from both the 2004 and the 2005 figures. This relates to divestments in the vehicle climate control business (Japan), broadband networks, and special steels and castings.

Growth in 2005 was generated almost entirely on the basis of our existing activities. Newly consolidated businesses accounted for barely two percentage points of total growth. A number of small-scale acquisitions served to round out existing business portfolios. Two Asian joint ventures are included in consolidation for the first time on a pro rata basis: United Automotive Electronic Systems Co Ltd (UAES), Shanghai, our joint venture in gasoline injection systems with Chinese automobile manufacturer Shanghai Automotive Industry Corporation (SAIC), and Kefico Corporation, Korea, which is our gasoline-injection joint venture with Hyundai. In contrast with the previous year, currency fluctuations had a slightly positive impact on growth. After adjusting for currency effects, our sales increased by roughly 5.5 % in the year under review.

The business sectors differed in the contributions they made to overall Group growth. Automotive Technology increased its sales by 5.4 %, to 26.3 billion euros. Adjusted for first-time consolidations, and especially for joint ventures, sales in this sector were up by 4.1 %. This means we were able to underscore our position as the world's largest automotive supplier. However, growth was noticeably slowed by weaker activity in the automotive sector in our most important markets, Europe and North America. Even so, we were again able to record stronger growth with diesel systems than was otherwise the case in this sector. The diesel share of new car registrations in Europe rose to nearly 50 %. This increase might have been even stronger, but was held back by the debate in Germany on particulate matter and diesel particulate filters. Given the increasing availability of vehicles equipped with such filters, the diesel's share of sales in Germany picked up again in the second half of the year.

The business sector posting the highest growth rate was Industrial Technology, where sales increased by 12.5 % to 5.2 billion euros. The sales disclosed for 2004 and 2005 show the effect of divestments at our subsidiary Buderus, where we disposed of all castings and special steels interests with the exception of the company's brake disc activities in 2005. A new addition in 2005 was Oil Control Group SpA, Milan, Italy, purchased to bolster hydraulics capabilities at Bosch Rexroth. Excluding acquisitions, sales growth was 6.8%. Bosch Rexroth was also the driving force be-

Business sectors and divisions

Automotive Technology	Industrial Technology	Consumer Goods and Building Technology
▸ Gasoline Systems	▸ Automation Technology[3]	▸ Power Tools
▸ Diesel Systems	▸ Packaging Technology	▸ Thermotechnology
▸ Chassis Systems Brakes		▸ Household Appliances[4]
▸ Chassis Systems Control		▸ Security Systems
▸ Energy and Body Systems		
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hind the positive trend in our Industrial Technology sector as a whole. This unit successfully exploited the favorable worldwide climate in the capital goods business and is already well established in Asian growth markets such as China. The operating environment was not as favorable for our activities in the Packaging Technology sector. However, we consolidated our position in this market with the acquisition of Swiss manufacturer Sigpack in 2004.

Our Consumer Goods and Building Technology business sector recorded sales of 10 billion euros, which represents growth of 6.1 % in the year under review. Excluding first-time consolidations, sales in this sector were up 4.5 %. Companies consolidated for the first time included the heat pump manufacturer IVT Holding AB in Stockholm, Sweden. The performance of the individual segments varied. The strongest growth drivers were household appliances, which performed especially well outside Germany. Above all in eastern Europe, North America, and China, we were able to open up new markets for household appliances. In security systems, we boosted our sales especially on the product side. Our power tools business profited from numerous innovations and the establishment of production facilities in emerging countries with more favorable cost structures. We held down our position as a world leader in this area despite increasingly fierce worldwide competition. In our Thermotechnology division, sales growth was driven by business outside Germany. This allowed us to enhance our position as the leading supplier in the European market – a position to which the Buderus acquisition in 2003 made a fundamental contribution.

Further increase in headcount

Our worldwide growth is also reflected in the development of headcount. In our continuing operations, this increased in the course of 2005 by 13,300 to roughly 251,000. Of this number, we employed approximately 109,600 in Germany and roughly 141,400 outside Germany. Like for like, that is to say, disregarding changes due to divestments and companies included for the first time, the worldwide headcount was up by approximately 5,400. Most of these new jobs were created in eastern Europe and China. On a like-for-like basis, we increased total employment in Germany by approximately 1,500. The new hires were primarily highly skilled associates in our driver assistance systems and diesel systems growth segments.

We made further considerable efforts to maintain and enhance the competitiveness of our product segments and locations in 2005. These efforts in turn required substantial up-front investment in new products and further process improvements. At a number of locations, we signed agreements with associate representatives on cost reductions to improve competitiveness. We also worked together with associate representatives to bring our company pension scheme in Germany into line with future requirements. The objective was to offer all associates attractive, transparent pension packages on a long-term basis while ensuring that the costs remain calculable for the company.

Strategy

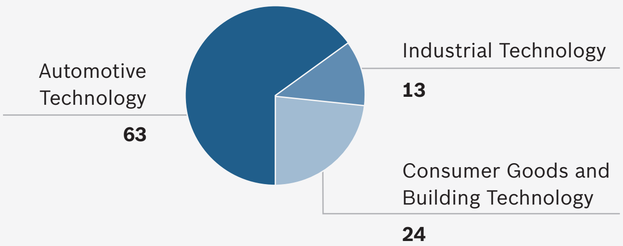
Established international presence pays off
The consistent expansion of our international activities is bearing fruit. The Asia Pacific region already contributed one-third of our overall growth in the past year. Our sales there increased by 16 %, or 9 % excluding first-time consolidation effects. We also substantially boosted sales in the Americas, by 11 %. Owing to the weak development of the North American automotive industry, however, our Automotive Technology business made a below-average contribution to this growth. Europe again trailed the major triad markets in sales growth with a rise of roughly 3.5 %. The combined share of sales contributed by the triad regions Americas and Asia Pacific increased from 32 % to 34 %.

This trend is likely to continue. Asia still has the greatest concentration of worldwide growth hotspots, followed by eastern Europe and the Americas. We plan to claim a share of these growth opportunities. In the long term, we intend to generate approximately half our sales in the Americas and Asia Pacific, and the other half in the European market.

With this goal in mind, we took further steps to bolster our international presence in 2005. In the Automotive Technology sector, this included measures in China to expand our production and development site in Suzhou and establish new facilities for these activities in Wuxi. The Indian market is also expanding dynamically. We signed a deal with the German

Sales by business sector [1]

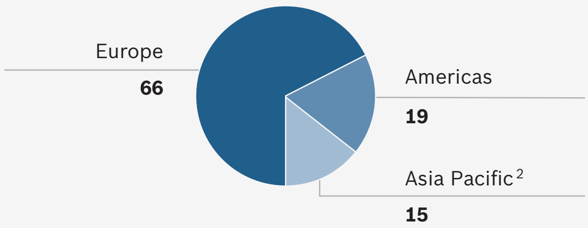
Bosch Group 2005
Percentage figures



[1] Continuing operations

Sales by region [1]

Bosch Group 2005
Percentage figures



[1] Continuing operations
[2] Including other regions

automotive supplier Mann + Hummel to establish a fifty-fifty joint venture there. The new company, MHB Filter India, with headquarters in Tumkur, will develop and manufacture filter systems for the Indian market and for export. We also acquired a majority stake in brake manufacturer Kalyani Brakes Ltd in Pune. In February 2006, we announced a joint takeover, again with Mann + Hummel, of the Purolator filter business from U.S. automotive supplier ArvinMeritor Inc. Purolator produces oil, air, fuel, and cabin filters, with sales primarily focused in the U.S.

We also expanded our capacity in eastern Europe, among other things by again stepping up production of high-pressure diesel-injection systems at our Jihlava plant in the Czech Republic. In the Industrial Technology sector, besides acquiring a majority stake in Oil Control, Bosch Rexroth took over Nyquist BV, Eindhoven, Netherlands, a leading Dutch manufacturer of electrical motion control products. We expanded our activities in thermotechnology by purchasing Swedish heat pump manufacturer IVT Holding AB, and on the sales side in the U.S. through the acquisition of Controlled Energy Corporation in Waitsfield, Vermont.

To keep our cost base competitive, we plan to further optimize the geographical distribution of our activities in the three major triad regions of Europe, the Americas, and Asia Pacific. Alongside our established high-tech sites, which function as lead plants within our global manufacturing network, we aim to continue developing locations with special cost advantages in each of these regions. These plans primarily relate to production, but we are increasingly adding an international dimension to our development activities as well. In the high-growth regions of Asia and eastern Europe, growth will be driven primarily by the newly emerging market segments for low-priced vehicles. It is essential for us to find the right product responses to these new segments and establish a local presence with qualified associates.

Broad business portfolio creates advantages

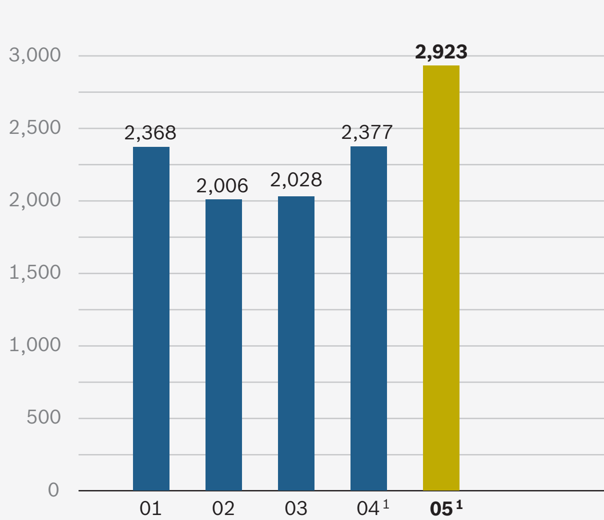
Our strategic approach of attaining a better balance among business sectors is paying off. While the Automotive Technology sector experienced below-average growth in the year under review due to the weakening automotive industry, we achieved particularly strong gains in Industrial Technology thanks to the favorable worldwide climate for the sale of capital goods. We are sticking to our goal of achieving a steady rise in the share of sales attributable to the Industrial Technology and the Consumer Goods and Building Technology business sectors. But we shall also consistently exploit our growth opportunities in Automotive Technology and redouble our efforts to live up to our position as the world's leading supplier to the automotive industry. And as we have already done in our automotive sector, at the beginning of 2006 we placed our consumer-related activities in the Consumer Goods and Building Technology business sector under unified leadership within the Board of Management, thus underscoring the increased importance of this area to our corporate strategy.

Compared with the accounting methods used hitherto, however, sales distribution by business sector has shifted only slightly, despite the different levels of growth. This was due to the divestments of the castings and special steels businesses in the Industrial Technology sector and of broadband network activities in Consumer Goods and Building Technology, which, pursuant to IFRS, are no longer contained in the figures for 2004. These disposals are part of our active portfolio management, under which we focus on business segments where we see favorable long-term development opportunities for the company.

We also made a number of small-scale acquisitions in the year under review to bolster our business sectors and international position. Another part of portfolio management is to regularly review the structure of our divisions. By splitting Chassis Systems into two divisions – Chassis Systems Control (electronic braking control systems) and Chassis Systems Brakes (brake components) – we are addressing the challenges posed by the increasing globalization of our activities and by fierce worldwide competition.

Capital expenditure

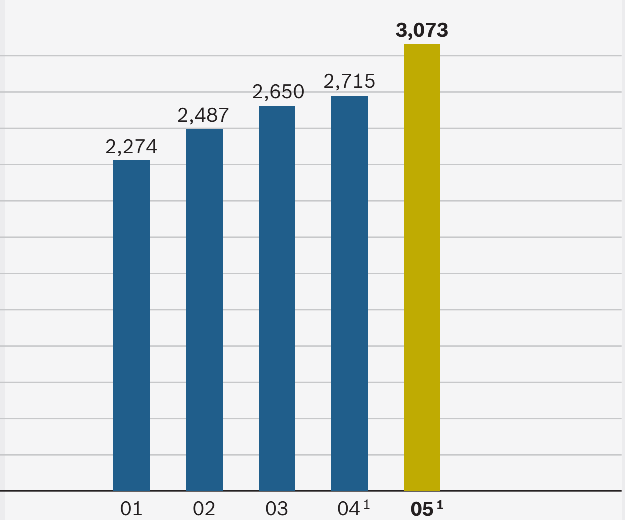
Bosch Group 2001 – 2005
Figures in millions of euros



[1] Continuing operations

Total research and development cost

Bosch Group 2001 – 2005
Figures in millions of euros



[1] Calculation amended pursuant to IFRS

Opening up new growth areas

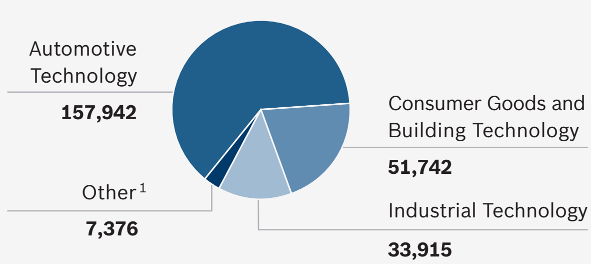
One of the most important tasks for our long-term strategy is to open up new growth areas. In the year under review, we established Bosch Sensortec GmbH with the aim of further expanding our activities in micro-electromechanical systems (MEMS). We have been among the pioneers in this technology since 1988 and are now the world's largest manufacturer, producing approximately 100 million sensors a year. Up to now, we have mainly developed and produced micromechanical sensors for automotive technology. In the future, we also plan to supply sensors for consumer electronics. Another new business area is selling spare parts and supplying information and other services for classic cars under the name Bosch Automotive Tradition. The steady rise in popularity of classic cars in Germany and other parts of the world has led to an increase in demand for original spare parts and related services.

Innovations: a key competitive advantage

Even if we are striving harder than ever before to secure our competitive position by optimizing costs and processes, the crucial factor for our success as technology leader is our ability to innovate. Our goal today and for the future is to keep opening up new markets with a stream of product innovations and enhancements, thus securing at the very least a time

Headcount by business sector

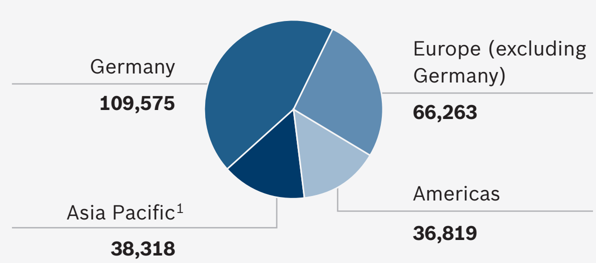
Bosch Group
As per January 1, 2006



[1] Corporate functions and research

Headcount by region

Bosch Group
As per January 1, 2006



[1] Including other regions

advantage over competitors. During the past year, we invested a total of approximately 3.1 billion euros or 7.4 % of sales in research and development. This is for us an all-time record. Of this amount, some 2.5 billion euros were invested in Automotive Technology alone, or 9.6 % of sales in this sector. This substantially exceeds the R&D spending of most of our competitors – as well as most automakers. Such heavy up-front investment reflects our determination to be a force for progress in automotive technology in the areas of safety, environmental compatibility, energy efficiency, driver assistance, and comfort.

Bosch innovations in the year under review included ESP®plus, whose new features result in even shorter braking distances. We also launched an active infrared system for night-vision enhancement. This product belongs to the category of driver assistance systems, an area we plan to expand significantly. Our focus on this area is motivated by increasing traffic density and the related rise in safety requirements, as well as by heightened demand for comfort, and by the rising average ages in the populations of many countries. Our development work in the area of common-rail piezo technology led to our selection by the German president, together with a competitor, as recipient of the *Deutscher Zukunftspreis* (German Innovation and Advanced Technology Award). The Brazilian Ministry for Science and Technology awarded us an innovation prize for our Flex-Fuel alternative fuel concept, which permits vehicles to run on gasoline, alcohol, or any mixture of the two.

We also emphasize innovation in our other business sectors. One example is the successful use of lithium-ion battery technology in products such as professional power tools. Through our innovations in Industrial Technology, we aim to provide customers with a steady stream of technologies that optimally combine enhanced performance, cost effectiveness, and compact size. This includes a new generation of electrical drives for production facilities.

Consistent efforts to improve quality

We consistently stayed on course with our quality efforts in all business sectors during the year under review. In nearly all areas of business activity, it was possible to further reduce defect rates. Despite some recall actions, this cut our overall quality costs in fiscal 2005. Further progress in this area, however, has become more difficult. Automakers around the world are more frequently carrying out recall actions, involving higher numbers of cars per recall, and higher costs per car.

We pursue integrated quality management in all business sectors right from the start of the development process. We constantly refine our methods with regard to product robustness, in order to achieve higher development quality. In this way, when faced with the accelerating speed of innovation, we can spot problems early on and avoid errors. In automotive technology, suppliers at the same time are making an increasing contribution to value added. This, in turn, entails an increasing responsibility for quality. As a systems supplier, we therefore keep the entire supply chain under close scrutiny, from production of upstream products, to our own production activities,

Internal control adapted to IFRS

We manage the Bosch Group on the basis of a comprehensive internal planning and control system. In a monthly business report, this system gives the Board of Management a survey of developments on the corporate, business sector, and division levels. Controlling is done via an actual-target comparison, which is based on the annual business plan. The business plan has a three-year perspective, and is itself embedded into strategic corporate planning, which takes an eight-year perspective.

We have also adapted our internal control system to IFRS. The new rules apply for the first time to the 2006 business plan, and also to our monthly business reports as of the new year. Also from the beginning of 2006, in line with our Value Based Management, we reduced our weighted cost of capital from 9% to 8%, above all to reflect the persistently low interest rates on the capital market. The cost of capital plays an important role in the calculation of value contribution, a key performance indicator.

The development of value contribution is the yardstick we use to assess divisional performance. It is also used for portfolio management purposes and forms the basis for calculating executives' performance-based bonuses. Value contribution is a result variable based on cash flow, adjusted above all for capital charge.

to installation of our systems and components at the customer's. One focus of efforts in 2005 was on improving information exchange and hence cooperation where we interface with suppliers and customers.

Global purchasing activities expanded

Our internationalization strategy includes expanding our global purchasing activities. We encourage our major suppliers to follow us into growth regions in Asia, eastern Europe, and the Americas, and we also look for local suppliers there. In 2005, our worldwide purchasing of goods and services totaled 21.4 billion euros. Although Europe still accounted for the largest purchasing volume, the shares represented by the other two triad markets increased substantially.
We intensified our purchasing activities particularly in China, Mexico, and central and eastern Europe.
These efforts were supported by cross-functional regional teams comprising associates from our purchasing, engineering, and quality assurance operations. We work together with suppliers to develop and improve our products and manufacturing processes on an ongoing basis. The year under review marked the tenth worldwide Bosch Supplier Award, which the company grants every two years. Winners in 2005 included a company from India for the first time.

"House of Orientation" points the way

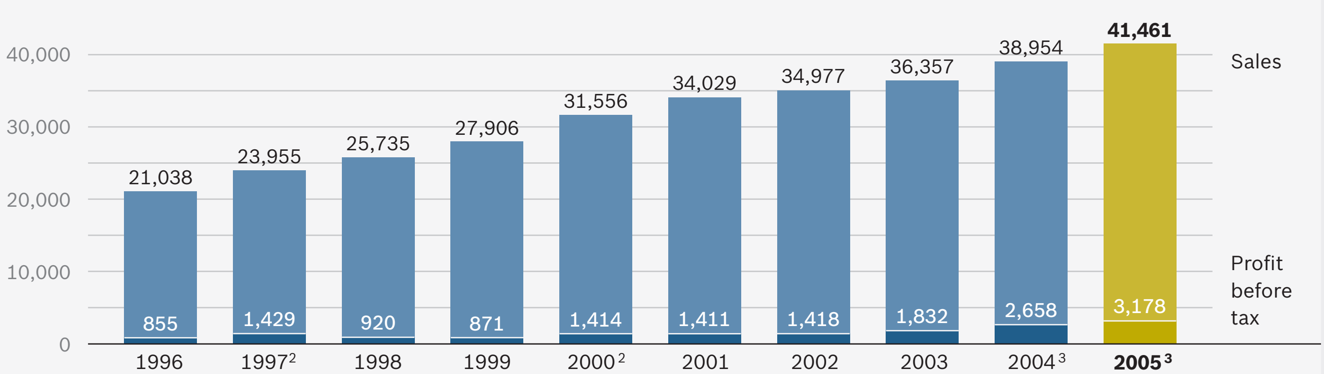
For effective management of an international and innovative company like the Bosch Group, it is important for all executives and associates to have a common vision of how the company is to develop successfully in the long term. Our founder Robert Bosch gave the company his name and established values that still hold true today. He measured success not by growth and income alone, but by improvements in the quality of life. In our House of Orientation, we have created a guiding framework to carry this idea forward into the future. It pools the management approaches of the Bosch Group to form an integrated system: the Bosch vision as an image of the future, the values as a guide for our entrepreneurial and societal mindset and action, the BeQIK mission as a guideline for continuous improvement, the core competencies for successful management of our activities, and the Bosch Business System, in which our management methods are integrated.

High environmental and social standards

In harmony with our values, we traditionally maintain high environmental and social standards in the Bosch Group. In signing the United Nations' Global Compact, we underscored this tradition once more. Equality of opportunity for associates, whatever their cultural background, is a paramount principle of our human resources work. At all our locations, we place the greatest value on occupational safety and the safety of our facilities. For us, protection of the environment and conservation of resources are not simply important conditions for securing our activities in the long term. They are also part of our business strategy, and thus have a major impact on our product and process innovations.

Sales and profit before tax[1]

Bosch Group 1996 – 2005
Figures in millions of euros



[1] Up to 2003, designated income from ordinary business activities pursuant to HGB
[2] Special effects as a result of the "distribute-recapture method" at Robert Bosch GmbH
[3] Continuing operations (2004 sales pursuant to HGB: 40 billion euros)

Results of operations

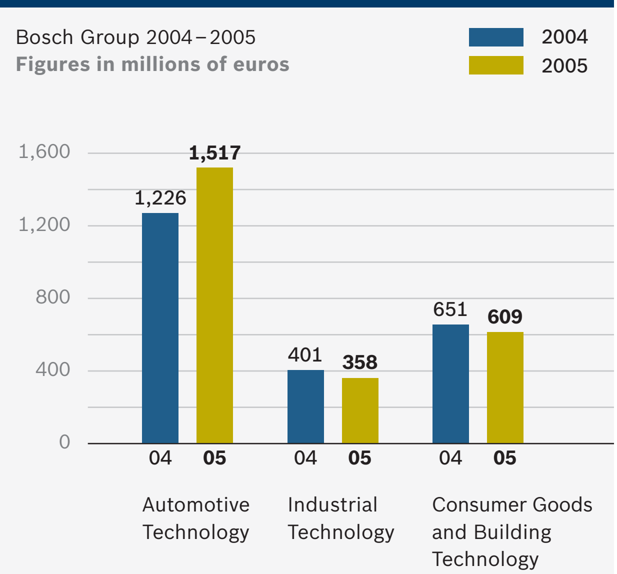
Improved earnings

In its continuing operations, the Bosch Group increased its profit before tax from 2.7 billion euros in 2004 to 3.2 billion euros in 2005. Most of the improvement is accounted for by net financial income, which increased by a solid 300 million euros. Alongside divestments, this was mainly a result of the favorable capital market situation and gains from the restructuring of the securities portfolio.

The operating result increased from 2.3 billion euros in 2004 to 2.5 billion euros in the year under review. Contributing factors included a comparatively small increase in total personnel costs, purchasing prices that improved on balance, and lower guarantee-related expenditure. Goodwill impairment tests, especially in the Chassis Systems Brakes and Packaging Technology divisions, resulted in impairment losses totaling 55 million euros. We again significantly increased up-front investments in innovations. Consequently, expenditure for research and development rose at a higher rate than sales, reaching a total of 3.1 billion euros.

Operating result by business sector [1]

Bosch Group 2004 – 2005
Figures in millions of euros



[1] Continuing operations

Benefiting from a strong financial result, our pre-tax return on sales was 7.7 %. Together with the change-over to IFRS, we reviewed our return targets. Since the positive and negative effects of the transition approximately cancel out, we continue to aim for a return before taxes of at least 7 % of sales. Essentially, this target is derived from two fundamental strategic considerations: first, the persistently significant up-front investments needed for us to continue to exploit our worldwide growth potential and in particular to maintain our ability to innovate; and, second, the objective of continuing to generate, through our own efforts, the resources needed for us to preserve our independence.

Extraordinary factors affecting business sector results

As a result of the transition to IFRS, a number of accounting-related extraordinary effects are reflected in sectoral operating results. Compared with the accounting treatment used hitherto, these effects impact operating result both favorably and unfavorably. The operating result for the Automotive Technology business sector was 1.5 billion euros, which corresponds to a 5.8% return on sales. The improvement compared with 2004 is exaggerated by a reversal of provisions made possible by a reduction of quality-relevant occurrences. At the same time, its attainment despite even greater price pressure is largely due to further product and process improvements and hence savings along the entire value added chain.

The Industrial Technology business sector achieved an operating result of approximately 360 million euros, or 6.9 % of sales. Unlike in past years under the previous accounting basis, the IFRS operating result is not reduced by systematic amortization of goodwill. The strongest contribution to the operating result came from Bosch Rexroth, which benefited from high capacity utilization reflecting the strong economic situation in the capital goods industry. The fact that Bosch Rexroth's reported operating result is nonetheless down from 2004 is primarily attributable to extraordinary items – including changes to the pension scheme – which had led to an improved result in 2004. Without this effect, the Bosch Rexroth operating result showed a slight improvement. By contrast, the earnings position in Packaging Technology was unfavorable against the backdrop of a depressed situation in the industry as a whole.

The Consumer Goods and Building Technology sector generated an operating result of nearly 610 million euros in the year under review, a decrease compared with 2004. The overall return on sales in the various divisions was 6.1 %. The deterioration in operating result is largely attributable to structural adjustment measures and significant up-front investments in new markets. Business in the German market was in some areas also in significant decline.

Financial position

Sound financial basis

In 2005, the Bosch Group continued to show a sound financial basis. Our healthy financial position is expressed in the AA– rating conferred by the Standard & Poor's rating agency. Cash flow increased to 4.4 billion euros, or 10.5 % of sales. The key factor in this increase was improved pre-tax profit. According to the cash flow statement, our liquidity reached 3.1 billion euros at the end of the past year, roughly 200 million euros less than a year earlier. However, we reduced financial liabilities during 2005. The 3.4 billion euros in capital expenditure on fixed (including intangible) assets and financial assets was thus able to be met in full out of cash flow.

Further rise in investment

We increased capital expenditure in continuing operations to 2.9 billion euros in 2005, or 7 % of sales, as compared with 2.4 billion euros in the previous year. Capital expenditure therefore exceeded depreciation on property, plant, and equipment, which amounted to 1.9 billion euros. Some three-quarters of this capital expenditure was made in the Automotive Technology business sector. Spending in this area focused on increasing capacity for common-rail diesel direct-injection technology and on other activities including semiconductors and sensors, braking systems, electric power steering for cars, and commercial vehicle steering systems. We continued to expand our inter-

Consolidated cash flow statement 2004 – 2005

Bosch Group	2004	2005
Cash flow	3,977	**4,352**
Cash flows from operating activities	3,969	**3,440**
Cash flows from investing activities	–3,753	**–3,631**
Cash flows from financing activities	312	**–262**
Liquidity at year-end	3,296	**3,074**

Figures in millions of euros

Corporate financial and currency management

The Bosch Group manages finance and currency at corporate level. Corporate finance management comprises financing and the investment of funds, the control of global payment transactions, and risk management. In many of its finance functions, it acts as the internal bank of the Bosch Group. The task of cash management is to ensure our ability to pay at all times and to control cash flows in the best possible way, also taking issues of risk into account. Currency management is based on a regularly prepared consolidated foreign exchange balance plan. The internal currency exposures of the units are first offset against each other and, if deemed necessary, any residual net position is hedged by corporate management on the currency market. In addition, investment of cash resources and securities largely takes place at the corporate level, as does borrowing.

national capacity in line with strategy. However, Germany still accounted for roughly one-third of capital expenditure, distributed over a large number of locations and projects, including a large training center for automobile repair shop staff in Plochingen near Stuttgart and a new logistics center for diesel systems in Homburg. Outside Germany, we invested heavily in the expansion of our manufacturing facilities for diesel-injection systems in the Czech Republic and Turkey. Further capital expenditure focused on electronics manufacturing in Hungary. We opened two new engineering centers and a first plant for modern diesel technology in China, and expanded our engineering center in Korea. Bosch Rexroth invested above all in further extension of its manufacturing capacity for mobile hydraulics.

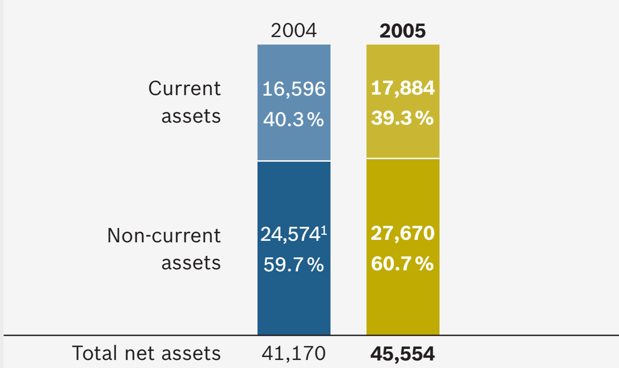
In the next two years, we plan to maintain high levels of investment activity. The focus will remain on our largest business sector, Automotive Technology. There will also be little change in the distribution of capital spending within the triad. In the current year, we shall commence construction of an administrative building in Shanghai to provide us with facilities from which to coordinate our rapidly growing business in China. In the U.S., we are building a new engineering center in Plymouth Township, Michigan, among other things to develop driver assistance systems. In eastern Europe, we are expanding our plant in Hatvan, Hungary, as part of a multi-year investment program. The plant produces display instruments and control units for ABS and other systems. Bosch Rexroth is setting up a manufacturing facility for linear motion machinery in Blaj, Romania.

Healthy balance sheet structure

The Bosch Group continues to maintain a healthy balance-sheet structure. Equity increased in 2005 to 20.9 billion euros and the equity ratio to 46 %. The substantial growth in equity, by 3.5 billion euros, is primarily attributable to the strong after-tax profit of 2.5 billion euros. There was also an increase in accumulated other comprehensive income, comprising items such as gains recognized in equity on measuring securities at fair value. Another material item is comprised of exchange differences resulting from currency translation at subsidiaries outside Germany.

Balance sheet structure – assets

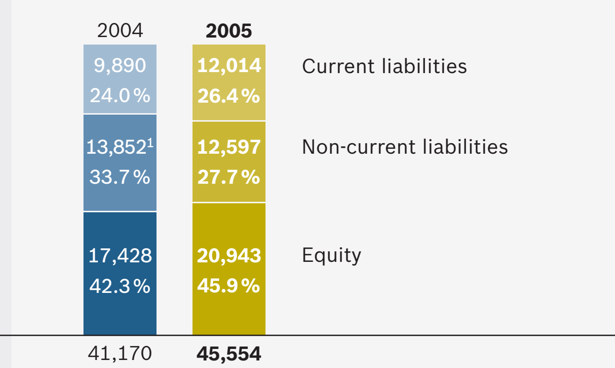
Bosch Group 2004 – 2005
Figures in millions of euros / as a percentage of total net assets



[1] Including 527 million euros in assets held for sale

Balance sheet structure – equity and liabilities

Bosch Group 2004 – 2005
Figures in millions of euros / as a percentage of total net assets

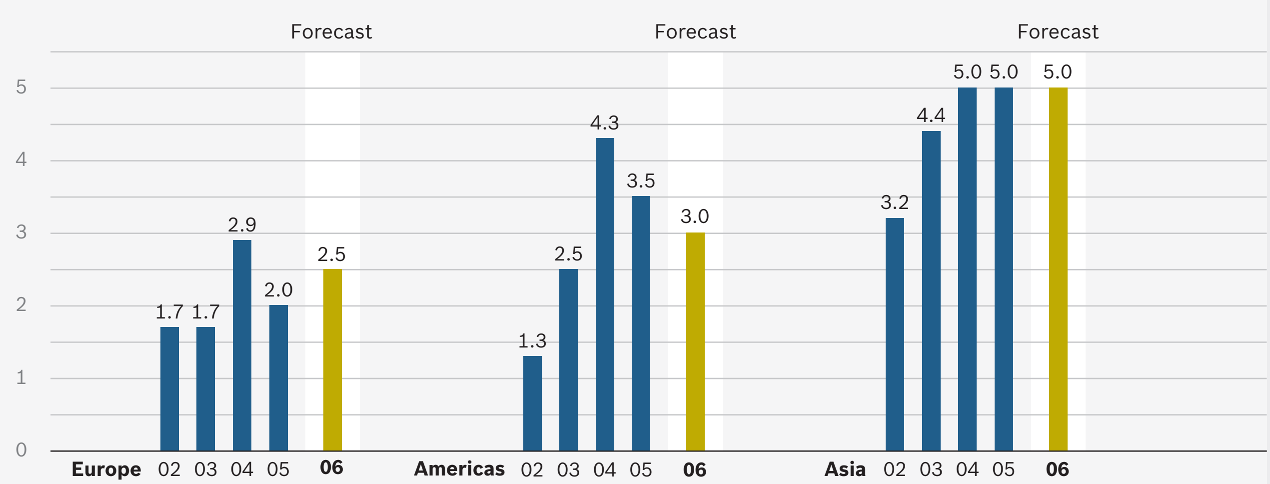


[1] Including 362 million euros in liabilities held for sale

The Bosch Group has positive net cash and cash equivalents. Cash and cash equivalents, including current securities and current bank balances, amounted to four billion euros at the end of 2005, significantly exceeding current and non-current financial liabilities, which totaled slightly less than three billion euros. Our financial liabilities showed a significant shift away from non-current debt toward current liabilities. One important reason for this is the reclassification as a current liability of our 1.5 billion euro bond, issued in 2001 and due to expire in mid-2006. The amount of the bond issue currently still outstanding is approximately 1.3 billion euros. The health of our balance-sheet structure is also reflected in the fact that the securities carried under non-current financial assets, at 7.2 billion euros, exceed the 6.9 billion euros in pension-liability obligations.

Regional economic growth 2002 – 2006

Real GDP, percentage change on year ago



Subsequent events

The only subsequent event of importance since the balance-sheet date is the agreement entered into with Mann + Hummel to jointly acquire the Purolator filter business of the U.S. automotive supplier Arvin-Meritor Inc.

Forecast

Generally positive environment in 2006

We expect that global economic growth will continue in 2006 and are assuming a rate of approximately 3 % for planning purposes. The dynamic trend in China will carry on in the current year, albeit with slightly reduced momentum. In Europe we anticipate a somewhat stronger economic trend after the stagnation of recent years. In the U.S., by contrast, we expect the economy to slow down somewhat, a development that seems likely, after a certain time lag, to dent growth in Asia and Europe as well.

We assume that worldwide automotive production will increase by nearly 3 %, the same moderate rate as in 2005, with the strongest growth still delivered by the emerging Asian countries and eastern Europe. In western Europe and in North America, we expect only a slight overall increase. In the Industrial Technology business sector, we expect business to remain good for investments in plant and equipment. Growth in the demand for consumer goods is likely to decline somewhat in North America, but we see a chance for it to continue expanding in Asia and Europe. One reason is an anticipated increase in spending caused by a VAT increase due to take effect in Germany in 2007. For the coming year, we also expect a slowdown in the global economy because growth is likely to lose momentum, especially in the U.S. Weakening stimuli from the global economy and the braking effect of the planned VAT increase in Germany are likely to act as a drag on growth in Europe as well.

Given this background, we expect the Bosch Group to exhibit further positive growth in 2006. On the basis of current estimates, we anticipate sales to increase by a good 5 %, again with more rapid growth in the Industrial Technology and Consumer Goods and Building Technology business sectors. Growth in the Automotive Technology sector is likely to continue to feel the effects of fierce international competition and the ongoing price pressures. We also expect prices for raw materials to remain high. Because the 2005 result was strongly impacted by the financial result, it will be difficult to maintain the same rate of return in 2006. For 2007, we are confident that we will achieve satisfactory earnings, even under conditions which we expect to be difficult. To meet these expectations, we shall rely on our innovative strength, further expansion of our footprint in global growth regions, and improved balance among our divisions.

Risk report

Risk management in the Bosch Group

We have put together in a manual all the organizational rules and actions relating to risk management in the Bosch Group. Our reporting system delivers monthly reports on all commercially relevant matters and their impact on result. The Bosch Group internal auditing unit as well as internal control provisions ensure compliance with the risk guidelines.

General risk assessment

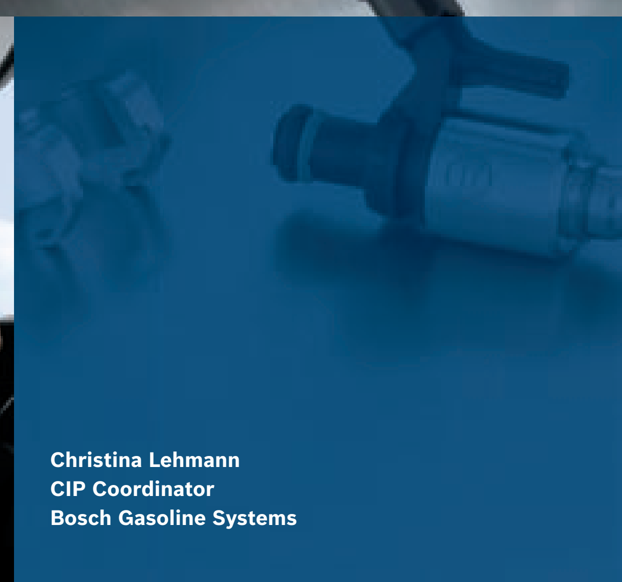
On the basis of the information currently known, there are no recognizable individual risks, apart from the market-driven opportunities and threats listed in the forecast above, that will materially impair the net assets, financial position, and results of operations of the Bosch Group in fiscal 2006. Our broad regional and sectoral presence is a key factor in ensuring that risks are spread.

Products: One risk has its origin in automakers' demands for price reductions and in high price pressures in the area of consumer goods. Our markets are also subject to cyclical fluctuations. In Automotive Technology, one risk results from ever-shorter development cycles and increasingly complex systems, and the attendant increase in the risk of individual defects with far-reaching repercussions. We counter this risk with intensive quality assurance measures encompassing the entire supply chain. In addition, market conditions can fundamentally change at short notice if customers switch to other technologies, as occurred with unit injectors for diesel fuel injection. In 2006, rising prices for key metals and the rising cost of energy may constitute an added burden.

Legal risks: We do not anticipate any material risks as a result of current or pending litigation.

Financial risks: The operational business of the Bosch Group is impacted by fluctuations in exchange and interest rates. These risks are limited by hedging transactions, which are entered into exclusively at corporate level. Internal regulations and guidelines set down a mandatory framework and define the responsibilities relating 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 forbidden. Hedging transactions are entered into solely via banks whose creditworthiness is regarded as impeccable; the yardstick for their creditworthiness is the rating given by leading agencies.

Anyone who wants to take off from a traffic light in style or take an engine to upper revs without batting an eye is going to need these precision components. Especially if they want to save fuel at the same time.



Christina Lehmann
CIP Coordinator
Bosch Gasoline Systems

Pity that the superior technology of gasoline direct injection is concealed beneath the hood. But for Christina Lehmann, CIP Coordinator at Bosch Gasoline Systems in Schwieberdingen, Germany, it translates into an immediate and intense driving experience. Our second-generation DI-Motronic system with new injection valves and a 200-bar high-pressure pump together with exhaust-gas turbocharger and variable valve timing makes for a minor revolution in engine technology. Delivering more torque, it not only benefits the environment thanks to better exhaust characteristics and lower fuel consumption, but also allows gasoline engines to rev freely. What better way to satisfy future emission standards cost-efficiently? Many important vehicle manufacturers will be using the DI-Motronic system in the coming years, a technology advance made possible by Bosch and designed to benefit everyone. By the way, CIP stands for Continuous Improvement Process – because we aim to keep on getting better.

Automotive Technology

Key data	2004[1]	2005[1]
Sales	24,960	**26,313**
Capital expenditure	1,843	**2,306**
R&D cost	2,205	**2,538**

Figures in millions of euros

[1] Continuing operations

Drive systems using natural gas: an increasing number of gasoline-driven vehicles can now also be run on natural gas. Our new injection valve has been specifically designed for this type of fuel, and features a special coating which makes it particularly well-suited for this purpose.

In 2005, global automobile production increased by just under 3%. Over the same period, our sales of automotive technology rose by 5.4% to 26.3 billion euros. We expect the automotive market to continue to offer good prospects for the next few years, though two different trends are now becoming apparent. In Asia and eastern Europe, we predict further strong growth in automotive production with a focus on low-cost vehicles. This sector is set to grow twice as fast as the market as a whole. In contrast, the markets in western Europe and North America will stagnate. Nevertheless, together with Japan, they will continue to constitute the largest markets. Bosch is prepared for both of these challenges. We already offer locally manufactured systems and components in the growth markets, and strive to win over established automakers with our consistently high level of innovation. For this reason, we invested 9.6% of our sales in this sector in research and development — far more than the average in our industry. At present, the focus of our R&D efforts is on developing drive systems and driver assistance systems.

Rising prices for raw materials such as steel and oil have pushed up automotive production costs. Higher fuel prices have also made customers even more price-sensitive than usual. Efficient engines and alternative drive systems which cut costs and are environmentally friendly are therefore taking center stage. With its innovative technologies, Bosch offers a whole range of solutions in this field.

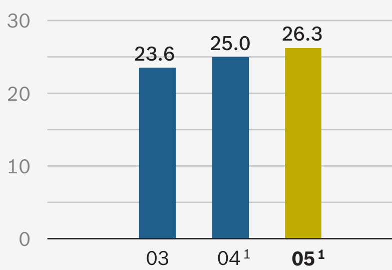
Diesel technology remains attractive

In 2005, diesel's share of new passenger car registrations in western Europe rose again by 1.2 percentage points, taking the average for the year to 49.5 %. Our direct injection systems have played a key role in shaping the boom of recent years. Our third and latest generation of common-rail injection technology with piezo-inline injectors helps to

Keeping a clear view even at night: these days, there is a growing amount of information available in the vehicle, information which needs to be communicated to the driver at precisely the right moment. Bosch has started production of a new display instrument featuring a large, freely programmable screen. During the day, it can be used to show vehicle speed in the normal manner. When night falls, it can incorporate information from an active system for night-vision enhancement which went into series production at Bosch in 2005.

Automotive Technology sales

Bosch Group 2003 – 2005
Figures in billions of euros



[1] Continuing operations

Precisely metered injection: third-generation common-rail technology with piezo-inline injectors makes diesel-driven passenger vehicles even cleaner and quieter, and further improves their fuel economy and performance. Here we can see the injection nozzle being fitted onto the injector at the plant in Bamberg, Germany.

reduce pollutant emissions by as much as 20 %. As increasing fuel prices are making the diesel even more attractive, we see further opportunities for growth in the years to come, especially in the small-car market. ACEA (the European Automobile Manufacturers Association) has committed itself to limiting per-kilometer emissions of carbon dioxide to a maximum of 140 grams by 2008. The widespread popularity of the diesel is making a major contribution toward its meeting this commitment. The German president has also acknowledged the technical achievements made in the field of injection technology, conferring the *Deutscher Zukunftspreis* (German Innovation and Advanced Technology Award) on researchers from Bosch and Siemens who made piezo technology suitable for use in injection systems. We have also made new findings in the development of diesel particulate filters – findings which open up the prospect of more cost-effective solutions with long service lives. We are currently carrying out exhaustive tests of these solutions.

Outside Europe as well, cutting-edge diesel engines are also increasingly gaining a reputation as an attractive drive technology. The Barton-Domenici Energy Policy Act will take effect in the U.S. in 2006. With this new legislation, the government aims to promote energy efficiency. The act makes explicit reference to both clean diesel technology and hybrid technology. We also see further business opportunities in China. In 2005, we opened our new engineering center and a manufacturing plant for common-rail systems in Wuxi. In Wuxi alone, we shall be investing an additional sum of around 200 million euros in the period between 2005 and 2007.

Economical gasoline engines and hybrid solutions

Direct injection and exhaust-gas turbocharging have helped diesel engines to achieve their current high performance levels. Now that these two technologies are also being used in the gasoline engine, this engine is also becoming considerably more attractive. We supply the injection systems for a number of these new gasoline engines, which automobile manufacturers

Fewer breakdowns: our new electronic battery sensor provides a constant stream of information about battery performance. This means that breakdowns caused by dead or faulty batteries can be largely avoided. The sensor will go into series production in 2006.

launched in 2005. They have met with the approval of drivers thanks to their excellent performance and fuel economy, and to the high torque they deliver even at low engine speeds. At the same time, we have more than 200 associates working on environmentally-friendly hybrid drives, which combine combustion engines with electric drives. We already have 30 years' experience in hybrid technology. Our strength here lies in our broad systems expertise, as we can draw upon know-how within the Bosch Group in nearly all fields that are relevant for the hybrid. As a first step, we are planning the series production of a start/stop system in 2006 which – with only modest additional technology – can achieve fuel savings of up to 8 % in urban driving conditions.

Bosch is also working on other alternative concepts. In Brazil, alcohol is used as a fuel alongside gasoline. Our Flex-Fuel engine management system enables vehicles to run on either type of fuel, or any mixture of the two. For the European market, we are manufacturing engine management systems which allow cars to run on either gasoline or natural gas.

Improved active and passive safety systems

Leading politicians and traffic experts declared 2005 the year of ESP® (Electronic Stability Program), demonstrating their conviction that widespread use of this active safety system is of central importance to road safety. The number of serious accidents not involving other vehicles could be reduced by roughly half if ESP® were a standard feature in all vehicles, since this system reduces the risk of skidding. Together with automakers, we are working hard to make this technology standard equipment in the future, even in small cars. We have developed a dealer training concept called "ESP®erience," which shows dealers how to explain the benefits of the safety system to prospective buyers in an easily understandable way. Since the program was launched in 2004, we have trained 25,000 dealers in several countries. These training courses will continue in 2006.

Simplicity itself: direct injection is becoming increasingly popular in gasoline engines. When used in conjunction with an exhaust-gas turbocharger, it makes driving more enjoyable by boosting torque, even at low engine speeds. The second generation of our gasoline direct injection DI-Motronic system is now delivering even greater advantages. It features injection valves with multi-hole nozzles, an improved single-cylinder high-pressure pump, and an optimized control unit. The holes in the new high-pressure injection valves are eroded into the valve seat.

Our engineers are also working intensively on refining our brake control systems. In 2005, we began production of a new generation called ESP®plus, which further reduces braking distances in critical situations. With ESP®premium, we shall be starting production of the next generation in 2006. With further improved components and control strategies, it allows even faster interventions – interventions which the driver can hardly hear, and which have a barely perceptible effect on the pedal. With this product series, we are in a position to offer automobile manufacturers the right system for all classes of vehicles and for every functional specification.

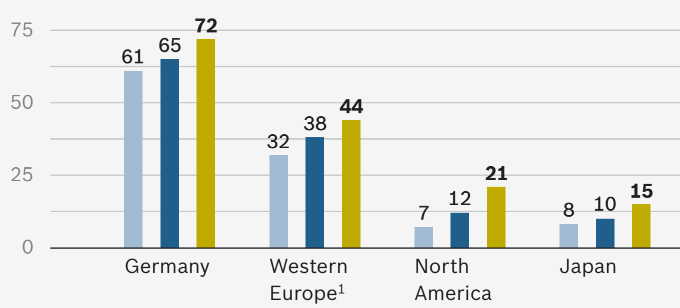
Good prospects for driver assistance systems

We are expecting to see a further boost to growth in driver assistance systems over the next few years. Well over 300 of our developers are currently working on systems which make drivers' lives easier and enhance safety. Production of our active system for night-vision enhancement began in 2005. The system features two infrared headlights which light up the road but are invisible to the human eye. Thanks to these headlights, a camera can identify any obstacles in the vehicle's path at a distance of more than 150 meters. This includes obstacles which do not emit any heat, such as posts, spilt loads, or parked cars. A display on the dashboard shows the driver a detailed image of the road ahead, similar to what he would actually see with high-beam lights.

Growing acceptance of ESP®

Share of vehicles equipped with an Electronic Stability Program, on the basis of the production of cars in selected markets from 2003 to 2005

Percentage figures

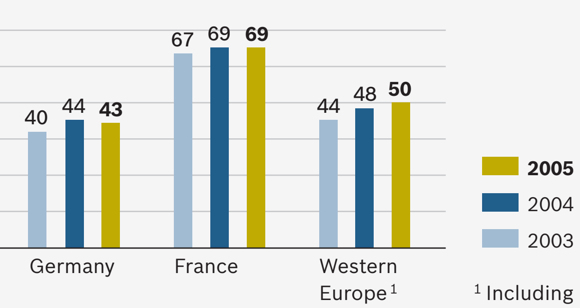


[1] Including Germany

Growing acceptance of diesel

Share of diesel in newly registered cars, based on selected markets from 2003 to 2005

Percentage figures



[1] Including Germany and France

Take the right route: the mobile TravelPilot Lucca navigation device from Blaupunkt provides up-to-the-minute travel guidance featuring dynamic navigation. It is quick and easy to install in the vehicle. Handy and user-friendly, it can be used anywhere. With this device, Blaupunkt offers a full range of navigation systems comprising everything from mobile entry-level devices to multimedia solutions.

Networked systems for improved safety

By networking vehicle systems which have hitherto worked in isolation, we are creating the basis for additional functions. For example, our modular Combined Active and Passive Safety system (CAPS) links a vehicle's safety systems with its environment recognition systems, paving the way for functions which further boost safety for drivers, passengers, and pedestrians.

Our Predictive Safety Systems (PSS) are the first application of this technology. A new generation of PSS will be launched in mid-2006. If the system identifies a potentially critical traffic situation and the driver fails to react within a reasonable period, the system will briefly jerk the brakes, for example, and prime them so that they will respond more quickly. This provides the driver with a perceptible warning, and can in many cases help to prevent accidents. An important precondition for this technology is our second-generation Adaptive Cruise Control (ACC) system, launched in 2005. With a radar beam twice as wide as that of its predecessor, the system allows complex traffic situations to be assessed even more effectively. To allow commercial vehicles to benefit from these systems in the future, too, we entered into an alliance with Knorr-Bremse Systeme für Nutzfahrzeuge GmbH at the end of 2005. The company will adapt the systems to commercial vehicles' compressed air brake systems, and market them worldwide.

In parallel to our CAPS safety system, we are networking the braking control system with other active vehicle systems to achieve Vehicle Dynamics Management (VDM). This combination of electronic stability system, active steering, active chassis, and drive train will further improve safety and dynamics on the road. In 2003, our joint venture ZF Lenksysteme GmbH launched active steering, and in 2005 it started production of its steering assistant, which we had developed for a carmaker up to a stage where it was ready for production. The system, which is based on ESP® and electromechanical steering, helps the driver to steer in the best possible way in critical driving situations. To achieve this, this function reinforces or diminishes support for power steering, guiding the driver to choose the optimum steering movement.

Treasure trove: a trunk full of spare parts is the dream of many a classic car fan! Created in 2005, the new Bosch Automotive Tradition unit offers expert support, technical advice, and original spare parts for automotive manufacturers' classic-car centers, specialist workshops, and classic car enthusiasts.

A broad digital technology portfolio from Blaupunkt

Our subsidiary Blaupunkt GmbH has launched various new vehicle navigation solutions, including the first navigational radio to use a color display to visualize the street map at road junctions, a system offering a digital map of Europe on the digital versatile disc (DVD) medium, and a mobile device with intuitive operation. In the field of receiver technology, we are developing tuner concepts using digital standards such as Digital Audio/Digital Multimedia Broadcasting (DAB/DMB), Digital Radio Mondiale (DRM), and Satellite Digital Audio Radio Service (SDARS). Blaupunkt is also developing a dual-architecture multimedia system to allow cell phones and increasingly popular MP3 players to be integrated easily into vehicles. This technology is designed as original equipment, and uses defined interfaces to ensure the functional and data protection that is so vital for automobile manufacturers, while also allowing problem-free integration of consumer-oriented multimedia functions.

International service from Bosch partner workshops

With around 12,000 workshops, we have one of the largest independent workshop networks in the world. Over the next few years, we shall expand this network still further. In April 2005, we opened our new Bosch Service Training Center in Plochingen near Stuttgart, Germany. In future, around 4,500 associates from Bosch Service Stations and independent automotive workshops around the world will be trained here every year. Globally, almost 40,000 workshop associates have already learned about Bosch products and testing technology at 37 training centers in 33 countries and locally at our customers' premises.

More and more coffee drinkers are turning to practical capsules for their coffee breaks. Producing them intelligently calls for three-shift operation. And for robots that don’t need coffee breaks.

Luisa Hahn, Office Assistant in Manufacturing Operations and Engineering at Sigpack Systems AG in Beringen, Switzerland, enjoys her cappuccino. For quick breaks, she uses practical coffee capsules. These are becoming more and more popular. They are manufactured with the help of sophisticated Bosch packaging technology. This compact robot system was produced to customer specifications. It processes injection-molded disposable coffee capsules which are delivered in bulk and fed into the system on five belts. With their interlinked arms and “hands,” ten robots pick up 1,200 capsules per minute and place them on a conveyor with corresponding recesses. This is done precisely, reliably, and continuously thanks to an integrated image-processing system, articulated arms made from high-strength composite materials, and wear-free joints. Bosch Packaging Technology sets the industry standard for cost-efficient, leading-edge solutions.

Luisa Hahn
Office Assistant, Manufacturing Operations and Engineering
Sigpack Systems AG

Industrial Technology

Key data	2004[1]	2005[1]
Sales	4,609	**5,187**
Capital expenditure	249	**278**
R & D cost	216	**234**

Figures in millions of euros

[1] Continuing operations

Highest pharmaceutical quality: when packaging drugs, the filling area and the operator environment are strictly separated. Bosch is a one-stop provider of integrated solutions for filling machines and barrier systems.

The global economic situation for capital goods remains healthy, and our Industrial Technology business sector benefited accordingly. Sales rose by 12.5 % to 5.2 billion euros. Disregarding consolidation effects, the increase was 6.8 %. Business received an especially strong boost from the robust growth in the global market for mechanical engineering products in Asia and the U.S. Most of the industries with which we do business grew, especially construction machinery — a market successfully catered to by the mobile hydraulics activities of our subsidiary Bosch Rexroth AG. There is a growing trend toward complete solutions here, a move we have also noticed in our second key product area, factory automation. Having foreseen this trend, Bosch Rexroth has been refining its systems solutions for many years, and now offers all the major technologies for machine drive, control, and motion applications, i.e. pneumatics, electrics, mechanics, and hydraulics. Since the acquisition of the Swiss company Sigpack, our Packaging Technology division has assumed an even better position in this highly-fragmented market, which is currently stagnating. This division holds its own against a variety of competitors in a wide range of fields. Last year, we maintained sales of packaging machinery on a constant level.

Bosch Rexroth on course for growth

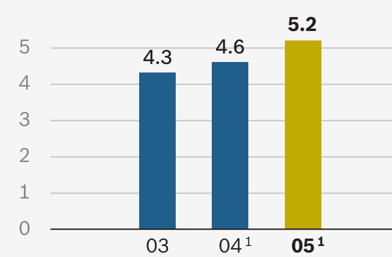
With its innovations and an extended service portfolio, Bosch Rexroth has become the technological leader in the “Drive & Control” field (machine drive, open- and closed-loop control). Its business continues to grow, thanks largely to mobile hydraulics applications, which are benefiting from the buoyant construction machinery sector. Industrial hydraulics also developed positively. Regionally speaking, growth was exceptionally strong in Asia (especially China), the Americas, and central and eastern Europe.

In 2005, we focused on expansion of our range of products and services for industries with a promising future, such as electronics. The acquisition of Nyquist BV, Eindhoven, Netherlands, was part of this strategy. The company is a leading manufacturer of electric motion control systems, which are used in semiconductor production and medical technology. Oil Control Group – Milan, Italy – integrated into the Bosch Group in April, strengthens our position in the compact hydraulics market.

An excavator that can climb hills! Well-suited to mountainous regions, the spider excavator can manage gradients of up to 40 percent. Hydraulics from Bosch Rexroth make this agile machine capable of delivering a consistently impressive performance. We supply a specially modified drive system with hydraulics designed to ensure reliability even in the harshest of terrain.

Industrial Technology sales

Bosch Group 2003 – 2005
Figures in billions of euros



[1] Continuing operations

We have liftoff! For a successful satellite launch, everything has to work perfectly. Bosch Rexroth supplies the high-precision hydraulics system for the simulation equipment used to test all the loads and tricky situations which may be encountered along the way.

Our subsidiary has consistently expanded its position in Asia. In Japan, Uchida Hydraulics Co Ltd, in which we were already a majority shareholder, and Bosch Rexroth Automation Corporation have been merged to form Bosch Rexroth Corporation. By pooling our hydraulics and automation expertise, we now have an even stronger position in the Japanese market.

We are honing our global competitiveness by investing in production locations with favorable cost structures. In 2006, we shall double the capacity for production of hydraulics components at our plant in Pomerode, Brazil. We have also built a new manufacturing facility for hydraulics components in Bursa, Turkey, and are constructing a new production plant for linear motion technology in Blaj, Romania. In China, following the construction of a manufacturing facility in Beijing, we have begun to extend our hydraulics plant in Wujin. Following appropriate measures, quality has been further improved, so as to bolster our leading position in the market.

A wider range of manufacturing activities

Bosch Rexroth's innovations in industrial technology are designed to help our customers increase their manufacturing output and to improve efficiency at the same time. One especially good example of this is our work to further develop drive and control systems, where we make consistent use of open standards for hydraulic and electric as well as pneumatic drives. These standards allow our customers to adopt unified engineering approaches in their applications. Thanks to its very flat design, the latest generation of electric drives, Rexroth Indradrive Mi, is predestined for a new generation of compact manufacturing lines at our customers'. The overall size of this system is less than half that of a traditional servo-drive. There is far less power loss in the switching cabinet, and the amount of wiring required is cut dramatically, thereby saving space and energy. A new control valve for tractors is also good for the environment. It gives farmers far greater control over the lifting gear and, aside from making it easier to access additional functions, the main advantage of the new system is that it enables farmers to reduce the level of unnecessary soil disturbance.

Back in shape again: the world's largest indirect extruder is used to process components for the aerospace industry. This machine, which was transported from Germany to the U.S. after the Second World War, has recently been upgraded. It now features a hydraulics system developed by engineers from Bosch Rexroth in the U.S.

Packaging Technology: a new concept

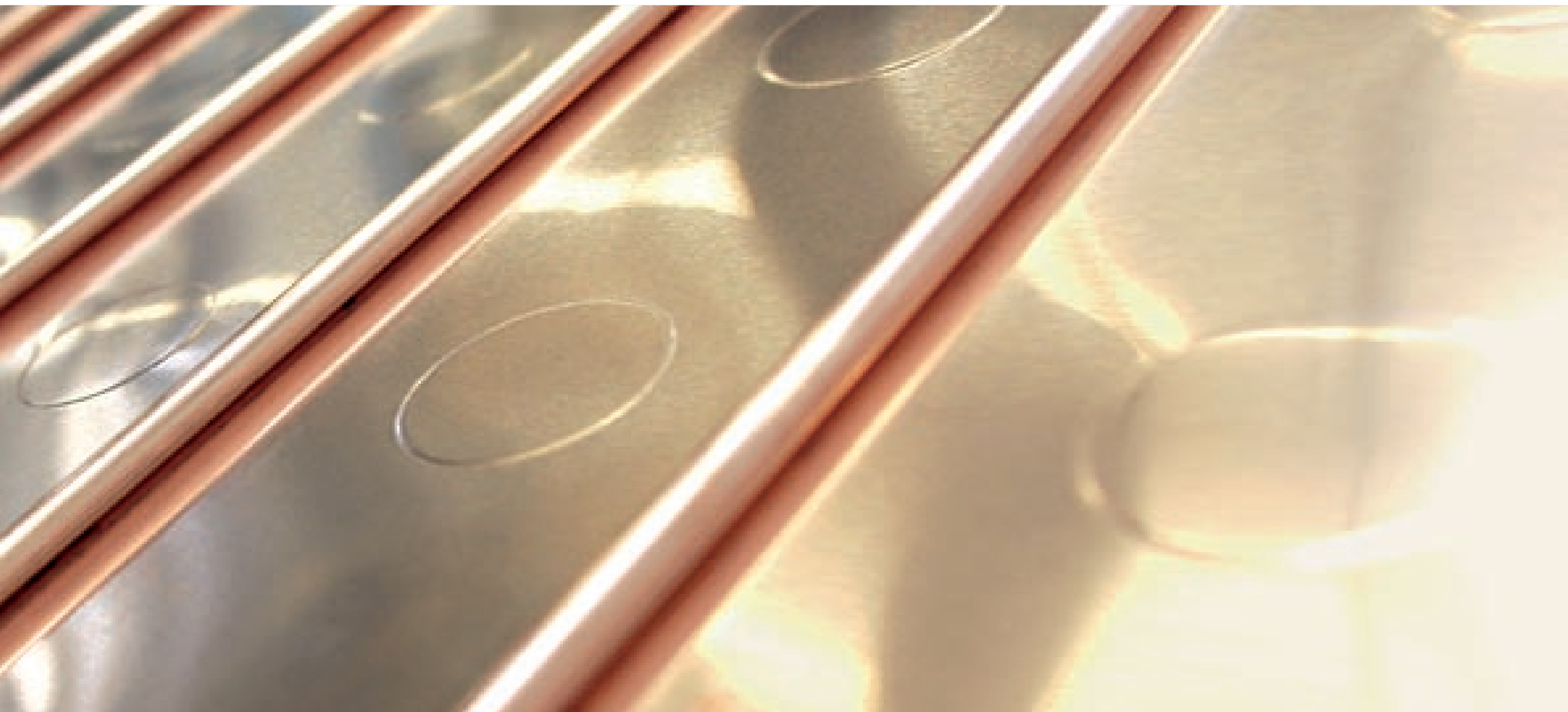
"One-stop shopping" neatly sums up the new direction taken by our Packaging Technology division. The complete product portfolio resulting from the integration of Sigpack, which we acquired in 2004, means we can now offer customers one-stop solutions. The Packaging Technology division supplies all the components required for packaging lines.

In this area, we work with a wide range of customer groups all over the world. Most of them produce pharmaceutical, food, and confectionery products, as well as cosmetics. New developments, such as the trend toward convenience foods, increasingly stringent hygiene standards for food and pharmaceutical packaging, and stricter rules and regulations, are making it imperative for us to constantly develop new and flexible solutions. This is reflected in innovations such as the CVT Slitec inspection system: it checks the contents of containers such as ampoules and syringes to ensure that no extraneous particles are present. Video surveillance ensures consistent quality.

In the difficult, globally fragmented market for packaging machinery, we failed to achieve our growth targets in 2005. For the future, therefore, our Packaging Technology division will be focusing even more consistently on its strengths. Our core competencies are the packaging of liquid pharmaceutical products, complex, customized systems, form, fill, and seal technology, excellent service, and a strong international position. To better serve the growing Chinese market, we have constructed a new plant at our Hangzhou site. We are also opening up the Russian market, and plan to make deliberate efforts to establish manufacturing facilities at production sites with favorable cost structures. Today, around 90% of our packaging technology sales are made outside Germany. In future, we shall continue to expand our activities, especially in Asia and North America.

A little sunshine brightens up anybody's day. But there's more where that came from. Tapping the sun as a source of energy can brighten up the whole house.

Ralf Köbbemann-Rengers
with daughter Luisa
Head of Engineering
Solar Diamant Systemtechnik GmbH



The hot water that Ralf Köbbemann-Rengers, Head of Engineering at Solar Diamant Systemtechnik GmbH in Wettringen, Germany, and his daughter Luisa use to wash the dishes is heated by the sun. To exploit renewable energy sources cost-efficiently, perfectly matched system components are indispensable. Thermotechnology solutions from Bosch can be combined to create energy-saving, eco-friendly systems that lend a room its pleasant climate and provide hot water at the same time. Energy yield depends on the technology of the solar collectors. The collectors, whose absorbers can be seen here, are produced at Solar Diamant, a subsidiary of BBT Thermotechnik GmbH. Copper tubing and absorber plates are joined together by an innovative ultrasonic welding process. The absorber surface facing the sun has a metal oxide coating which reflects less heat than previous coatings and absorbs the sun's radiation almost completely. The technology is mature, highly efficient, and weather-resistant. For a long, sunshine-filled life.

Consumer Goods and Building Technology

Key data	2004 [1]	2005 [1]
Sales	9,385	**9,961**
Capital expenditure	284	**336**
R & D cost	293	**301**

Figures in millions of euros

[1] Continuing operations

Uncompromisingly eco-friendly: we expect electric heat pumps to enjoy average annual market growth of 10 % over the next few years. Our acquisition of IVT Holding AB has further improved our access to the market for this environmentally-friendly technology.

Our Consumer Goods and Building Technology business sector showed gratifying development in 2005. Sales reached 10 billion euros, 6.1% higher than the previous year. All the divisions which make up this business sector successfully continued the expansion of their business outside Germany, compensating for weaknesses in the German market.

We extended our leading position in power tools for professionals and DIY enthusiasts in our key markets of Europe and North America. We also confirmed our position as European market leader in thermotechnology with heating-technology products and hot-water systems. Our thermotechnology business grew both on the basis of its existing activities and as a result of acquisitions. Our Security Systems division developed positively, reflecting an increasing need for security. Growth was due to our broad portfolio of products and complete security systems, as well as to strategic acquisitions. The Household Appliances division, which we run jointly with Siemens, was last year again able to further extend its position as one of the top three appliance manufacturers in the world.

Thermotechnology: internal and external growth
BBT Thermotechnik GmbH, created in 2004 by merging the heating technology activities of Bosch and Buderus, continued its positive development and secured its position as the leading European supplier of heating-technology and hot-water systems. Dynamic growth in international markets compensated for market weaknesses in Germany. Having performed well in the previous year, the German thermotechnology market shrank in the reporting year. This was chiefly due to the generally weak state of the German domestic economy, low propensity to invest on the part of private households, and increased price pressure in the market for floor-standing boilers and wall-mounted condensing boilers. The successful expansion of our international business is due to solid internal growth, particularly in the U.S., the UK, and France, as well as to the acquisitions of Swedish heat pump manufacturer IVT Holding AB and of our U.S. sales partner Controlled Energy Corporation. We are particularly keen to expand our market position in the field of condensing technology, as well as in heating and hot-water systems that use renewable energy sources.

For successful conferences: digital congress management systems from Bosch Security Systems cater to every requirement, from small discussion groups to huge multilingual conferences involving thousands of participants. These systems offer outstanding ergonomics and excellent speech transmission. They can also count and display voting results, incorporate remote interpreting facilities, and transmit voice data to different conference rooms without any loss of quality.

Powerful, portable, and persevering: we have launched the world's first hammer drill with a 36-volt lithium-ion rechargeable battery. Its high-power motor and two-stage metal planetary gear allows it to pack a punch and provide rapid drilling. In terms of performance, this cordless tool compares with two-kilogram hammer drills powered by household or industrial AC current.

White goods continue to grow

In the past fiscal year, BSH Bosch und Siemens Hausgeräte GmbH, a joint venture in which Robert Bosch GmbH and Siemens AG hold an equal share, once again confirmed its position as one of the world's leading manufacturers of household appliances. In 2005, BSH sales grew by 7 % to 7.3 billion euros, half of which is consolidated in our financial statements.

Year over year, BSH once again slightly increased its market share in Germany. Outside Germany as well, our household appliances business developed positively. High growth rates were achieved in northern Europe, Spain, and the U.S. in particular. In eastern Europe, growth was driven by positive developments in Russia and Turkey. In China, BSH has again recorded double-digit growth, albeit from a low volume.

In order to give it a broader manufacturing presence, BSH invested in new factories in Nanjing, China, and St. Petersburg, Russia. It also expanded its plants in Łodz, Poland, and Çerkezköy, Turkey. BSH is also spending around 90 million euros on its washing/drying division, building a new production line for washing machines in Nauen, Germany, and continuing to focus development work on high-performance, user-friendly, and eco-friendly products.

Power tools gain greater market share

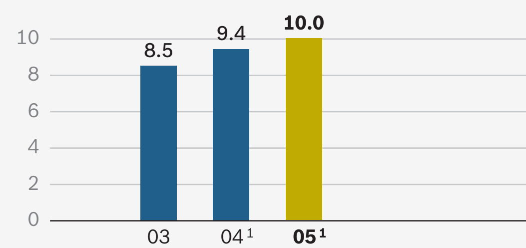
Our power tools and accessories business for tradesmen and DIY enthusiasts grew faster than the world market in the past fiscal year. In Europe and North America, our most important markets, we were able to increase our market share, thanks mainly to products for tradesmen. We achieved double-digit growth in eastern Europe and Latin America. We also stepped up the marketing activities we carry out in cooperation with dealers, enabling us to revive the declining central European market for power tools and accessories.

Our new power tools designed for efficient and ergonomic work were given a positive reception by the market and are selling well. We recorded particular success with products such as handy cordless screwdrivers, piercing saws, and hammer drills. We

The latest innovation from the world of Bosch kitchens: the new Lift-Matic oven features a built-in "dumbwaiter," allowing convenient access from three sides at an optimum working height. The integrated lifting mechanism moves the oven floor up or down at the touch of a button.

Consumer Goods and Building Technology sales

Bosch Group 2003 – 2005
Figures in billions of euros



[1] Continuing operations

extended our leading position in lithium-ion technology with the introduction of our new professional hammer drill, equipped with a 36-volt rechargeable battery.

In 2005, the Ixo cordless drill/driver was once again the world's best-selling tool. Since series production began in the last quarter of 2003, Bosch has sold some three million Ixos worldwide. We also expanded our service activities with leasing deals that offer retailers an additional means of promoting customer loyalty. Our newly established power tool manufacturing plants in China and Hungary further support our international strategy.

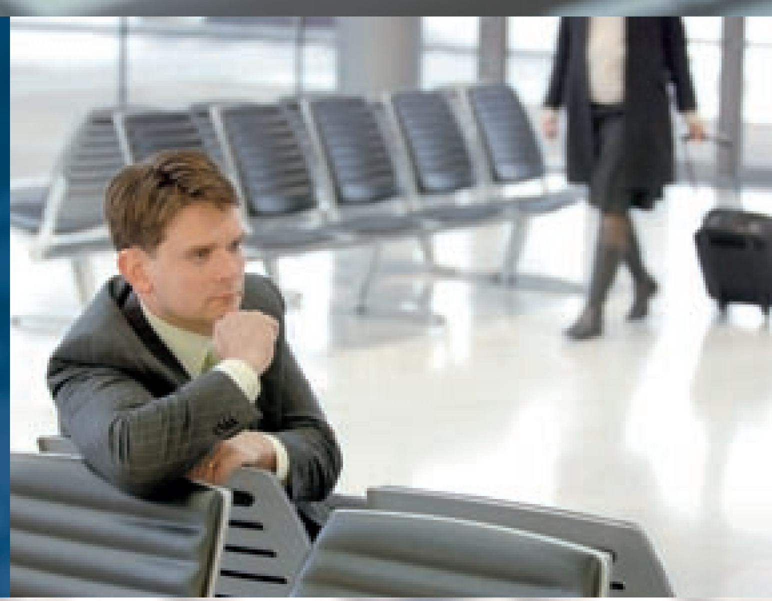
Increasing demand for security systems

In key areas such as transportation, public institutions, commerce, banks, and private households, the need for security is growing. For this reason, sales of both products and complete security solutions increased in 2005. We recorded above-average growth in video surveillance, public address, and evacuation systems. Demand for networked and internet-based security systems is growing. Our technology features an open interface that allows links with subsystems made by other manufacturers, and facilitates simple solutions by allowing the integration of existing systems. For example, our Building Integration System can monitor building automation systems in addition to alarm, access control, video surveillance, and fire alarm systems. We successfully launched our new "Easy Series" intruder alarm system for private homes and small businesses.

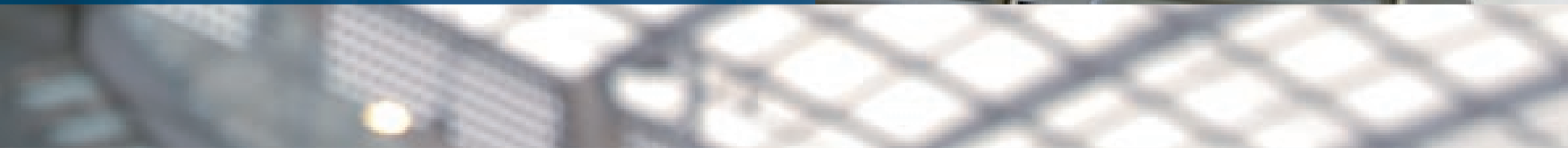
We have boosted our competitive edge in international markets with the acquisition of access control specialists ADC Technologies International Pte Ltd of Singapore and the expansion of our manufacturing facility in China. The introduction of Six Sigma as a standard quality assurance tool is making a major contribution to the rapid integration of innovative new developments into our product range.

**Imagine this departure lounge by moonlight.
It’s reassuring to know you could feel just as secure
there as you would in broad daylight.**

Subjectively, security is a feeling that is perceived differently by different people. Objectively, increased security needs in many public places can be best met by advanced technology. Take cameras, for instance. René van Gils, Senior Product Manager at Bosch Security Systems in Eindhoven, Netherlands, knows the high-performance day/night camera above him like the back of his hand. And for its part, the camera also recognizes him in low-light conditions. Even with moving objects, it supplies faithful, razor-sharp images with exact color reproduction. The precise video signal is based on innovative digital signal processing (DSP). The camera switches automatically between day and night mode and compensates automatically for backlight. The sensitivity of the integrated video motion detector can be adjusted to different settings – for example, making it possible to register movements but ignore the switching on of a light. Where there’s Bosch, there’s peace of mind.



René van Gils
Senior Product Manager
Bosch Security Systems



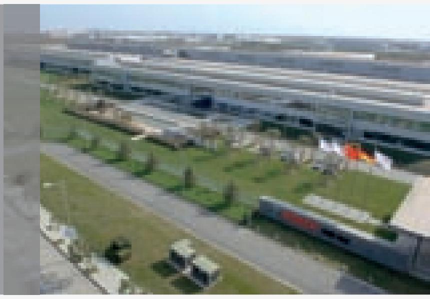
International Business

Key data	2004[1]	2005[1]
Sales[2]	28,055	**30,430**
Capital expenditure	1,320	**1,949**
R & D cost	691	**806**

Figures in millions of euros

[1] Continuing operations
[2] Outside Germany

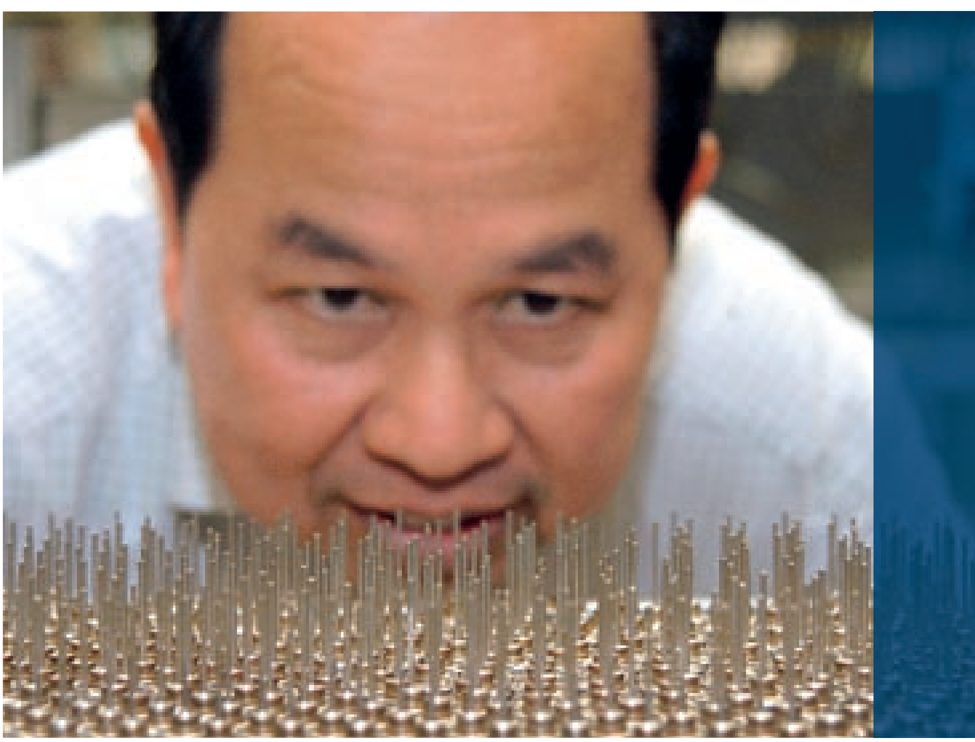
A drive system with a future: we opened a new production and development site for cutting-edge diesel-injection technology in Wuxi, China. We shall invest 200 million euros there between 2005 and 2007.



We continue to pursue our strategy of further expanding our presence in international markets. Our objective is to make consistent use of our opportunities in the world's growth markets, and to increase the competitiveness of our entire organization via international expertise and a more balanced cost structure. In the long term, we intend to generate roughly half our sales in Asia Pacific and the Americas, the other half in Europe. In this context, we see interesting opportunities in eastern Europe. In 2005, we further strengthened our international orientation. For example, we opened new sites in China, set up joint ventures in India, and made major investments in eastern Europe. In 2005, sales outside Germany rose by 8.5 % to 30.4 billion euros, accounting for 73 % of total sales. Among the triad of regional markets, we recorded the highest growth rates in Asia Pacific.

Strong expansion of our activities in China

All our business sectors are represented in the growth market of China. In particular, we see good opportunities in automotive technology. In 2005, we began production of our Electronic Stability Program there. Our new plant in Wuxi will begin manufacturing common-rail high-pressure diesel-injection systems from 2006 onward. To enable us to develop and apply automotive technology locally, we opened an engineering center in Suzhou in early 2005, and a second one in Wuxi in November. Our other business sectors are also expanding. Our subsidiary Bosch Rexroth is currently building new facilities in Beijing and Changzhou. Our consolidated sales in China came to one billion euros. This is a year-on-year increase of more than 30 %, and is also due to newly consolidated companies. We now employ roughly 10,500 associates in China, some 3,500 of whom work in automotive technology. In 2005 alone, Bosch companies domiciled in China invested 217 million euros.



A critical look: diode manufacturing at Robert Bosch (Australia) Pty Ltd. This subsidiary accounts for more than 50 % of all the diodes manufactured in the Bosch Group. In 2005 alone, this amounted to roughly 100 million components for customers around the world. They are installed in alternators for passenger and commercial vehicles. Apart from diodes, this plant also manufactures steering-angle sensors for the Electronic Stability Program, a new generation of the antilock braking system, and an improved cruise control system. The company is a global center of excellence for Bosch automotive electronics products.

Distinction for flexibility: in December 2005, the Brazilian Ministry of Science and Technology conferred its product innovation award on our Brazilian subsidiary for the Flex-Fuel engine management system. Bosch Flex-Fuel technology allows vehicles to be run on either gasoline or alcohol, or indeed any mixture of the two fuels.

Growth in India

In India, too, we are benefiting from the burgeoning automotive industry, and stricter vehicle emissions legislation is set to provide a further boost to our business with high-pressure diesel-injection technology there. Our Indian companies invested roughly 80 million euros in 2005. The sales of our Indian subsidiaries grew by just under 30 % in the reporting period, reaching nearly 660 million euros. We employ some 12,000 associates in India, 10,000 of them alone at the four sites of our subsidiary Mico.

Together with the automotive supplier Mann + Hummel, we recently founded MHB Filter India in Tumkur. This is a joint-venture company in which we and our partner hold an equal share. With a workforce of 350 associates, it will start production of filters for the Indian automotive industry in mid-2006. We have also acquired a majority shareholding in brakes manufacturer Kalyani Brakes Ltd of Pune, now known as Bosch Chassis Systems India Ltd. This company, which employs approximately 2,000 people, has set up a joint venture with Brembo SpA of Curno, Italy, in which both companies hold an equal share. The new joint-venture company, which is also based in Pune, will develop, manufacture, and sell brakes for two-wheeled vehicles.

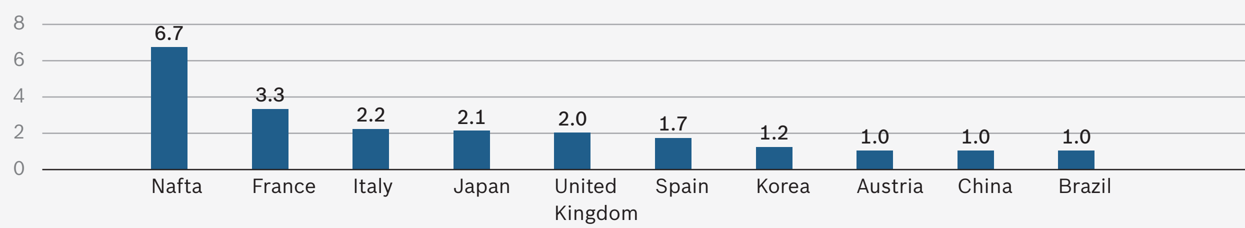
Heavy investments in Japan and Korea

Japan remains a key market for the Bosch Group in Asia. Last year, we generated sales of approximately 2.1 billion euros there, with automotive technology accounting for 1.9 billion euros of this total. We now employ roughly 7,900 associates in Japan, some 7,100 of them in automotive technology. By merging our brakes and automotive electronics businesses with our aftermarket business, we have concentrated our automotive technology expertise in Japan in Bosch Corporation, based in Tokyo.

We have signed a letter of intent with the Korean government, committing ourselves to investing more than 100 million euros at our Korean sites between now and 2010. Korea is gradually applying European

The most important markets outside Germany

Bosch Group 2005
Figures in billions of euros



emissions limits, which means that automakers there are increasingly turning to modern diesel technology. Further investments are planned for the expansion of our engineering center in Yongin.

In 2005, our consolidated companies in Japan and Korea invested some 180 million euros in the further expansion of our activities there.

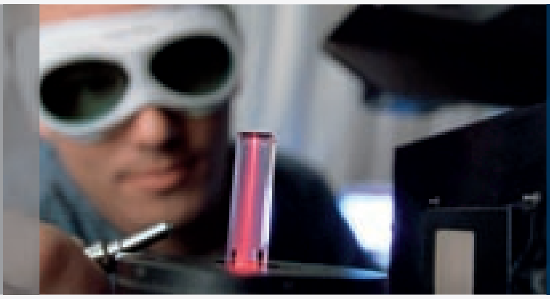
Expansion continues in central and eastern Europe

We are continuing the expansion of our central and eastern European sites. Production of diesel technology has also become a focal point of our operations in these countries. After just 10 months of construction work, we completed another phase of expansion at our Jihlava site in the Czech Republic. We invested just under 140 million euros in this work. At our Turkish plant in Bursa, we also began construction of a further manufacturing facility for common-rail systems. In Budapest, we opened an engineering center, which employs more than 100 engineers. In opening this center, we have further strengthened our international development network.

North America remains our largest international market

North America is still our largest international market, with sales there growing by 8.8 % to reach 6.7 billion euros. Automotive technology accounted for around two-thirds of this total. We have a workforce of just under 23,000 associates, working at some 80 sites. We have begun construction of a further engineering center in Plymouth Township near Detroit, Michigan. When it opens in early 2007, it will employ more than 450 people. We believe the North American market offers excellent opportunities for our diesel technology. New legislation which came into force in 2006 offers tax breaks for light diesel vehicles. Moreover, demand for our Electronic Stability Program is also rising as the technology is increasingly installed in off-road and sport utility vehicles.

Research and Advance Engineering



Protecting the environment at a microscopic level: we have developed a laser-drilling technique which allows us to drill the very finest of nozzle holes in our diesel injectors. This makes engines more efficient and cleaner. A cloudy liquid is used here to make the laser beam visible.

Innovations secure our future – and Bosch is no exception. Worldwide, 23,600 research and development associates work to deliver the basis for products and services that improve the quality of life. Of these associates, more than 1,200 work in the Corporate Sector Research and Advance Engineering, designing new systems and components, exploiting new technologies, improving processes and manufacturing methods, and identifying new trends. This corporate sector works closely with all Bosch divisions and with scientific and business partners the world over. All this boosts our innovative strength and opportunities for growth. In this way, Research and Advance Engineering plays an active role in securing the future of the company.

Networked systems for improved safety

The products of our research and development work have a direct impact on the everyday lives of our end users, providing them with improved safety, helping them to save money, protecting the environment, and conserving resources. This is particularly true of our largest business sector, Automotive Technology. This sector is currently working on programs such as CAPS, which links active and passive safety systems with driver assistance systems, and VDM, the integrated vehicle dynamics management system. Our researchers evaluate detailed accident data and use their findings as a basis for the development of potential new functions. If they are satisfied that such functions are technically feasible, they refer them to the relevant divisions where they undergo further development. Take the Early Pole Crash Detection (EPCD) function, for example. Its purpose is to improve the protection of vehicle occupants in the event of a crash. If the car skids because the road has suddenly frozen over, EPCD recognizes what is happening from data it receives from the Electronic

X-ray vision for improved safety: we have developed a new method which precisely measures the quantity of pharmaceutical products inside gelatin capsules. This is done during the packaging process itself. Our researchers have thus found a cost-effective new way of packaging drugs more easily. The picture shows the system during a test run.

Skidding towards a safer future: we are continuing our research into ever more intensive networking of active and passive safety solutions as well as driver assistance systems. In this way, we are providing the basis for new functions of our modular Combined Active and Passive Safety system (CAPS). In the tests shown here at the Boxberg proving ground, the Electronic Stability Program (ESP®) recognizes that the vehicle is skidding. The restraint system is immediately put on alert, and can in the future protect passengers even earlier, and thus better, in the event of a side impact.

Stability Program. The airbag control unit prepares itself for a possible side impact. This means the airbag can be deployed faster, protecting the occupants precisely where they need it most — where the deformation zone is shallowest. Our developers are linking vehicle dynamics control and collision protection, functions which have previously been separate. As well as providing improved side-impact protection, CAPS functions will in future be able to reduce the severity of head-on, rear-end, and multiple collisions, as well as of accidents in which vehicles overturn.

Virtual display directly in front of the driver

In the future, there will no longer be a risk of drivers being distracted at a critical moment by having to glance at an instrument or a screen. To prevent this risk, we are developing innovative solutions for head-up displays. The display system of the future will feature a multi-colored laser projection of relevant images and data in such a way that the driver sees a virtual image directly in front of him – as if it were mounted on the hood of his car. This technology promises to deliver a very high-contrast, quick-to-read display. It will make an important contribution to improving road safety.

Security systems getting better and better

Our research and development teams are also working on products in the consumer goods sector. Our intrusion detection and alarm systems are becoming more reliable all the time. Take the TriTech Intrusion Detector sensor, for example. Using passive infrared and microwaves, it processes signals with the aid of sophisticated algorithms. New concepts from our research and advance engineering allow us to fully exploit the technical potential of this sensor. Intruders can be identified beyond any doubt, and false alarms can be virtually eliminated. The importance of such systems is set to increase, and we are getting ready for this. Since 2005, our Corporate Sector Research and Advance Engineering has had a dedicated unit to deal with pioneering developments relating to consumer goods, building technology, and industrial technology. Complex image processing is one of the areas the new unit is studying. The outcome of its work will also be fed back into our automotive engineering solutions.

Statutory rules and regulations are applying ever stricter safety standards to many essential products such as foodstuffs and drugs. We have developed a new measurement method for gelatin capsule control systems in the pharmaceutical industry. Using x-rays, this method can determine the weight of the capsules with great precision, yet without touching or damaging them. It works by taking a precise measurement of the radiation absorbed by the powder inside the capsule. In certain areas of activity, the new method is even more precise than the one formerly used. It is also generally more cost-efficient and allows drugs to be packaged more simply.

A new sterilization method using plasma technology also makes the process of filling liquid pharmaceutical products into injection vials more cost-efficient and safer. In this method, reactive gas particles and high-energy radiation from a low-pressure plasma source reliably sterilize the product, and at low temperatures neutralize contamination which may cause inflammation. This means that it will be possible to use plastic packaging instead of breakable glass containers in the future. This is an advantage when filling highly-active substances and drugs which react with glass, and therefore have only a limited shelf life.

This application was able to draw on experience which we had gained in the field of plasma coatings for automotive components.

A new era in precision processing

Lower costs are not the only result of improvements in our manufacturing technologies. These improvements also enable us to manufacture even higher quality products. One example is our research work in laser micro-processing. The laser is used to drill the smallest possible nozzle holes in the injectors of our diesel direct-injection systems. These nozzles produce a very fine mist of fuel, optimizing fuel consumption and reducing engine emissions. Holes drilled using these techniques will reduce the amount of exhaust-gas treatment required in the engines of the future. In this way, our research is making a direct contribution to the protection of the environment.

Our Corporate Sector Research and Advance Engineering also boosts its innovative strength by means of international contacts, both in-house and external. For example, via the Bosch Research and Technology Centers at its Pittsburgh and Palo Alto locations, it maintains close contacts with U.S. universities such as Berkeley, Stanford, and Carnegie Mellon. This enables us to exploit the latest research trends. We have been engaged in technology scouting (identifying new technology trends) in Shanghai since the middle of last year. Our associates there are also building contacts with the academic community in Asia.

Environmental Protection

Reduced accident numbers: Bosch driver assistance systems keep people safe, and prevent financial loss. But the environment also benefits – if there is less accident damage to clean up, this saves on energy and materials.

Responsibility for the natural environment lies at the heart of the values to which Bosch subscribes. Our associates all over the world live by these values, which form the basis of our integrated management system for quality, environment, safety, and security. Environmental protection is thus equal in status to the quality of our products and the cost-effectiveness of our operations. Environmental protection is part of our business strategy, and thus plays a significant role in driving our product innovations. These innovations are primarily aimed at making people's lives safer, more convenient, and more comfortable, at making their work easier, at using natural resources sparingly, and at limiting environmental impact. In this way, our environmental policies also help us to cut costs.

Environmental protection

With our principles of social responsibility and with our signing of the United Nations' Global Compact initiative, we have officially undertaken to comply with the high environmental and social standards set out in the ten principles of the Compact, and to put them into practice worldwide. These principles include respecting human rights, preventing child and forced labor, ensuring equal opportunities, complying with environmental standards, and combatting corruption.

Worldwide replacement of CHC's nearly complete

One of Bosch's more long-term environmental objectives is to gradually phase out ozone-depleting chlorinated hydrocarbons at all our plants worldwide. This has now been achieved at nearly all our sites. Between 1998 and 2004, we managed to reduce our use of these substances by roughly 85 %. Take our regional subsidiary in India, Motor Industries Co Ltd (Mico), for example. It used to be one of the biggest users of chlorinated hydrocarbons in the Bosch Group, but committed itself to completely replacing

Nearly 100 % recycled: as a result of an investment of 18 million euros in a new smelting process at its location in Lohr, Germany, Bosch Rexroth has now reduced both emissions and waste, and recycles nearly 100 % of its materials.

Hybrid technology for the Olympics: minibuses equipped with Bosch hybrid technology transported athletes at the 2006 Turin Winter Olympics.

these substances, and succeeded in doing so within two years. Mico meticulously tested a variety of technologies and eventually decided to focus primarily on water-based processes to clean nozzles or spark plugs, for example. Completely eliminating chlorinated hydrocarbons from our operations remains an important objective for Bosch. In addition to protecting the ozone layer, doing away with these substances will also eliminate a threat to groundwater and to the health of our associates.

Identifying residual pollution at all Bosch sites

Since the early 1990's, investigating contaminated sites and remediating residual pollution has been a firm component of real estate management at Bosch. It plays an important part in maintaining and increasing the value of our company. Our premises are inspected in line with globally standardized principles, and any pollution found is cleaned up appropriately. As part of its responsibility for the environment, Bosch also places great value on preventive measures to protect the air, water, and soil. In this way, we make a major contribution to environmental protection in all the countries where we have production operations.

Cutting-edge foundry technology

Bosch Rexroth AG has invested 18 million euros in a cutting-edge foundry to produce blanks for hydraulics products, and now boasts a truly state-of-the-art facility. Because smelting operations now use a different method, emission levels of carbon monoxide, carbon dioxide, and nitrous oxides have been reduced by 75 %. At the same time, the quantity of foundry waste has been cut and the proportion of waste recycled has now reached almost 100 %. Optimizing material recycling is a particularly important tool in our efforts to protect the environment and conserve resources. The systems now in place in the foundry have resulted in excellent levels of material recycling. Contamination of wastewater from the production process has also been cut by 90 %.

New wastewater treatment plant cuts effluents

At our facility in Charleston, South Carolina, we have replaced our wastewater treatment plant. The reasons for doing this were twofold. Firstly, the introduction of new manufacturing processes and an expansion of production capacities were creating

Reduced emissions, fuel consumption, and engine noise: at our plant in Bamberg, Germany, we manufacture innovative piezo-inline injectors for the latest generation of common-rail systems.

ever new demands on wastewater treatment. Secondly, stricter legal limits were setting higher standards and giving rise to concerns as to the reliability of the system. Following intensive research, we decided that the best way to treat our wastewater was by using fine membranes. This technology complies with all environmental regulations, as well as reducing the use of resources. There was less need for pH-adjustment chemicals and precipitants. In addition, the size of the plant was reduced considerably, since storage of hazardous chemicals and sludge now takes up less space.

Safety first – also for the environment

As well as serving technological progress, innovations from Bosch often make an indirect yet fundamental contribution to environmental protection. Take our developments in the field of driver assistance systems, for example.

Roughly one-third of accidents are caused by rear-end or head-on collisions. Studies have shown that over half of these rear-end collisions and almost one-third of these head-on collisions could be avoided altogether if drivers could react just half a second earlier. In order to prevent such accidents from happening, or to minimize the consequences when they do, we are working to develop driver assistance systems further. We are moving on from systems which merely make life easier for drivers and, in a next step, developing Predictive Safety Systems (PSS). The driver is warned and the vehicle's functions are primed to allow a quicker reaction, thus reducing the risk of an accident. With this technology, our company makes a major contribution to safeguarding human life and keeping people from harm. But the environment also benefits – if there is less accident damage to clean up, this saves on energy and materials.

Associates

More than the bare minimum: we regard training as an integral part of our social responsibility. This is why, for many years now, we have been training more apprentices than we actually need. Roughly 20% of our apprentices are given the opportunity to work at alternative Bosch locations for several weeks, including locations outside their home country. We feel this is an effective means of promoting mobility, flexibility, and personal growth.

The knowledge and expertise of our associates is fundamental to the sustained success of our company. In order to reinforce and build our human resources, we have created a new approach to the management and optimization of HR processes on a global scale. In 2005, we made further progress in improving our strategies and tools for marketing and developing human resources — strategies and tools that help us to maintain and improve our global competitiveness. But a modern managerial culture and working environment are also vital. They ensure that our associates can harmonize their private lives with their careers.

Training for more than 30 careers in Germany

In September 2005, some 1,350 apprentices started vocational and commercial training with Bosch in Germany. They had a choice of over 30 different careers. Around 1,000 of them opted for vocational training, choosing careers in fields such as mechatronics or electronics. Young women account for 10 % of this intake – a figure that represents a slight increase over 2004. We attribute this positive development to many individual measures taken at our sites, which helped us to awaken young women's interest in training for a technological career. We are currently training more than 6,000 young people worldwide, 4,400 of them in Germany.

Support specifically designed for school and university students

At our German locations, we again hired more than 2,200 graduates in 2005, either fresh from college or with professional experience. Of these new associates, some 80 % have a science or engineering degree. This is an area where the proportion of women is traditionally low. It was for this reason that Bosch signed up to the Femtec initiative in January 2005, an alliance of leading technical universities and major companies. The specific aim of the initiative is to support promising female students majoring in engineering or science.

Schwieberdingen, Germany, June 2005: the aim of our first "Technology Experience" day for senior high school students was to get young people interested in studying technical subjects. The students learned how sciences such as mathematics, physics, and chemistry are applied by engineers at Bosch as they develop our products and our fields of activity.

In order to interest talented young people in Bosch as a future employer, we use our students@bosch program to remain in contact with students who have worked for us as interns, and whose performance we considered outstanding. In 2005, we kept contact with a total of 700 students in Germany via this program. Students@bosch has already begun to bear fruit. At the end of their studies, roughly half these students choose Bosch as their employer. In order to make us more attractive on important labor markets around the world as well, we launched an international survey of students in 2005. The results of this study have been incorporated into the personnel marketing plans of the countries in question.

In growth regions such as China, personnel marketing is especially important, since there is a great demand for qualified associates. In 2005, our activities at Chinese institutes of higher education were a success, with 34,000 students applying to Bosch in China. With attractive entry programs and a systematic training and development program, Bosch is one of the most attractive employers in the country. The objective of such programs is to gradually fill leadership positions with people from the respective regions. We launched an extensive project in 2005, which includes individually tailored programs for trainees, involving a stay outside their home country. It has met with an extremely positive response.

Innovation meets tradition: we offer commercial and technical trainee programs to promising junior managers. Over a period lasting between 18 and 24 months, the 130 university graduates in the program spend periods working in different jobs and divisions at Bosch – including a stay in a different country. Once a year, the trainees meet up for a few days to exchange experience and to network. In 2005, they met at our engineering center in Abstatt, Germany, for an event entitled "Innovation Meets Tradition."

In 2005, Bosch and eight other companies set up the "Knowledge Factory – Companies for Germany" initiative. Its purpose is to support schools and kindergartens in their educational activities and to foster entrepreneurship in Germany. We plan to sponsor a total of 50 partnerships with such educational institutions, six of which have already been brought into being. As a further part of the "Knowledge Factory," we organized our first "Technology Experience" day for senior high school students at our engineering center in Schwieberdingen, Germany.

Communicating our corporate and leadership culture

In the last quarter of 2005, all our associates around the world were sent a copy of our "House of Orientation" brochure. In setting out our vision, mission, values, core competencies, and business systems, it explains the essential elements of our corporate culture, and in this way provides our associates with a universal point of reference. In order to ensure common global standards in management, a compulsory introductory training program for all junior managers has now been implemented in 18 countries. This training provides information to associates assuming their first leadership role, including information about our HR tools, and in doing so lays the foundations for a common leadership culture at Bosch.

In late 2005, Bosch-Zünder, our in-house newspaper established in 1919 by our company founder, was singled out by the German Public Relations Association (DPRG) as the best staff newspaper in Germany. In May 2005, the newspaper was published for the first time in seven languages and circulated to all our sites worldwide. But this was not the only way in which we sought to enhance dialogue with our associates. The year 2005 also saw us launch our first global associate survey. Some 300 locations participated, and the response rate was more than 80% – a very high rate compared with other organizations. Associates and their supervisors discussed the results and agreed on appropriate actions. The success of these actions will be assessed when the next survey is carried out in 2007. On the subject of identification with the company, we were able to record an above-average score.

A global player with social responsibility

In 2005, we introduced an innovative new concept for the development of our company pension scheme. As of 2006, not only individual associates, but also the company will contribute to our pension fund. This will make us the first industrial company in Germany to take such a step. Employer's and associates' contributions will bear interest that is in line with the investment performance of the Bosch pension fund. Its aim is to deliver a solid long-term yield, and thus to provide security for our associates' future. The company's long tradition of commitment to its associates also extends to other groups in society. To quote two examples from 2005: together with our associates, we gave a total of 3.4 million euros for the victims of the Asian tsunami, and some 0.5 million dollars to support relief efforts in the aftermath of Hurricane Katrina in the U.S.

Thanks to our associates and their representatives

Our warmest thanks go to our associates worldwide, without whose commitment and motivation the success we enjoyed last year would simply not have been possible. We would also like to thank the associate representatives worldwide. To preserve and improve the competitiveness of individual sites, there were again many talks and negotiations in 2005, all of which were held in a constructive atmosphere.

Consolidated Financial Statements of the Bosch Group

Contents

Income statement for the period from January 1 to December 31, 2005

	Note	2005	2004
Sales revenue	1	**41,461**	**38,954**
Cost of sales		–28,349	–26,177
Gross profit		**13,112**	**12,777**
Distribution costs and administrative expenses	2	–7,550	–7,587
Research and development cost	3	–3,073	–2,715
Other operating income	4	931	835
Other operating expenses	5	–927	–1,032
Operating profit		**2,493**	**2,278**
Financial income	6	1,437	1,037
Financial expenses	6	–752	–657
Profit before tax		**3,178**	**2,658**
Income tax expense	7	–836	–811
Profit after tax from continuing operations		**2,342**	**1,847**
Profit after tax from discontinued operations		108	23
Profit after tax		**2,450**	**1,870**
of which attributable to minority interests	8	101	91
of which attributable to group shareholders		2,349	1,779

Figures in millions of euros

Balance sheet
for the year ended December 31, 2005

Assets	Note	12/31/2005	12/31/2004
Current assets			
Cash and cash equivalents	10	2,936	3,185
Marketable securities	11	967	639
Trade receivables	12	7,308	6,700
Income tax receivables		86	101
Other assets	13	1,105	982
Inventories	14	5,482	4,989
		17,884	**16,596**
Non-current assets			
Financial assets	15	9,549	8,070
Property, plant, and equipment	16	11,736	10,271
Intangible assets	17	4,014	3,735
Deferred taxes	7	2,371	1,971
		27,670	**24,047**
Assets held for sale			**527**
Total assets		**45,554**	**41,170**

Figures in millions of euros

Equity and liabilities	Note	12/31/2005	12/31/2004
Current liabilities			
Financial liabilities	18	2,019	457
Trade payables	19	3,147	2,883
Income tax liabilities		167	137
Other liabilities	20	3,532	2,962
Income tax provisions		218	323
Other provisions	20	2,931	3,128
		12,014	**9,890**
Non-current liabilities			
Financial liabilities	18	964	2,570
Other liabilities	20	269	220
Pension provisions	21	6,882	6,341
Income tax provisions		110	85
Other provisions	20	3,398	3,185
Deferred taxes	7	974	1,089
		12,597	**13,490**
Liabilities held for sale			**362**
Equity	22		
Issued capital		1,200	1,200
Capital reserve		4,557	4,557
Retained earnings		14,395	11,112
Unappropriated earnings		63	63
Minority interests		728	496
		20,943	**17,428**
Total equity and liabilities		**45,554**	**41,170**

Figures in millions of euros

Cash flow statement

Note 23	2005	2004
Profit before tax	3,178	2,658
Depreciation and amortization[1]	2,262	2,156
Increase in pension provisions	101	35
Increase in non-current provisions	303	339
Gain on disposal of non-current assets	−204	−156
Loss on disposal of non-current assets	108	169
Gain on disposal of securities	−481	−232
Loss on disposal of securities	62	80
Financial income	−781	−755
Financial expenses	534	589
Interest and dividends received	559	381
Interest paid	−176	−186
Income taxes paid	−1,113	−1,101
Cash flow	**4,352**	**3,977**
Increase in inventories	−245	−386
Increase in trade receivables	−996	−854
Increase in liabilities	903	511
Change in current provisions	−574	721
Cash flows from operating activities (A)	**3,440**	**3,969**
Acquisition of subsidiaries	−318	−34
Disposal of subsidiaries	311	
Additions to non-current assets	−3,447	−3,069
Proceeds from disposal of non-current assets	482	304
Purchase of securities	−4,362	−3,767
Disposal of securities	3,703	2,813
Cash flows from investing activities (B)	**−3,631**	**−3,753**
Borrowing	464	837
Repayment of financial liabilities	−631	−439
Dividends paid	−95	−86
Cash flows from financing activities (C)	**−262**	**312**
Change in liquidity (A+B+C)	**−453**	**528**
Liquidity at the beginning of the period (Jan. 1)	**3,296**	**2,787**
Exchange-rate related change in liquidity	39	−50
Increase in liquidity due to changes in consolidated group	192	31
Liquidity at the end of the period (Dec. 31)	**3,074**	**3,296**

Figures in millions of euros

[1] After offsetting write-ups of EUR 9 million (prior year: EUR 2 million)

Statement of recognized income and expense

	2005	2004
Surplus on marketable financial instruments	702	273
Deficit on change in actuarial parameters for pension provisions	–381	–399
Adjustment item from currency translation of entities outside the euro zone	522	–127
Deferred taxes on revaluations recognized directly in equity	201	81
Revaluations recognized directly in equity	**1,044**	**–172**
Profit after tax	2,450	1,870
Total (sum of profit after tax plus revaluations recognized directly in equity in the period)	**3,494**	**1,698**

Figures in millions of euros

Statement of changes in equity

			Retained earnings	
	Issued capital	Capital reserve	Earned profit	Currency translation
1/1/2004	**1,200**	**4,557**	**8,257**	
Dividends				
Profit after tax				
Transfer to retained earnings			1,716	
Exchange differences				–119
Other changes				
12/31/2004	**1,200**	**4,557**	**9,973**	**–119**
Dividends				
Profit after tax				
Transfer to retained earnings			2,286	
Exchange differences				490
Other changes				
12/31/2005	**1,200**	**4,557**	**12,259**	**371**

Figures in millions of euros

Accumulated other comprehensive income							
Securities	Other changes	Total	Unappropriated earnings	**Equity parent company**	Minority interests	**Total equity**
1,299		**1,299**	**60**	**15,373**	**557**	**15,930**
			−60	**−60**	−26	**−86**
			1,779	**1,779**	91	**1,870**
			−1,716			
		−119		**−119**	−8	**−127**
209	−250	−41		**−41**	−118	**−159**
1,508	**−250**	**1,139**	**63**	**16,932**	**496**	**17,428**
			−63	**−63**	−32	**−95**
			2,349	**2,349**	101	**2,450**
			−2,286			
		490		**490**	32	**522**
749	−242	507		**507**	131	**638**
2,257	**−492**	**2,136**	**63**	**20,215**	**728**	**20,943**

Notes to the financial statements
Principles and methods

General explanations

The consolidated financial statements of the Bosch Group for the year ended December 31, 2005 have been prepared for the first time according to the standards issued by the ***I**nternational **A**ccounting **S**tandards **B**oard* (IASB), London. The ***I**nternational **F**inancial **R**eporting **S**tandards* (IFRS) and the interpretations of the ***I**nternational **F**inancial **R**eporting **I**nterpretations **C**ommittee* (IFRIC) applicable as of the balance sheet date have been applied. The prior-year figures have been determined using the same principles.

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

The following IFRSs or ***I**nternational **A**ccounting **S**tandards* (IASs) are applied:
- IAS 1: Presentation of Financial Statements
- IAS 2: Inventories
- IAS 7: Cash Flow Statements
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10: Events after the Balance Sheet Date
- IAS 11: Construction Contracts
- IAS 12: Income Taxes
- IAS 14: Segment Reporting
- IAS 16: Property, Plant and Equipment
- IAS 17: Leases
- IAS 18: Revenue
- IAS 19: Employee Benefits
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21: The Effects of Changes in Foreign Exchange Rates
- IAS 23: Borrowing Costs
- IAS 24: Related Party Disclosures
- IAS 26: Accounting and Reporting by Retirement Benefit Plans
- IAS 27: Consolidated and Separate Financial Statements
- IAS 28: Investments in Associates
- IAS 29: Financial Reporting in Hyperinflationary Economies
- IAS 31: Interests in Joint Ventures
- IAS 32: Financial Instruments: Disclosure and 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

The revised version of IAS 19 *Employee Benefits,* which has to be applied for the fiscal years from January 1, 2006, has been voluntarily adopted early by the Bosch Group. IFRS 6 *Exploration for and Evaluation of Mineral Resources* (mandatory adoption from January 1, 2006) is not relevant for the business activities of the Bosch Group and has therefore not been applied.

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

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

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

Major changes in accounting policies compared to the German commercial code are presented below. The accounting policies for the individual line items of the income statement and balance sheet are explained in the appropriate section of the notes to the consolidated financial statements.

The consolidated financial statements prepared as of December 31, 2005 were authorized for disclosure by management on March 16, 2006. The consolidated financial statements and the group management report will be filed with the commercial register of the Stuttgart district court.

Changed accounting, measurement, and consolidation methods

Consolidated financial statements were prepared for the Bosch Group according to the German commercial code for the last time for the 2004 reporting period. They have been converted in accordance with the provisions of IFRS 1 *First-Time Adoption of International Financial Reporting Standards.* The transition to IFRS has resulted in the following material changes as regards accounting, measurement, and consolidation methods:

- Differences from the translation of financial statements prepared in foreign currency are recognized directly in equity.
- Foreign currency receivables and liabilities are measured using the spot rate.
- Securities classified as assets held for sale are recorded at fair value even where it exceeds acquisition cost. Changes in value are recognized directly in equity in a separate reserve. The effective interest method is used for fixed-yield securities.
- For finance leases under which the Bosch Group is the lessor, the discounted outstanding lease payments are disclosed as receivables.
- Derivative financial instruments are recognized at fair value. If, however, the derivative financial instruments used for hedging pursuant to IAS 39 *Financial Instruments: Recognition and Measurement* are not classified as hedges, changes in value are disclosed directly in the income statement.
- Inventories are measured at production-based full cost. Write-downs of inventories are generally based on a sales market-oriented approach.
- Moveable items of property, plant, and equipment are depreciated using the straight-line method. The economic useful lives of the assets are taken as a basis.
- If the companies of the Bosch Group have beneficial ownership of rented items of property, plant, and equipment, they are recognized. At the same time, a corresponding liability is recorded.
- Listed investments are measured at market value. Changes in value are disclosed in equity.
- Development costs are recognized at cost as intangible assets, provided the criteria are satisfied.
- In accordance with IFRS 1, the carrying amount as of the cut-off date of the opening balance sheet of goodwill from capital consolidation arising from business combinations that occurred before January 1, 2004 (date of transition) is the carrying amount under the German commercial code. Pursuant to IFRS 3 *Business Combinations,* the assets taken over are not depreciated systematically, but are subjected to an annual impairment test.
- Deferred tax assets on unused tax losses and unused tax credits are recognized provided their future usage appears to be sufficiently certain.
- Non-current provisions are recorded at their present value.
- Expense accruals are not recorded.
- Pension provisions are determined using the projected unit credit method, taking into account future salary and pension increases. Actuarial gains and losses are recorded directly in equity.

Basis of consolidation

Besides Robert Bosch GmbH, the consolidated financial statements include all subsidiaries for which Robert Bosch GmbH fulfils 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* has to be applied. These entities are included in the consolidated financial statements from the date of obtaining 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 and of additional shares purchased is consolidated pursuant to IFRS 3 *Business Combinations* using the purchase accounting method. At the time of combination, the purchase costs of the shares acquired are offset against pro rata revalued equity. Assets, liabilities, and contingent liabilities are carried at fair value. Remaining debit differences are accounted for as goodwill. Any credit differences are recognized with effect on income. For business combinations prior to January 1, 2004, the option provided by IFRS 1 is exercised, and goodwill is included at its carrying amount under German commercial law.

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, income and expenses, and 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 foreign currency are measured at the spot rate on the balance sheet date, regardless of whether they are hedged or not. Exchange rate gains and losses from revaluations are recorded in the income statement.

The financial statements of the consolidated companies outside the euro zone are translated into euros in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates.* Assets and liabilities are translated at the closing rate at balance sheet date, while equity is translated at historical rates. The positions of the income statement are translated into euros at the annual average exchange rate. Any resulting exchange rate differences are recorded directly in equity until the disposal of the subsidiaries, and disclosed as a separate position in equity. Exercising the option provided by IFRS 1, it was elected not to determine the translation differences for the periods before January 1, 2004.

For the most important foreign currencies of the Bosch Group, the following exchange rates apply:

		Closing rate		Average rate	
	EUR 1 =	**12/31/2005**	**12/31/2004**	**2005**	**2004**
Australia	AUD	1.61	1.76	1.63	1.69
Brazil	BRL	2.74	3.62	3.04	3.64
United Kingdom	GBP	0.69	0.71	0.68	0.68
India	INR	53.28	59.27	54.86	56.30
Japan	JPY	139.13	141.21	136.90	134.33
Switzerland	CHF	1.56	1.55	1.55	1.54
Czech Republic	CZK	29.01	30.47	29.79	31.92
United States of America	USD	1.18	1.36	1.25	1.24

Accounting policies

Cash and cash equivalents consist of cash, reserve bank deposits, bank balances with a 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 costs, costs of conversion include an allocable portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. Borrowing costs are not capitalized. Appropriate allowance is made for risks associated with holding and selling inventories due to obsolescence. Inventories are written down further if unfavorable sales conditions make this necessary.

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

Systematic 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 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,* rented 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 the present value of the minimum lease payments. Depreciation is charged systematically over the economic useful life. If it is uncertain whether title to the leased asset will be transferred, the term of the lease agreement (if shorter than the economic useful life) is taken as a basis. The finance expense from these leases is disclosed under other finance cost.

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 arriving at the carrying amount of the asset. Grants related to income are recognized in the profit and loss 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.

Goodwill from business combinations represents the difference between the purchase price on the one hand and the pro rata fair value of the net assets 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 unit does not cover the carrying amount of the net asset, impairment losses are charged in accordance with the requirements of IAS 36.

Pursuant to IFRS 1, goodwill existing as of January 1, 2004 (date of transition) was transferred at the carrying amount pursuant to the German commercial code. It was 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 always tested for impairment if there is any indication that the carrying amount exceeds the recoverable amount.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity on the one hand and, on the other, to a financial liability or equity instrument of another entity. As a rule, financial instruments are determined as of the settlement date. Financial instruments are accounted for at amortized cost or fair value. Fair value is the market or quoted value.

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
- Liabilities measured at amortized cost
- Available-for-sale financial assets
- Assets and liabilities held for trading

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

Financial investments held to maturity, loans and receivables, and current and non-current liabilities are measured at amortized cost. These are mainly loans, trade receivables, and current and non-current other financial assets and liabilities.

Financial assets available for sale are carried at fair value. If the fair value cannot be reliably determined, they are accounted for at amortized cost. These are investments for which there is no active market.

Unrealized gains and losses from changes in market value are disclosed in equity, net of deferred taxes, until they are realized. If there are objective indications that the value is impaired, the accumulated net loss is eliminated from equity and disclosed in profit and loss. If an impairment loss recorded on equity instruments is reversed in accordance with IAS 39, this is offset directly against equity.

Assets and liabilities held for trading are measured at fair value. Changes in value are recorded with an effect on income. These are derivative financial instruments which are mainly used to limit currency and interest risks. Hedge accounting is not used in the Bosch Group.

Pursuant to IAS 12 *Income Taxes,* **deferred tax assets and liabilities** are recorded for temporary differences between the tax values and the carrying amounts in the consolidated balance sheet. This also applies to unused tax losses and tax credits if these can be used with reasonable certainty. The deferred tax item equals the estimated tax burden/relief in later periods. The tax rate applicable at the time of realization is taken as a basis. Tax implications from profit distributions are not considered until the resolution for the appropriation of profits has been adopted. If it is uncertain whether deferred tax assets 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.

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

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

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

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

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

Development costs that cannot be recognized are 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 % of the shares), the Bosch family (just under 8 % of the shares), and Robert Bosch Industrietreuhand KG, Stuttgart, which performs the entrepreneurial ownership functions.

Besides Robert Bosch GmbH, the consolidated group comprises a further 282 (prior year: 273) fully consolidated companies. The group developed as follows:

	Germany	Outside Germany	Total
Included in consolidation at 12/31/2003	**43**	**215**	**258**
Additions/formations in the fiscal year 2004	2	23	25
Disposals/mergers in the fiscal year 2004	3	6	9
Included in consolidation at 12/31/2004	**42**	**232**	**274**
Additions/formations in the fiscal year 2005	1	26	27
Disposals/mergers in the fiscal year 2005	5	13	18
Included in consolidation at 12/31/2005	**38**	**245**	**283**

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

In the fiscal year 2005, the following companies or sub-groups were included in the consolidation for the first time:

- Bosch Rexroth Oil Control SpA, Milan, Italy (formerly Oil Control Group SpA; the sub-group comprises 15 companies)
- IVT Holding AB, Stockholm, Sweden (the sub-group comprises three companies)
- Robert Bosch Energy and Body Systems Kft, Miskolc, Hungary
- Controlled Energy Corporation, Waitsfield, USA
- Frenados Mexicanos SA de CV, Aguascalientes, Mexico
- Bosch Automotive Diesel Systems Co Ltd, Wuxi, China
- Bosch Automotive Products (Suzhou) Co Ltd, Suzhou, China
- Bosch Chassis Systems India Limited, Pune, India (formerly Kalyani Brakes Limited)
- Nippon Injector Corporation, Odawara, Japan
- Robert Bosch Korea Diesel Ltd, Daejeon, Korea
- ADC Technologies International Pte Ltd, Singapore

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

Due to additions to the companies included in consolidation, sales revenue increased by EUR 0.7 billion and total assets by EUR 0.7 billion.

Proportionate consolidation

In accordance with the shares in capital, the following financial statements are each included proportionate to their shareholding (50 %):

- BSH Bosch und Siemens Hausgeräte GmbH, Munich (the sub-group comprises 62 companies)
- ZF Lenksysteme GmbH, Schwäbisch Gmünd (the sub-group comprises 14 companies)
- United Automotive Electronic Systems Co Ltd, Shanghai, China (for the first time in 2005)
- KEFICO Corporation, Gunpo, Korea (for the first time in 2005)
- Zexel Valeo Climate Control Corporation, Shibuya-ku, Tokyo, Japan (the sub-group comprises 12 companies; until March 2005)

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

Effects of proportionate consolidation on assets and liabilities

Figures in millions of euros	2005	2004
Current assets	2,010	1,743
Non-current assets	1,246	1,010
Current liabilities	1,115	1,126
Non-current liabilities	1,140	997

Effects of proportionate consolidation on the income statement

Figures in millions of euros	2005	2004
Income	5,147	4,819
Expenses	4,904	4,676

The share of contingent liabilities of these companies attributable to the Bosch Group amounts to EUR 34 million (prior year: EUR 29 million).

Business combinations

The companies listed below were acquired in the fiscal year 2005:

				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
Bosch Rexroth Oil Control SpA, Milan, Italy (BROC)	Hydraulic valves UBI[1]	Jan. 1, 2005	71 %	183	16
IVT Holding AB, Stockholm, Sweden (IVT)	Heat pumps UBG[2]	Jan. 1, 2005	100 %	162	12
Bosch Chassis Systems India Limited, Pune, India (RBIC)	Brake systems UBK[3]	Jul. 1, 2005	80 %	61	3

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

The first-time consolidation of BROC was carried out on a 100 % basis due to an irrevocable put/call option. A purchase price obligation of EUR 38 million is contained in the non-current liabilities. The non-current liabilities also contain the third purchase price installment of EUR 12 million due in 2007.

Information about the sales revenue and profits of RBIC for the whole of 2005 is not available.

The aforementioned business combinations were all financed by transferring cash and cash equivalents.

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

Figures in millions of euros	BROC	IVT	RBIC	Total
Current assets	**118**	**52**	**29**	**199**
of which cash and cash equivalents	32	18	4	54
Non-current assets	**184**	**181**	**74**	**439**
Financial assets	1		1	2
Property, plant, and equipment	102	2	40	144
Intangible assets	81	179	33	293
of which goodwill	80	164	33	277
Current liabilities	**61**	**29**	**25**	**115**
Non-current liabilities	**58**	**42**	**10**	**110**
Provisions	7			7
Liabilities incl. deferred taxes	51	42	10	103

In the course of the first-time consolidation of IVT, EUR 15 million was allocated to the purchased brand.

ADC Technologies International Pte Ltd, Singapore, and Controlled Energy Corporation, Waitsfield, USA, were also acquired during the reporting period for a total amount of EUR 14 million. Of this amount, EUR 7 million was allocated to goodwill.

Discontinued operations

In October 2004, it was decided to sell Edelstahlwerke Buderus AG (EBW), Wetzlar, and its subsidiary Deville Rectification Buderus SA, Pont-Salomon, France, to a company working in the same line of business in order to improve their market position and the general conditions for the further development of EBW and its French subsidiary. The sale took place as of June 30, 2005.

It was decided in December 2004 to sell BN Breitbandnetze GmbH (BN), Berlin, due to changes in the economic environment. The sale was finalized in early January 2005. Figures for 2005 have therefore not been presented.

In February 2005, it was decided to sell the 50% share held by Bosch Corporation, Shibuya-ku, Tokyo, Japan (formerly Bosch Automotive Systems Corporation) in Zexel Valeo Climate Control Corporation (ZVCC), Shibuya-ku, Tokyo, Japan, so that it can focus on its core competencies. The shares were transferred to the purchaser as of April 1, 2005.

Due to the lack of synergies with the core business, it was decided in September 2005 to sell the business operations of Buderus Guss GmbH (BGG), Wetzlar, with the exception of its brake business. At the same time, the subsidiaries of BGG, Buderus Feinguss GmbH, Moers, Buderus Kanalguss GmbH, Limburg, both in Germany, Nering Bögel BV, Weert, Netherlands, as well as Tiroler Röhren- und Metallwerke AG and Guss Komponenten GmbH, both in Hall, Austria, were sold. The sales were completed as of November 30, 2005.

EBW and BGG belonged to the Industrial Technology business sector, BN to the Consumer Goods and Building Technology business sector, and ZVCC to the Automotive Technology business sector.

The results of the discontinued operations can be broken down as follows:

2004 results

Figures in millions of euros	BGG	BN	EBW	ZVCC	Total
Sales revenue	226	109	405	302	1,042
Cost of sales	–192	–64	–346	–259	–861
Gross profit	**34**	**45**	**59**	**43**	**181**
Distribution costs and administrative expenses	–31	–24	–46	–16	–117
Research and development cost	–1	–1	–1	–16	–19
Other operating income	7	2	4	3	16
Other operating expenses	–9	–8	–7	–10	–34
Operating profit	**0**	**14**	**9**	**4**	**27**
Financial income	3				3
Financial expenses		–11	–1	–1	–13
Profit before tax	**3**	**3**	**8**	**3**	**17**
Income tax expense	–3	14	–2	–3	6
Profit after tax	**0**	**17**	**6**	**0**	**23**

2005 results

Figures in millions of euros	BGG	EBW	ZVCC	Total
Sales revenue	220	256	79	555
Cost of sales	–182	–217	–67	–466
Gross profit	**38**	**39**	**12**	**89**
Distribution costs and administrative expenses	–30	–25	–5	–60
Research and development cost	–1	–1	–4	–6
Other operating income	8	2	1	11
Other operating expenses	–6	–1	–4	–11
Operating profit	**9**	**14**	**0**	**23**
Financial income				
Financial expenses				
Profit before tax	**9**	**14**	**0**	**23**
Income tax expense	–1	–4		–5
Profit after tax	**8**	**10**	**0**	**18**

The sale in 2005 resulted in book losses of EUR 0.4 million for EBW (after tax EUR 1.2 million) and of EUR 54 million for BGG (after tax EUR 46 million).
Book gains of EUR 73 million were generated for BN (after tax EUR 44 million) and of EUR 100 million for ZVCC (after tax EUR 93 million).

The main categories of assets and liabilities, measured at the lower of carrying amount and fair value less costs to sell, are presented below:

Assets and liabilities as of December 31, 2004

Figures in millions of euros	BN	EBW	Total
Cash and cash equivalents	1	2	3
Trade receivables	5	77	82
Other assets	10	4	14
Inventories	2	79	81
Current assets	**18**	**162**	**180**
Property, plant, and equipment	193	128	321
Intangible assets	2	2	4
Other assets	14	8	22
Non-current assets	**209**	**138**	**347**
Trade payables	5	38	43
Other liabilities	197	13	210
Provisions	4	11	15
Current liabilities	**206**	**62**	**268**
Other liabilities		34	34
Pension provisions	6	40	46
Other provisions	4	10	14
Non-current liabilities	**10**	**84**	**94**

Assets and liabilities as of December 31, 2005
At year-end, there were neither assets nor liabilities held for sale.

Cash flow 2004

Figures in millions of euros	BGG	BN	EBW	ZVCC	Total
Operating activities	7	22	11	27	67
Investing activities	–2	–31	–9	–15	–57
Financing activities		10		–6	4

Cash flow 2005

Figures in millions of euros	BGG	EBW	ZVCC [1]	Total
Operating activities	20	22		42
Investing activities	–7	–3		–10
Financing activities	–15			–15

[1] Cash flow 2005 is attributable to the buyer and is therefore not disclosed

Notes to the income statement

1 Sales revenue

Sales revenue amounted to EUR 42,016 million (prior year: EUR 39,996 million). Of this, EUR 555 million (prior year: EUR 1,042 million) relates to discontinued operations; sales revenue from continuing operations of EUR 41,461 million (prior year: EUR 38,954 million) has therefore been disclosed in the income statement.

2 Distribution costs and administrative expenses

Figures in millions of euros	2005	2004
Administrative expenses	2,114	1,982
Distribution costs	5,496	5,722
	7,610	**7,704**
Discontinued operations	–60	–117
	7,550	**7,587**

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

3 Research and development cost

The research and development cost contains research costs as well as development costs that cannot be capitalized and depreciation on recognized development costs.

Figures in millions of euros	2005	2004
Total research and development costs	3,095	2,791
Development costs recognized in the reporting period	–188	–224
Depreciation on recognized development costs	172	167
	3,079	**2,734**
Discontinued operations	–6	–19
	3,073	**2,715**

4 Other operating income

Figures in millions of euros	2005	2004
Income from exchange rate fluctuations	313	178
Income from the reversal of valuation allowances on receivables and other assets	64	51
Income from the disposal of property, plant, and equipment	63	59
Income from rent and leases	12	14
Income from the reversal of provisions (not disclosed in the functional areas)	267	266
Gains on sale of business operations	173	
Sundry other operating income	223	283
	1,115	**851**
Discontinued operations	–184	–16
	931	**835**

Sundry other operating income contains government grants of EUR 24 million (prior year: EUR 25 million).

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 the foreign currency derivatives allocable to the operating business.

Leases are accounted for according to the rules pertaining to operating leases to the extent that the substantial risks and rewards associated with the leased asset rest with the lessor. The assets concerned are recognized in property, plant, and equipment and the lease payments received are recorded in other operating income. In the reporting year, income from operating leases came to EUR 12 million (prior year: EUR 14 million).

5 Other operating expenses

Figures in millions of euros	2005	2004
Expenses from exchange rate fluctuations	145	148
Valuation allowances on receivables and other assets	88	121
Expenses from the disposal of non-current assets	70	105
Other taxes	42	49
Expenses from the recognition of provisions	180	229
Impairment of goodwill	55	
Losses on sale of business operations	54	
Sundry other operating expenses	358	414
	992	**1,066**
Discontinued operations	–65	–34
	927	**1,032**

6 Financial result

Figures in millions of euros	2005	2004
Investment income	92	83
Gains from disposal of investments	103	33
Income from investments	**195**	**116**
Interest and similar income	427	371
Interest and similar expenses	–225	–234
of which net interest expense from amortization of securities	–32	–36
Interest result	**202**	**137**
Gains from disposal of securities	481	232
Losses from disposal of securities	–62	–80
Realized exchange rate gains	68	58
Realized exchange rate losses	–89	–50
Unrealized exchange rate gains	86	33
Unrealized exchange rate losses	–33	–70
Gains from derivatives	128	35
Losses from derivatives	–251	–4
Other income	52	195
Other expenses	–92	–232
Other financial result	**288**	**117**
Financial result, total	**685**	**370**
of which financial income	1,437	1,040
of which financial expenses	–752	–670
Discontinued operations		10
	685	**380**

The positions “gains/losses from derivatives” contain transactions not directly related to operations.

7 Income taxes

Income taxes are classified according to their origin as follows:

Figures in millions of euros	2005	2004
Current taxes	1,121	1,130
Deferred taxes	–251	–325
Income taxes	**870**	**805**
Discontinued operations	–34	6
	836	**811**

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. In Germany, a corporate income tax rate of 25 % applies. Taking into account trade tax and the solidarity surcharge, the tax rate for companies in Germany is 39 %. The tax rates outside Germany range between 9 % and 41 %.

The income tax expense does not contain any elements that fall under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

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

Figures in millions of euros	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Receivables, other assets, and inventories	199	182	153	258
Securities, investments	3	362	18	423
Property, plant, and equipment	109	780	182	890
Intangible assets	86	269	180	260
Other assets	95		21	
Liabilities	292	11	317	23
Provisions	2,034	52	1,736	48
Other liabilities	1	42	1	13
Unused tax losses and tax credits	335		218	
Gross amount	**3,154**	**1,698**	**2,826**	**1,915**
Valuation allowances	–59		–29	
Netting	–724	–724	–826	–826
	2,371	**974**	**1,971**	**1,089**

There are EUR 212 million in unused tax losses for which no deferred tax assets have been recognized (prior year: EUR 281 million).

Consolidation measures give rise to deferred tax assets of EUR 112 million (prior year: EUR 162 million) and deferred tax liabilities of EUR 27 million (prior year: EUR 29 million).

In the reporting period, deferred taxes of EUR 201 million (prior year: EUR 81 million) were recorded directly in equity. Of this amount, EUR 50 million (prior year: EUR 77 million) relates to the change in the surplus from securities and EUR 151 million (prior year: EUR 158 million) to the change in retained earnings due to the change in actuarial parameters pursuant to IAS 19.

The basis for the expected income tax expense is the German tax rate of 39%. The difference between expected and disclosed income tax expense is attributable to the following factors:

Figures in millions of euros	2005	2004
Expected income tax expense	1,294	1,043
Variances due to tax rate	–127	–137
Variances in the tax assessment base	–188	–118
Other differences	–109	17
Income tax expense disclosed	**870**	**805**
Discontinued operations	–34	6
	836	**811**

8 Minority interests

Profits allocable to minority interests amount to EUR 107 million (prior year: EUR 91 million). This is counterbalanced by losses of EUR 6 million.

9 Other notes to the income statement

The income statement contains the following personnel expenses:

Figures in millions of euros	2005	2004
Personnel expenses	12,049	11,411
Discontinued operations	–113	–232
	11,936	**11,179**

Cost of materials amounts to EUR 19,413 million (prior year: EUR 18,266 million). Information about amortization and depreciation is contained in the explanations on non-current assets.

Notes to the balance sheet

10 Cash and cash equivalents

Figures in millions of euros	2005	2004
Bank balances (term up to 90 days)	2,853	3,089
Checks, cash, and reserve bank deposits	83	99
	2,936	**3,188**
Assets held for sale		–3
	2,936	**3,185**

In most cases, the effective interest rate for bank balances with a term of less than 90 days is between 2.3% and 2.5%. The fair value of cash and cash equivalents corresponds to the carrying amount.

11 Marketable securities (current)

The securities classified as current are either listed securities with a residual term of less than one year or securities which are intended for sale within a year. The effective interest rates range between 2.5% and 7%. The fair value of the marketable securities is the carrying amount.

12 Trade receivables

Figures in millions of euros	2005	2004
Trade receivables	7,308	6,782
of which bad debt allowances	445	433
Assets held for sale		–82
	7,308	**6,700**

Of the total amount of trade receivables, an amount of EUR 5 million is due in more than one year. The fair value of the receivables is the carrying amount.

13 Other assets (current)

Figures in millions of euros	2005	2004
Bank balances (term of more than 90 days)	74	47
Loan receivables	136	149
Receivables from finance leases	27	26
Positive market values from derivatives	32	62
Prepaid expenses	53	47
Receivables from tax authorities (without income tax receivables)	448	390
Receivables from Board of Management, associates	20	11
Sundry other receivables	315	264
	1,105	**996**
Assets held for sale		–14
	1,105	**982**

The fair values of other current assets correspond to the carrying amounts. The effective interest rate for bank balances with a term of more than 90 days is between 2.5% and 6.7%.

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

Figures in millions of euros	2005	2004
Gross capital expenditures on finance leases		
due not later than one year	36	36
due later than one year and not later than five years	112	114
due later than five years	52	56
	200	**206**
Present value of outstanding minimum lease payments		
due not later than one year	27	26
due later than one year and not later than five years	90	92
due later than five years	47	50
	164	**168**
Unearned finance income	**36**	**38**

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 result from the activities of the Security Systems division. The minimum lease payments are due as follows:

Figures in millions of euros	2005	2004
Due not later than one year	23	21
Due later than one year and not later than five years	74	66
Due later than five years	45	42
	142	**129**

14 Inventories

Figures in millions of euros	2005	2004
Raw materials, consumables, and supplies	1,712	1,509
Work in progress	954	1,011
Finished goods and merchandise	2,756	2,515
Prepayments	60	35
	5,482	**5,070**
Assets held for sale		–81
	5,482	**4,989**

Of the total amount of inventories, an amount of EUR 150 million (prior year: EUR 167 million) is carried at the lower net selling price. In the fiscal year, write-downs of EUR 53 million were recorded with effect on income. No write-ups were performed, no inventories were pledged.

15 Non-current financial assets

Figures in millions of euros	2005	2004
Securities	7,228	6,240
Investments	1,954	1,567
Other financial assets	367	285
	9,549	**8,092**
Assets held for sale		–22
	9,549	**8,070**

Held-to-maturity investments

Figures in millions of euros	2005	2004
Due later than one year and not later than five years (carrying amount)	71	72
Due later than five years (carrying amount)	9	9
Fair value at December 31	81	82

Other non-current financial assets

Figures in millions of euros	2005	2004
Loans	57	37
Receivables from finance leases	137	142
Other receivables and other assets	173	106
	367	**285**

There are no receivables that are due in more than five years.

Non-current securities and investments
The securities consist of fixed-yield and other securities as well as shares which are not designated for sale within twelve months of the balance sheet date. The effective interest rates for fixed-yield securities range between 2 % and 19 %.

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	
	Listed	Unlisted	Shares	Other		
Gross values 1/1/2004	**876**	**749**	**2,337**	**2,850**	**7**	**6,819**
Changes in consolidated group		–147				–147
Additions		215	872	2,571	75	3,733
Reclassifications				–281		–281
Disposals		–102	–1,018	–1,295		–2,415
Revaluations	252		76	53		381
Exchange differences	–7	–6	–2	–4	–1	–20
Gross values 12/31/2004	**1,121**	**709**	**2,265**	**3,894**	**81**	**8,070**
Depreciation 1/1/2004		**308**				**308**
Changes in consolidated group		–11				–11
Additions		15				15
Disposals		–48				–48
Exchange differences		–1				–1
Depreciation 12/31/2004		**263**				**263**
Carrying amounts 12/31/2004	**1,121**	**446**	**2,265**	**3,894**	**81**	**7,807**
Gross values 1/1/2005	**1,121**	**709**	**2,265**	**3,894**	**81**	**8,070**
Changes in consolidated group	–54	–359			–2	–415
Additions	78	100	1,318	2,529		4,025
Reclassifications			–357	–256		–613
Disposals	–104	–9	–1,586	–1,240		–2,939
Revaluations	638		529	39		1,206
Exchange differences	13	13	2	11	1	40
Gross values 12/31/2005	**1,692**	**454**	**2,171**	**4,977**	**80**	**9,374**
Depreciation 1/1/2005		**263**				**263**
Changes in consolidated group		–71				–71
Disposals		–3				–3
Exchange differences		3				3
Depreciation 12/31/2005		**192**				**192**
Carrying amounts 12/31/2005	**1,692**	**262**	**2,171**	**4,977**	**80**	**9,182**

The market value of the pledged securities amounts to EUR 296 million (prior year: EUR 234 million). They were mainly pledged to secure obligations to employees as required by law.

16 Property, plant, and equipment

The total amount of depreciation contains the following impairment losses:
- land and buildings: EUR 11 million (prior year: EUR 5 million),
- technical equipment and machines: EUR 22 million (prior year: EUR 18 million),
- other equipment, fixtures and furniture: EUR 8 million (prior year: EUR 1 million).

The carrying amounts contain the following amounts from finance leases under which the Bosch Group is the lessee:
- land and buildings: EUR 1 million (prior year: EUR 11 million),
- technical equipment and machines: EUR 4 million (prior year: EUR 8 million),
- other equipment, fixtures and furniture: EUR 23 million (prior year: EUR 23 million).

The obligations entered into to purchase items of property, plant, and equipment amounted to EUR 154 million (prior year: EUR 153 million), restrictions on title total EUR 20 million (prior year: EUR 2 million). Government grants for assets of EUR 4 million (prior year: EUR 3 million) were deducted from the additions in the reporting period. The use of these grants is not restricted.

The investment properties are rented properties which were measured at amortized cost. Valued at fair value, the portfolio came to EUR 131 million (prior year: EUR 140 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 properties came to EUR 11 million (prior year: EUR 10 million), maintenance expenses totaled EUR 4 million (prior year: EUR 5 million).

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 1/1/2004	**5,056**	**168**	**13,688**	**5,542**	**538**	**24,992**
Changes in consolidated group	23	13	106	54	–119	77
Additions	169	1	1,139	468	665	2,442
Reclassifications	48	1	170	69	–288	
Disposals	–78	–2	–802	–464	–15	–1,361
Exchange differences	–57	–1	–132	–35	–6	–231
Gross values 12/31/2004	**5,161**	**180**	**14,169**	**5,634**	**775**	**25,919**
Depreciation 1/1/2004	**2,110**	**44**	**8,783**	**3,803**	**2**	**14,742**
Changes in consolidated group	–8	15	15	16		38
Additions	149	4	1,214	453		1,820
Reclassifications	–1	1				
Disposals	–47	–1	–662	–391		–1,101
Write-ups			–2			–2
Exchange differences	–32		–111	–27		–170
Depreciation 12/31/2004	**2,171**	**63**	**9,237**	**3,854**	**2**	**15,327**
Carrying amounts 12/31/2004	**2,990**	**117**	**4,932**	**1,780**	**773**	**10,592**
Assets held for sale						–321
						10,271
Gross values 1/1/2005	**5,161**	**180**	**14,169**	**5,634**	**775**	**25,919**
Changes in consolidated group	35		–656	27	35	–559
Additions	196	9	1,268	587	874	2,934
Reclassifications	120	–8	463	144	–719	
Disposals	–134	–5	–656	–417	–55	–1,267
Exchange differences	155	1	476	121	47	800
Gross values 12/31/2005	**5,533**	**177**	**15,064**	**6,096**	**957**	**27,827**
Depreciation 1/1/2005	**2,171**	**63**	**9,237**	**3,854**	**2**	**15,327**
Changes in consolidated group	–60		–472	–8		–540
Additions	164	4	1,241	477	1	1,887
Reclassifications	4	–3	–27	26		
Disposals	–75	–1	–561	–361		–998
Write-ups	–5		–3	–1		–9
Exchange differences	53		291	80		424
Depreciation 12/31/2005	**2,252**	**63**	**9,706**	**4,067**	**3**	**16,091**
Carrying amounts 12/31/2005	**3,281**	**114**	**5,358**	**2,029**	**954**	**11,736**

17 Intangible assets

The goodwill of EUR 3,084 million (prior year: EUR 2,829 million) breaks down by business sector as follows: Automotive Technology EUR 126 million (prior year: EUR 123 million), Industrial Technology EUR 1,783 million (prior year: EUR 1,716 million), Consumer Goods and Building Technology EUR 1,175 million (prior year: EUR 990 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 value is derived from the future cash inflows (value in use). The cash flows are determined on the basis of business plans with a perspective of three years.

A growth discount after the end of the planning period of 1.0% was applied. For the Industrial Technology business sector a discount rate of 12% was applied, for Consumer Goods and Building Technology 12.9%, and for Automotive Technology 12.6%. A risk-free interest rate of 4.3% and a market risk premium of 5.0% were assumed. The standard tax rate used is 39%.

The Chassis Systems Brakes division analyzed the earnings situation of its products. The findings and the restructuring measures needed as a result led to a correction of the original earnings target and the impairment of goodwill. The impairment loss amounts to EUR 36 million.

Due to the persistently difficult market conditions and the general reluctance of its customers to invest, the Packaging Technology division had to revise its planning. The in-depth earnings analysis of its business activities and projects resulted in an impairment loss of EUR 17 million on existing goodwill.

In addition, there were impairment losses relating to goodwill of EUR 2 million.

For the Group, the total impairment losses of EUR 55 million are immaterial. They are disclosed under other operating expenses.

Figures in millions of euros	Franchises, industrial rights, licenses, software	Purchased goodwill	Internally generated intangible assets	Prepayments	Total
Gross values 1/1/2004	**789**	**2,730**	**724**	**2**	**4,245**
Changes in consolidated group	32	63			95
Additions	121	41	249	1	412
Reclassifications	–3	4		–1	
Disposals	–89		–38		–127
Exchange differences	–4	–9			–13
Gross values 12/31/2004	**846**	**2,829**	**935**	**2**	**4,612**
Depreciation 1/1/2004	**355**		**310**		**665**
Changes in consolidated group	13				13
Additions	135		188		323
Disposals	–87		–37		–124
Exchange differences	–4				–4
Depreciation 12/31/2004	**412**		**461**		**873**
Carrying amounts 12/31/2004	**434**	**2,829**	**474**	**2**	**3,739**
Assets held for sale					–4
					3,735
Gross values 1/1/2005	**846**	**2,829**	**935**	**2**	**4,612**
Changes in consolidated group	8	284	7		299
Additions	111	9	212	3	335
Reclassifications	2			–2	
Disposals	–99		–158		–257
Exchange differences	12	17	1		30
Gross values 12/31/2005	**880**	**3,139**	**997**	**3**	**5,019**
Depreciation 1/1/2005	**412**		**461**		**873**
Changes in consolidated group	–12				–12
Additions	135	55	194		384
Disposals	–92		–158		–250
Exchange differences	10				10
Depreciation 12/31/2005	**453**	**55**	**497**		**1,005**
Carrying amounts 12/31/2005	**427**	**3,084**	**500**	**3**	**4,014**

The depreciation of internally generated intangible assets contains impairment losses of EUR 36 million (prior year: EUR 19 million).

18 Current and non-current financial liabilities

Figures in millions of euros	2005		2004	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Bonds	1,272	8	30	1,383
Liabilities to banks	744	895	418	1,182
Other financial liabilities	3	61	9	5
	2,019	**964**	**457**	**2,570**

Of the financial liabilities, EUR 126 million have a residual term of more than five years.

Terms and conditions of the bonds

					Figures in millions of euros	
Interest terms	**Interest rate**	**Beginning of term**	**End of term**	**Currency**	**Nominal**	**Market value 12/31/2005**
Fixed	5.25 %	07/2001	07/2006	EUR	1,272	1,288

Terms and conditions of the liabilities to banks

			Figures in millions of euros		
Interest terms	**Interest rate**	**Currency**	**up to 1 year**	**more than 1 year**	**Carrying amount 12/31/2005**
Fixed	3.3 %	EUR		150	150
Fixed	5.5 %	EUR		30	30
Fixed	5.1 %	EUR	13	13	26
Fixed	4.7 %	EUR		13	13
Fixed	4.5 %	EUR		13	13
Fixed	7.4 %	USD	424		424
Floating	EURIBOR +0.1 %	EUR		600	600
Floating	2.2 % – 6.2 %	USD	54	9	63
Floating	13.3 % – 18.6 %	BRL	44	19	63
Other			209	48	257
			744	**895**	**1,639**

19 Trade payables

Figures in millions of euros	2005	2004
Trade payables	3,023	2,783
Notes payable	124	143
	3,147	**2,926**
Liabilities held for sale		–43
	3,147	**2,883**

Of the total amount of trade payables, an amount of EUR 2 million is due in more than one year. The fair values are the carrying amounts.

20 Other liabilities and provisions

Other liabilities

Figures in millions of euros	2005		2004	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Loans	59	31	103	33
Accruals relating to personnel	1,278		1,142	
Accruals relating to sales and marketing	376		413	
Other accruals	249		242	
Deferred income	49		38	
Tax liabilities (without income tax liabilities)	289		262	
Liabilities from finance leases	27	53	16	33
Reduction of tooling subsidies received	30	89	32	95
Prepayments received for inventories	214		148	
Sundry other liabilities	961	96	776	93
	3,532	**269**	**3,172**	**254**
Liabilities held for sale			–210	–34
	3,532	**269**	**2,962**	**220**

There are no loans with a maturity of more than five years. The fair values of the other liabilities are the carrying amounts.

The provisions in the personnel area mainly relate to vacation and salary entitlements as well as accrued special payments. In the sales and marketing area they mainly relate to bonus and commission payments.

Liabilities from finance leases primarily stem from vehicle lease agreements with terms of between three and six years. The liabilities are due as follows:

Figures in millions of euros	2005	2004
Future minimum lease payments		
due not later than one year	30	19
due later than one year and not later than five years	50	33
due later than five years	31	23
Interest portion contained in the future minimum lease payments		
due not later than one year	3	3
due later than one year and not later than five years	9	6
due later than five years	19	17
Present value of future minimum lease payments		
due not later than one year	27	16
due later than one year and not later than five years	41	27
due later than five years	12	6
	80	**49**

Provisions (without income tax provisions and pension provisions)

Figures in millions of euros	2005		2004	
	up to 1 year	**more than 1 year**	**up to 1 year**	**more than 1 year**
Tax provisions (without income tax provisions)	27	70	25	22
Provisions in the personnel area	382	1,070	448	816
Provisions in the sales and marketing area	1,995	1,262	2,269	1,186
Other provisions	527	996	401	1,175
	2,931	**3,398**	**3,143**	**3,199**
Liabilities held for sale			−15	−14
	2,931	**3,398**	**3,128**	**3,185**

Provisions developed as follows:

Figures in millions of euros	At 1/1/2005	Changes in consolidated group	Amounts used	Amounts reversed	Increase incl. increase in discounted amount	Exchange adjustments	At 12/31/2005
Tax provisions	455	1	−317	−63	310	39	**425**
Provisions in the personnel area	1,264	−11	−202	−99	489	11	**1,452**
Provisions in the sales and marketing area	3,455	−5	−1,288	−616	1,662	49	**3,257**
Other provisions	1,576	−15	−267	−89	296	22	**1,523**
	6,750	**−30**	**−2,074**	**−867**	**2,757**	**121**	**6,657**
Liabilities held for sale	−29						
	6,721						**6,657**

Of the total increase in provisions, an amount of EUR 44 million (prior year: EUR 46 million) relates to increases in discounted amounts.

Provisions in the personnel area relate to obligations from personnel adjustment measures, early phased retirement contingencies, and other special benefits for which the time or amount cannot yet be precisely determined. Provisions in the sales and marketing area mainly take account of losses from delivery and warranty obligations, including risks from recall, exchange, and product liability cases. Other provisions are mainly formed 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	2005	2004
Contingent liabilities due to notes issued and transferred	34	90
Contingent liabilities from guarantees	41	37
Contingent liabilities from warranties	4	5
Other contingent liabilities	5	13
	84	**145**

Obligations from operating leases mainly pertain to rent agreements for technical equipment, for IT equipment, and for vehicles. They mature between two and six years. The minimum amount of the undiscounted future payments from operating leases amounts to EUR 514 million (prior year: EUR 459 million). The obligations are due as follows:

Figures in millions of euros	2005	2004
Due not later than one year	164	160
Due later than one year and not later than five years	259	216
Due later than five years	91	83
	514	**459**

The payments of the period recognized in profit and loss of EUR 156 million (prior year: EUR 148 million) are contained in the costs of the functional areas (cost of sales, distribution, administrative, research and development costs).

21 Pension provisions

The Bosch Group makes direct or indirect provision for the post-retirement period of many associates by paying contributions to private institutions. Payments by the Bosch Group vary according to local legal, tax, and economic provisions, and are usually based on the length of service and the salary of the associates. The obligations include both current pension obligations and future pension obligations. The Group's retirement 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 funds based on legal or contractual provisions. No further payment obligations arise for the Company from the payment of these contributions.

All other post-retirement benefit systems are defined benefit plans; a distinction is made between benefit systems financed from provisions and those financed from funds.

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 of influence. Taking account of dynamic components, the future benefit obligations are spread over the entire period of service.

Actuarial calculations and estimates are essential 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		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Discount factor	4.0	4.4	5.5	6.0	1.7	2.0	4.1	4.5
Expected return on plan assets	5.1	5.3	7.5	7.5	2.0	2.0	5.4	5.8
Future salary increases	2.9	3.4	4.0	4.5	2.3	2.7	3.0	3.4
Pension increases	1.4	1.4	3.5	3.0	0.0	0.0	1.7	1.5

The estimates of future salary increases are made, among other things, on the basis of the economic situation and inflation.

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

To ensure the transparency of reporting, the actuarial gains and losses from defined benefit obligations are recognized outside of profit and loss in accordance with the option of IAS 19, introduced in December 2004. 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 institution is deducted from the benefit obligations resulting from the projected unit credit method. The 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 funding status of the defined benefit obligations is as follows:

Figures in millions of euros	2005	2004
Present value of benefit obligations from wholly unfunded plans	6,122	4,691
Present value of benefit obligations from plans that are wholly or partly funded	3,326	3,768
Total present value of benefit obligation	9,448	8,459
Plan assets at fair value	–2,584	–2,081
Net obligation	6,864	6,378
Past service cost	18	9
	6,882	**6,387**
Liabilities held for sale		–46
	6,882	**6,341**

The amounts recognized in the income statement are as follows:

Figures in millions of euros	2005	2004
Current service cost	288	225
Interest cost	383	383
Expected return on plan assets	–125	–122
Past service cost	73	–75
Other	–14	20
Net expense for the period	**605**	**431**

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

Pension provisions developed as follows:

Figures in millions of euros	2005	2004
Carrying amount at January 1	**6,387**	**5,974**
Changes in consolidated group	–64	3
Net expense for the period	605	431
Pension payments	–303	–281
Contributions to funds	–218	–154
Actuarial gains and losses	381	399
Other	94	15
	6,882	**6,387**
Liabilities held for sale		–46
Carrying amount at December 31	**6,882**	**6,341**

Expenses for defined benefit obligations amounted to EUR 606 million (prior year: EUR 576 million).

22 Equity

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

Shareholder of Robert Bosch GmbH

Percentage figures	Shareholding	Voting rights
Robert Bosch Stiftung GmbH	92	
Robert Bosch Industrietreuhand KG		93
Bosch family	just under 8	7

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 accumulated other comprehensive income. The unappropriated earnings of the Group match those of Robert Bosch GmbH. The effects of changes in actuarial parameters in the pension provisions are disclosed in the “Other” column of accumulated other comprehensive income.

The adjustments of the accounting policies to IFRS requirements as of January 1, 2004, are recorded directly in equity in accordance with IFRS 1. The tables below show the reconciliation of the income statement and equity from the German commercial code (HGB) to IFRS:

Reconciliation of the income statement 2004:

Figures in millions of euros	IFRS	HGB
Sales revenue	39,996	
Total operating performance		40,611
Cost of materials	–18,266	–18,464
Personnel expenses	–11,411	–11,574
Depreciation and amortization of non-current assets	–2,158	–2,280
Other expenses and income	–5,486	–5,715
Profit before tax	2,675	2,578
Income taxes	–805	–903
Profit after tax	**1,870**	**1,675**

Reconciliation of equity:

Figures in millions of euros	12/31/2004	1/1/2004
Equity according to HGB	**13,130**	**11,760**
Diverging valuation of		
Securities	976	1,029
Receivables and other assets	377	458
Inventories	803	743
Financial assets (investments)	1,048	808
Property, plant, and equipment	2,060	2,329
Intangible assets	1,018	534
Deferred tax assets	−492	−745
Liabilities	−243	−269
Pension obligations	−1,372	−1,118
Provisions	921	1,140
Deferred tax liabilities	−798	−739
Equity according to IFRS	**17,428**	**15,930**

The differences between items of the financial statements pursuant to IFRS and HGB result from divergent accounting, measurement, and consolidation methods as described in the section on accounting policies.

Minority interests

The shares of minority interests in the equity of the consolidated subsidiaries mainly consist of the minority interests in Motor Industries Co Ltd, Bangalore, India, Bosch Corporation, Shibuya-ku, Tokyo, Japan, and Bosch Automotive Diesel Systems Co Ltd, Wuxi, China. The remaining minority interests in Scintilla AG, Solothurn, Switzerland, were purchased in 2005. The difference between the purchase cost and carrying amount at the date of purchase is recorded as goodwill.

Other notes

23 Cash flow statement

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

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

The investing activities consist of additions to non-current assets including rented assets and the purchase and sale of subsidiaries and securities. The subsidiaries were sold for EUR 335 million.

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

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

The cash and cash equivalents shown in the cash flow statement contain cash of EUR 2,936 million (prior year: EUR 3,188 million) and securities with a residual term of less than 90 days of EUR 138 million (prior year: EUR 108 million). There is a transfer restriction for cash and cash equivalents of EUR 7 million (prior year: EUR 9 million).

Effects on the cash flow from acquisitions and sales are explained in the section on business combinations and discontinued operations.

24 Segment reporting

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

Structure of the business sectors (as of December 31, 2005)

Automotive Technology	Industrial Technology	Consumer Goods and Building Technology
Gasoline Systems	Automation Technology	Power Tools
Diesel Systems	Packaging Technology	Thermotechnology
Chassis Systems Brakes		Household Appliances[2]
Chassis Systems Control		Security Systems
Energy and Body Systems		
Car Multimedia		
Automotive Electronics		
Automotive Aftermarket		
Steering Systems[1]		

[1] ZF Lenksysteme GmbH (50 % Bosch)
[2] BSH Bosch und Siemens Hausgeräte GmbH (50 % Bosch)

Business sectors: Sales and results of continuing operations

Figures in millions of euros	Automotive Technology		Industrial Technology		Consumer Goods and Building Technology		Reconciliation		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	26,313	24,960	5,187	4,609	9,961	9,385			41,461	38,954
Operating profit	1,517	1,226	358	401	609	651	9		2,493	2,278

Business sectors: Figures including discontinued operations

Figures in millions of euros	Automotive Technology		Industrial Technology		Consumer Goods and Building Technology		Reconciliation		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	26,392	25,262	5,663	5,240	9,961	9,494			42,016	39,996
Intrasegment sales		3	304	248			–304	–251		
Total sales	26,392	25,265	5,967	5,488	9,961	9,494	–304	–251	42,016	39,996
Operating profit	1,617	1,230	327	410	682	665	9		2,635	2,305
Non-cash expenses (without systematic depreciation)	2,508	2,999	330	316	536	513	31	54	3,405	3,882
Segment assets	17,680	15,681	5,146	5,023	6,662	6,216	20	16	29,508	26,936
Segment liabilities	11,991	11,556	2,282	2,060	4,286	3,908	303	254	18,862	17,778
Capital expenditures on intangible assets and property, plant, and equipment	2,575	2,161	298	292	393	400	3	1	3,269	2,854
Systematic depreciation and amortization of intangible assets and property, plant, and equipment	1,676	1,615	169	149	293	335	1	1	2,139	2,100

Geographical segments: Sales revenue from continuing operations

Figures in millions of euros	Europe		Americas		Asia		Africa, Australia		Reconciliation		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	27,485	26,610	7,881	7,076	5,409	4,622	686	646			41,461	38,954

Geographical segments: Figures including discontinued operations

Figures in millions of euros	Europe		Americas		Asia		Africa, Australia		Reconciliation		Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	27,938	27,345	7,909	7,140	5,482	4,862	687	649			42,016	39,996
Segment assets	21,681	20,884	4,538	3,526	3,729	2,606	365	368	–805	–448	29,508	26,936
Capital expenditures on intangible assets and property, plant, and equipment	2,245	2,315	466	310	508	207	50	22			3,269	2,854

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

Impairment losses amount to EUR 105 million (prior year: EUR 39 million) for the Automotive Technology business sector, EUR 19 million (prior year: EUR 3 million) for the Industrial Technology business sector, and EUR 8 million (prior year: EUR 1 million) for the Consumer Goods and Building Technology business sector. They are disclosed in the non-cash expenses.

25 Financial instruments and risk management

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 establish a mandatory framework and define the responsibilities relating 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 forbidden. Limits for business transactions are an important element of these guidelines. Hedges are entered into solely via banks whose creditworthiness is regarded as impeccable; the yardstick is the rating given by leading agencies.

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 and regular compliance checks with instructions and guidelines.

Currency risk

Currency risks of the operative business are mitigated by the central management of selling and purchasing currencies. A worldwide consolidated foreign exchange balance plan containing the estimated currency positions of the Bosch Group is used to determine the expected currency exposures. The object of currency management is the resulting net positions for each currency.

The largest net currency positions are in USD and JPY, but they are low in proportion to sales.

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

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

Interest rate risks

Over-the-counter derivative financial instruments are used to limit the risks from expected interest rate changes on borrowings and investments. These are mainly interest swaps and, to a lesser extent, interest options. By using receiver swaps that mature no later than 2009, part of the variable interest receipts from short-term money market investments are changed into fixed interest rates of on average 3 %. Receiver swaps are also used to exchange part of the interest expense for the bond that matures in July 2006 (fixed interest rate 5.25 %) into short-term floating interest.

The principles of financial investment management are set forth in internal instructions. The committee for investment strategy that meets twice a year stipulates the principles of financial investment management and prescribes an operative scope. This scope comprises both internally managed portfolios and also externally managed special funds.

On a monthly basis, the risk of the financial investments including investment derivatives 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 and the result of the risk analyses.

Liquidity and credit risks were not foreseeable at balance sheet date.

Listed investments
The Bosch Group holds direct and indirect shares in listed companies which were not acquired for trading. These investments are subject to general exchange rate risks.

Composition of the derivative financial instruments

Figures in millions of euros	Market values				Nominal values	
	2005 up to 1 year	2005 more than 1 year	2004 up to 1 year	2004 more than 1 year	2005	2004
Interest derivatives	**16**	**7**		**30**	**1,780**	**1,161**
of which interest swaps	17	7		30	1,596	1,048
of which other interest derivatives	–1				184	113
Foreign currency derivatives	**–37**	**1**	**52**	**13**	**2,523**	**2,133**
of which USD	–22		39	13	1,625	1,235
of which JPY	–3	1	11		98	122
of which other currencies	–12		2		800	776
Other derivatives	**1**	**9**		**–1**	**52**	**17**

The currency derivatives are almost all forward exchange contracts. The interest rates for interest swaps range between 2.8% and 5.3%.

26 Related parties

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 7 million (prior year: EUR 6 million) were borne by Robert Bosch GmbH.

All business relations with non-consolidated companies and joint ventures are transacted under customary market conditions.

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

Robert Bosch Stiftung GmbH, Stuttgart, is the tenant of several properties belonging to Robert Bosch GmbH, Stuttgart. The properties are let under customary market conditions.

As of December 31, 2005, receivables from related parties came to EUR 52 million (prior year: EUR 33 million) and liabilities to related parties to EUR 55 million (prior year: EUR 37 million).

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

Figures in millions of euros	Sales		Receivables		Liabilities	
	2005	2004	2005	2004	2005	2004
EMASA, Equipos y Maquinarias SA, Chile	7	4	2	5		
BT Magnet-Technologie GmbH, Germany	17	10	5	2	1	2
Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, Germany	62	66	16	10		
SupplyOn AG, Germany						1
VB Autobatterie GmbH & Co KGaA, Germany	4	5	15	1		
Advanced Driver Information Technology Corporation, Japan					2	1
Akebono Brake Industry Co Ltd, Japan					19	3
CVTEC Co Ltd, Japan			12	12	5	2
Knorr-Bremse Commercial Vehicle Systems Japan, Ltd, Japan	1	2			1	1
Ohta Iron Works Co Ltd, Japan					2	2
Tokuden Renma Kousakusho, Japan					1	1
Doowon Precision Industry Co Ltd, Korea	15	17	2	2		
Tele Atlas NV, Netherlands	7	3				
Associated Fuel Pump Systems Corporation, USA	2	1		1	24	24

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 34 million in the fiscal year 2005 (prior year: EUR 33 million) and breaks down as follows:

Figures in millions of euros	2005	2004
Short-term benefits	15	13
Post-retirement benefits	15	17
Other long-term benefits	2	2
Termination benefits	2	1

Share-based payments are not made.

There are no provisions for bad debts due from members of management in key positions. Moreover, no expenses were incurred for uncollectible or doubtful receivables.

The Bosch Group grants other related parties compensation totaling EUR 0.2 million (prior year: 0.2 million) for various services. The services are 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.

27 Additional disclosures pursuant to Sec. 315 a HGB

Shareholdings of the Bosch Group
The list of the Bosch Group's shareholdings is filed with the commercial register of the Stuttgart district court.

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 17 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 77 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 2005		Annual average 2004	
	Total	of which BSH, KEFI, UAES, ZFLS, ZVCC (proportionate)	Total	of which BSH, ZFLS, ZVCC (proportionate)
EU countries	167,444	16,403	161,384	16,240
Rest of Europe	9,540	1,559	8,978	1,581
Americas	37,086	2,464	36,223	2,697
Asia, Africa, Australia	36,792	3,843	32,262	3,576
	250,862	**24,269**	**238,847**	**24,094**
Discontinued operations	–2,009	–259	–4,667	–1,500
	248,853	**24,010**	**234,180**	**22,594**

Audit fees
The fees of the group auditor for audit and advisory services in Germany amount to:

Figures in millions of euros	2005	2004
Fees for		
annual audits	3.3	3.7
tax advisory services	0.5	0.1
other services	0.8	0.3

Stuttgart, March 16, 2006

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 balance sheet, the income statement, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. 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 Article 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) are 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 Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW: Institute of Public Auditors in Germany) 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 and with the additional requirements of German commercial law pursuant to Article 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 16, 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Wagner)
Wirtschaftsprüfer

(Kayser)
Wirtschaftsprüfer

Ten-Year Summary of the Bosch Group

	1996	1997	1998	1999	2000	2001	2002	2003[1]	2004[2]	2005[2]
Sales revenue	**21,038**	**23,955**	**25,735**	**27,906**	**31,556**	**34,029**	**34,977**	**36,357**	**38,954**	**41,461**
Share outside Germany as %	61	65	65	66	72	72	72	71	72	73
Research and development cost	1,476	1,665	1,778	1,921	2,030	2,274	2,487	2,650	2,715	3,073
– as % of sales	7.0	7.0	6.9	6.9	6.4	6.7	7.1	7.3	7.0	7.4
Capital expenditure	1,236	1,486	1,929	1,946	2,111	2,368	2,006	2,028	2,377	2,923
– thereof Germany	649	704	987	893	851	905	903	1,002	1,057	974
– thereof outside Germany	587	782	942	1,053	1,260	1,463	1,103	1,026	1,320	1,949
– as % of sales	5.9	6.2	7.5	7.0	6.7	7.0	5.7	5.6	6.1	7.0
– as % of depreciation	117	125	148	128	118	123	108	118	135	156
Depreciation of property, plant, and equipment	1,053	1,187	1,302	1,523	1,788	1,924	1,865	1,713	1,758	1,870
Annual average number of associates (thousands)	172	180	188	194	197	218	226	229	234	249
– thereof Germany	91	91	94	97	91	99	103	105	107	110
– thereof outside Germany	81	89	94	97	106	119	123	124	127	139
– as of Jan. 1 of subsequent year	176	181	190	195	199	221	224	232	238	251
Personnel expenses	6,655	7,342	7,963	8,298	8,950	9,959	10,815	10,994	11,179	11,936
Total assets	**16,501**	**17,847**	**18,582**	**20,832**	**24,504**	**27,783**	**27,475**	**31,995**	**41,170**	**45,554**
Equity	4,871	5,817	6,069	6,646	8,288	9,014	8,885	11,760	17,428	20,943
– as % of total assets	30	33	33	32	34	32	32	37	42	46
Cash flow	1,809	2,669	2,507	3,258	3,729	3,681	3,352	3,727	3,977	4,352
– as % of sales	8.6	11.1	9.7	11.7	11.8	10.8	9.6	10.3	10.2	10.5
Profit after tax	256	848[3]	435	460	1,380[3]	650	650	1,100	1,870	2,450
Unappropriated earnings (dividend of Robert Bosch GmbH)	35	1,129[3]	41	41	2,603[3]	50	60	60	63	63

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, figures apply to continuing operations only
[3] Special influences due to the distribute/recapture method applied at Robert Bosch GmbH

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Creation
Büro Schwab
Visuelle Kommunikation GmbH
Schwäbisch Gmünd

Photography for innovation theme
Thomas Bauer, Cologne
Markus Lampe, Hannover

Setting, printing
GZD Grafisches Zentrum Drucktechnik,
Ditzingen-Heimerdingen

Binding
Thalhofer Großbuchbinderei GmbH,
Schönaich

Additional information can be accessed on the internet at www.bosch.com or taken from the company brochures
– Bosch today
– Environmental Report

The above brochures can be ordered in English at:

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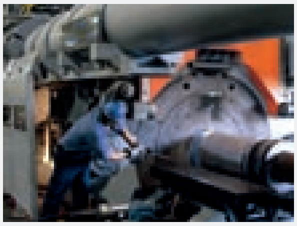
Title pictures

An increasing number of gasoline vehicles can be run on natural gas. We have developed an injection valve specifically for this type of fuel (p. 34).

We have launched the world’s first hammer drill with a 36-volt lithium-ion rechargeable battery. In terms of performance, this cordless tool compares with two-kilogram hammer drills powered by household or industrial AC current (p. 52).



The world’s largest indirect extruder has been put back in shape again, and now features a hydraulic system from Bosch Rexroth (p. 47).

Today, just as fifty years ago, gourmet cooking begins with sophisticated, durable appliances.

These two advertisements lie nearly fifty years apart. What do they have in common? Continuity. Both ads reflect the state of the art and the spirit of their times. Both show Bosch food processors built to last: on the left, the first Bosch model, appropriately named "New Age I"; on the right, the new top-of-the-line model, the "MUM 8 professional." Both ads express vitality in a humorous way. On the left, the eyes reflected in the lid of the frying pan suggest a cook in search of new recipe ideas. On the right, the 'predator's fangs' suggest a food processor capable of dealing with any ingredient, no matter how difficult to process.

For 120 years, Bosch has stood for compelling technology and elegant product design.

The older Bosch advertisement uses a lot of words to say this. The new slogan sums it up in just three: "Invented for life."


Die **stärkste** Küchenmaschine der Welt.
BOSCH
MUM 8
1400 W

Invented for life

“Invented for life” is more than just the new Bosch slogan. Behind these words lie values that Bosch has long stood for. Invented for life stands for reliable technology designed to last, technology that accompanies people for a good part of their lives. It also embodies intelligent, innovative, and beneficial technology to help people make their lives easier and more enjoyable.

Time and again, Bosch has proven its ability to deliver on this claim, in all our business sectors and in every phase of our history. To cite only four of many examples: the ESP® electronic stability program makes driving safer; Bosch hammer drills have always guaranteed long and reliable operation under the toughest conditions on construction sites throughout the world; Bosch heating systems, including the Junkers and Buderus brands, and Bosch household appliances have long made life easier with products in tune with customers’ needs; and Bosch automotive innovations like the lambda sensor, working in combination with the catalytic converter, lead to dramatic reductions in pollutant emissions.

And because this holds true for Bosch worldwide, we also feature the slogan “Invented for life” on all our advertising materials across the globe, currently in more than 30 languages.

“Invented for life”: three concise words which embody our values, our competencies, and our goals.

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Printed in Germany