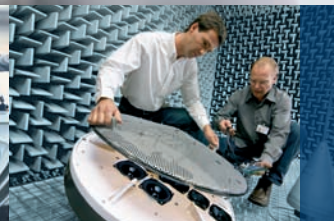
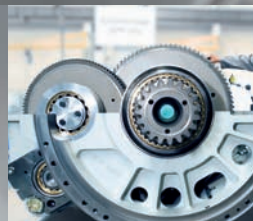




Annual Report 2007



BOSCH

Invented for life

The Bosch Vision

Creating value – sharing values

If we want to work successfully as a team in a global and complex world, then we need a common image of the future for our company. This image – this vision – 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 have agreed upon.

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



BOSCH

Invented for life

Key Data

Bosch Group	2006	2007
Sales revenue	43,684	46,320
percentage change from previous year	+ 5.4	+ 6.0
Sales revenue generated outside Germany		
as a percentage of sales revenue	74	75
Research and development cost	3,348	3,583
as a percentage of sales revenue	7.7	7.7
Capital expenditure	2,670	2,634
as a percentage of depreciation	116	108
Associates		
average for the year	257,754	267,562
as of January 1, 2007/2008	261,291	271,265
Total assets	46,940	48,568
Equity	22,482	24,825
as a percentage of total assets	48	51
Profit before tax	3,081	3,801
as a percentage of sales revenue	7.1	8.2
Profit after tax	2,170	2,850
Unappropriated earnings (dividend of Robert Bosch GmbH)	69	72

Currency figures in millions of euros

The Bosch Group at a Glance

The Bosch Values

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

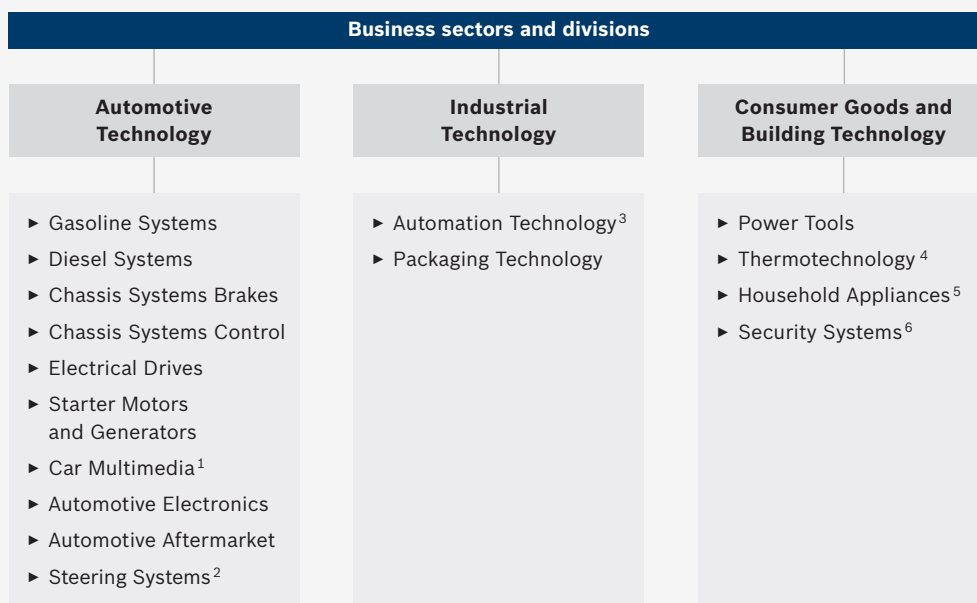
The Bosch Group is a leading global supplier of technology and services. In the areas of automotive and industrial technology, consumer goods, and building technology, some 271,000 associates generated sales of 46.3 billion euros in fiscal 2007. The Bosch Group comprises Robert Bosch GmbH and its more than 300 subsidiaries and regional companies in roughly 50 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. Each year, Bosch spends more than 3 billion euros for research and development, and applies for over 3,000 patents worldwide. The company was set up in Stuttgart in 1886 by Robert Bosch (1861-1942) as “Workshop for Precision Mechanics and Electrical Engineering.”

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

Additional information can be accessed at www.bosch.com.

Shareholders of Robert Bosch GmbH

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



¹ Blaupunkt GmbH (100% Bosch-owned)

² ZF Lenksysteme GmbH (50% Bosch-owned)

³ Bosch Rexroth AG (100% Bosch-owned)

⁴ Bosch Thermotechnik GmbH (100% Bosch-owned; until December 31, 2007 BBT Thermotechnik GmbH)

⁵ BSH Bosch und Siemens Hausgeräte GmbH (50% Bosch-owned)

⁶ Bosch Sicherheitssysteme GmbH (100% Bosch-owned)

Contents



New structure

This year's annual report has been given a new structure. We have added two new chapters: "Technology and Innovation" and "Our Responsibility." In doing so, we formally acknowledge the significance these two issues have for corporate strategy. "Technology and Innovation" undertakes a broad survey of its subject matter, going beyond the scope of its predecessor "Research and Advance Engineering." And in "Our Responsibility," we have made clear just how broadly we understand this, growing as it does out of our commitment to our company, to our associates, to the environment, and to society at large. This chapter thus serves as both a link and a bridge to our "Corporate Social Responsibility" report, which appears every two years.

Our responsibility

"Our Responsibility" is not just a new chapter, but also the focus theme of this year's annual report. On four double pages, we provide a clear insight into our action. We show examples of how we meaningfully combine economic growth with environmental protection across our business sectors, of what we do to train young people and secure jobs, and of where we play an active role in society, beyond the limits of our company.

The Bosch Vision

Key Data

The Bosch Group

- 2** Foreword
- 4** Board of Management
- 6** Supervisory Council Report
- 8** Supervisory Council, Industrial Trust, International Advisory Committee
- 10** Management Report
- 30** Technology and Innovation
- 38** Automotive Technology
- 48** Industrial Technology
- 54** Consumer Goods and Building Technology
- 62** Our Responsibility
 - Leadership
 - House of Orientation
 - Associates
 - Environment
 - Society
- 75** Robert Bosch Stiftung
- 76** Consolidated Financial Statements of the Bosch Group
- 127** Ten-Year Summary of the Bosch Group

An Entrepreneur with a Sense of Responsibility

Foreword

Ladies and gentlemen,

We can look back on a good 2007 for the Bosch Group. In recent years we have made substantial investments in our innovative strength, and now these investments are paying off. At the same time, we have made progress in the global expansion of our company. Many people have helped make this possible, and none more than the roughly 270,000 associates who now work for us around the world. My special thanks go out to them. I should also like to thank our customers, suppliers, and other partners for the sound business relationships we share, and our shareholders and the members of the supervisory council for their trust. Their support is extremely valuable, especially in view of the great challenges that lie ahead.

In shaping our strategy for the Bosch Group, we factor in the realization that markets are becoming ever more global. Today's emerging markets in Asia, eastern Europe, and South America are acquiring economic power on a scale that will bring about a global structural shift. As a company with a longstanding



international focus, we welcome this as a great opportunity. Accordingly, we shall continue to expand our worldwide network of sales, production, and development facilities. The growth that this brings will also benefit our existing locations.

At the same time, we face major ecological challenges on a global scale. Few other issues command as much worldwide attention as climate change. Although there is still no international consensus on the measures to be taken, we see that more and more countries are debating and implementing strict environmental protection and conservation regulations. This means that the market for "green" technologies will grow rapidly - a market in which we already enjoy success with a wide array of products. Tomorrow just as today, we shall continue to develop innovative and beneficial solutions that improve the quality of life and help conserve resources, true to our slogan "Invented for life." This is a further reason why we invest heavily in research and development.

“The Bosch values guide our actions and promote the special bond we feel in our company. They are the foundation on which we have achieved our success, and upon which we shall build our future.”

Franz Fehrenbach

Our high level of international growth inevitably brings challenges for the leadership of the Bosch Group. A strong, shared corporate culture is key to long-term business success in a rapidly changing world. Global companies in particular need a common identity – an identity based on shared fundamental values that transcend cultural boundaries. We are proud of our regional and cultural heritage. At the same time, we know that we have gained a great deal from the cultural diversity our international reach has brought us.

What holds our company together is essentially a strong set of values – values which carry the unmistakable imprint of our company founder, Robert Bosch. Many of his values are still relevant for the present, as well as for the future. But we have also added new values which we feel will further strengthen the bond that holds our world-wide operations together.

Spearheading this value code is a clear future and result focus. At the same time, we embrace a clear responsibility for societal, social, and ecological issues. These two concerns are in fact inseparable: only by living up to this responsibility can we develop our company successfully. This is why we have chosen “Our Responsibility” as the theme that carries us through this annual report.

With best regards



Board of Management

Franz Fehrenbach

Chairman

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

Siegfried Dais

Deputy Chairman

- ▶ Product Planning and Technology; Research and Advance Engineering; Information Technology
- ▶ Automation Technology

Bernd Bohr

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

Wolfgang Chur

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

Rudolf Colm

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

Volkmar Denner

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

Gerhard Kümmel

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

Wolfgang Malchow

- ▶ Human Resources and Social Services; CIP Coordination; Legal Services; Compliance; Taxes; Intellectual Property; Internal Auditing
- ▶ Packaging Technology

Peter Marks

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

Peter Tyroller

- ▶ Original Equipment Sales
- ▶ Automotive Aftermarket

▶ Corporate Responsibilities

▶ Divisional Responsibilities

▶ Regional Responsibilities

Presidents of the Divisions

Wolf-Henning Scheider

Gasoline Systems

Ulrich Dohle

Diesel Systems

Andreas Wiegert

Chassis Systems Brakes

Werner Struth

Chassis Systems Control

Udo Wolz

Electrical Drives

Stefan Asenkerschbaumer

Starter Motors and Generators



Standing, from left:
Peter Marks, Rudolf Colm, Volkmar Denner, Gerhard Kümmel, Wolfgang Malchow

Seated, from left:
Bernd Bohr, Franz Fehrenbach, Peter Tyroller, Siegfried Dais, Wolfgang Chur

Uwe Thomas
Car Multimedia

Robert Hanser
Automotive Aftermarket

Albert Hieronimus
Automation Technology
(from February 1, 2008)

Uwe Raschke
Power Tools

Uwe Glock
Security Systems

Christoph Kübel
Automotive Electronics

Manfred Grundke
Automation Technology
(until January 31, 2008)

Friedbert Klefenz
Packaging Technology

Joachim Berner
Thermotechnology

Supervisory Council Report



Ladies and gentlemen,

For the Bosch Group, 2007 was a successful year. But to achieve long-term business success, credibility is also important; a company must build and maintain trust. “An honest and fair approach to doing business” was already a fundamental touchstone for company founder Robert Bosch. This clear commitment on the part of our founder continues to be shared by our board of management, executives, and associates. The principle of legality is thus an integral part of the Bosch value code, and finds expression in numerous guidelines and directives. We on the supervisory council have supported the board of management in compiling the key elements of honest and fair behavior into a code of business conduct in order to give all our associates throughout the world a clear frame of reference for their actions. This is also driven by the realization that leadership of a global company has its own special challenges.

Alongside ongoing business activities, the supervisory council has concerned itself in depth with the strategic direction of the company. Our company strategy must continue to evolve in step with the global climate debate and the quickening pace of

globalization. Accordingly, we had the board of management inform us about future energy supplies, as well as about the possibilities open to us for reducing CO₂ emissions in the products made by each of our business sectors. Being a driving force in this area of endeavor requires considerable funds. And if these funds are to be available, the company needs to be economically healthy. The Bosch Production System, about whose implementation the supervisory council has likewise been informed, will be instrumental in achieving this objective.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited and issued an unqualified audit opinion on the Robert Bosch GmbH annual financial statements, the Bosch Group consolidated financial statements as of and for the year ended December 31, 2007, as well as the accompanying management reports. The supervisory council itself examined and discussed these documents in detail. All members of the supervisory council had access to the auditor’s reports. These were addressed in detail in the presence of the auditor, who also reported on the main audit findings in person.

“Reliability, credibility, and legality are essential factors for the business success of the Bosch Group. This insight is shared by all Bosch associates around the world, across national and cultural boundaries.”

Hermann Scholl

The supervisory council concurs with the audit findings, without any objections. It endorses the Robert Bosch GmbH annual financial statements and the Bosch Group consolidated financial statements, and recommends that the shareholders approve the annual financial statements and endorse the consolidated financial statements. It also recommends that the shareholders approve the board of management’s proposal for the appropriation of net profit.

Effective June 28, 2007, Dr. Peter Adolff, member of the supervisory council and a partner of Robert Bosch Industrietreuhand KG for many years, resigned from both positions. His successor effective June 29, 2007, is Prof. Dr. Olaf Kübler. In addition, as of March 31, 2007, Werner Neuffer resigned his mandate. At the suggestion of the combined works council and the German metalworkers’ union IG Metall, Hartwig Geisel was appointed a new member of the supervisory council by order of the Stuttgart local court effective April 18, 2007. The supervisory council thanks the members who have retired for their dedication and for their loyal collaboration.

Above all, however, the supervisory council would like to thank the board of management and all associates of the Bosch Group for their very successful work in the past year. Going forward, the supervisory council will closely follow and assist them as they take responsibility for and act on behalf of the company.

Stuttgart, April 2008
For the supervisory council



Prof. Dr. Hermann Scholl
Chairman

Supervisory Council, Industrial Trust, International Advisory Committee

Supervisory Council

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

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

Dr. jur. Peter Adolff
Munich
(until June 28, 2007)
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. forest. Christof Bosch
Königsdorf
Spokesperson for the Bosch family

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

Hartwig Geisel
Leinfelden-Echterdingen
(from April 18, 2007)
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

Dr.-Ing. Heiner Gutberlet
Fellbach-Oeffingen
Chairman of the Board of
Trustees of Robert Bosch
Stiftung GmbH
until September 30, 2007

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

Dr. Aline Hoffmann
Frankfurt
Political Secretary,
Industriegewerkschaft Metall

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

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

Prof. Dr. Olaf Kübler
Zurich
(from June 29, 2007)
Director Society in Science,
Eidgenössische Technische
Hochschule Zürich

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

Werner Neuffer
Stuttgart
(until March 31, 2007)
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 Bosch Rexroth Electric Drives
and Controls GmbH and Chair-
man of the Central Works Council
of Bosch Rexroth AG and Member
of the Combined Works Council
of Robert Bosch GmbH

Urs B. Rinderknecht
Zurich
Chief Executive of UBS AG

Wolf Jürgen Röder
Hofheim/Taunus
Representative of the Chairman
of Industriegewerkschaft Metall

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

Changes in the supervisory council effective April 10, 2008

Jörg Vial*Nehren*

Executive Vice President, Global Purchasing, Corporate Sector Purchasing and Logistics, as well as Chairman of the Central Executives' Committee of Robert Bosch GmbH and of the Combined Executives' Committee

Hans Wolff*Bamberg*

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

Resignations

Henning Blum
Dr. jur. Ulrich Cartellieri

Dr.-Ing. Heiner Gutberlet
Jörg Vial

Appointments

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

Daniel Müller
Metzingen
Chairman of the Works Council of the Reutlingen Plant, Robert Bosch GmbH

Prof. Dr. Hermut Kormann
Heidenheim
formerly Chairman of the Board of Management of Voith AG

Dr. Hans-Friedrich von Ploetz
Berlin
former German Ambassador to Russia

Robert Bosch Industrietreuhand KG

General partners

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

Tilman Todenhöfer
Stuttgart

Limited partners

Dr. jur. Peter Adolff
Munich
(until June 28, 2007)

Dr. h. c. Bo Erik Berggren
Stockholm

Dr. forest. Christof Bosch
Königsdorf

Dr. Siegfried Dais
Stuttgart

Franz Fehrenbach
Stuttgart

Dr. rer. nat. Jürgen Hambrecht
Ludwigshafen

Prof. Dr. Olaf Kübler
Zurich
(from June 29, 2007)

Dr. Michael Otto
Hamburg

Urs B. Rinderknecht
Zurich

Robert Bosch International Advisory Committee

Prof. Dr.-Ing. Hermann Scholl
Stuttgart
President

Dr. jur. Peter Adolff
Munich

Michel Barnier
Paris
(until July 2007)

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 Büttler
Zurich

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

Kensuke Hotta
Tokyo

Baba N. Kalyani
Pune

Dr. Klaus Kinkel
St. Augustin/Bonn

Dr. Henry A. Kissinger KCMG
Washington

Charles F. Knight
St. Louis
(until December 31, 2007)

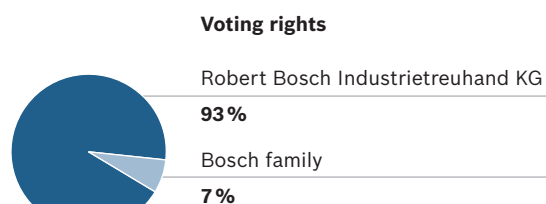
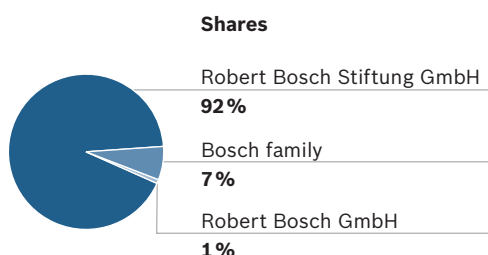
Dr. Hans-Friedrich von Ploetz
Berlin

François Scheer
Paris
(from October 2007)

Erwin Schurtenberger
Ascona, Beijing

Management Report

Shareholders of Robert Bosch GmbH



For the Bosch Group, 2007 was a successful year. We met our sales and earnings targets and made further progress toward the structure we want to achieve for the company. Our Industrial Technology business sector developed particularly favorably, closely followed by the activities of the Consumer Goods and Building Technology business sector. The Automotive Technology business sector also emerged in better shape from the past fiscal year. Above all, the expansion of operations in the fast-growing regions of Asia Pacific, central and eastern Europe, and South America had a positive impact on all our business sectors. In many areas, we were also able to further consolidate our market position in the technologically demanding markets of Europe and North America. Increasingly, we were successful with products that help to save energy and protect the environment. Despite the cooling of the global economy, we see good opportunities for further positive developments in 2008.

Business and economic environment

Economic environment

Robust global economy

In 2007, the global economy also developed better than originally expected. Despite soaring energy prices, the rate of growth, at just under 4 %, was nearly on a par with 2006. This was due in particular to the continuing dynamic economic growth in Asia Pacific, central and eastern Europe, and South America. These encouraging results largely compensated for the slower rate of growth in North America. The upturn continued in Europe as well. As expected, the increase in VAT in Germany dampened personal consumption, but this was more than made up for by the continuing high rate of exports and investments.

Global automobile production also exceeded expectations, growing by roughly 6 % and thus outstripping the performance of the previous year, when growth was a strong 4 %. Overall growth in the Asia Pacific region was nearly 9 %, once again driven primarily by China and India. By contrast, production in NAFTA fell by 3 % in 2007. Developments in Europe were much more encouraging than in 2006. Production climbed by 6 % due to high rates of growth in central and eastern Europe, as well as in Germany.

Worldwide, the capital goods business continued to thrive last year, buoyed primarily by continuing high demand from the emerging markets, but also by the high propensity to invest shown in Europe. With the exception of North America, the global economic environment for our Consumer Goods and Building Technology business sector also remained positive overall. However, as expected, the increase in VAT in Germany dampened personal consumption.

Business situation

Marked growth for Bosch Group

Against this backdrop, we were able to grow the Bosch Group's sales more strongly than in the previous year. Sales reached 46.3 billion euros, exceeding the previous year's figure by 6 %. The appreciation of the euro, not only against the dollar but also against the yen, had a negative effect on sales figures. Ignoring currency effects, our sales last year increased by a good 8 % and were thus in line with our longer-term growth targets. Newly consolidated businesses accounted for roughly 1.4 percentage points of total nominal growth. This was mainly due to the first-time

inclusion of a series of acquisitions:

- ▶ In automotive technology, we acquired the majority shareholding in Pacifica Group Ltd (Melbourne, Australia) and thus strengthened our brakes business in America and Asia. We also purchased Beissbarth GmbH (Munich, Germany) and its Italian subsidiary Sicam s.r.l. (Correggio, Italy) from Beissbarth Automotive Group. This acquisition will allow us to further expand our Diagnostics business unit for workshop equipment.
- ▶ In Industrial Technology, we acquired Pharmatec GmbH (Dresden, Germany) for our packaging technology business. The company is active in the construction of pharmaceutical packaging lines.
- ▶ In the Consumer Goods and Building Technology business sector, we took over the manufacturer of electric heat pumps FHP Manufacturing Company, Fort Lauderdale, FL (USA) at the start of 2007, thus gaining a foothold in the U.S. market for heat pumps.

Confirmation of strategic policy

We believe the positive business developments in 2007 are confirmation that the strategy we have chosen is the right one. We have benefited from our moves to further strengthen our global presence – particularly in the emerging markets of Asia and central and eastern Europe. As a result, we have a broader international base than our competitors in most of our areas of activity. We once again also reaped considerable benefits from the breadth of our activities in the Automotive Technology, Industrial Technology, as well as Consumer Goods and Building Technology business sectors. Diversifying in this way also enables us to optimize the growth and stability of the Bosch Group in terms of the sectors in which we are active. Another key element of our strategy is gearing our product portfolio in all areas to our slogan “Invented for life.” From this slogan, we have also derived a

wide range of innovations – innovations which have enabled us to open up new market segments. This applies especially to the increasing global demand for products that help protect the environment and conserve resources, and that offer users greater safety and comfort.

International presence pays off

In terms of regions, our principal growth driver in 2007 was once again Asia Pacific, where we were able to grow sales by 17 % in local currency. Even in euro terms, we recorded an increase of 12 %, and this despite the strong depreciation of the yen. Our total sales in this region amounted to 7.6 billion euros. In central and eastern Europe, sales rose by 20 % to 3.7 billion euros. Business in western Europe was also significantly better than in previous years, growing by 4.5 %. In South America, our sales also showed powerful growth, climbing 14 % to 1.5 billion euros. After adjusting for currency effects, the increase was 12 %. And even in the North American market, we improved our sales by 6.5 % in local currency. Expressed in euros, however, sales fell by 1.6 % due to the strong depreciation of the dollar.

Growth across all business sectors

All our business sectors played their part in this positive development, albeit to differing extents. Our Automotive Technology business sector showed a stronger performance last year, enabling us to maintain our position as the world's leading automotive supplier. Thanks to the marked upturn in business in the second half of the year, we achieved sales of 28.4 billion euros, which represents a rise of 4.5 % on the previous year, or 6.7 % after adjusting for currency effects. First-time consolidations, especially of Pacifica and the Beissbarth companies, accounted for around 1.1 percentage points of nominal growth.

Business sectors and divisions			
Automotive Technology	Industrial Technology	Consumer Goods and Building Technology	
<ul style="list-style-type: none"> ▶ Gasoline Systems ▶ Diesel Systems ▶ Chassis Systems Brakes ▶ Chassis Systems Control ▶ Electrical Drives ▶ Starter Motors and Generators ▶ Car Multimedia¹ ▶ Automotive Electronics ▶ Automotive Aftermarket ▶ Steering Systems² 	<ul style="list-style-type: none"> ▶ Automation Technology³ ▶ Packaging Technology 	<ul style="list-style-type: none"> ▶ Power Tools ▶ Thermotechnology⁴ ▶ Household Appliances⁵ ▶ Security Systems⁶ 	<p>¹ Blaupunkt GmbH (100% Bosch-owned)</p> <p>² ZF Lenksysteme GmbH (50% Bosch-owned)</p> <p>³ Bosch Rexroth AG (100% Bosch-owned)</p> <p>⁴ Bosch Thermotechnik GmbH (100% Bosch-owned; up to December 31, 2007 BBT Thermotechnik GmbH)</p> <p>⁵ BSH Bosch und Siemens Hausgeräte GmbH (50% Bosch-owned)</p> <p>⁶ Bosch Sicherheitssysteme GmbH (100% Bosch-owned)</p>

A number of factors contributed to this strong growth. In Europe in particular there was a marked increase in demand for advanced diesel- and gasoline-injection systems that help to reduce fuel consumption and therefore CO₂ emissions. The proportion of vehicles equipped with the ESP® electronic stability program also grew. Our portfolio also includes other innovative products that help to reduce consumption, such as the start-stop system, or the electric power steering made by our joint venture ZF Lenksysteme.

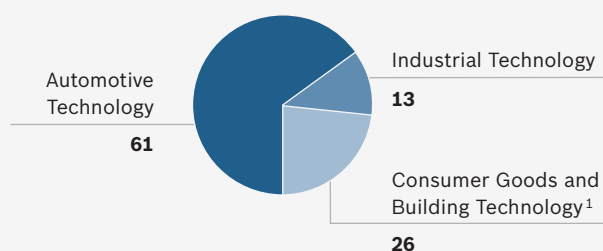
The improvement in business was supported by a healthy order intake from key European customers and strong growth in Asia Pacific, where we are building up our business with the rapidly growing Chinese and Indian automobile manufacturers. In order to strengthen our market position, we increased our shareholding in our Indian subsidiary Motor Industries Company Limited (Mico) from around 60 % to

around 70 %. At an extraordinary shareholders' meeting in January 2008, the shareholders decided to change the name of Mico to Bosch Ltd. And in North America, despite the difficulties faced by major U.S. automotive manufacturers, we were also able to increase automotive technology sales expressed in local currency by a good 5 %.

The Industrial Technology business sector enjoyed the strongest growth in 2007, recording a sales increase of 9.4 %. This was attributable above all to the automation technology made by Bosch Rexroth, but also to the marked recovery in our packaging technology business. All in all, we achieved sales of six billion euros in this business sector. After adjusting for currency effects, growth was 12 %. In automation technology, we continued to benefit from the extremely favorable global business climate for capital goods and our broad range of expertise. One key growth area is products for wind power generation,

Sales by business sector

Bosch Group 2007
Percentage figures

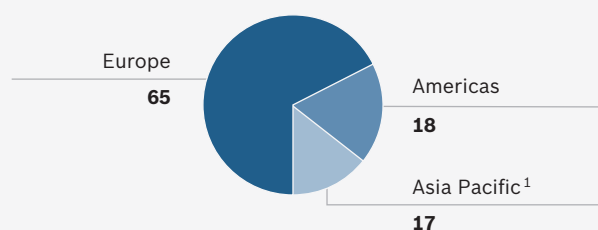


Total: 46.3 billion euros

¹ Including other activities

Sales by region

Bosch Group 2007
Percentage figures



¹ Including other countries

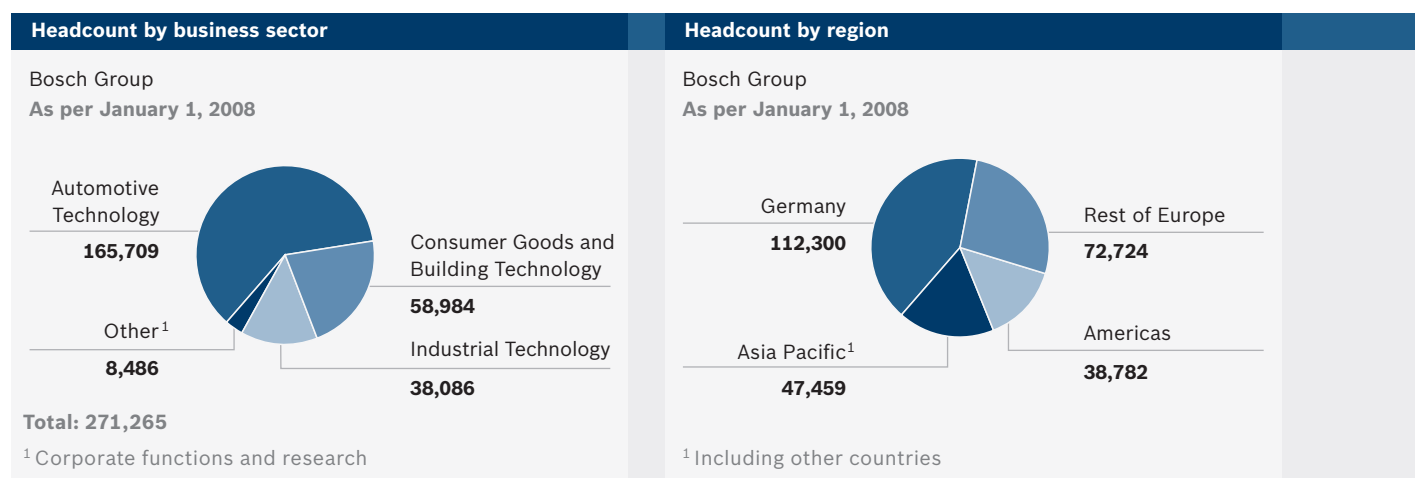
a market that is set to grow strongly in the next few years, not only in Europe but also worldwide. We are therefore stepping up our operations in this sector considerably.

In packaging technology, we strengthened our market position by acquiring Pharmatec GmbH and consolidating our service operations into a single business unit. We also significantly expanded operations in Asia Pacific, especially in China and India.

The Consumer Goods and Building Technology business sector also performed well, increasing sales by 6.5 % to 11.7 billion euros. Adjusted for currency effects, sales grew by 8 %. We were therefore able to record strong growth despite the market weakness in North America and the increase in VAT in Germany. We enjoyed particular success in power tools, household appliances, and security systems. We were able to hold our own against competitors in thermotech-

nology, but felt the effects of marked purchasing restraint in Germany. The German market for thermo-technology shrank by roughly 30 % in 2007, primarily as a result of widespread uncertainty about future emissions regulations and government incentives.

A wealth of innovations once again boosted our growth in power tools. We generated some 40 % of our sales with products launched in the last two years. There was particularly strong demand for cordless products with lithium-ion batteries, which we now also offer in garden equipment. At the end of the year, furthermore, we signed an agreement to take over RoboToolz Ltd (Hong Kong, China), a competitive manufacturer of laser measuring tools. BSH Bosch und Siemens Hausgeräte GmbH grew its business above all in Asia Pacific and central and eastern Europe, and was able to reap the benefits of its energy-efficient product portfolio. Growth in these markets more than made up for the weaker results in



North and South America, as well as in Germany. In security systems, we recorded significant growth in Asia, particularly in product business. Demand was especially brisk for fire alarm systems and video surveillance systems. In the latter area, we announced the acquisition of Extreme CCTV Inc, based in Burnaby, Canada, at the end of 2007. This confirmed our position as one of the world's leading suppliers of video surveillance systems.

Significant increase in number of associates

Worldwide, the number of associates rose by roughly 10,000 to nearly 271,300. Excluding the changes in the consolidated group, headcount increased by 5,700. Of this total, we employ 112,300 in Germany and 159,000 outside Germany. Most of this growth was again in Asia Pacific, particularly China, where headcount climbed by 3,500, and in central and eastern Europe, where it increased by 2,600. In Germany, the workforce was up by a good 1,800.

High price and cost pressures also persisted in 2007, particularly in automotive technology. As a result of the fierce global competition between automotive manufacturers, we and other suppliers faced demands for price concessions, some of them considerable. This situation compels us to undertake ongoing and sustained cost-cutting and to continuously improve productivity. To achieve this, we are optimizing our processes, from product development right through to sales. We also concluded a number of local agreements with our employee representatives in 2007 in order to improve our competitiveness. As part of our responsibility for the entire company, we aim to be competitive in all areas. We endeavor to find responsible solutions for associates if personnel adjustment measures are necessary. Wherever possible, these also include offering associates alternative jobs in other areas where we are increasing the workforce in response to an encouraging market situation.

Strategy

Orientation to fundamental global trends

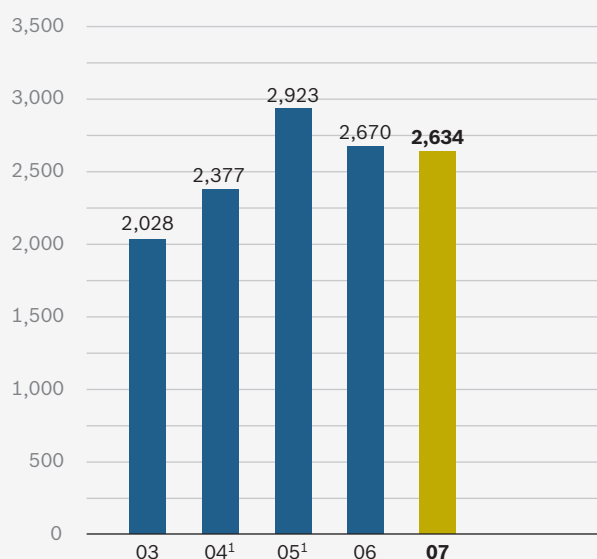
The generally positive business trend in the Bosch Group enables us to continue to invest heavily in growth and innovation. We develop our strategy on the basis of the Bosch vision: As a leading technology and services company, we take advantage of our global opportunities for a strong and meaningful development. Our ambition is to enhance the quality of life with solutions that are both innovative and beneficial, as reflected in our slogan “Invented for life.” We also strive for sustained economic success and leading market positions in our areas of activity. Entrepreneurial freedom and financial independence allow our actions to be guided by a long-term perspective.

We keep our strategies aligned with fundamental global trends. The urgent task of environmental protection is a top priority, also in view of global climate change. At the same time, we live in an age of accelerated economic globalization in which the former emerging markets are evolving into significant industrialized nations. Another major development is the increasing scarcity of natural resources. Finally, we must prepare ourselves for net population ageing, notably in the industrial nations but also in the large emerging markets.

In view of these developments, we will over the coming years be stepping up our activities in the rapidly

Capital expenditure

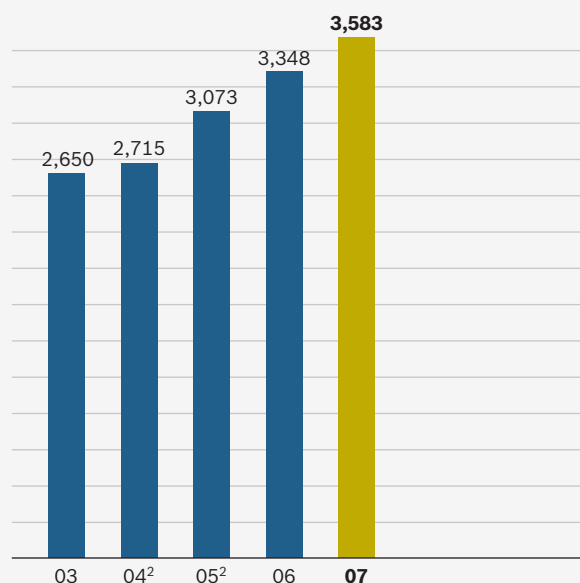
Bosch Group 2003–2007
Figures in millions of euros



¹ Pursuant to IFRS, without discontinued operations

Total research and development cost¹

Bosch Group 2003–2007
Figures in millions of euros



¹ Including development work charged directly to customers; from 2004 onwards, pursuant to IFRS

² Without discontinued operations

growing emerging markets of Asia Pacific, such as China, India, and several other southeast Asian countries, but also in eastern Europe, including Russia, and South America. Our long-term aim is to generate roughly 25 % of our sales in Asia Pacific on the one hand and in North and South America on the other. However, Europe will remain very important for us, with an expected long-term sales share of around 50 %. Alongside the highly developed markets of western Europe, the central and eastern European markets, most notably Russia as well, are playing an increasingly important role.

The greatest growth in the emerging markets can be expected in the low-price segments, particularly in the field of automotive technology. This market segment mainly comprises vehicles with a purchase price of between 3,000 and 7,000 euros, and in some cases even well below. We are responding to this new development. For example, we are supplying injection technology, brake systems, and automotive electrics for the Tata Nano. This small car – which sells at a base price of 1,700 euros at current exchange rates – was unveiled by Indian carmaker Tata at the Auto Expo in Delhi at the start of 2008. But quite apart from these developments, we continue to strengthen our role as an innovation partner for the high-end automotive industry and will work together with it to set further technological milestones.

Another key long-term objective is to achieve an even better balance in our sales structure. We want our Industrial Technology and Consumer Goods and

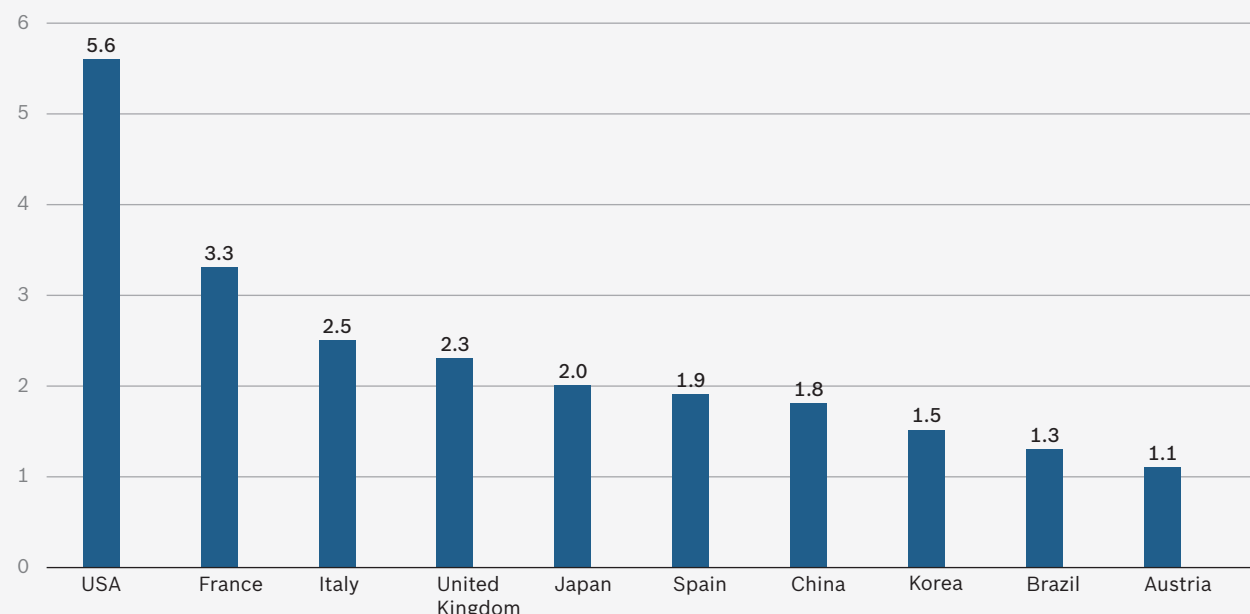
Building Technology business sectors to grow faster than the average for the Group, but without neglecting any market opportunities in Automotive Technology. We want to achieve a rough balance between our automotive business on the one hand, and our other businesses on the other hand, including any new activities that may emerge in the future. A corporate structure of this kind helps us to spread risk, and helps us to expand globally by generating synergies among the business sectors. Our regional organizations, which perform a wide range of service functions, play a vital role in this process.

All our units benefit from the value and quality promised by our brands. The Bosch brand in particular is extremely well known worldwide and enjoys enormous trust among our customers. The principal task of our brand management is to safeguard and extend this surplus of trust. The global introduction of a unified corporate design and of a globally standardized brand positioning – “Invented for life” – provides the necessary continuity of corporate image and a promise to deliver that builds brand trust.

We are pressing ahead with further regional and sectoral expansion through company acquisitions. At the same time, we aim to ensure that new acquisitions pay for themselves within a reasonable period of time. Prices for some companies reached a very high level in 2007. Where acquisitions and equity investments were considered economically justifiable, we invested a total of 800 million euros in 2007.

The most important markets outside Germany

Bosch Group sales 2007
Figures in billions of euros



A further element of our growth strategy is the continued expansion of our services business across all sectors. In automotive technology, for example, this was why we acquired, in 2007, the Beissbarth Group companies that are active in the field of diagnostics. At the end of the same year, we announced the takeover of Holger Christiansen A/S, Esbjerg, Denmark, a remanufacturer of starters and alternators. This strengthens our position as one of the leading suppliers of remanufactured automotive parts. Moreover, this is another area in which we contribute to protecting the environment and conserving resources.

We are also exploring new fields of business. In the energy sector, we are working with partners in the highly promising area of organic photovoltaics. We are a founding member of a technology initiative launched by the German Federal Ministry of Education and Research. The aim of this initiative is to develop cost-effective solar cells for a broad range of

applications. We are also investigating how to apply our expertise in the area of sensors and microsystems technology to other areas of activity. At the end of 2007, we signed an agreement to purchase the U.S. software manufacturer Health Hero Network, based in Palo Alto, CA (USA), which develops and sells software and equipment used to monitor patients with chronic conditions and quickly provide them with the information they need. In our Bosch Sensortec unit, we use know-how from microsystems technology to develop acceleration sensors, which are used in consumer electronics applications.

Driving innovation with climate protection and energy efficiency

Stricter climate-protection and energy-efficiency standards will be a major driver of innovation in the years ahead. We regard it as our task, now and in the future, to help create an environment worth living in by further developing our products and creating new

solutions. At the same time, the growing demand for technological solutions gives us opportunities to stay ahead in increasingly intense global competition. Innovations are a core element of our corporate strategy. For this reason, we again increased our research and development expenditure to 3.6 billion euros, or 7.7 % of our sales in 2007. We expect to further increase this expenditure in fiscal 2008. We applied for a record 3,280 patents last year. A number of awards demonstrate that our innovations find acceptance in the public domain.

In excess of 29,000 associates currently work in our research and development departments. Of this total, around 1,300 are employed in the corporate sector Research and Advance Engineering, where we lay the foundations for future products and processes. More than 25 % of our researchers and developers now work in the Americas and Asia Pacific. This international dimension not only helps us to react more effectively to customers' specific requirements, but also enables us to utilize the know-how in these regions. For this reason, we took the decision last year to set up a new research location in Singapore, which we will inaugurate in 2008. We also opened a new technical center in Plymouth, MI (USA) in 2007 and significantly expanded our engineering facility in Korea in response to the increasing number of local customer projects.

Examples of our latest innovations in automotive technology include the start-stop system. We are the first supplier in the world to manufacture this system in large-scale mass production. It helps to significantly cut fuel consumption, and thus CO₂ emissions. We have also developed a new climate control sensor, which enables more efficient control of the air-conditioning system. While the comfort of driver and pas-

sengers remains unchanged, there is a noticeable decrease in fuel consumption, and correspondingly lower CO₂ emissions. A successful innovation in power tools is our laser rangefinder, an extremely compact and lightweight tool that allows users to measure rooms quickly and accurately. We offer a device with similar functions for the do-it-yourself market. One example from security systems is a novel surveillance camera that produces outstanding images even in very poor lighting conditions, and can store image material for extremely long periods, identify objects, and trigger an alarm.

With an eye to the future, we are working hard on using energy still more efficiently, thereby generating even lower emissions, and on technical solutions that make a contribution to greater safety. In automotive technology, we are looking into all aspects of the drivetrain, such as the further development of diesel and gasoline direct injection. This work includes the development of exhaust gas turbochargers. In this area, we announced a joint venture with the automotive supplier Mahle GmbH, Stuttgart, Germany, at the start of 2008. Another area of development is injection technology for alternative fuels. Finally, we are developing systems and components for hybrid drives, as well as for fuel cells and electric vehicles. In automation technology at Bosch Rexroth, we are concerned not only with wind power but also with ways of utilizing ocean and tidal currents for energy conversion. In thermotechnology, we have entered into an alliance to develop a Stirling engine for the generation of electricity. The aim of this collaboration is to make greater use of combined heat and power.

Not only the continuing increase in traffic density but also the demographic trend toward an ageing population are leading to a growing need for safety

and comfort, particularly in automotive technology. We are therefore expanding our business with driver assistance systems. In doing so, we consider the entire range of applications, from early recognition of the situation to active intervention in the movement of the vehicle. The focal points of research are car-to-car communication and environment recognition, using technologies such as radar and image processing. One crucial factor in this development work is the increased networking of systems – of environment recognition and the braking and steering systems, for example. However, image processing also offers substantial potential in other areas of activity, such as industrial automation and security systems.

We also aim to gain better access to external innovations. With this in mind, we are setting up a venture capital company under the name Bosch Venture Capital. It will initially invest in sector funds of the venture capital industry. In the main, however, we plan to invest directly in newly founded technology companies. The company will have an investment budget for the next few years of some 200 million euros.

Emphasis on quality

High quality standards are part of our corporate culture. Our quality strategy is based on an integrated quality management system that begins at a very early stage of the development process. This enables us to respond actively to ever increasing requirements. Even in the product creation process, we work very closely with our customers, particularly in the field of automotive technology. We pursue a similar strategy with our suppliers, whom we are also integrating into this process at an ever earlier stage. This is also the

condition for exploiting the Bosch Production System to its full effect, since it calls for just-in-time manufacturing along the entire supply chain.

We also continuously enhance our associates' problem-solving skills in their everyday work, utilizing comprehensive lessons-learned processes to prevent errors from being repeated. After all, our aim is to set standards with our quality in all our areas of activity. These comprehensive endeavors pay off. We have further reduced error rates significantly and again cut quality costs overall.

Broad international base in purchasing and logistics

Our international footprint and worldwide production network is underpinned by a global purchasing and logistics organization. In 2007, we spent a good 24 billion euros worldwide on production materials, merchandise, operating resources, services, and machinery. This equates to roughly 50 % of our sales. Roughly half our purchase volume is either purchased at corporate level or managed by global purchasing teams acting in concert. In value terms, these purchased goods mainly comprise industrial metals, plastics, mechanical and electromechanical components, and electronic modules. A total of some 16,000 associates worldwide ensure optimum procurement and logistics processes, from product creation to purchasing, quality assurance, and logistics for the entire supply chain.

We involve purchasing and logistics in the early stages of the product creation process. In this process, we work closely with high-performance suppliers, the Bosch preferred suppliers. This also serves to

optimize supply-chain processes according to the principles of the Bosch Production System. Clearly structured and lean processes help to avoid unnecessary costs on all levels, and to meet the highest quality requirements. To create such processes, we are increasingly conducting value flow analyses from the customer to the suppliers, as well as to their own suppliers upstream.

It is important to us to further reduce complexity using standardized processes and to communicate efficiently with our suppliers using the electronic platform SupplyOn. We use an integrated evaluation system to measure supplier performance and potential in terms of quality, technical competence, costs, and delivery fulfillment. A risk management system en-

ables us to identify and prevent problems in the delivery chain at the earliest possible stage. Moreover, we keep training our associates to secure a high level of competence. We also invest a lot of effort in training our suppliers, especially when establishing our supplier base in emerging markets. After all, our aim is to use mainly local suppliers for our manufacturing sites on all continents. The principle of purchasing locally also helps to simplify the complex logistics that result from a global production network.

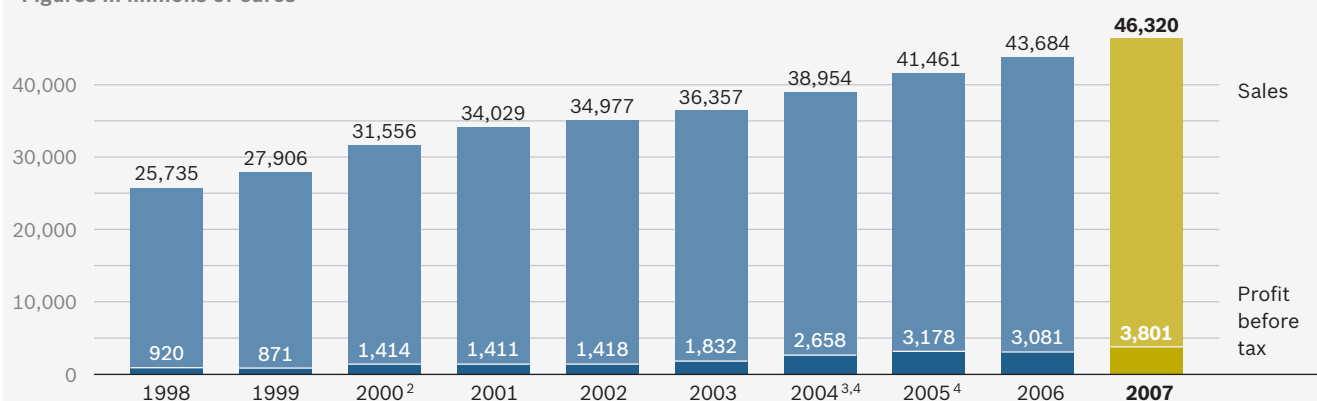
Corporate social responsibility

Our aim is to achieve a balance between the securing of the company's long-term future on the one hand and social, societal, and ecological concerns on the other. These concerns have traditionally included

Sales and profit before tax¹

Bosch Group 1998–2007

Figures in millions of euros

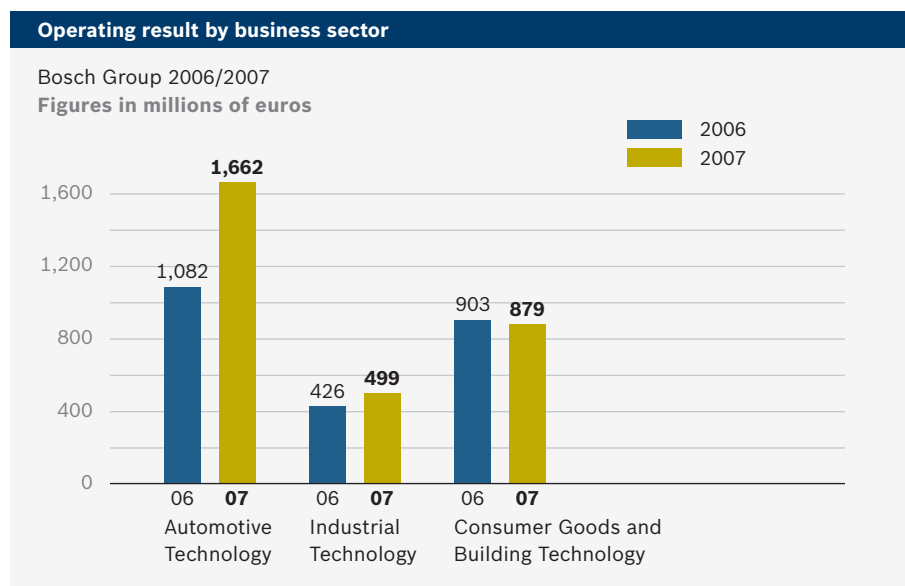


¹ Up to 2003 designated income from ordinary business activities pursuant to HGB

² Special effects as a result of the "distribute-recapture method" at Robert Bosch GmbH

³ 2004 sales pursuant to HGB: 40 billion euros

⁴ Pursuant to IFRS, without discontinued operations



high standards for the environment and society. Equal opportunity for associates, whatever their cultural background, is a key principle of our human resources work. For us, protection of the environment and conservation of resources are important conditions for safeguarding our activities in the long term. This applies to both our products and our locations. We also place the highest possible value on occupational health and safety, and the safety of our facilities.

We have set out guidelines for the way we work together and for our long-term road map and compiled them in the “House of Orientation.” It provides information about our vision as our image of the future,

our BeQIK mission as a guideline for our daily activities, and our core competencies for the successful further development of the Bosch Group. The Bosch Business System is intended to contribute toward the systematic improvement of the internal processes within the company. Our values, which, alongside future and result focus, also include responsibility and legality, are another key component. Compliance with legal requirements has long been crucially important for our company. We expect all our associates to comply with legal requirements and internal regulations. In 2007, we compiled the principal regulations in a code of business conduct to make them even more transparent to our associates worldwide.

Results of operations

Significantly improved result

The Bosch Group's result before taxes was 3.8 billion euros in 2007, compared with 3.1 billion euros in 2006. This was equivalent to a pre-tax return on sales of 8.2 %, which meant that we reached our target return. The improved result is attributable to the operative business. The operating result, at 3.2 billion euros, is also well up on the prior-year figure of 2.4 billion euros. The main reasons for the improvement in operating result are higher sales and the systematic optimization of our processes and costs. The good pre-tax result was also due to the financial result, which was again a strong one, at some 630 million euros. The result after tax increased to 2.9 billion euros from the prior-year figure of 2.2 billion euros.

All three business sectors contributed to the improvement in result. In Automotive Technology, we achieved an operating result of 1.7 billion euros, compared with 1.1 billion euros in the previous year. We were thus able to increase the return on sales in this sector to 5.8 %. Alongside the improved order situation, operational advances also had a positive effect. We were able to boost competitiveness in some areas by implementing wide-ranging measures to cut costs and increase productivity. This also applies to North America, where we were able to reduce losses despite the continuing sales difficulties of major customers. Nonetheless, we continue to feel the effects of the fierce global competition in the automotive industry and the corresponding price pressure on suppliers.

Integrated controlling system

A comprehensive and integrated internal controlling system is an essential tool for the management of the Bosch Group. A monthly business report keeps the board of management informed about the performance of the operating units with reference to selected indicators. Controlling is performed by comparing actual and target values whose basis is the business plan agreed at the end of each preceding year. The business plan has a three-year perspective, and is itself embedded

into longer-term strategic corporate planning. Since 2007, the two planning processes have been run in parallel rather than staggered, as was previously the case, in order to integrate our operational and strategic planning more effectively. This results in a consistent database and greater planning efficiency.

The central control parameter of our value-based management system is value contribution. Its development is the yardstick we use to assess perform-

ance. It is also used for portfolio management purposes and is the basis for calculating executives' performance-based annual bonuses, from section-manager level to the board of management. The value contribution represents cash flow less cost of capital. The cost of capital applied in 2007 remained unchanged at 8%.

Consolidated cash flow statement		
Bosch Group 2006/2007		
	2006	2007
Cash flow	4,521	5,052
Cash flow from operating activities	3,681	4,076
Cash flow from investing activities	-3,277	-3,528
Cash flow from financing activities	-614	-585
Liquidity at year-end	2,849	2,789
Figures in millions of euros		

This makes the earnings situation difficult for a number of products. Asset and goodwill impairments of 136 million euros had to be charged in the Chassis Systems Brakes division. We had to recognize 86 million euros in asset impairments in our unit-injector operations, which will be phased out in the next few years. As part of our responsibility for the entire company, we make every effort to be competitive in all our areas of activity.

The Industrial Technology business sector improved its operating result to roughly 500 million euros, compared with approximately 430 million euros in the previous year. This resulted in a return on sales from operations of 8.4 %. Once again, the largest

contribution to result was made by Bosch Rexroth. In packaging technology, the earnings situation is once again positive following the implementation of restructuring measures.

The Consumer Goods and Building Technology business sector attained an operating result of some 880 million euros, compared with 900 million euros in the previous year. The return on sales from operations decreased to 7.5 %. One important reason for this is the subdued development in thermotechnology due to the market slump in Germany. In other areas of activity, by contrast, we were able to improve our return on sales.

Financial position and net assets

Sound financial basis ensures further growth

The positive result in the Bosch Group enabled us to further strengthen our sound financial basis. Cash flow increased by more than 500 million euros to five billion euros in 2007, and now accounts for 10.9 % of sales. Our liquidity as reported on the cash flow statement (cash and cash equivalents) fell slightly by 60 million euros to 2.8 billion euros at the end of 2007. It should be noted that securities with a term of less than 90 days are no longer included. If it had not been for this reclassification, liquidity would have increased by 120 million euros. As reported on the balance sheet, liquidity amounts to 12 billion euros.

Apart from cash and cash equivalents, this liquidity includes securities and bank balances with a term of more than 90 days. Our sound financial basis is one of the main reasons why the Standard and Poor's rating agency gives the Bosch Group a long-term AA- rating.

High level of investment

In the Bosch Group as a whole, we once again invested 2.6 billion euros in 2007 in order to further expand our international operations, strengthen our business sectors, and develop forward-looking fields of business such as renewable energies. This capital expenditure thus exceeded depreciation of property,

Transparency through corporate financial and currency management

We control the financial flows in the Bosch Group through corporate financial and currency management. This comprises financing, the investment of funds, the control of global payment transactions, and risk management. In many of its finance functions, our corporate financial management acts as an internal bank of the Bosch Group. The task of cash management is to ensure an ability to pay at all times and to control cash flows in the best possible way,

also taking issues of risk into account. Financial investments and investments in securities, as well as borrowing, are performed on the basis of Group-wide financial planning.

A key aim of our currency management system is to limit the risk of currency exposures at Bosch Group level. To achieve this, we regularly create a consolidated foreign exchange balance plan for all the major currencies in

which we conduct business. The currency exposures of the various operating units are first offset internally. In this respect, we benefit overall from our largely balanced regional value-added structure and our global purchasing strategy. If deemed necessary, any residual currency positions are then hedged on the currency market.

plant, and equipment, which amounted to 2.4 billion euros. In regional terms, a good 1.9 billion euros was invested in locations in Europe, roughly 430 million euros in Asia Pacific, and some 300 million euros in North and South America. We expect to increase our capital expenditure to more than three billion euros in 2008, and this high level of expenditure is expected to continue in 2009.

Automotive technology accounted for around two-thirds of this capital expenditure in 2007. One major project is the new semiconductor factory for eight-inch wafers in Reutlingen, Germany, in which we will invest a total of 600 million euros. We are also invest-

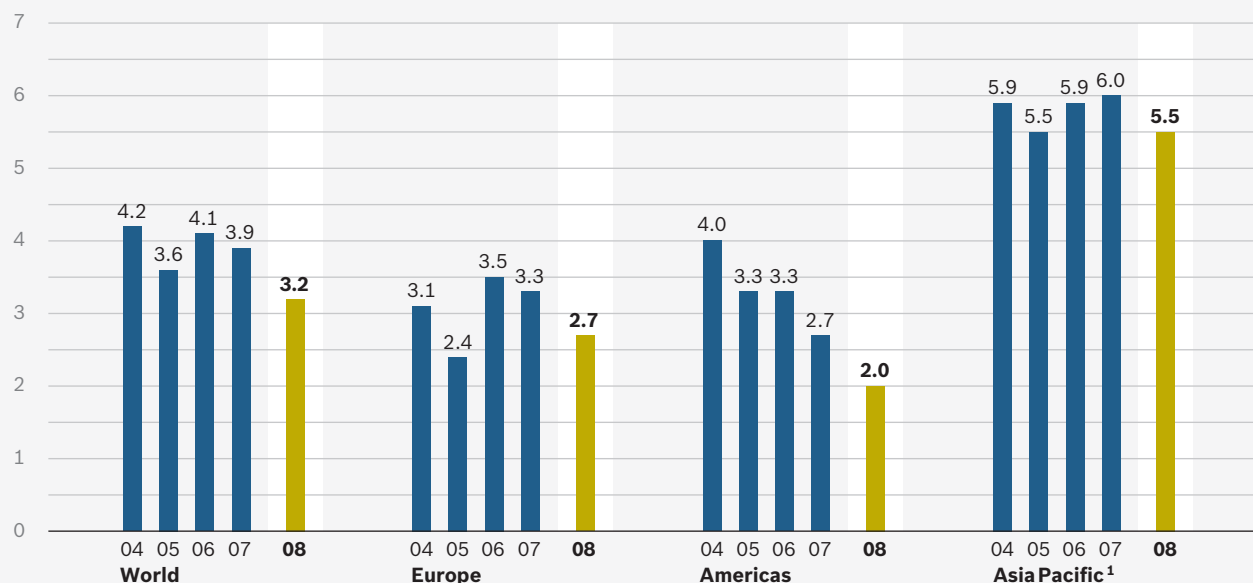
ing heavily in further expanding our capacity for common-rail diesel injection technology and gasoline direct injection in Germany, but also in India, China, and Turkey. We are significantly expanding our capacities in the Industrial Technology business sector in response to the sustained good order levels in the hydraulics business and in the field of wind energy.

In the Consumer Goods and Building Technology business sector, we have invested substantial amounts in the production of electric heat pumps at our location in Tranås, Sweden, and in the field of solar thermal technology at our locations in Wetztingen, Germany, and Aveiro, Portugal. Other projects included

Regional economic growth 2004 – 2008

Real GDP, percentage change on year ago

Forecast



¹ Including other countries

the construction of a new manufacturing facility for smoke detectors in Zhuhai, China, as part of our security systems operations. In household appliances, we have increased manufacturing capacity above all in the growth markets China and Russia and invested in manufacturing facilities for new product series in Germany and Spain.

Well-equipped for growth

Our balance-sheet structure remains very healthy. In 2007, equity rose to 24.8 billion euros, compared with 22.5 billion euros in 2006, thereby increasing the equity ratio to 51 %. This improvement can largely be attributed to the increased after-tax result of

2.9 billion euros. We are therefore financially well equipped to further expand operations. At the end of 2007, our cash and cash equivalents, including current bank balances and current securities, reached 3.3 billion euros, exceeding our current and non-current financial liabilities by one billion euros. The securities we report under non-current financial assets increased to 8.1 billion euros, as opposed to only 5.7 billion euros in pension provisions.

Subsequent events

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

Balance-sheet structure – assets				Balance-sheet structure – equity and liabilities			
Bosch Group 2006/2007 Figures in millions of euros/as a percentage of total net assets				Bosch Group 2006/2007 Figures in millions of euros/as a percentage of total net assets			
	2006	2007		2006	2007		
Current assets	18,244 38.9 %	19,853 40.9 %		10,769 22.9 %	11,725 24.1 %	Current liabilities	
Non-current assets	28,696 61.1 %	28,715 59.1 %		13,689 29.2 %	12,018 24.8 %	Non-current liabilities	
				22,482 47.9 %	24,825 51.1 %	Equity	
Total net assets	46,940	48,568		46,940	48,568		

Forecast

Opportunities even during an economic slow-down

After a four-year phase of significant growth in the global economy, we expect to see a slowdown in 2008. The housing crisis in the U.S. and the associated global financial crisis will not be without effect. The U.S. economy in particular is showing signs of stagnation in the first half of 2008. Even after that, we expect to see relatively moderate growth. Overall, however, we anticipate global economic growth of roughly 3 %, which corresponds to the long-term average. Europe is not alone in having relatively stable growth factors. More importantly, the large emerging markets continue to follow a course of organic growth. This provides excellent conditions for sustained global growth even beyond 2008.

Growth should also remain high in automobile production in 2008, at 4 %. The emerging markets are expected to remain the main drivers of growth. While we anticipate that European automobile production will grow by 3 %, further contraction is likely in the United States. The continuing high price of fuel and the tightening of CO₂ limit values, combined with the

CO₂-based vehicle taxes that have already been passed by many European states, could also have an impact on demand and the way vehicles are equipped.

Against this backdrop, and thanks to our global positioning and balanced product portfolio, we believe the Bosch Group has good opportunities to remain on course for growth. We therefore expect sales to grow by 5 %, provided the euro does not see further strong appreciation. All business sectors are expected to contribute to this growth. Following positive growth in the first two months of the current year, the conditions look favorable. However, pressure on our sales prices is likely to continue, while we can barely expect there to be any tangible reduction in raw materials prices. We therefore regard it as our prime task to work systematically on reducing costs and on improving competitiveness in some operating units that are particularly under pressure. In 2008, we will continue to invest heavily in expanding our international business and in the area of renewable energies, and will again make substantial up-front investments in research and development. Nonetheless, we are confident we will be able to keep our pre-tax return on sales within our target corridor of between 7 and 8 %. With such a result, we are optimistic we can successfully develop the Bosch Group further, also in the years after 2008. Our strategic orientation gives us a good basis for making the most of the global opportunities for profitable growth.

Risk report

Risk management in the Bosch Group

We have compiled the organizational rules and actions relating to risk management in the Bosch Group into directives, which we review and revise on a regular basis. Internal control provisions and the Bosch Group internal auditing unit ensure compliance with applicable guidelines and central directives. Moreover, our reporting system delivers monthly reports on all commercially relevant matters and their impact on the result.

General risk assessment

On the basis of the information currently available, there are no recognizable individual risks, apart from the market-related opportunities and risks listed in the forecast above, that will materially impair the net assets, financial position, and results of operations of the Bosch Group in fiscal 2008. Our broad regional and sectoral presence also ensures that risks are spread.

Products: One risk continues to have its origin in automakers' demands for further price reductions and in high price pressures in the area of consumer goods. Our markets are also subject to cyclical swings, especially in sectors closely tied to capital investment. In automotive technology, a risk is presented by ever shorter development cycles and increasingly complex systems, as there is an increasing risk of isolated defects with major impacts. We counter this risk with intensive quality assurance strategies encompassing the entire supply chain and the entire process from development to sales. This type of approach reduces the risk of quality defects, but does not exclude them completely. Market conditions can also change fundamentally at short notice.

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

Financial risks: The operational business of the Bosch Group is impacted by fluctuations in exchange and interest rates. We limit these risks by hedging transactions entered into at corporate level. Internal guidelines and regulations set down a mandatory framework and define the responsibilities relating to investment and hedging transactions. Accordingly, derivatives may only be used in connection with operative business, financial investments, or financing transactions; speculative transactions are not allowed. Hedging transactions are entered into solely via banks whose creditworthiness is regarded as impeccable; the yardstick for their creditworthiness is the rating given by leading agencies.

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

Technology and Innovation



Innovations are fundamental to our success. The innovative strength of our company is based on the achievements of our research and development – over 29,000 associates working on new and better technologies, processes, manufacturing methods, and products. Collaboration with a worldwide network of leading scientists at universities and independent research institutes makes this work even more effective.

Unified strategy

Our corporate strategy shapes our innovation strategy. The slogan “Invented for life” is the common denominator and at the same time the guiding principle for the widely varied activities of our research and development. All projects and products are ultimately measured by how well they help to improve and ease our customers’ lives. This includes both environmentally friendly products and environmentally friendly production. This is why Bosch innovations are known more than anything else for their high standards of safety, resource conservation, and energy efficiency. Our innovation policy also strives to achieve cost leadership and to add new functions to existing products.

Innovations that make sense

Our researchers and developers work by the same principles as the people involved in our manufacturing operations – resource conservation, customer orientation, and speed. We know what consumers in our most important markets want, and we utilize this knowledge to help shape technological trends. One of our current focal points is energy efficiency.

Our innovation management is geared to our technological focal points and is carried out across divisional and national boundaries. This allows us to make optimum use of our resources.



We have developed a new manufacturing method for integrated pressure sensors which simplifies the assembly process and results in exceptionally pressure-resistant sensor membranes. This innovative process enables us to manufacture pressure sensors with high compressive strength much more cost-effectively.

In order to bring innovations to market faster for customers in emerging countries, we are expanding our development operations in those regions. Of our more than 29,000 researchers and development engineers, 21,000 currently work in Europe, most of them in Germany, 2,500 in the Americas, especially in the U.S., and 3,500 in Asia Pacific, primarily in India, Japan, and China. Outside the circle of consolidated companies, a further 2,600 engineers work at our regional subsidiary Robert Bosch Engineering and Business Solutions Ltd (known as Robert Bosch India until January 31, 2008) on Bosch products and services, mainly software applications.

Hybrid drive systems

Our research and development generates innovations across a wide range of technologies. For example, we are working intensively on engine technologies for the automobiles of the future. We have developed a technology for gasoline-electric hybrids that gives vehicles dynamic performance. We have also come up with a diesel hybrid that delivers even better performance in terms of CO₂ emissions and fuel consumption. Achieving the aim of zero local emissions ultimately calls for all-electric drive concepts. These in turn call for new battery technologies to enable plug-in hybrids to refuel from an electric socket. Our current work on the basis of lithium-ion technology will help us develop reliable battery packs that give vehicles greater range. Another way to extend the range of electric vehicles is to add a

“Our current innovations determine our future success.”



Siegfried Dais, deputy chairman of the Bosch board of management, is responsible for coordinating product planning, technology, research, and advance engineering.

Why do you consider innovations so important for the future success of the company?

The prosperity and welfare of people around the world are greatly dependent on companies constantly competing to bring out ever better solutions, products, and services. The greatest competitive advantage will be achieved by the companies that bring out a continuous stream of innovations. For that reason, in our Bosch vision, we have set ourselves the goal of improving quality of life with innovative and beneficial solutions, true to our slogan “Invented for life.”

Where do you see the current focal points of innovation at Bosch?

With ever scarcer resources and the climate changes we already see happening around us, the coming decade will be one of fundamental adjustments. Demand will rise for products that save energy and protect the environment. We want to succeed in this fast-growing market.

What specific areas of innovation do you see?

We are working on innovations for greater energy efficiency in all business sectors. Fuel consumption and emissions from internal-combustion engines must be reduced, and new drive systems need to be developed. Safe mobility is another field of endeavor in improving quality of life, as are home safety and medical technology. In all these areas, we make use of our technological expertise in sensors, materials, and high-volume, high-precision manufacturing. Reliable software also plays a key role.

How does Bosch turn ideas into innovations?

Innovations need a spark, an idea. But a spark needs fuel to combust, just as our innovations need our associates, who can bring their range of knowledge and profound comprehension of technology to bear. These are people who persistently and resolutely pursue their ideas and visions, people who orient to a long-term strategy, and who are prepared to make decisions that shape our future.

small internal-combustion engine that runs on alternative, environment-friendly fuels. Also on the way are new engine concepts, such as homogeneous charge compression ignition (HCCI) for gasoline engines.

Alternative fuels will play a more important role in the future. More and more biofuels are being added to the gasoline and diesel available at filling stations. This reduces CO₂ emissions and conserves crude oil resources. Our researchers are already investigating the characteristics of future fuels with a view to adapting systems, components, and new functions accordingly. This situation opens up opportunities for new business fields – for example, fuel sensors.

The house as a power plant

We are working on future ways of tapping renewable, environment-friendly energy sources. In cooperation with partners in the chemical industry, we are researching the potential of organic photovoltaics. Solar cells made from synthetic materials have the potential to turn sunlight into electricity much more economically than silicon solar cells, and have many more possible applications. Bosch and BASF have undertaken a joint investment in Heliatek GmbH in Dresden, Germany, a leader in this area. Our objective is to bring organic photovoltaics to market within the coming decade. To achieve this objective, we are developing the solar cell structure and investigating ways to economically manufacture the new cells in

Using “acoustic cameras” that combine sound from a microphone with simultaneous imaging, Bosch Rexroth engineers localize and optimize noise sources of mobile machinery. (Right)

Our researchers develop concepts for electric drives, with the focus on improving the power density and efficiency of electric motors. (Center)

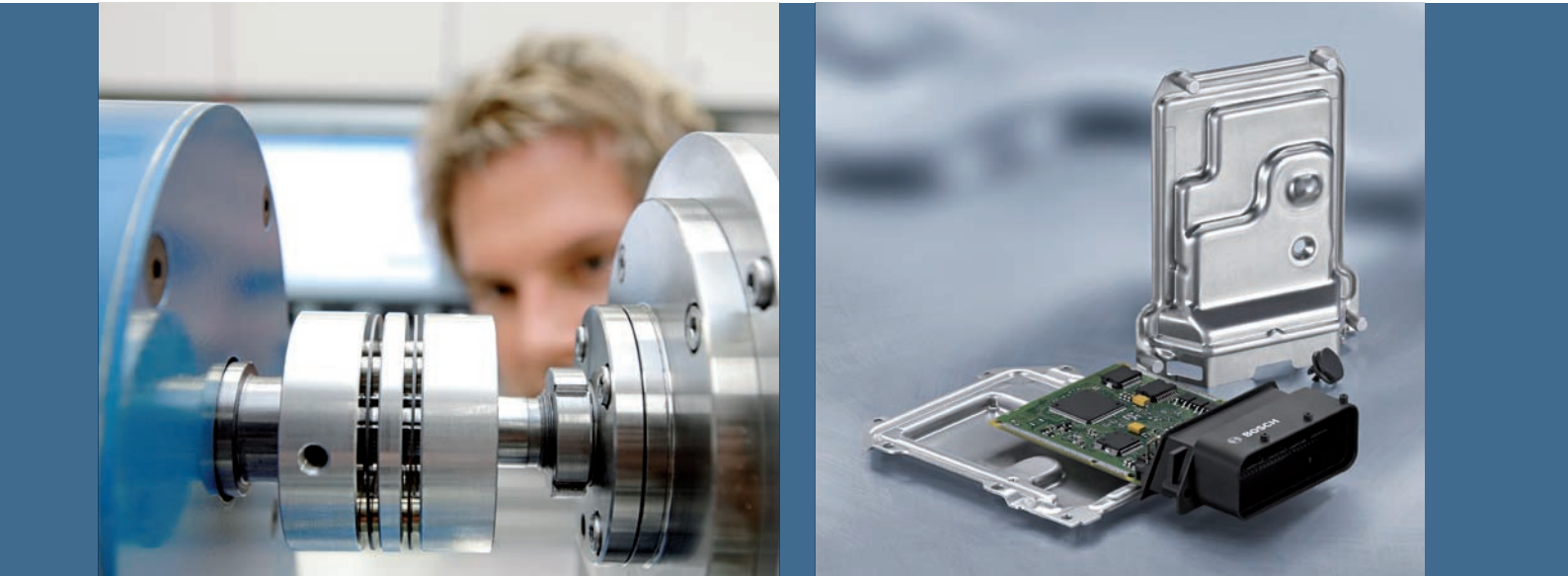
We developed a cost-effective control unit platform especially for low-price vehicles. The Value Motronic for gasoline injection systems also features software that is very easy to adapt to different engine designs. (Far right)



Development locations



Research and development around the globe: our international research and development network now spans 80 locations, each with 50 or more associates. When choosing a location, we consider many factors, including proximity to customers, the research and development environment, and availability of qualified talent.



Bosch recognizes associates with **Innovation Award 2007**



“Invented for life” stands above all for technology that improves the quality of life for ordinary people. To pay tribute to the achievements of its researchers and developers who initiate such innovations, Bosch has created the “Robert Bosch Innovation Award,” which was presented for the first time in 2007.

Winners are awarded this prize for “outstanding innovations” which are successful in the market, as well as for “groundbreaking technological progress.” Credit is also given to courage and creativity in the early phase of product development.

Three teams were distinguished for their exceptional products in 2007. One prize went to a refinement of the automotive start-stop system, which stops the engine during brief pauses, thereby reducing fuel consumption. Another prize was awarded for a new laser range finder which is not only smaller and handier than previous models, but also easier to operate. Finally, a prize went to a team responsible for taking to market a new security camera system featuring economical operation and a new, safer storage medium.

bulk. These efforts are driven by the vision of the house that is self-sufficient in its energy needs. For example, organic photovoltaic cells can be applied to roof, windows, and walls as a thin plastic film, turning sunlight into electricity over the entire surface. Houses can thus turn from electricity consumers into electricity providers.

Other renewable energy sources also offer opportunities. Our researchers are exploring the further development potential of wind turbines, for which we supply mainly generator gear units. Demands on wind turbines are growing. Projects already exist for systems with a rated output of up to five megawatts, and larger systems are already on the drawing board. Offshore wind farms are gaining in importance, but conventional wind farms also have enormous scope for improvement. Our researchers are examining ways to further improve net energy output and reliability. The focus is on innovative drive concepts that reduce the cost of power generation from wind energy even further.

“Inventors of the year” are Bosch associates

Our researchers have a consistent record of achieving technology breakthroughs. This is regularly reflected in awards and prizes. For example, the European Commission and European Patent Office named Bosch researchers Franz Lärmer and Andrea Urban “European Inventors of the Year 2007.” The new process they developed for the manufacture of micromechanical silicon sensors was so revolutionary that it is simply called the “Bosch process” today. Without this process, the economical mass production of components for safety systems, such as acceleration sensors for airbags, would not be possible.

Corporate Research ► www.research.bosch.com

Power Tools ► www.bosch-pt.com

100 new tools a year

How our Power Tools division further accelerated the rate of innovation



Every year, our Power Tools division brings 100 product innovations to market and makes some 40 % of its sales with power tools that have been on the market for less than 24 months. A rate of innovation like this is no accident. It is the result of consistent process management from initial idea to market launch. Product development, quality and supply management, marketing and sales are all focused on further growth, and strive to continuously improve our performance and satisfy the highest demands.

Bosch has a culture of innovation that systematically promotes creativity and ideas. From comprehensive market and trend research, we derive innovation strategies and promising search fields. For example, by the time lithium-ion battery technology began its triumphal entry into computers and mobile phones, we were already working with our technology part-

ners on utilizing it for our power tools. Without an early start on this new battery technology, it would not have been possible for us to develop the Bosch “Cell Protection” technology and thus make lithium-ion batteries practical for use even in the toughest environments, such as construction sites.

Yet good ideas alone are no guarantee of success. The make-or-break factor is the rapid, reliable completion of product development projects. Right from the start, we treat project ideas in a structured manner and assess their viability at a very early stage, making sure that good ideas become well-prepared projects. We measure success parameters at up to 200 stages throughout the product development process, right up to market launch. This ongoing evaluation dramatically cuts average project time and increases the number of product innovations per year.

The inventive genius of our associates is the bedrock of our innovative strength.

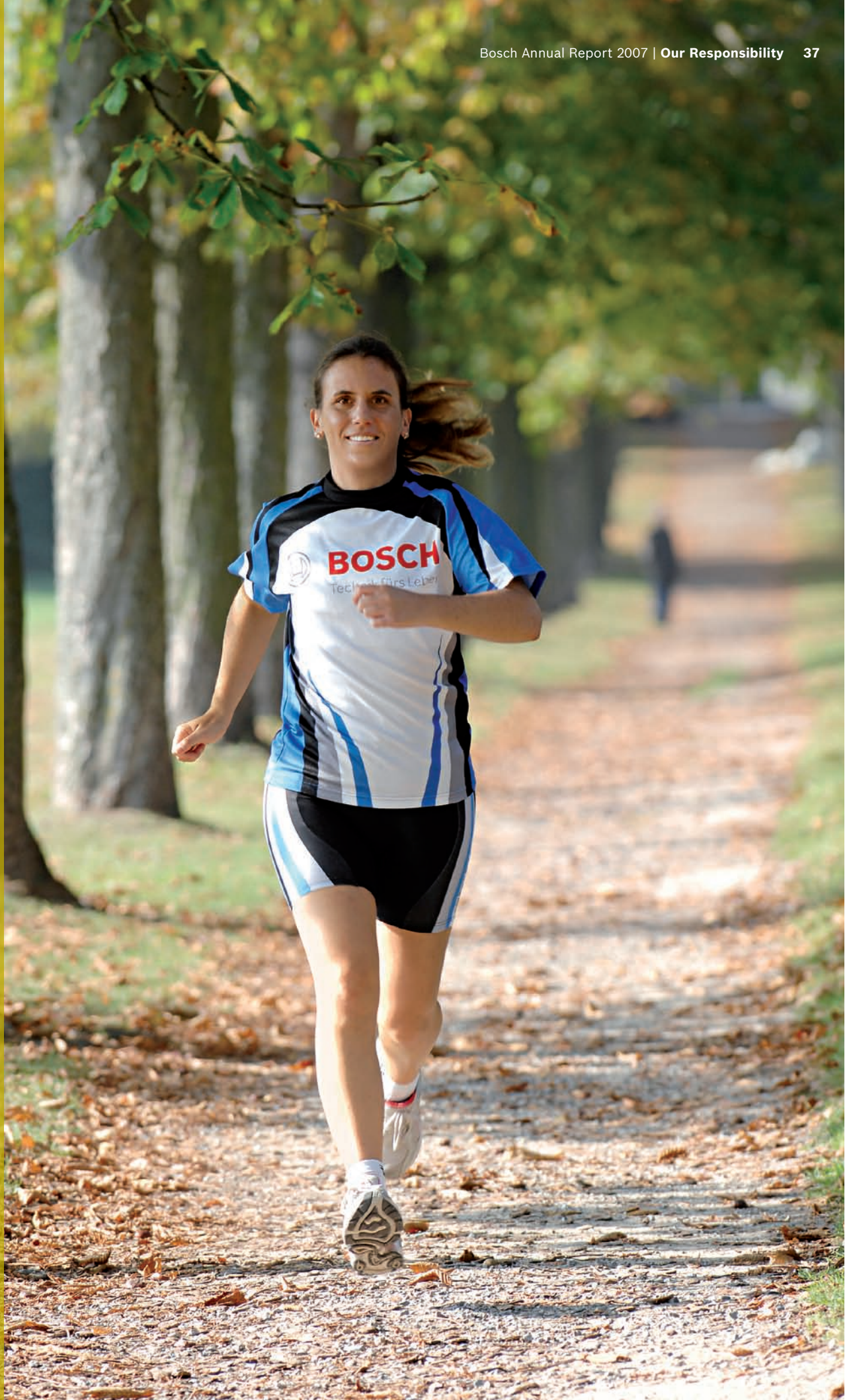
Each year, Bosch applies for over 3,000 patents. In 2007, the number rose by 7 % to 3,280, about 40 % of which were dedicated to environmental protection and resource conservation.





Running. Moving in the fresh air under the chestnut trees. For Sabine Kupfer, office assistant in the Diesel Systems division, a half marathon is an opportunity to unwind. But **fresh air** is not something that can be taken for granted. It needs to be protected, and **modern technology** can help. Our “Clean Diesel” is an example. Bosch **accepts responsibility for the environment** and gives this responsibility **technical expression** – that’s the course our research and development takes.

Actions speak louder than words – some 40 percent of our research and development effort is targeted at products that conserve resources and protect the environment. This environmental focus is evident in all our business sectors. Bosch Thermoteknik, for instance, is building a new solar collector production facility at its Aveiro plant in Portugal. Bosch Rexroth is the world’s largest independent supplier of gear units for the wind energy industry. And our Denoxtronic urea metering system for nitrogen oxide catalytic converters enables diesel engines to meet ever stricter emissions standards around the world, including the United States. All these examples are good for the environment and good for business – because ecological and economical responsibility go hand in hand.



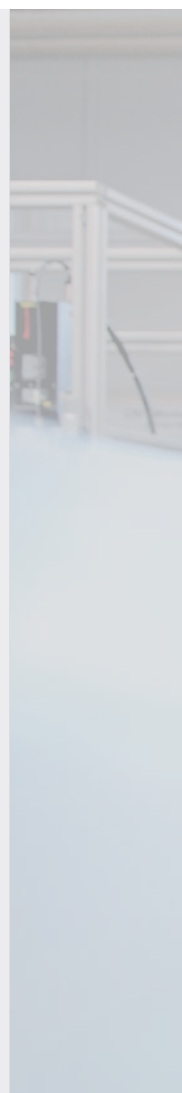
Automotive Technology

Key data	2006	2007
Sales	27,220	28,449
Capital expenditure	2,040	1,808
R & D cost	2,743	2,899

Figures in millions of euros

In 2007, sales generated by our Automotive Technology business sector rose by 4.5 % to 28.4 billion euros. Worldwide automobile production increased in the same period by around 6 % to 72.5 million vehicles. While production in Europe grew by around 6 %, the market stagnated in Japan and even shrank in North America. By contrast, South America and especially Asia, with its Chinese and Indian markets, once again stood out with high rates of growth. The number of vehicles produced in 2007 in China, for example, climbed by a good 20 % to almost nine million.

This development bears out our policy of driving forward our activities in Asia, and we plan to continue along this path in the future. To continue to garner an above-average share in this growth, we offer innovative products not only for conventional vehicle classes but also for the growing number of low-price vehicles.



The debate on climate change and technological approaches to mitigating this change intensified in 2007. Criticism focused increasingly on the “green-house gas” carbon dioxide (CO₂). Our divisions already offer a wide range of innovative systems that cut vehicle fuel consumption, and correspondingly reduce CO₂ emissions. These products are the result of our extensive R&D activities, and in 2007 we once again invested some 10 % of the sales we generated in the automotive technology sector in these activities. Investment on this scale is unparalleled in the industry. Nearly half this investment is channeled into the development of technologies and products that pro-

tect the environment and conserve resources. This, too, is what we mean when we say Bosch technology is “Invented for life.”

Diesel technology: higher injection pressure, exhaust-gas treatment systems

High-pressure direct injection for diesel engines, which we launched a good ten years ago, has played a key role in achieving a sustained reduction in fuel consumption. In 2007, the share of newly registered vehicles with diesel engines in western Europe reached a new high of just under 53 %. We will continue to improve our common-rail injection systems



Increasingly, our common-rail injection technology is also helping to cut fuel consumption and lower emissions in large diesel engines. At our location in Hallein, Austria, we mainly manufacture injection systems for such large diesel engines, which are installed in ships, locomotives, and heavy construction machinery, for example. The picture shows a workstation on the assembly line for common-rail injectors.

In 2007, we started the assembly of antilock braking systems in Brazil. This site is a new addition to our international production network for braking control systems, and covers the growing demand for active safety systems in South America. Since the start of series production in 1978, we have manufactured more than 150 million braking control systems at our seven manufacturing sites worldwide.



for diesel engines – systems which virtually all automakers install in their vehicles. In 2007, we launched the first common-rail system to feature an injection pressure of up to 2,000 bar. Piezo injectors and a high-pressure pump with improved efficiency ensure that fuel is burned even more efficiently and cleanly. We are also working on injectors with highly dynamic solenoid valves.

However, advances in engine design alone are not always sufficient when it comes to compliance with future exhaust emissions regulations, such as the U.S. Tier 2 Bin 5. This is why we have further developed our urea-metering system Denoxtronic, which has been in use in commercial vehicles since 2004, for passenger-car applications. In conjunction with an SCR (selective catalytic reduction) catalytic converter, emissions of nitrogen oxides (NOx) can be reduced by up to 85 %. Various manufacturers will be launching vehicle models equipped with this new system in the U.S. market in 2008.

In a joint venture with Denso Corporation for the development and production of diesel particulate filters, we will manufacture ultra-high performance yet cost-effective cordierite ceramic filters to serve the rapidly growing market in western Europe.

Gasoline engines: smaller and more efficient thanks to turbocharging

Also for gasoline engines, more and more automakers are turning to direct injection technology to cut fuel consumption and emissions. Our second-generation

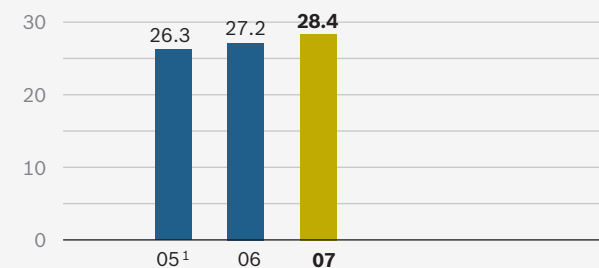
gasoline direct injection system can adapt flexibly to different combustion processes and fuels. Optimized cold-start processes allow emission levels to be achieved that are lower than even the most stringent U.S. SULEV (super ultra low emission vehicle) requirements. A further way of achieving greater efficiency is by combining direct injection with turbocharging. This configuration allows engineers to reduce engine displacement while maintaining the same power, thus further cutting fuel consumption and emissions. This procedure is known as down-sizing. In 2007, several vehicle manufacturers began producing these engines – using Bosch injection technology. From 2010 onwards, we also plan to manufacture and sell exhaust-gas turbochargers co-developed in a joint venture with Mahle GmbH, Stuttgart, Germany.

Alternative-fuel and hybrid-drive solutions

An increasing number of vehicles run on alternative fuels such as natural gas, ethanol, and biodiesel. For these fuels too, we have begun series production of various engine management systems and injection components. When equipped with our NG-Motronic system and suitable injection valves, for example, an engine can run on both gasoline and natural gas. When ethanol is used, our Flex-Fuel technology adapts the ignition and controls the amount of fuel injected so that any mix of gasoline and ethanol can be used. We are also working with automakers to develop systems that accommodate future synthetic fuels.

Automotive Technology sales

Bosch Group 2005 – 2007
Figures in billions of euros



¹ Pursuant to IFRS, without discontinued operations

Many manufacturers worldwide are developing hybrid drives that combine a combustion engine with an electric motor. For this purpose, we are developing hybrid concepts comprising engine management systems, suitable electric motors, power electronics, and voltage converters. Bosch has already won orders for both gasoline and diesel hybrids.

Our start-stop system already delivers a cost-effective way to cut fuel consumption in urban traffic by up to 8%. When the car comes to a stop, this system automatically stops the engine, starting it up again as soon as traffic starts to move. 2007 saw the launch of three models equipped with this technology as standard. We supply the specially adapted starter and engine management systems for this technology. Further projects are being prepared for series production.



The Indian automaker Tata Motors unveiled its new Nano at the Delhi Motor Show in January 2008. Bosch is to supply the injection technology and other components for what is currently the world's least expensive car. Pictured left to right: Ratan Tata, chairman of the Tata Group, Bernd Bohr, chairman of the Bosch Automotive Group, Ravi Kant, managing director of Tata Motors, and Albert Hieronimus, head of the Bosch subsidiary in India until January 2008.

In addition to these drivetrain technologies, many other products we have developed help to cut fuel consumption. For example, we are working on thermal management systems that will in future regulate the engine temperature far more precisely, keeping it at optimum operating status. In 2007, we started production of a new generation of servomotors and brake boosters that have a decided weight advantage over their predecessors. Additionally, our CO₂ sensor will help air-conditioning systems to work much more efficiently in the future, thereby cutting the amount of energy required from the engine.

ESP® – on the way to becoming standard

The demand for personal transport is increasing worldwide. The resulting rise in traffic density and the risk of accidents means that vehicle safety systems are gaining in significance all the time. Many experts believe that the ESP® electronic stability program, first launched by Bosch back in 1995, is the most significant contribution to road safety since the

introduction of the seatbelt. On the basis of conclusive studies, the U.S. traffic safety administration (NHTSA) issued a new regulation in 2007, making it mandatory for all new vehicles up to 4.5 metric tons registered in the U.S. from the autumn of 2011 to be equipped with ESP®. The EU Commission has announced that it intends to introduce similar legislation for Europe, which will mean that all new passenger cars will have to be fitted with this active safety system by 2011. We therefore estimate that by 2010 half of all new cars worldwide will be equipped with ESP® – twice as many as in 2006. Thanks to our excellent market position for stability control systems such as ESP®, we will have a considerable share of this extraordinary market growth. In the past few years we have communicated the benefits of this safety system in a variety of ways. These marketing activities and our achievements in developing ESP® were recognized in awards presented to the company at the end of 2007, including the FIA World Prize for Road Safety, the Environment, and Mobility.

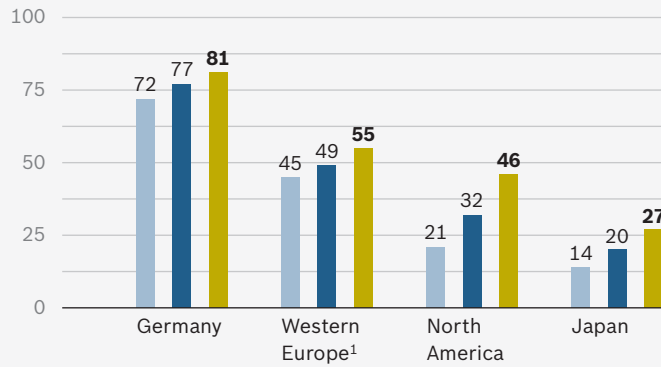
Bosch has been actively involved in Korea for nearly 90 years, generating sales of 1.5 billion euros in 2007. We recently opened new headquarters for Korea near Seoul, where associates from development, application, sales, and administration work together. Pictured left to right: Jungsuk Seo, mayor of Yongin, Hyunsoon Lee, president of Hyundai-Kia research and development, Franz Fehrenbach, chairman of the Bosch board of management, Kim Moon-soo, governor of Gyeonggi province, Hermann Scholl, chairman of the Bosch supervisory council, Krister Mellvé, president of the Bosch subsidiary in Korea, and Rudolf Colm, member of the Bosch board of management.



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 2005 to 2007

Percentage figures

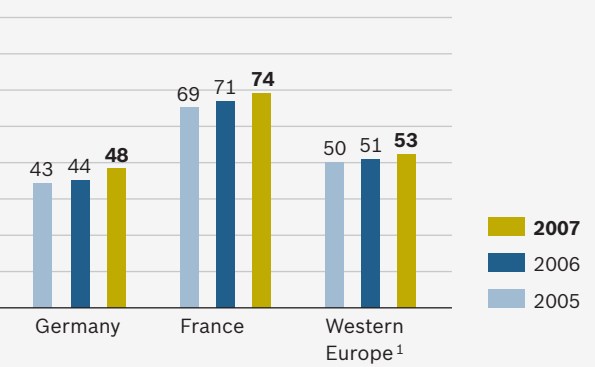


¹ Including Germany

Growing acceptance of diesel

Share of diesel in newly registered cars, based on selected markets from 2005 to 2007

Percentage figures



¹ Including Germany and France

Strict emissions regulations can also be met by diesel engines. In some cases, exhaust treatment systems are required, such as our Denoxtronic system, which we manufacture for installation in commercial vehicles and passenger cars. Here we can see a metering valve being checked at our plant in České Budějovice, Czech Republic.



Furthermore, ESP® also forms a fundamental basis for new functions currently being developed by our engineers. Our focus here is on our Combined Active and Passive Safety (CAPS) modular safety system. With this system, we can further improve accident prevention by combining active and passive safety systems with driver assistance and vehicle communication functions. This results, for example, in predictive safety systems which accident researchers estimate can reduce the number of road deaths by up to 35 %. We have now received our first order for our Predictive Emergency Brake, which is to be fitted as standard equipment in a luxury-class model from 2009. With this launch, a system will be available in the

market that uses multifunctional video and radar sensors, not only to initiate automatic emergency braking in critical traffic situations, but also to operate a lane recognition system that provides the driver with additional support.

Another system that can be enhanced by networking additional functions is the active steering system developed by our joint venture with ZF Lenksysteme GmbH. In 2007, a further customer began using this technology in its vehicles. In addition to helping drivers park their cars, it can use data from the ESP® system to help stabilize the vehicle in the event of sudden steering movements or crosswinds.



Navigation systems in cars are exposed to tough conditions. To ensure that they operate smoothly over many years – even in extreme temperatures or high humidity – the devices manufactured by our subsidiary Blaupunkt GmbH are subjected to thorough tests during development, including operation in climate chambers. Work focuses on making systems more user-friendly, for example by including features such as touch-screens and voice recognition.

Worldwide activities boost growth

We generate around 40 % of our sales in the automotive technology sector outside Europe. Nearly half this amount stems from demand in Asia, where we have been enjoying above-average growth for a number of years. We want to drive this growth forward, and this is why we expanded our local manufacturing and development facilities significantly in 2007. Diesel technology plays a key role in this context. In nearly every part of the world, it can make a huge contribution to cutting fuel consumption and thus reducing carbon dioxide emissions. In India, for example, we will have invested around 325 million euros between 2003 and 2008. Following the construction of extensive production facilities for diesel injection components, mid-2008 will see investments in expanding the manufacture of gasoline injection systems and in starting production of antilock braking systems. In China, we are currently stepping up our production of diesel technology, starters, alternators, and control units. In Korea and the U.S., we opened new development centers in 2007 so as to be able to provide our customers with even better local support.

We stepped up our brake technology business in North America and Asia Pacific in 2007 by taking over the industrial leadership of Pacifica Group Ltd in Australia. The company has a wealth of expertise in the development and production of aluminum brake calipers. The importance of a local presence for development and application is also illustrated by the strong growth of our subsidiary Bosch Engineering GmbH. Founded in 1999, the company now has a workforce of more than 1,000 associates worldwide. Having set up offices in Japan in 2006 and the U.S. in 2007, the company is expanding even further. The focal point of its engineering services portfolio is software applications for small-series vehicles.

Success in the low-price vehicle segment

Worldwide, demand for low-price and ultra low-price vehicles will grow much faster than demand in other segments of the market over the next few years. We want to participate in this growth and are developing products specially for this purpose. One successful example of our work in this segment is the Value Motronic engine control system, which we developed specifically for low-price vehicles. One feature of this development work is the software, which can be easily adapted to a wide range of engine concepts. From 2008, for example, this control unit will be installed in the “Nano,” the ultra low-price vehicle manufactured by the Indian automaker Tata Motors. We will also supply complete brake systems, diesel injection technology, starters, and alternators for this vehicle, whose basic model will be sold at an approximate net price of 1700 euros. Production of cost-optimized alternators, diesel injection systems for commercial vehicles, and airbag control units will also start in Asia in 2008. We expect to be generating sales of around one billion euros with such products by 2010.

Extended program for repair shops

In addition to our activities in original equipment sales, we are also expanding our range of services. For example, 2007 saw the expansion of our wide-ranging portfolio of test equipment that enables repair shops to perform diagnostics and troubleshooting quickly and easily. We added the multi-feature KTS 670 to our range of diagnostic test equipment for electronic control units, and launched the KTS 200, a new compact test device for fast fitters such as tire service centers and smaller repair shops. We strengthened our chassis-measuring operations in 2007 by taking over Beissbarth GmbH, Germany, and Sicam s.r.l., Italy. At the end of 2007, we also announced that we would be expanding our leading range of remanufactured spare parts for vehicles – Bosch Exchange – by acquiring the Danish company Holger Christiansen A/S. The company is a remanufacturer of starters and alternators and a dealer in spare parts for automotive electrics.

- www.bosch.de/k
- www.blaupunkt.com
- www.zf-lenksysteme.com



A new start. Changing jobs again. It was not easy for master mechanic Harry Koch, after 27 years working in the Bosch Rommelsbach plant. But production is being ramped down there step by step, and will cease altogether by the end of 2009. However, in neighboring Reutlingen, Bosch is building a new chip factory – an **opportunity** for Harry Koch and his colleagues. He has already transferred to Reutlingen as a production supervisor. Taking responsibility, **daring to change** – we encourage it in our associates.

But Bosch also takes responsibility here, in its role as an employer. Due to changed market demand, we will no longer be using the unit-injector systems produced in the Rommelsbach facility for diesel injection. This decision put all 600 jobs there at risk. But luckily the future is just around the corner. Our chip facility in nearby Reutlingen is so successful that we are expanding it, investing around 600 million euros in a new eight-inch wafer plant which will create some 800 jobs by 2012. The foundation stone was laid in 2007. We offer qualification programs to enable associates from Rommelsbach to switch to the modern chip factory, thus securing their jobs. At the same time, we are demonstrating that high-tech manufacturing can be competitive in Germany.



Industrial Technology

Key data	2006	2007
Sales	5,452	5,967
Capital expenditure	245	403
R & D cost	260	285

Figures in millions of euros

The globally favorable business climate for capital goods and in the mechanical engineering sector continued in 2007. Thanks to its wide-ranging product portfolio, our Industrial Technology business sector once again capitalized on this positive trend, achieving strong, above-average growth. Its sales increased by 9.4 % to a total of 6.0 billion euros.

Our subsidiary Bosch Rexroth AG in particular maintained its successful development. It offers all major technologies for drive and control applications – from electrics and hydraulics to pneumatics. Once more, the growth driver was hydraulic technology for mobile applications, which includes components for off-road vehicles such as agricultural and construction machinery. Above all, Bosch Rexroth was able to benefit from the very high demand in Asia and Europe.

We also extended our strong position in the fragmented global market for packaging technology, recording further growth especially in Asia, and above all in China and India. The boom in the pharmaceutical sector and the foodstuff industry generated a high intake of orders.

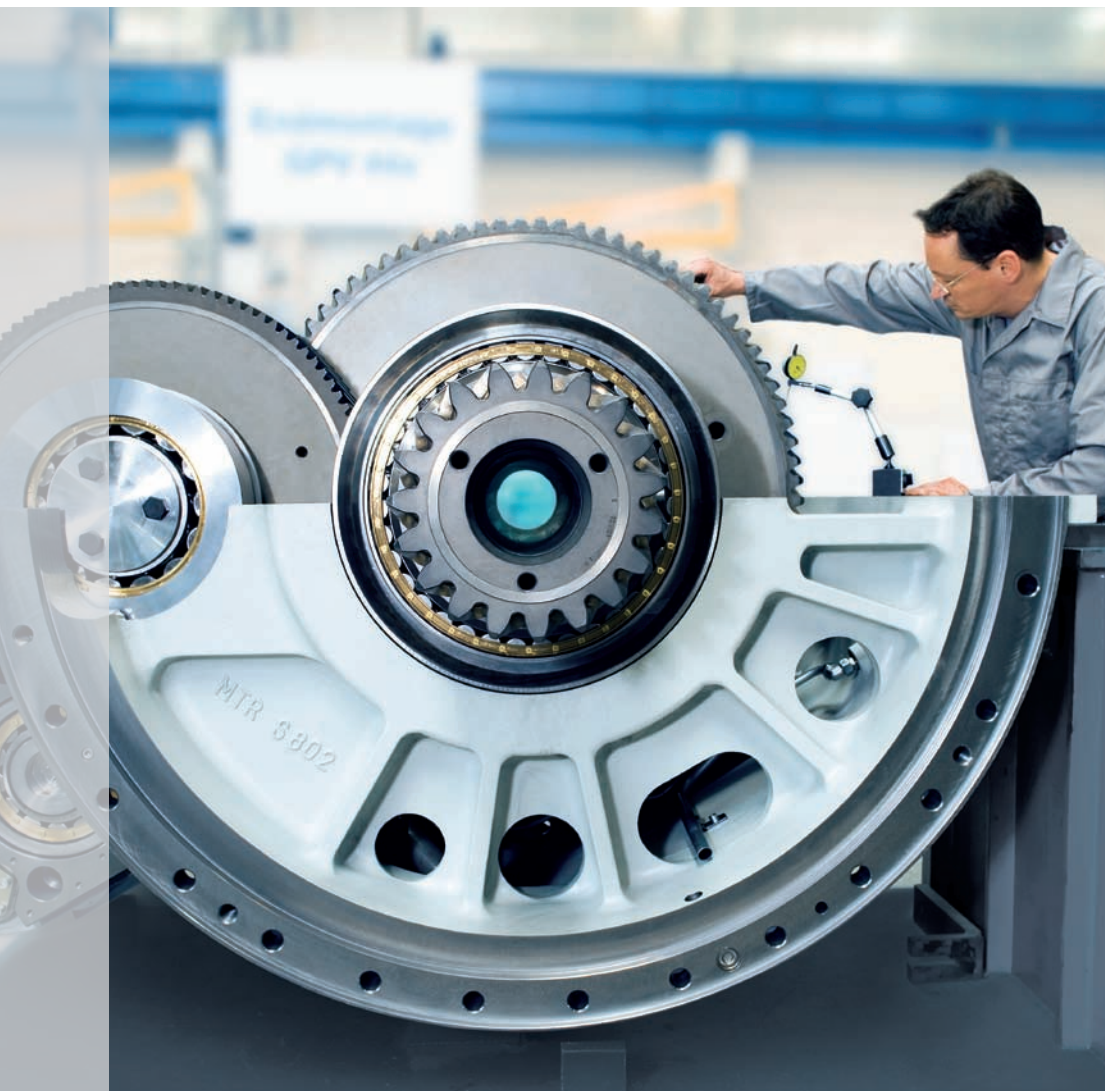


Major projects around the world

Bosch Rexroth has consistently built on its strong position in the market and consolidated its role as technology leader for drives and controls. The new production facilities and service centers that have gone into operation are evidence of this development. In Blaj, Romania, we opened a plant for linear-motion technology, which is used in factory automation. In Brno, Czech Republic, we laid the foundation stone for an office complex and production facility. On this site, we are expanding our production capacities for hydraulic modulators. In Monterrey, Mexico,

we opened a sales and service center for customers from the automotive industry and from other industrial enterprises in the north of the country. We expanded manufacturing plants in Asia, North America, and South America.

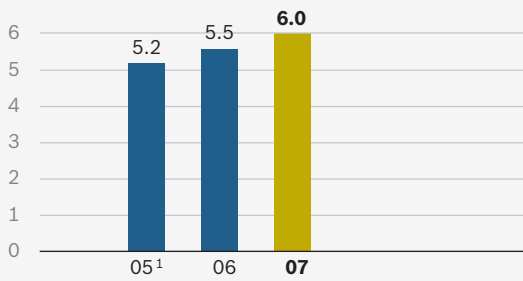
The company's excellent position as a systems supplier is reflected in many major projects worldwide. In Singapore, an entire bay is currently being sealed off from the sea by constructing a huge tidal dam known as the Marina Barrage. Our hydraulic cylinders drive the barrier's segmented gates, each of which is



To "harvest" the wind, high-quality technology is needed. For example, generator gear units from Bosch Rexroth. They help to convert the wind energy captured by a wind turbine's rotor blades into electrical power. The company also offers intelligent and reliable drive systems that ensure optimum alignment of the wind turbine and efficient exploitation of wind power. Shown here: the lower half of the housing of a generator gear unit. Before the upper half is lowered into place and bolted on to the lower half, the clearance of the gear wheel against the fixed mating gear is measured (flank clearance).

Industrial Technology sales

Bosch Group 2005 – 2007
Figures in billions of euros



¹ Pursuant to IFRS, without discontinued operations



Pre-filled syringes are popular because they make self-medication easy. The process of filling and packaging pre-sterilized syringes calls for reliable equipment. The pharmaceuticals business unit of Bosch Packaging Technology offers a range of innovative solutions, from the semi-automatic entry model, to the compact line, and finally to high-performance lines with integrated barrier technology that offers special protection for pharmaceutical products.

around 27 meters wide. In Dubai, a ship-lift – equipped with our control and automation technology – moves ships weighing up to 3,000 metric tons into repair docks. A second, even larger system for ships weighing up to 6,000 metric tons is currently under construction. Furthermore, a hydraulic system that we manufactured has replaced the old mechanical drives in the lock gates in the Panama Canal. Thanks in part to an innovative hydraulic system, Russian Soyuz rockets, which carry satellites, can now be launched into space from the European spaceport in Kourou, French Guiana. A drive and control technology we have developed also powers the new flight simulator that delights and thrills visitors at the Prater amusement park in Vienna, Austria.

Energy-efficient presses for the recycling industry

Our innovations in the field of industrial technology simplify work processes, help protect the environment, and use energy more efficiently. A new press, for example, significantly improves the energy balance of recycling operations. A German manufacturer has developed a baling press that can process up to 35 metric tons of recyclable waste into bales within an hour. This is made possible by the hydraulic system which we developed. It generates only as much pressure as is needed at each phase of the process, and is therefore more energy-efficient. This new press cuts energy consumption by more than 25 %.

One of our innovations in electronic control technology makes for a longer service life and greater system reliability. Bosch Rexroth is the first European manufacturer of industrial PC's to offer mass memories based on solid-state disk technology (SSD). Instead of the previous technology, with its shock-sensitive mechanical parts, the PC's now use memory cards that are far more robust and less sensitive to shocks and vibrations. As a result, the risk of failure is cut to just one instance in around 1.5 million operating hours. One innovation in industrial hydraulics that boosts energy efficiency and, above all, cuts noise levels, is new variable-speed pump drives used in hydraulic plastics-processing and machine tools.

Improved energy utilization is also a feature of an innovation in mobile hydraulics: electrohydraulic flow matching is a novel function for industrial machinery. In combination with software that was also developed in-house, it will make construction machinery easier to use and more reliable, as well as saving energy.

Packaging technology comes to India

We are expanding our international presence in packaging technology. In Verna, India, we have opened a new plant to supply the rapidly growing Indian market. Our activities here will focus primarily on packaging machinery for the pharmaceutical and foodstuff industries. These sectors are experiencing dynamic development in India.

In the pharmaceuticals sector, we have strengthened our position as a globally operating systems supplier, thanks in part to our acquisition of Pharmatec in Germany and SBM – Schoeller-Bleckmann Medizintechnik in Austria. Both companies specialize in hygienic and aseptic process technologies, enabling us to expand our portfolio of solutions for the pharmaceutical industry. These acquisitions are a further step toward our objective of offering packaging technology from a single source.

New process and packaging technologies protect the environment and conserve resources. A new machine that enables confectionery such as hard candy and gummy candy to be boiled continuously minimizes waste. It is cleaned automatically after production. A further innovation is the use of ultrasonic technology instead of heat to seal and bond flexible packaging in bagging machines. The process is energy efficient, the packaged products, such as chocolate, are treated more gently, and the line's productivity is increased. Innovative packaging technologies such as these make us a strong and expert partner for industry.

Automation Technology ► www.boschrexroth.com

Packaging Technology ► <http://pa.bosch.com>



Flying is not an occupation Bosch offers training for. But this doesn't keep a flight simulator from taking shape in our mechatronics engineering training program: computer-controlled and driven by servo motors. In fact, Matthias Müller, Ralph Strobel, and Jürgen Stadelmaier won the **German National Youth Research prize** with their "Flugservolator." **Bosch occupational training** supported the project, which required a great deal of determination to see it through following the initial idea. At Bosch, young people learn to take **responsibility early on** – while keeping their feet firmly on the ground.

But it doesn't always have to be the showcase projects. In fact, it's the day-to-day that shows how responsibly apprentices work at Bosch. In "junior companies," they learn entrepreneurial thinking. Talking with customers, costing, human resources planning, quality control – teams of future technicians and business administrators work independently on projects assigned to them from our plants. In line with our new training standards, these projects and real work tasks make up 50 percent of occupational training at Bosch. That gives young people a clear head start in their careers – an approach that benefits us directly, but is also part of our social responsibility. In Germany alone, Bosch has over 4,400 young people in its occupational training programs, and more than 6,000 worldwide.

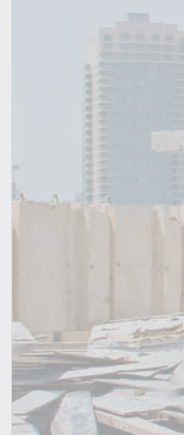


Consumer Goods and Building Technology

Key data	2006	2007
Sales	11,012	11,732
Capital expenditure	373	415
R & D cost	345	399

Figures in millions of euros

Our Consumer Goods and Building Technology business sector again performed well in 2007. Sales reached 11.7 billion euros, 6.5 % higher than the previous year. The Power Tools, Security Systems, and Household Appliances divisions were the principal contributors to this encouraging performance. Demand for heating technology did not live up to our expectations, primarily as a result of the uncertainty surrounding energy policies in western Europe. Nonetheless, all divisions were able to consolidate or even extend their leading market positions, as a result of both organic growth and acquisitions. True to our slogan “Invented for life,” the key sales drivers were product innovations and product improvements for professional and DIY tools, for eco-friendly heating, and for personal security and safety. We expanded our global presence further, among other things by establishing new manufacturing facilities and other locations in Argentina, China, Romania, Russia, and the Czech Republic.



Power Tools: innovation at a brisk pace

Despite fierce international competition, sales of power tools and accessories for DIY and garden enthusiasts, as well as for professional tradesmen, were extremely encouraging in 2007. We extended our leading international position and gained market share. As in 2006, we recorded double-digit growth in Europe, Asia, and South America. We were particularly successful in growth regions such as China, Russia, and India, but we also achieved significant double-digit growth in sales in the German market. North America

was the only market to experience a downturn in demand, as a result of the U.S. housing crisis.

The key factors of our success remain the strength and pace of innovation. Within five years, the Power Tools division has halved the average time it takes to move from the launch of a new development project to the start of production. Now it takes just twelve months. We generated just under 40 % of our sales in 2007 with products that had been in the market for less than two years, which is why many of the best-



The Bosch hammer, which celebrated 75 years of market success in 2007, has come to symbolize a whole category of power tools. These power tools are used worldwide, including the construction sites surrounding the world's tallest building, the Burj Dubai tower.



selling products in Europe's retail outlets and DIY stores come from Bosch. In 2007, we were presented with the German Marketing Award in recognition of our innovation and marketing strategy.

One of the growth areas worldwide was battery-powered devices employing lithium-ion technology. As early as 2003, we were the first manufacturer to exploit this technology for power tools. Bosch offers the widest array of products in this segment – covering everything from the tiny Ixo cordless drill/driver and the lightweight Isio grass and shrub shears to the 36-volt hammer drill for heavy-duty work on construction sites. For the fourth year in succession, the Bosch Ixo remained the world's widest selling power tool. In total, some eight million Ixo drill/drivers have been sold since production began. In 2007, Bosch launched the world's first lawnmower to use lithium-ion technology, which also helps to protect the environment thanks to its vastly superior energy balance compared with gasoline-powered lawnmowers.

We were also very successful with measuring tools for DIY enthusiasts and professionals, a market segment which is experiencing rapid growth worldwide. We continued our growth course in this promising segment, among other things by acquiring the leveling-laser specialist RoboToolz Ltd, Hong Kong, China. Business developed very encouragingly in other dynamic areas as well in 2007, such as stationary power tools, accessories, and above all electrical garden tools.

Our innovative sales and marketing concepts were a significant factor of our success. Bosch continuously explores the potential of new target groups, including the latest generation of first-time do-it-yourselfers, by offering handy, lightweight, and stylish products in originally designed packaging – and all this accompanied by personal customer advice from Bosch specialists in 700 DIY stores across Europe. We have laid the foundation for further growth by expanding our international manufacturing network. The most recent example of this is our new production site in Engels, Russia, for entry-level professional power tools.

Trend toward energy-efficient heating technologies

In real terms, the segment of the global market for heating technology that is relevant for our business declined in 2007. There was a marked reluctance among homeowners to modernize their heating systems, particularly in Germany, France, the Netherlands, and other western European markets. This was attributable to uncertainty among homeowners, caused by the lack of clear energy-efficiency policies and the intense public debate about increasing energy prices and limited fossil-fuel reserves. Nonetheless, we confirmed our position as the leading European supplier of heating systems and hot-water solutions, an achievement which was helped by our international base and our wide-ranging product portfolio, covering twelve brands. Energy-efficient heating systems and eco-friendly technologies were

ISH, the world's leading trade fair for "Bathroom, Building, Energy, Air-Conditioning Technology, and Renewable Energies," attracted a record 215,000 visitors to Frankfurt in 2007. At its 2,500 m² stand, Buderus showcased energy-efficient systems solutions and concepts for the heating technology of the future.

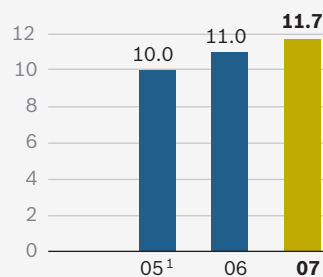
in demand worldwide. As in the previous year, we enjoyed market success with our fuel-saving condensing boilers, particularly in the United Kingdom. Homeowners increasingly also opted for renewable energies when choosing their heating system. Sales of heat pumps increased above all in France, Finland, Norway, the United Kingdom, and the United States. To meet the high demand that is anticipated for solar collectors, we have expanded our production capacities in Wetztingen, Germany, and established a new production facility in Aveiro, Portugal.

The move toward energy-efficient systems for heating and hot-water generation will continue, as these solutions allow operating costs and carbon dioxide emissions to be cut significantly. Efficient heating technology from Bosch – such as a combination of condensing technology and solar-powered support for heating systems – can reduce carbon dioxide emissions by up to 60 % compared with conventional heating systems. New heating systems could potentially save around 30 million metric tons of CO₂ in Germany alone, or roughly 12 % of the German government's ambitious target of a 260 million metric ton reduction in CO₂ emissions by 2020.

We have also pressed ahead with initiatives to develop the building and heating technology of the future. For example, we helped a project team from the Technical University of Darmstadt, Germany, to create a house that is self-sufficient in its energy

Consumer Goods and Building Technology sales

Bosch Group 2005–2007
Figures in billions of euros



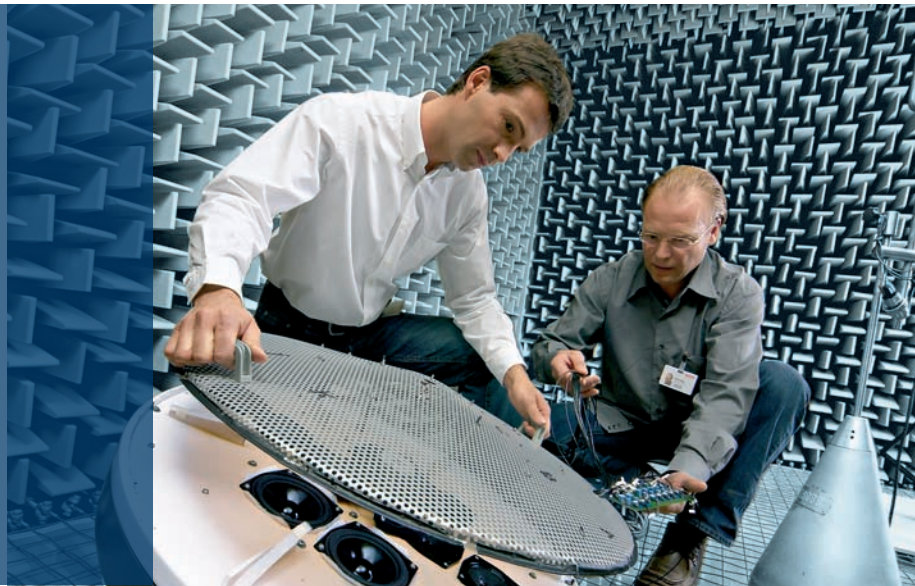
¹ Pursuant to IFRS, without discontinued operations

needs. The building obtains from the sun all the energy it needs. The house's air-conditioning, hot-water generation, and everyday household appliances are powered exclusively by solar energy. At the same time, the prototype leaves nothing to be desired when it comes to style and comfort. This "solar house" won the prestigious international Solar Decathlon contest run by the U.S. Department of Energy, and was singled out by the "Germany – Land of Ideas" initiative, of which the German president is the patron. We also entered into a development alliance with Rinnai Corporation (Nagoya, Japan), Enatec micro-cogen BV (Rotterdam, the Netherlands), and Merloni Termosanitari SpA (Fabriano, Italy) to develop a marketable Stirling engine for the generation of electricity.

Increasing security worldwide

Our security systems business developed well in 2007. Growth drivers included systems and services for video surveillance, public address, intrusion and fire alarm technology, evacuation, and access control. Demand for our products was particularly high in Asia, Australia, South America, and eastern Europe. In China, India, and Russia, we recorded sales growth that was well into double figures. Our security solutions are used in a wide range of industries at many diverse locations, such as banks, city centers, industrial complexes, retail stores, train stations, and airports. Demand was especially brisk for our new products, such as high-performance color video cameras and intrusion alarm systems that communicate online

With its five anechoic chambers, Bosch has excellent resources for making detailed acoustic measurements. Detailed test series carried out in accordance with industry standards ensure that our customers always receive the ultimate in quality when purchasing an acoustic product from Bosch.



with control centers. Fire-detection technology and video surveillance recorded the highest levels of growth in the past fiscal year. For example, we installed state-of-the-art video surveillance systems at St. Pancras, the new Eurostar terminus in London, built extensive security technology into the São Paulo subway network, supplied the public address technology for the Live Earth concert in Hamburg, and provided security solutions for CBS Film Studios in Hollywood. Moreover, we installed an interactive conference system in the International Convention & Exhibition Center in Chongqing, China. This system supports multilingual simultaneous interpreting and allows automatic seat allocation. Via a graphic interface, microphones in all 33 meeting rooms can be monitored and controlled. We also provided all the security technology for the new BMW Event and Delivery Center in Munich, where some 3,000 fire detectors have been installed. The information from all these detectors is relayed to four universal security systems, which trigger an emergency response in the event of an alarm. The holdup alarm and intruder detection system, which comes with 400 detectors, provides surveillance of the building and the entire grounds.

We strengthened our video surveillance operations by acquiring Extreme CCTV Inc, Burnaby, Canada, a leading supplier of active infrared illuminators for high-performance imaging in dark conditions or poor visibility. By acquiring Extreme CCTV, we have enhanced our presence in North America and will strengthen our position in the rapidly growing video surveillance market.

We also expanded our call center business. Bosch offers international customers a wide range of services in this field, including invoice verification, service management, booking services, and a wide range of customer loyalty and customer acquisition services. We now have 13 branches in Germany, France, the Netherlands, the United Kingdom, Spain, India, Romania, and Argentina, making us one of the top outsourcing service providers in the industry.

Saving energy with household appliances

In 2007, the year of its 40th anniversary, BSH Bosch und Siemens Hausgeräte GmbH increased its sales over the previous year by roughly 6 % to 8.8 billion euros. The fifty-fifty joint venture run by Bosch and Siemens increased its market share in most countries

Bosch household appliances save energy and water. Ultra-economical dishwashers such as the new Bosch EcoSpar models now require only 0.95 kWh of electricity per wash cycle. Using only 12 liters of water for each rinse cycle, they lower water consumption by roughly two-thirds compared with washing the same quantity of dishes by hand. The comparison with old dishwashers reveals their outstanding potential – in the EcoSpar 50° program, the new dishwashers consume up to 45 % less water and up to 40 % less electricity than a comparable 15-year old Bosch appliance.



and enjoyed profitable growth. BSH is the market leader in Germany and western Europe, and is one of the leading household-appliance manufacturers worldwide. The company has 14 brands in total, including Bosch, Constructa, Gaggenau, Neff, and Siemens. BSH recorded positive sales development in western Europe in 2007 and again posted double-digit growth in eastern Europe. Despite an increase in VAT in Germany, BSH extended its strong position in the German market. Sales in China were up significantly on the previous year. This contrasted with weaker sales in North and South America.

The new product lines in refrigeration appliances and ovens made a major contribution to growth. BSH also made further key investments by opening a refrigeration equipment factory and starting construction of a washing machine plant in St. Petersburg, Russia, as well as by expanding its production capacities in Turkey and China. The company now has 44 plants in total, producing large and small household appliances in 14 countries.

In 2007, the full impact of climate change hit home across the globe. Especially when developing house-

hold appliances, environmental and climate protection are crucially important, since these appliances account for one third of the electricity consumed by private households. BSH has been a pioneer of extremely energy-efficient products for several years, and is stepping up its activities in this field. Compared with their predecessors in the previous model generation, refrigeration appliances in energy-efficiency class A+ now consume up to 65 % less energy than comparable appliances made by Bosch 15 years ago. BSH offers customers a complete range of customized, energy-saving household appliances – comprising everything from ovens and cookers to dishwashers and ultra-efficient refrigerator-freezer combinations. It is even possible to save energy when vacuuming – thanks to its innovative compressor technology, the Bosch Home Professional consumes up to 30 % less electricity than devices with a similar performance.

Power Tools ► www.bosch-pt.com

Thermotechnology ► www.bosch-thermotechnology.com

Security Systems ► www.boschsecurity.com

Household Appliances ► www.bsh-group.com



Taking responsibility. To be a fireman someday – for Daniel da Silva, who grew up in abject poverty with just one parent, it was a mere dream. But one day, he got the chance to participate in “Always Growing,” a training project in Brazil supported by **Primavera, a charity initiative by Bosch associates** who have collected over 2.8 million euros since 1990, and more than 330,000 euros in 2007 alone. Good money – not enough to solve all the problems in the world, but enough to give many people like Daniel da Silva **a chance.**

Initiatives like this are something we value highly. They are encouraged by the example of a company that for its part acts responsibly in society. For example, in India Bosch is one of the organizers of the Nashik Run which, with 16,000 runners, took place in 2007 for the fifth time. So far, its intake of donations has totaled some 600,000 euros. This goes to finance schools for disadvantaged children, among other things. We support education in the industrialized countries as well, especially when it helps spur youthful interest in technology. For example, we are part of the U.S. initiative called “A World in Motion.” In Germany, we co-founded the Knowledge Factory, which brings out such offbeat projects as a door opener with finger pressure sensor – built by high school students together with our apprentices in Bamberg.



Our Responsibility

Throughout the more than 120-year history of the Bosch Group, it has always been important to the company's management to balance business success with social and environmental concerns. We shall continue to do this in the future. In everything we do, we feel a special responsibility to our associates, customers, and suppliers, as well as to other partners and stakeholders. This is important for the way we define **leadership**, for our dealings with **associates**, for our treatment of the **environment**, and for our involvement in **society**.

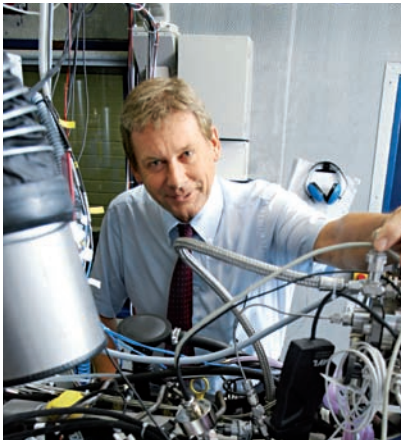
Leadership

Our special ownership structure – with a charitable foundation and the Bosch family as shareholders, and an industrial trust that carries out the entrepreneurial ownership functions – is the key to our entrepreneurial independence. It gives us a high degree of auto-

nomy and allows us to pursue our corporate strategy over the long term. Descendants of our company founder are actively involved in our supervisory council and in the trust, thus strengthening our corporate identity.



From Brazil to the world: what started 15 years ago with a small development team in Brazil has become a market success – our flexible injection system that works with any mixture of gasoline and ethanol. Originally intended to free motorists from dependence on volatile fuel markets, it also helps protect against global warming. In Brazil, nearly 90 percent of cars and light trucks use the system, and a European automaker has begun installing it in vehicles for the French and Swedish markets.



“The trend in automotive technology is moving toward alternative fuels and increased use of electricity. But CO₂ emissions can only be reduced by a combination of measures, including harmonizing the flow of traffic and enabling vehicles to communicate with each other – for example, to warn of traffic jams or other hazards.”

**Klaus Harms, Senior Vice President, Advance Engineering
Automotive Systems in the Corporate Research Sector**

Our goal is to generate the necessary resources for the long-term success of our company through sustained profitable growth. To reach this goal, we continue to expand our international presence, strengthen our business sectors, and open up new business fields.

The increasingly international character of the Bosch Group is a great challenge for leadership and communication. In the long run, globally active companies will enjoy success only if they are organized as a tight network of decentralized units pursuing shared objectives. Only then will such large organizations be flexible enough to act quickly, and at the same time in coordinated fashion, in a variety of different markets.

What holds such networks together is shared values and principles. They allow decisions to be made locally while at the same time pursuing objectives which are valid globally. The core task of leadership, therefore, is to convince associates worldwide of the paramount importance of these shared values and principles, and to empower them to take decisions independently and to see them through.

House of Orientation

In our “House of Orientation,” we offer associates from around the world direction. It gives them answers to three key questions: What drives us? What do we have in common? What do we stand for?

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

The Bosch values are another central element of the House of Orientation. Bosch has strong values that unmistakably bear the stamp of our founder. Many of his convictions are as valid today as they were in his time, and also provide a frame of reference for the future. This makes them well suited to strengthening the identity of our company around the world, and to keeping the company intact.

In the Bosch value code, which was developed on the basis of these traditional values, we commit to a clear

future and result focus, to responsibility, initiative and determination, openness and trust, fairness, cultural diversity, and to reliability, credibility, and legality.

Compliance with legal requirements has always had special importance for our company. As early as 1921, our founder Robert Bosch wrote: "In the long term, an honest and fair approach to doing business will always be the most profitable. And the business world holds such an approach in much higher esteem than is generally imagined." We are committed to carrying on this tradition. Accordingly, we expect all executives and associates to comply with all legal requirements and internal policies. To make them transparent to all associates around the world, the key principles of our ethics policy have been compiled in a code of business conduct. We penalize violations of this code, but we are well aware that no mandates or penalties can replace a sense of personal responsibility and individual respect for law and justice.

Associates

At a time when qualified people are becoming ever harder to find, locating and recruiting associates with the right skills is a core task of human resources work. Our focus outside Germany is on the growth markets in Asia and eastern Europe. Our Summer Internship Program in China was a great success, garnering over 11,000 applications at seven locations. At Shaastra, the world's largest technology festival organized by the Indian Institute of Technology in Madras, more than 10,000 students from 680 universities visited the "Bosch Dome." In Jihlava, Czech Republic, and at the Hungaroring in Hungary, we held "High Tech Days." Our first "Meet Bosch in Sweden" recruiting event held in Arjeplog was also a success, and we will repeat it in 2008. In Germany, we have been able to sustain our top position as an attractive employer for engineers and scientists. All this has helped us to meet our needs for highly qualified personnel, even in a time of tough competition for talent.



With a broad portfolio of innovations, Bosch is well prepared to meet the increasing demand for climate protection. In the long term, Bosch is looking ahead to transportation that is less dependent on fossil fuels. In the short term, Bosch offers ways to improve the efficiency of internal-combustion engines. At the 2007 International Motor Show Cars in Frankfurt, Franz Fehrenbach, chairman of the Bosch board of management, explained to German chancellor Angela Merkel how Bosch products reduce fuel consumption and emissions as well as contribute to traffic safety.

Global model for career advancement

In associate development, we have further strengthened our international orientation and develop specialist and leadership talent with a view to meeting our increasingly global requirements. As well as expanding our junior executive programs, we pay special attention to internal career planning within the framework of our manager development schemes. In addition, functions and responsibilities that would formerly have resided in Germany have now been brought into centers of competence outside Germany.

Transfers across divisional and national borders have become commonplace. The majority of our executives now have international experience stemming from multi-year assignments outside their country of origin. In 2003, some 1,600 associates took on responsibilities in other countries for more than 18 months; in 2007, that number had grown to over 2,300. Of this number, 430 associates from our regional companies took on a responsibility at a different regional company outside their home country, and 500 took on a post in Germany. On top of the

benefits for individual development, this at the same time fosters networking among our associates that in turn supports international collaboration.

Family and career: Bosch has its eye on the future

Today, more than ever, young people's choice of employer depends on socio-cultural aspects. Young people expect employers to help them balance the interests of family and career, and we have continuously improved in this area over recent years. Associates particularly value our flextime schedules, child care, parent initiatives, and social work. These options encouraged significantly more fathers at Bosch in Germany to take paternity leave in 2007 than in 2006. To increase the number of women in executive positions, we have expanded our mentoring programs. In 2007, we once again supported Femtec, the German higher education career center for women in engineering and the sciences. Femtec offers many forms of assistance for young women, including grants, technology workshops, and career advisory seminars.

Open house at Bosch: In 2007, over 1,100 young women showed their interest in technology and business at 30 locations. Along with many outdoor exhibits and live demonstrations of what engineering is all about, there were numerous workshops where participants could discuss important subjects – How do internal-combustion engines work? How can we reduce pollutants from such engines?





The length and breadth of India: For six months, a show truck from our Packaging Technology division toured the subcontinent. It was equipped with a modern foodstuff packaging machine. With this campaign, we showed farmers and agricultural organizations how modern packaging technology can help keep perishable products fresh in the hot Indian climate.

Lifelong learning is imperative

The education and health of our associates are key to our future ability to succeed in international competition. We provide many opportunities for associates to stay in peak condition in body and mind. For example, in Germany alone we offer around 400 different sports and health groups, which some 8,000 associates take advantage of. In addition, we are conducting a study in Germany in cooperation with the University of Heidelberg in which associates are offered disease prevention and physical fitness programs. This initiative is aimed at finding new ways to further promote the physical and mental flexibility of our associates at all our locations around the world. We also want to bring about a fundamental change in attitudes. The notion that older associates are no longer capable of high performance is obsolete. In fact, older associates have other strengths that we wish to make use of. We actively promote this shift in mindset with training courses for executives at individual locations.

From training to competence management

In 2007 as in the previous year, we invested some 100 million euros in training in Germany alone. The number of people taking advantage of training measures has risen by 40 % over the last four years. In order to

increase our pool of specialist knowledge, we introduced competence management throughout all our divisions in 2006. This structured, systematic approach ensures that the right abilities are available in the right place at the right time. In this process, the skills important for the future success of the company are derived from the company strategy, and performance standards are set. The existing abilities of each associate are then examined against this benchmark in order to identify the skills that need building. These findings are reviewed annually, because only with motivated and capable associates will we be able to continue our successful development.

Educational excellence in many countries

More than 6,000 young people around the world receive occupational training at Bosch. We consider this to be part of our social responsibility, since qualitative and quantitative excellence in education is the basis for social stability in any country.

Job security and improved competitiveness

The structural shift in the global economy is creating cost pressure, especially for manufacturing companies like Bosch, and inevitably raises the question of whether production should be moved to low-wage countries. But at many locations in high-wage coun-



tries, we have succeeded, in negotiations with employee representatives, in developing concepts for job security. In keeping with our values, we strive to find the balance between business and social needs, as well between the competitiveness of our plants and the job security of our associates. Savings from these agreements enable us to take the action needed to secure employment, such as investments or new product developments.

Thanks to our associates

Our thanks go out to all our associates for their high level of commitment and flexibility. They have once again made a great contribution to the success of our company. Our thanks also go out to the employee representatives, who have supported the measures needed to secure our competitiveness.

Environment

As a company that thinks and acts responsibly, we are convinced that the best way to guarantee our long-term success is to strike a balance between business imperatives on the one hand, and social and environmental responsibility on the other. For a technology company like Bosch, corporate responsibility first and foremost means coming up with innovations to meet the great challenges of the day such as climate change or dwindling resources. Protecting the environment requires not less, but instead more technology. We need to further improve the efficiency of existing technology as well as intensify our efforts to find viable alternatives to coal, oil, and gas. This means using renewable energy, converting it into economical energy formats, and storing it. By 2010, we plan to double our sales in this area to a billion euros. We take our environmental responsibility seriously: our ambition is to enhance the quality of life for people around the world with solutions that are both innovative and beneficial, true to our slogan "Invented for life."

Alternative fuels are gaining in importance. More and more biofuels are being added to the fossil fuels gasoline and diesel. This reduces CO₂ emissions and conserves crude oil resources. At our Engineering Center in Schwieberdingen near Stuttgart, associates from our Corporate Sector Research and Advance Engineering even today investigate the characteristics of future fuels. This knowledge will be needed in order to design systems, components, and new functions for these fuels.

Reducing consumption and emissions

The need for ecological responsibility is clearly evident in the current debate on climate protection. We contribute to climate protection in all our business sectors. In automotive technology, our experts work on ways to continue reducing fuel consumption and carbon dioxide emissions in all types of engines. In the field of diesel engines, we are further improving engine management. For both diesel and gasoline engines, our developments are leading to smaller and more efficient engines. The diesel is already thrifty as it is, but downsizing can further reduce carbon dioxide emissions by as much as 10 % compared with current diesel-engine models. With gasoline engines, these emissions can be cut by 15 % compared with the engine designs used up to now. And we are combining the internal-combustion engine and the electric motor to create hybrid drive systems. Currently, a gasoline-electric hybrid can reduce carbon dioxide emissions by 25 % as against a gasoline engine with conventional intake-manifold fuel injection. With a diesel-electric hybrid, reductions of 40 % are possible.

We are also working on a series of other technical innovations that further reduce fuel consumption and carbon dioxide emissions, be it thermal and vehicle

electrical system management, variable valve control, or ultra-efficient alternators. We have made the start-stop system ready for series production. This system stops the engine when the vehicle comes to a halt – for example, at a red light or in a traffic jam – and automatically restarts it when the driver wants to move on. With these and other developments, Bosch can make a substantial contribution to meeting the ambitious goal set by Europe's governments of reducing by technical means the carbon dioxide emissions of the European new car fleet to 130 grams per kilometer.

Drive technology for wind and wave energy

Bosch is also heavily involved in power generation technologies that are carbon dioxide-free. Our subsidiary Bosch Rexroth supplies core components of wind turbines. Our gear units help to transform wind energy into electricity, and our drives also position the rotor blades to catch the wind at the best possible angle. The market for wind energy systems is growing fast. In 2007, Bosch Rexroth increased its sales of drive and gear products for wind turbines by 27 % to 152 million euros. We will greatly expand our production capacity for gear units in the coming years, investing around 300 million euros.

We are also tapping into the energy potential of ocean and tidal currents. Working with two other partners, Bosch Rexroth built a turbine for generating electricity that will be tested on the seabed off the Orkneys. Bosch Rexroth supplied the gear technology and the hydraulic components for another pilot installation off the coast of Norway. At this installation, electricity is generated by underwater rotors on towers anchored in the seabed. An underwater rotor delivers more electricity than a wind turbine of similar size. Currently, Bosch Rexroth is also collaborating with several other manufacturers of wave energy power plants with the objective of supplying complete drivetrains for these systems.



Harnessing energy from tidal currents: Bosch Rexroth supplies the gear technology and hydraulic components for a pilot plant. Rotors mounted on underwater towers are driven by the massive volumes of water moving in and out with the tide. These underwater rotors deliver substantially more power than wind turbine rotors of a similar size.

Environmental technology for private households

To help protect the climate, Bosch also offers products for private homes, such as solar collectors and heat pumps. We have taken a new solar collector production plant into operation in Aveiro, Portugal, adding to the capacity we already had at Wetztingen in Germany. Our acquisitions in Sweden and the U.S. have strengthened our position as a leading manufacturer of fluid-based electric heat pumps, and we shall further expand our capacity to meet the growing demand in the American market. In heating technology, CO₂ emissions can be significantly reduced by replacing old heating systems. In Germany alone, there are still 3.4 million heating systems that are more than 24 years old, and whose environmental impact is disproportionately high.

U.S. environmental prize for household appliances

In 2007, the American Environmental Protection Agency and the U.S. Department of Energy awarded Bosch the “Excellence in Energy Star Promotion Award 2007” in recognition of our trailblazing development and manufacture of environmentally friendly appliances. The award pays tribute above all to the important contribution the Bosch brand has made toward reducing output of greenhouse gases by

lowering household energy use. Our joint venture BSH Bosch und Siemens Hausgeräte GmbH is currently the only manufacturer to fulfill the requirements of the Energy Star program in all product lines and appliance types assessed by this program. For example, Bosch washing machines use up to 55 % less water and up to 35 % less electricity than a comparable appliance built 15 years ago. Energy consumption in refrigerators and freezers has gone down by as much as 65 %.

Innovation alliances to protect the climate

In order to further intensify our research and development activities to protect the environment and the climate, we have joined the “High-Tech Strategy for Germany” initiative, inaugurated by the German government in 2006. With the primary objective of enhancing the innovative strength of Germany, this initiative seeks to create alliances between scientific institutions and industry. Participants look to this effort to accelerate the development of climate protection technologies and the creation of future markets. We are involved in three alliances aimed at reducing carbon dioxide emissions from vehicles – in the fields of automotive electronics, safe and intelligent mobility, and lithium-ion batteries.

In the promising area of organic photovoltaics, Bosch and other industry partners have started a technology initiative with the support of the German Federal Ministry for Education and Research. Organic photovoltaics uses solar cells based on organic semiconductor materials. These materials could replace the silicon used today. It is hoped that new materials, production processes, and installation techniques will make organic solar cells more efficient and affordable in the long run. This is one of many ways in which new technologies can open the door to sustainable energy generation and make solar power more competitive.

New occupational safety management

Substantial process improvements clearly show the success of the environmental management systems at our development and production locations around the world. In order to improve even further their already high standard of occupational safety and health protection, we shall implement an occupational safety management system at all our locations

in the coming years. Based on the OHSAS 18001 standard recognized around the world, the new system is intended to help reduce accident rates even further, detect accident and health risks for associates earlier, and take appropriate preventive measures. This underlines the high priority we place on the safety and health of our associates, and contributes to the further optimization of ongoing occupational safety programs at our locations. As a global company, Bosch is among the leaders in implementing an occupational safety management system across its international operations.



The “solar house” that we helped finance at the Technical University in Darmstadt, Germany, won the internationally renowned Solar Decathlon staged by the U.S. Department of Energy. The building obtains from the sun all the energy it needs. From the early summer 2008, it will stand on the grounds of our headquarters in Gerlingen near Stuttgart. We look forward to showing it to our business partners, customers, and associates.



New directions in occupational training: in order to get children interested in technology from an early age, we have teamed up with a day-care center for children in Stuttgart to create a project aimed at promoting young children's development. The program has won the acclaim of German business institutions. Several of our apprentices planned, organized, and supervised the program, in which young "engineers" undertake projects such as building wind turbines and generating electricity.

Society

It is our conviction that environmental and social involvement is vital for the long-term success of our company. In August 2006, we for the first time published a comprehensive report on the principles behind our actions, our responsibility, and our activities for associates, society, and the environment. This Corporate Social Responsibility report is a further step in our endeavor to make our convictions, our objectives, and our strategies clear – both in our internal communication with our associates and in our external communication with our business partners and the general public. The next Bosch Group Corporate Social Responsibility report will appear in the summer of 2008.

Schoolchildren today, associates tomorrow

Education is indispensable for the competitiveness of a company and for the future of our society. Bosch therefore considers it vital to kindle young people's interest in technology and the sciences, and to encourage them to get involved in projects in these fields. At the interface between school and university, we have for more than twenty years organized the Baden-Württemberg heat of the national youth science competition "Jugend forscht," in which apprentices from our workshops also take part.

In 2005, we and several other companies founded the "Wissensfabrik" (Knowledge Factory). Working with day-care centers for children and with schools, we develop projects that make technology and business come alive for children and young people. For example, the "Moving Air" project showed schoolchildren the principles behind pneumatics and automation. For a year and a half, a working group met weekly to build a system that uses compressed air to move objects. In doing so, these budding engineers learned about pneumatic switches, sensors, optics, and microcontrollers.

Far too few young women study science or engineering. In order to encourage them to take an interest in these subjects, several Bosch locations have for some years opened their doors to young women in order to give them a look at the world of business, production, and research. Another cornerstone in our effort to open young women's eyes to the fascinating world of science and technology is the Girls' Campus, which was started by the Robert Bosch Stiftung in 2007 and in which Bosch is a partner. Girls' Campus is a joint project by the Stiftung, which has wide experience in the development and implementation of new learning methods at schools, and Bosch, which has great

resources of technical and scientific knowledge. The curriculum includes subjects like robotics, astronomy, and solar technology. Aided by successful women scientists and engineers, female students do their own experiments and research, and build self-confidence in presentation exercises.

The youth science competition “Jugend forscht,” Knowledge Factory, and Girls’ Campus are not just financial investments for us, they also enrich our associates. Getting young people excited and responding to their needs and abilities is a far cry from normal work routine, and gives our people fresh perspectives and ideas.

Setting and developing international standards

Associations, non-governmental organizations, and companies around the world are working to bring environmental and social standards to a uniformly high global level. We are involved in this network. The Global Compact, which we joined in 2004, was initiated by UN Secretary General Kofi Annan. With

over 3,000 members from all sections of society and all parts of the world, it is now the largest initiative of its kind. As of 2006, we have been particularly active in the Global Reporting Initiative (GRI). The GRI develops criteria and benchmarks by which corporations can measure and report on their social responsibility. Since there are currently no standards for such reports, this work is important both for companies and for the public in creating transparency, comparability, and accountability.

In 2007, we joined the World Business Council for Sustainable Development. In it, around 200 member companies from over 35 countries and 20 industries pursue the goal of driving sustainable development and creating ways in which companies can contribute to it. Finally, Bosch has been a member of Transparency International since its German chapter was formed in 1995. This underlines our commitment to fair business practices and strict compliance with laws.



We took the opening of the New Stuttgart Trade Fair in the summer of 2007 as an opportunity to boost our brand presence in the area. Two 55-meter wide Bosch logos shine out from the trade fair parking structure over the Stuttgart-Munich freeway, one on each of the two long sides. The logo comprises the “Bosch” logotype and the armature in a circle – the company’s trademark. The armature symbol measures nearly 12 meters in diameter, and the individual letters are around eight meters high. Bosch has acquired the right to display its name on the parking structure, thereby supporting construction of the new trade fair in Stuttgart.

Civic initiatives

Civic initiatives are also part of our social responsibility. We support numerous institutions and initiatives for many causes at our locations around the world.

At Stanford University in Palo Alto, CA (USA), we have for some years now financed a professorship in mechanical engineering. In doing so, we support research projects and innovative teaching methods, and encourage the transfer of research findings to ventures with a promising future. In 1999, we supported Tongji University in Shanghai, China, in establishing an endowed professorship for automotive systems, and have supported it financially ever since. For decades, we have been a member of the “Stifterverband der Deutschen Wissenschaft” (German Association of Donors for the Promotion of Sciences and Humanities), which supports scientific projects and also works to improve higher education in Germany.

As a founding member of “acatech,” we lend our support to the engineering sciences. Our main goal here is to strengthen awareness of the importance of future technologies for society and the economy, and to encourage more young people to study science and technology.

Charitable projects are also part of our portfolio. Primavera is a particularly good example. Founded by Bosch associates and retirees, this association exists to help needy children in countries where Bosch is active. Associates or their family members inspect and help with aid projects on site. This ensures that all donations do the maximum good.

Jobs and career ► www.bosch-career.com

Environment ► www.bosch-umwelt.com

Primavera ► www.primavera-ev.de



Helping needy children is the declared goal of Primavera, a donation initiative by Bosch associates. For example, Primavera provides financial support to the Centro Promocional Tia Ileine in Campinas, Brazil. There, children from underprivileged backgrounds develop an understanding of ecological issues while working with plants and the soil in an environmental learning setting.

Robert Bosch Stiftung

Since 1964, the majority shareholder of Robert Bosch GmbH has been Robert Bosch Stiftung GmbH, a charitable foundation. The foundation carries on the charitable and social endeavors of the company's founder in contemporary form. The Robert Bosch Stiftung sees itself both as an "operative foundation" that pursues its objectives with programs of its own, and as a supportive foundation that enables others to develop and implement suitable projects or initiatives for tackling the tasks faced by society.

With political far-sightedness, the courage of his convictions, and his own charitable initiatives, Robert Bosch set the standards for the work carried out by the Robert Bosch Stiftung. This foundation currently supports projects in science, health, international relations, education, society, and culture.

Each year, some 800 new "internal" and "external" projects are selected, and are supervised by a total of 100 associates. Sixty percent of these projects have an international bearing. The support offered by the Stiftung includes grants, competitions, awards, and programs for journalists.

Main areas supported by the Stiftung

In 2008, the work of the Stiftung again focuses on the challenges facing society, such as improving our education system, integrating the migrant population, the process of European unification, and the effects of demographic change.

The Stiftung has a long-term commitment to international understanding, concentrating its support in this area on junior executives in public office, the media, business, and administration. Encounters are made possible on many levels. The objectives of these events are to foster dialogue, to discuss issues of bilateral cooperation, or to dispel prejudice. Further, more recent focal points of this program area are German-Chinese, German-Japanese, and German-Indian relations. The Stiftung supports activities to establish a sustainable health system in Germany. Support is above all given to projects that lead to tangible improvements and changes in everyday life. The Stiftung provides answers to demographic change by initiating studies and projects that aim to

provide lasting improvement in the situation of families and to replace outdated notions of age. It strengthens Germany's position as a scientific center, promotes young academic talent, and helps shape international scientific dialogue. Support is also given to projects aimed at improving, at a local level, the co-existence of people with and without a migrant background. The Stiftung also provides stimuli for the further development of the German education system.

The following dependent foundations exist within the Robert Bosch Stiftung: the Otto und Edith Mühl-schlegel Stiftung, the Hans-Walz-Stiftung, the DVA-Stiftung, and the Rochus und Beatrice Mummert-Stiftung. These organizations deal in greater depth with topics such as the challenge of old age and promotion of international talent, and strengthen Franco-German relations.

► www.bosch-stiftung.de

Total 2007 project grants by the Robert Bosch Stiftung (in millions of euros)	
Science and research	5.5
Health and humanitarian aid	5.7
International relations: western Europe, USA	10.9
International relations: central and eastern Europe	10.3
Education and society	7.9
Society and culture	3.9
Research at hospital and institutes ¹	5.6
Investments in the Robert Bosch Hospital	5.2
Endowments within the Stiftung	1.7
Total	58.9

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

Consolidated Financial Statements of the Bosch Group

Contents

77	Income statement for the period from January 1 to December 31, 2007
78	Balance sheet for the year ended December 31, 2007
80	Cash flow statement
81	Statement of recognized income and expense
82	Statement of changes in equity
84	Notes to the consolidated financial statements
126	Auditor's report

Income statement for the period from January 1 to December 31, 2007

	Note	2007	2006
Sales revenue	1	46,320	43,684
Cost of sales		-31,174	-30,226
Gross profit		15,146	13,458
Distribution and administrative cost	2	-8,486	-7,806
Research and development cost	3	-3,583	-3,348
Other operating income	4	1,152	1,013
Other operating expenses	5	-1,059	-901
Operating profit		3,170	2,416
Financial income	6	1,537	1,548
Financial expenses	6	-906	-883
Profit before tax		3,801	3,081
Income tax expense	7	-951	-911
Profit after tax		2,850	2,170
of which attributable to minority interests	8	78	117
of which attributable to parent company		2,772	2,053

Figures in millions of euros

Balance sheet
for the year ended December 31, 2007

Assets	Note	12/31/2007	12/31/2006
Current assets			
Cash and cash equivalents	10	2,789	2,669
Marketable securities	11	551	738
Trade receivables	12	7,844	7,724
Income tax receivables		456	240
Other assets	13	1,955	1,158
Inventories	14	6,258	5,715
		19,853	18,244
Non-current assets			
Financial assets	15	10,503	10,181
Income tax receivables		130	120
Property, plant, and equipment	16	11,857	11,712
Intangible assets	17	4,436	4,325
Deferred taxes	7	1,789	2,358
		28,715	28,696
Total assets		48,568	46,940

Figures in millions of euros

Equity and liabilities	Note	12/31/2007	12/31/2006
Current liabilities			
Financial liabilities	18	405	370
Trade payables	19	3,656	3,245
Income tax liabilities		168	148
Other liabilities	20	3,832	3,675
Income tax provisions		525	285
Other provisions	20	3,139	3,046
		11,725	10,769
Non-current liabilities			
Financial liabilities	18	2,001	2,105
Other liabilities	20	271	254
Pension provisions	21	5,741	6,548
Income tax provisions		155	130
Other provisions	20	3,010	3,610
Deferred taxes	7	840	1,042
		12,018	13,689
Equity	22		
Issued capital		1,200	1,200
Capital reserve		4,557	4,557
Retained earnings		18,245	15,929
Unappropriated earnings		72	69
Minority interests		751	727
		24,825	22,482
Total equity and liabilities		48,568	46,940

Figures in millions of euros

Cash flow statement

	Note 23	2007	2006
Profit before tax		3,801	3,081
Depreciation and amortization ¹		2,805	2,654
Change in pension provisions		-21	77
Change in non-current provisions		-568	254
Gains on disposal of non-current assets		-127	-113
Losses on disposal of non-current assets		96	86
Gains on disposal of securities		-381	-554
Losses on disposal of securities		145	115
Financial income		-749	-669
Financial expenses		494	484
Interest and dividends received		585	496
Interest paid		-297	-272
Income taxes paid		-731	-1,118
Cash flow		5,052	4,521
Increase in inventories		-552	-278
Increase in trade receivables		-821	-812
Increase in liabilities		214	303
Change in current provisions		183	-53
Cash flows from operating activities (A)		4,076	3,681
Acquisition of subsidiaries and other business units		-273	-219
Additions to non-current assets		-3,053	-3,240
Proceeds from disposal of non-current assets		304	283
Purchase of securities		-5,340	-5,076
Disposal of securities		4,834	4,975
Cash flows from investing activities (B)		-3,528	-3,277
Purchase of treasury stock and acquisition of minority interests		-292	-62
Borrowing		158	1,441
Repayment of financial liabilities		-361	-1,907
Dividends paid		-90	-86
Cash flows from financing activities (C)		-585	-614
Change in liquidity (A+B+C)		-37	-210
Liquidity at the beginning of the period (January 1)		2,849	3,074
Exchange-rate related change in liquidity		-33	-40
Increase in liquidity due to changes in consolidated group		10	25
Liquidity at the end of the period (December 31)		2,789	2,849

Figures in millions of euros

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

Statement of recognized income and expense

	2007	2006
Change from marketable financial instruments		
recognized directly in equity	-184	132
transferred to profit or loss	-303	-473
Change due to actuarial parameters for pension provisions	748	361
Adjustment item from currency translation of entities outside the euro zone	-221	-404
Deferred taxes	-224	-80
Revaluations recognized directly in equity	-184	-464
Profit after tax	2,850	2,170
Total (sum of profit after tax and revaluations recognized directly in equity in the period)	2,666	1,706
of which attributable to minority interests	59	119
of which attributable to parent company	2,607	1,587

Figures in millions of euros

Statement of changes in equity

	Retained earnings				
	Issued capital	Capital reserve	Earned profit	Treasury stock	Currency translation
January 1, 2006	1,200	4,557	12,259		371
Dividends					
Profit after tax					
Transfer to retained earnings			1,984		
Exchange differences					-332
Other changes				-62	
December 31, 2006	1,200	4,557	14,243	-62	39
Dividends					
Profit after tax					
Transfer to retained earnings			2,700		
Exchange differences					-202
Other changes					
December 31, 2007	1,200	4,557	16,943	-62	-163

Figures in millions of euros

Accumulated other comprehensive income						
Securities	Other changes	Total	Unappropriated earnings	Equity parent company	Minority interests	Total equity
2,257	-492	2,136	63	20,215	728	20,943
			-63	-63	-23	-86
			2,053	2,053	117	2,170
			-1,984			
		-332		-332	-72	-404
-279	223	-56		-118	-23	-141
1,978	-269	1,748	69	21,755	727	22,482
			-69	-69	-21	-90
			2,772	2,772	78	2,850
			-2,700			
		-202		-202	-19	-221
-453	271	-182		-182	-14	-196
1,525	2	1,364	72	24,074	751	24,825

Notes to the consolidated financial statements

Principles and methods

Basis of presentation

The consolidated financial statements of the Bosch Group for the year ended December 31, 2007, have been prepared according to the standards issued by the *International Accounting Standards Board* (IASB), London. The *International Financial Reporting Standards* (IFRS's) and the Interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) applicable in the EU at balance sheet date have been applied. The prior-year figures have been determined using the same principles.

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

The following IFRS's or *International Accounting Standards* (IAS's) are applied:

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

The Bosch Group has elected not to early adopt IFRS 8 *Operating Segments* that has been adopted by the EU (mandatory adoption from January 1, 2009).

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

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

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

The consolidated financial statements prepared as of December 31, 2007, were authorized for disclosure by management on March 18, 2008. The consolidated financial statements and group management report will be filed with the electronic Federal Gazette [*Bundesanzeiger*] and published there.

Basis of consolidation

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

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

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

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

Within the consolidated group, intercompany profits and losses, sales, 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 currencies other than the euro are measured at the spot rate on the balance sheet date, regardless of whether they are hedged or not. Exchange-rate gains and losses from revaluations are recorded in profit or loss.

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

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

		Closing rate		Average rate	
EUR 1 =		12/31/2007	12/31/2006	2007	2006
Australia	AUD	1.68	1.67	1.63	1.67
Brazil	BRL	2.62	2.82	2.67	2.73
China	CNY	10.74	10.29	10.42	10.01
United Kingdom	GBP	0.73	0.67	0.68	0.68
India	INR	57.95	58.32	56.61	56.90
Japan	JPY	165.00	156.65	161.20	146.07
Korea	KRW	1,377.00	1,222.22	1,272.72	1,198.54
Switzerland	CHF	1.66	1.61	1.64	1.57
Czech Republic	CZK	26.62	27.50	27.76	28.34
Hungary	HUF	253.35	251.68	251.31	264.08
United States of America	USD	1.47	1.32	1.37	1.26

Accounting policies

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

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

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

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

Depreciation is based on the following ranges of useful lives:

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

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

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

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

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

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

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

Pursuant to IFRS 1, goodwill existing as of January 1, 2004 (date of transition) was transferred at the carrying amount in accordance with the provisions of the German commercial code. 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 only tested for impairment if there is any indication that they may be impaired.

Financial instruments

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

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement Including Provisions on Using the Fair Value Option*, the following categories of financial instruments are used in the Bosch Group:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidation

Consolidated group

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

Besides Robert Bosch GmbH, the consolidated group comprises a further 317 (prior year: 298) fully consolidated companies. The group developed as follows:

	Germany	Outside Germany	Total
Included in consolidation at December 31, 2005	38	245	283
Additions/formations in the fiscal year 2006	2	26	28
Disposals/mergers in the fiscal year 2006		12	12
Included in consolidation at December 31, 2006	40	259	299
Additions/formations in the fiscal year 2007	7	31	38
Disposals/mergers in the fiscal year 2007	1	18	19
Included in consolidation at December 31, 2007	46	272	318

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 2007, the following companies or sub-groups were included in the consolidation for the first time:

- ▶ Beissbarth GmbH, Munich,
- ▶ Pharmatec GmbH, Dresden,
- ▶ Bosch Access Systems GmbH, Würselen,
- ▶ VCS Video Communication Systems AG, Nuremberg,
- ▶ Pacifica Group Ltd, Melbourne, Australia (the sub-group consists of 18 companies),
- ▶ Bosch Centre de Service SAS, Forbach, France,
- ▶ Beissbarth Italia Srl, Formigine, Italy,
- ▶ SICAM Srl, Correggio, Italy,
- ▶ Bosch Rexroth Electric Drives and Controls BV, Eindhoven, Netherlands,
- ▶ Bosch Communications Center BV, Nimwegen, Netherlands,
- ▶ SBM Schoeller-Bleckmann-Medizintechnik Ges. mbH, Ternitz, Austria,
- ▶ OOO "Robert Bosch", Moscow, Russian Federation,
- ▶ OOO Buderus Otopitelnaja Technika, Moscow, Russian Federation,
- ▶ TeleAlarm Group Holding SA, La Chaux-de-Fonds, Switzerland,
- ▶ FHP Manufacturing Company, Fort Lauderdale, FL, USA.

Due to corporate restructuring and mergers, the number of subsidiaries included in consolidation was reduced by a total of 19.

Due to additions to the companies included in consolidation, sales revenue increased by EUR 0.6 billion and total assets by EUR 0.5 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 consists of 66 companies),
- ▶ ZF Lenksysteme GmbH, Schwäbisch Gmünd (the sub-group consists of 13 companies),
- ▶ United Automotive Electronic Systems Co Ltd, Shanghai, China,
- ▶ KEFICO Corporation, Gunpo, Korea,
- ▶ Purolator Filters North America LLC, Fayetteville, NC, USA.

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

Effects of proportionate consolidation on assets and liabilities

Figures in millions of euros	2007	2006
Current assets	2,452	2,241
Non-current assets	1,398	1,405
Current liabilities	1,339	1,297
Non-current liabilities	1,207	1,235

Effects of proportionate consolidation on the income statement

Figures in millions of euros	2007	2006
Income	6,333	5,868
Expenses	6,051	5,614

The share of contingent liabilities of these companies attributable to the Bosch Group amounts to EUR 12 million (prior year: EUR 9 million).

Business Combinations

The companies listed below were acquired in the fiscal year 2007:

				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
FHP Manufacturing Company, Fort Lauderdale, FL, USA	Heat pumps UBG ¹	Jan. 30, 2007	100%	106	6
Pacifica Group Ltd, Melbourne, Australia	Braking systems UBK ²	Mar. 1, 2007	75%	144	-24
Beissbarth GmbH, Munich; Beissbarth Italia Srl, Formigine SICAM Srl, Correggio, both Italy (Beissbarth)	Workshop equipment UBK ²	Apr. 1, 2007	100%	62	1
Pharmatec GmbH, Dresden	Pharmaceutical packaging machinery UBI ³	Jul. 1, 2007	100%	13	-2

¹ Consumer Goods and Building Technology business sector

² Automotive Technology business sector

³ Industrial Technology business sector

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	FHP	Pacifica	Beissbarth	Pharmatec	Total	Total of carrying amounts acquired
Current assets	11	210	54	24	299	257
of which cash and cash equivalents	1	44	7		52	52
Non-current assets	133	261	53	12	459	286
Financial assets		17	7		24	24
Property, plant, and equipment	8	219	3		230	225
Intangible assets	124	19	42	12	197	28
of which goodwill	81	5	3	12	101	25
Deferred tax assets	1	6	1		8	9
Current liabilities	5	90	26	20	141	142
Non-current liabilities	34	153	18	3	208	176
Provisions		7	4	2	13	6
Liabilities incl. deferred taxes	34	146	14	1	195	170

Acquisitions led to the disclosure of intangible assets (without goodwill) previously not accounted for. These assets total EUR 43 million at FHP, EUR 14 million at Pacifica, and EUR 36 million at Beissbarth.

Assuming that the above companies had already been consolidated for the first time as of January 1, 2007, total sales revenue of the Bosch Group would come to EUR 46,406 million and profit after tax to EUR 2,845 million.

Discontinued operations

No decisions were taken in the fiscal year 2007 which would have resulted in business units or subsidiaries being classified as held for sale.

Notes to the income statement

1 Sales revenue

Sales revenue amounted to EUR 46,320 million (prior year: EUR 43,684 million). The Automotive Technology business sector accounted for EUR 28,449 million (prior year: EUR 27,220 million) of this total, the Industrial Technology business sector for EUR 5,967 million (prior year: EUR 5,452 million), and the Consumer Goods and Building Technology business sector for EUR 11,732 million (prior year: EUR 11,012 million). Sales revenue that cannot be allocated to the business sectors came to EUR 172 million (prior year: EUR 0 million).

2 Distribution and administrative cost

Figures in millions of euros	2007	2006
Administrative expenses	2,145	2,302
Distribution cost	6,341	5,504
	8,486	7,806

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

3 Research and development cost

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

Figures in millions of euros	2007	2006
Total research and development cost	3,532	3,376
Development cost recognized in the reporting period	-118	-209
Depreciation on recognized development cost	169	181
	3,583	3,348

4 Other operating income

Figures in millions of euros	2007	2006
Income from exchange-rate fluctuations	435	286
Income from the reversal of valuation allowances on receivables and other assets	44	71
Income from the disposal of non-current assets	51	85
Income from rent and leases	12	12
Income from the reversal of provisions (not disclosed in the functional areas)	335	233
Sundry other operating income	275	326
	1,152	1,013

Sundry other operating income contains government grants of EUR 65 million (prior year: EUR 88 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 foreign-currency derivatives allocable to the operating business.

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

5 Other operating expenses

Figures in millions of euros	2007	2006
Expenses from exchange-rate fluctuations	468	307
Valuation allowances on receivables and other assets	91	82
Expenses from the disposal of non-current assets	95	86
Other taxes	36	42
Expenses from the recognition of provisions	104	178
Impairment of goodwill	37	
Sundry other operating expenses	228	206
	1,059	901

6 Financial result

Figures in millions of euros	2007	2006
Investment income	43	42
Gains on disposal of investments	76	28
Income from investments	119	70
Interest and similar income	557	506
Interest and similar expenses	-255	-267
Interest result	302	239
Gains on disposal of securities	381	554
Losses on disposal of securities	-145	-115
Realized exchange-rate gains	203	138
Realized exchange-rate losses	-173	-184
Unrealized exchange-rate gains	66	30
Unrealized exchange-rate losses	-63	-47
Gains on derivatives	172	181
Losses on derivatives	-117	-126
Other income	39	69
Other expense	-153	-144
Other financial result	210	356
Financial result, total	631	665
of which financial income	1,537	1,548
of which financial expenses	-906	-883

The positions "gains/losses on derivatives" contain transactions not directly related to operations.

Interest income and expenses are attributable to financial instruments of the categories defined in IAS 39 as follows:

Figures in millions of euros	2007	2006
Loans and receivables	204	107
Held-to-maturity investments	6	5
Available-for-sale financial assets	317	351
Liabilities measured at amortized cost	-226	-229

The interest result of the "available-for-sale financial assets" category contains dividend income from equity instruments held, totaling EUR 61 million (prior year: EUR 104 million).

7 Income taxes

Income taxes are classified according to their origin as follows:

Figures in millions of euros	2007	2006
Current taxes	860	1,023
Deferred taxes	91	-112
Income taxes	951	911

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

In the current fiscal year, a corporate tax rate of 25% applies in Germany. 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 40%.

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

Figures in millions of euros	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Receivables, other assets, and inventories	290	259	301	279
Securities, investments	96	233	18	326
Property, plant, and equipment	149	591	108	748
Intangible assets	45	263	66	317
Other assets	74	11	77	
Liabilities	371	51	329	17
Provisions	1,127	79	1,914	60
Other liabilities		29		46
Unused tax losses and tax credits	443		463	
Gross amount	2,595	1,516	3,276	1,793
Valuation allowances	-130		-167	
Netting	-676	-676	-751	-751
	1,789	840	2,358	1,042

There are EUR 199 million in unused tax losses for which no deferred tax assets have been recognized (prior year: EUR 242 million).

Consolidation measures give rise to deferred tax assets of EUR 130 million (prior year: EUR 134 million) and deferred tax liabilities of EUR 64 million (prior year: EUR 72 million).

In the reporting period, deferred taxes of EUR 224 million (prior year: EUR 80 million) were recorded directly in equity. Of this amount, EUR 36 million (prior year: EUR 60 million) relates to the decrease in the surplus from securities and EUR 260 million (prior year: EUR 140 million) to the increase in retained earnings due to the change in actuarial parameters pursuant to IAS 19.

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

Figures in millions of euros	2007	2006
Expected income tax expense	1,482	1,202
Variances due to tax rate	-289	-185
Non-deductible expenses	93	103
Zero-rated income	-185	-215
Other differences	-150	6
Income tax expense disclosed	951	911
Effective tax rate	25%	30%

8 Minority interests

Profits attributable to minority interests amount to EUR 93 million (prior year: EUR 129 million). This is counterbalanced by losses of EUR 15 million (prior year: EUR 12 million).

9 Other notes to the income statement

The income statement contains personnel expenses of EUR 12,896 million (prior year: EUR 12,534 million).

Cost of materials amounts to EUR 20,681 million (prior year: EUR 20,130 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	2007	2006
Bank balances (term up to 90 days)	2,753	2,621
Checks, cash, and reserve bank deposits	36	48
	2,789	2,669

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.

12 Trade receivables

Figures in millions of euros	2007	2006
Trade receivables	7,844	7,724
of which not impaired and not past due at balance sheet date	1,535	1,342
of which not impaired and past due at balance sheet date	213	219
for less than one month	148	135
for more than one month, but less than three months	36	46
for more than three months	29	38

The carrying amount of trade receivables contains allowances for specific doubtful debts of EUR 202 million (prior year: EUR 254 million) and for general credit risks of EUR 152 million (prior year: EUR 161 million).

Trade receivables totaling EUR 2 million (prior year: EUR 8 million) are due in more than one year.

13 Other assets (current)

Figures in millions of euros	2007	2006
Bank balances (term of more than 90 days)	533	47
Loan receivables	233	109
Receivables from finance leases	28	27
Positive market values from derivatives	87	68
Prepaid expenses	115	76
Receivables from tax authorities (without income tax receivables)	652	525
Receivables from board of management, associates	25	25
Sundry other receivables	282	281
	1,955	1,158

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	2007	2006
Gross capital expenditures on finance leases		
due not later than one year	36	40
due later than one year and not later than five years	105	117
due later than five years	49	52
	190	209
Present value of outstanding minimum lease payments		
due not later than one year	28	27
due later than one year and not later than five years	85	86
due later than five years	44	42
	157	155
Unearned finance income	33	54

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

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

Figures in millions of euros	2007	2006
Due not later than one year	28	21
Due later than one year and not later than five years	88	71
Due later than five years	52	46
	168	138

14 Inventories

Figures in millions of euros	2007	2006
Raw materials, consumables, and supplies	2,011	1,845
Work in process	1,150	1,027
Finished goods and merchandise	3,025	2,777
Prepayments	72	66
	6,258	5,715

Of the total amount of inventories, an amount of EUR 140 million (prior year: EUR 167 million) is carried at the net realizable value. In the fiscal year, write-downs of EUR 53 million (prior year: EUR 84 million) were recognized in profit or loss. No write-ups were performed, no inventories were pledged.

15 Non-current financial assets

Figures in millions of euros	2007	2006
Securities	8,086	7,675
Investments	1,817	2,003
Other financial assets	600	503
	10,503	10,181

Held-to-maturity investments

Figures in millions of euros	2007	2006
Due later than one year and not later than five years	21	73
Due later than five years	7	7
	28	80

The financial investments held to maturity have a market value of EUR 27 million (prior year: EUR 80 million).

Other non-current financial assets

Figures in millions of euros	2007	2006
Loans	34	37
Receivables from finance leases	129	128
Other receivables and other assets	437	338
	600	503

There are no receivables due in more than five years.

Of the loans and receivables from finance leases (both current and non-current), an amount of EUR 381 million (prior year: EUR 252 million) is not written down and not past due.

Non-current securities and investments

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

The market value of the pledged securities amounts to EUR 205 million (prior year: EUR 374 million). They are used to secure bank guarantees. Medium-term interest-bearing securities equivalent at least to the value of the claims from the bank-guarantee obligations were used for pledging.

At balance sheet date, it is planned to sell listed investments measured at cost of EUR 4 million in the following year.

Non-current securities and investments developed as follows:

Figures in millions of euros						
	Available-for-sale financial assets				Held-to-maturity investments	Total
	Investments		Securities		Securities	
	Listed	Unlisted	Shares	Other		
Gross values 1/1/2006	1,692	454	2,171	4,977	80	9,374
Changes in consolidated group		-65				-65
Additions	71	91	1,619	2,654	2	4,437
Reclassifications				-23		-23
Disposals	-39	-15	-1,708	-2,129	-1	-3,892
Revaluations	15		236	-189		62
Exchange differences	-11	-3	-4	-9	-1	-28
Gross values 12/31/2006	1,728	462	2,314	5,281	80	9,865
Depreciation 1/1/2006		192				192
Changes in consolidated group		-7				-7
Additions		10				10
Disposals		-4				-4
Write-ups		-3				-3
Exchange differences		-1				-1
Depreciation 12/31/2006		187				187
Carrying amounts 12/31/2006	1,728	275	2,314	5,281	80	9,678
Gross values 1/1/2007	1,728	462	2,314	5,281	80	9,865
Changes in consolidated group	3	-72				-69
Additions	36	37	1,813	2,630	20	4,536
Reclassifications			193	-118	-72	3
Disposals	-73		-1,966	-2,034		-4,073
Revaluations	-130		26	-76		-180
Exchange differences	-8	1	-3	-2		-12
Gross values 12/31/2007	1,556	428	2,377	5,681	28	10,070
Amortization 1/1/2007		187				187
Changes in consolidated group		-27				-27
Additions		8				8
Write-ups		-1				-1
Amortization 12/31/2007		167				167
Carrying amounts 12/31/2007	1,556	261	2,377	5,681	28	9,903

16 Property, plant, and equipment

Figures in millions of euros	Land, buildings belonging to operating assets	Investment property	Plant and equipment	Other equipment, fixtures and furniture, leased assets	Prepayments and assets under construction	Total
Gross values 1/1/2006	5,533	177	15,064	6,096	957	27,827
Changes in consolidated group	23		48	24	32	127
Additions	183	2	1,152	648	685	2,670
Reclassifications	132	1	480	174	-787	
Disposals	-38	-3	-858	-401	-19	-1,319
Exchange differences	-159	-1	-418	-103	-37	-718
Gross values 12/31/2006	5,674	176	15,468	6,438	831	28,587
Depreciation 1/1/2006	2,252	63	9,706	4,067	3	16,091
Changes in consolidated group	3		7	13		23
Additions	154	4	1,372	753	26	2,309
Reclassifications	3		-16	14	-1	
Disposals	-30	-1	-717	-370		-1,118
Write-ups	-4		-9		-1	-14
Exchange differences	-69		-278	-69		-416
Depreciation 12/31/2006	2,309	66	10,065	4,408	27	16,875
Carrying amounts 12/31/2006	3,365	110	5,403	2,030	804	11,712
Gross values 1/1/2007	5,674	176	15,468	6,438	831	28,587
Changes in consolidated group	77		143	17	21	258
Additions	177	2	982	604	869	2,634
Reclassifications	161		471	90	-722	
Disposals	-56	-6	-492	-362	-21	-937
Exchange differences	-90		-165	-65	-23	-343
Gross values 12/31/2007	5,943	172	16,407	6,722	955	30,199
Depreciation 1/1/2007	2,309	66	10,065	4,408	27	16,875
Changes in consolidated group	3		-2	10		11
Additions	174	4	1,531	711	8	2,428
Reclassifications	22		17	-14	-25	
Disposals	-35	-3	-393	-331	-1	-763
Write-ups	-1		-1			-2
Exchange differences	-37		-122	-47	-1	-207
Depreciation 12/31/2007	2,435	67	11,095	4,737	8	18,342
Carrying amounts 12/31/2007	3,508	105	5,312	1,985	947	11,857

The total depreciation charge contains the following impairment losses:

- ▶ Land and buildings: EUR 0 million (prior year: EUR 1 million)
- ▶ Plant and equipment: EUR 191 million (prior year: EUR 78 million)
- ▶ Other equipment, fixtures, and furniture: EUR 5 million (prior year: EUR 37 million)

The impairment losses of the fiscal year contain an amount of EUR 86 million attributable to plant and equipment for the production of unit-injector systems. The impairment test was carried out at business-unit level. The recoverable amount was assumed to be the fair value less costs to sell. The fair value was determined by means of a qualified estimate.

In addition to this, impairment losses of EUR 99 million were recorded for plant and equipment for the production of braking systems. The impairment test was carried out at division level. The value in use was taken to be the recoverable amount.

The carrying amounts contain the following amounts from finance leases under which the Bosch Group is the lessee:

- ▶ Land and buildings: EUR 35 million (prior year: EUR 36 million)
- ▶ Plant and equipment: EUR 34 million (prior year: EUR 3 million)
- ▶ Other equipment, fixtures, and furniture: EUR 18 million (prior year: EUR 46 million)

The obligations entered into to purchase items of property, plant, and equipment amounted to EUR 385 million (prior year: EUR 284 million), restrictions on title totaled EUR 72 million (prior year: EUR 89 million). Government grants for assets of EUR 6 million (prior year: EUR 9 million) were deducted from the additions in the reporting period. The use of these grants is not restricted.

Investment property comprises rented properties which were measured at amortized cost. Valued at fair value, the portfolio came to EUR 134 million (prior year: EUR 138 million). The fair values were determined on the basis of freely available representative lists of market rents and on the basis of the company's own estimates. The rental income from investment property came to EUR 13 million (prior year: EUR 12 million), maintenance expenses totaled EUR 5 million (prior year: EUR 5 million).

17 Intangible assets

The goodwill of EUR 3,350 million (prior year: EUR 3,253 million) is attributable to the business sectors as follows: Automotive Technology EUR 92 million (prior year: EUR 123 million), Industrial Technology EUR 1,846 million (prior year: EUR 1,817 million), Consumer Goods and Building Technology EUR 1,412 million (prior year: EUR 1,313 million).

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

For cash flows after the end of the planning period, a growth rate of 1.0% (prior year: 1.0%) was applied. For the Industrial Technology business sector a discount rate of 13.1% (prior year: 11.3%) was applied, for Consumer Goods and Building Technology 13.4% (prior year: 11.4%), and for Automotive Technology 12.8% (prior year: 10.7%). A risk-free interest rate of 4.5% (prior year: 3.8%) and a market risk premium of 5.0% (prior year: 4.0%) were assumed. The standard tax rate used is 35% (prior year: 39%).

The annual impairment test in the Chassis Systems Brakes division resulted in impairments of goodwill of EUR 37 million.

Figures in millions of euros	Franchises, industrial rights, licenses, software	Purchased goodwill	Internally generated intangible assets	Total
Gross values 1/1/2006	883	3,139	997	5,019
Changes in consolidated group	138	153	1	292
Additions	139	38	231	408
Disposals	-102		-167	-269
Exchange differences	-18	-22		-40
Gross values 12/31/2006	1,040	3,308	1,062	5,410
Amortization 1/1/2006	453	55	497	1,005
Changes in consolidated group	1			1
Additions	150		201	351
Disposals	-97		-167	-264
Exchange differences	-8			-8
Amortization 12/31/2006	499	55	531	1,085
Carrying amounts 12/31/2006	541	3,253	531	4,325
Gross values 1/1/2007	1,040	3,308	1,062	5,410
Changes in consolidated group	95	120		215
Additions	153	47	146	346
Disposals	-110		-129	-239
Exchange differences	-23	-33	-1	-57
Gross values 12/31/2007	1,155	3,442	1,078	5,675
Amortization 1/1/2007	499	55	531	1,085
Changes in consolidated group	2			2
Additions	140	37	195	372
Disposals	-85		-129	-214
Exchange differences	-6			-6
Amortization 12/31/2007	550	92	597	1,239
Carrying amounts 12/31/2007	605	3,350	481	4,436

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

- Franchises, industrial rights, licenses, software: EUR 3 million (prior year: EUR 9 million)
- Internally generated intangible assets: EUR 5 million (prior year: EUR 18 million)

18 Current and non-current financial liabilities

Figures in millions of euros	2007		2006	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Bonds		749		749
Liabilities to banks	374	1,229	323	1,331
Other financial liabilities	31	23	47	25
	405	2,001	370	2,105

Financial liabilities amounting to EUR 1,147 million (prior year: EUR 1,233 million) are due in more than five years.

Terms and conditions of the bond

					Figures in millions of euros	
Interest terms	Interest rate	Beginning of term	End of term	Currency	Nominal	Market value 12/31/2007
Fixed	4.375 %	05/2006	05/2016	EUR	750	717

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

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

Figures in millions of euros	Carrying amount	Undiscounted cash flows					
	2006	2007	2008	2009	2010	2011	2012 ff.
Non-derivative financial liabilities							
Bonds	749	33	33	33	33	33	925
Liabilities to banks	1,654	378	130	66	690	123	531
Other financial liabilities	741	695	6	7	4	17	48
Finance lease obligations	68	26	12	9	6	5	13
Derivative financial liabilities	19	12	3	2	2		

The undiscounted cash flows contain interest and principal payments.

19 Trade payables

Figures in millions of euros	2007	2006
Trade payables	3,567	3,132
Notes payable	89	113
	3,656	3,245

There are no trade payables which are due in more than one year (prior year: EUR 2 million).

20 Other liabilities and provisions**Other liabilities**

Figures in millions of euros	2007		2006	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Loans	79	30	79	24
Accruals in the personnel area	1,500		1,402	
Accruals in the sales and marketing area	382		391	
Other accruals	271		282	
Deferred income	108		141	
Tax liabilities (without income tax liabilities)	247		285	
Liabilities from finance leases	21	40	24	44
Deferred income from tooling compensation received	50	120	67	105
Prepayments received for inventories	442		341	
Sundry other liabilities	732	81	663	81
	3,832	271	3,675	254

Loans with a residual term of more than five years amount to EUR 14 million (prior year: EUR 17 million). Sundry other financial liabilities totaling EUR 6 million (prior year: EUR 4 million) have a residual term of more than five years.

The accruals 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 three to six years. The liabilities are due as follows:

Figures in millions of euros	2007	2006
Future minimum lease payments		
due not later than one year	24	27
due later than one year and not later than five years	39	41
due later than five years	21	26
Interest portion contained in the future minimum lease payments		
due not later than one year	3	3
due later than one year and not later than five years	8	9
due later than five years	12	14
Present value of future minimum lease payments		
due not later than one year	21	24
due later than one year and not later than five years	31	32
due later than five years	9	12
	61	68

Provisions (without income tax provisions and pension provisions)

Figures in millions of euros	2007		2006	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Tax provisions (without provision for income tax)	21	79	17	82
Provisions in the personnel area	564	790	566	1,090
Provisions in the sales and marketing area	2,145	1,476	2,078	1,482
Other provisions	409	665	385	956
	3,139	3,010	3,046	3,610

Provisions developed as follows:

Figures in millions of euros	At 1/1/2007	Changes in consolidated group	Amounts used	Amounts reversed	Increase incl. increase in discounted amount	Exchange adjustments	At 12/31/2007
Tax provisions	514	28	-224	-34	494	2	780
Provisions in the personnel area	1,656	-8	-371	-155	405	-173	1,354
Provisions in the sales and marketing area	3,560	15	-766	-660	1,517	-45	3,621
Other provisions	1,341	-6	-182	-311	244	-12	1,074
	7,071	29	-1,543	-1,160	2,660	-228	6,829

Of the total increase in provisions, an amount of EUR 81 million (prior year: EUR 50 million) relates to increases in discounted amount.

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

Contingent liabilities and other financial obligations

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

Figures in millions of euros	2007	2006
Contingent liabilities related to notes issued and transferred	6	44
Contingent liabilities from guarantees	63	46
Contingent liabilities from warranties	2	2
Other contingent liabilities	4	7
	75	99

Obligations from operating leases mainly pertain to lease agreements for technical equipment, for IT equipment, and for vehicles. They mature in between two and six years. The minimum amount of the undiscounted future payments from operating leases amounts to EUR 582 million (prior year: EUR 475 million). The obligations are due as follows:

Figures in millions of euros	2007	2006
Due not later than one year	186	155
Due later than one year and not later than five years	318	244
Due later than five years	78	76
	582	475

The payments of the period recognized in profit or loss of EUR 188 million (prior year: EUR 175 million) are contained in the costs of the functional areas (cost of sales, distribution, administrative, research and development cost).

21 Pension provisions

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

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

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

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

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

Percentage figures	Europe		Americas		Asia		Africa, Australia		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Discount factor	5.1	4.5	6.3	5.8	2.0	2.0	9.5	8.3	5.2	4.6
Expected return on plan assets	5.0	5.1	7.7	7.5	3.0	2.0	0.0	0.0	5.7	5.5
Future salary increases	3.2	3.0	4.3	4.2	2.6	2.7	7.0	5.5	3.3	3.1
Pension increases	1.8	1.8	3.5	3.5	0.0	0.0	6.0	5.3	2.0	1.9

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

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

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

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

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

The present value of the obligation breaks down as follows:

Figures in millions of euros	2007	2006
Present value of the obligation at January 1	9,278	9,448
Revaluations	6	2
Current service cost	397	388
Interest cost	405	377
Transfers	-6	8
Past service cost	3	-25
Pension payments	-457	-438
Actuarial gains and losses	-844	-295
Currency translation	-183	-188
Other	-46	1
Present value of the obligation at December 31	8,553	9,278

Plan assets developed as follows:

Figures in millions of euros	2007	2006
Fair value of plan assets at January 1	2,768	2,584
Revaluations	-7	15
Expected return on plan assets	154	140
Contributions by the employer	255	191
Contributions by the employees	9	9
Transfers	-12	1
Benefits paid	-114	-107
Actuarial gains and losses	-35	66
Currency translation	-138	-134
Other		3
Fair value of plan assets at December 31	2,880	2,768
Actual income	119	207
Expected contributions	49	274

The fund assets comprise the following components:

Percentage figures	2007	2006
Shares	35.2	38.1
Fixed-interest securities	37.1	32.3
Property	18.7	20.2
Other	9.0	9.4

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

Figures in millions of euros	2007	2006
Present value of benefit obligations from wholly unfunded plans	3,251	3,956
Present value of benefit obligations from plans that are wholly or partly funded	5,302	5,322
Total present value of benefit obligation	8,553	9,278
Plan assets at fair value	-2,880	-2,768
Net obligation	5,673	6,510
Past service cost	10	13
Other	58	25
	5,741	6,548

The table below presents changes in the pension provisions:

Figures in millions of euros	2007	2006
Carrying amount at January 1	6,548	6,882
Net expense for the period	616	587
Pension payments	-343	-331
Contributions by the employer	-255	-191
Actuarial gains	-748	-361
Other	-77	-38
Carrying amount at December 31	5,741	6,548

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

Figures in millions of euros	2007	2006
Total actuarial losses at January 1	436	795
Actuarial gains of the current year	-808	-361
Change of effect pursuant to IAS 19.58 (b)	57	-3
Other changes and adjustments	-1	11
Total actuarial gains	-752	-353
Currency effects from gains in the current year	-6	-6
Total actuarial gains/losses at December 31	-322	436

The amounts recognized in the income statement are as follows:

Figures in millions of euros	2007	2006
Current service cost	388	379
Interest cost	405	377
Expected return on plan assets	-154	-140
Past service cost		-29
Other	-23	
Net expense for the period	616	587

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

Expenses for defined benefit obligations amounted to EUR 667 million (prior year: EUR 662 million).

Other disclosures in the notes:

Figures in millions of euros	2007	2006
Distribution of gains and losses from the valuation	-844	-295
of which from changes in assumptions	-790	-400
of which from unexpected changes in number of beneficiaries	-54	105
Payments expected in the following year		
additions to plan assets	234	502
directly payable benefits	354	335

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

Effect of change in cost trend on medical costs

Figures in millions of euros	2007	2006	One percentage point increase in cost trend		One percentage point decrease in cost trend	
			2007	2006	2007	2006
Present value of the obligation	245	300	276	341	217	264
Service cost and interest cost	20	23	23	26	18	20

22 Equity

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

Shareholders of Robert Bosch GmbH

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

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

Retained earnings also consider treasury stock of EUR 62 million.

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

Minority interests

The minority interests in the equity of the consolidated subsidiaries mainly consist of the minority interests in Bosch Ltd, Bangalore, India (formerly: Motor Industries Co Ltd), in Bosch Corporation, Shibuya-ku, Tokyo, Japan, in Bosch Automotive Diesel Systems Co Ltd, Wuxi, China, and in Pacifica Group Ltd, Melbourne, Australia.

Changes mainly resulted from the acquisition of a majority shareholding in Pacifica Group Ltd, Melbourne, Australia, and additional share purchases at Bosch Ltd, Bangalore, India (formerly: Motor Industries Co Ltd), and at Bosch Corporation, Shibuya-ku, Tokyo, Japan.

Other notes

23 Cash flow statement

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

The cash flow is derived indirectly, starting from the profit before tax. Cash 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 leased assets and the purchase and disposal of subsidiaries and other business units, and securities.

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

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

The liquidity contained in the cash flow statement contains cash of EUR 2,789 million (prior year: EUR 2,669 million). In the prior year, the liquidity contained in the cash flow statement also included securities of EUR 180 million with a residual term of less than 90 days. In the reporting period, there was no transfer restriction for cash and cash equivalents.

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

24 Segment reporting

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

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

¹ Blaupunkt GmbH (100% Bosch-owned); ² ZF Lenksysteme GmbH (50% Bosch-owned);

³ Bosch Rexroth AG (100% Bosch-owned); ⁴ Bosch Thermotechnik GmbH (100% Bosch-owned; until December 31, 2007: BBT Thermotechnik GmbH); ⁵ BSH Bosch und Siemens Hausgeräte GmbH (50% Bosch-owned); ⁶ Bosch Sicherheitssysteme GmbH (100% Bosch-owned)

Business sector data

Figures in millions of euros	Automotive Technology		Industrial Technology		Consumer Goods and Building Technology		Reconciliation		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External sales	28,449	27,220	5,967	5,452	11,732	11,012	172		46,320	43,684
Intersegment sales			177	220	4		-181	-220		
Total sales	28,449	27,220	6,144	5,672	11,736	11,012	-9	-220	46,320	43,684
Operating profit	1,662	1,082	499	426	879	903	130	5	3,170	2,416
Non-cash expenses (without depreciation)	2,382	2,441	296	270	523	590	16	28	3,217	3,329
Segment assets	17,856	17,677	5,778	5,225	7,947	7,581	84	38	31,665	30,521
Segment liabilities	11,758	11,986	2,449	2,428	4,196	4,546	238	190	18,641	19,150
Capital expenditures on intangible assets and property, plant, and equipment	2,029	2,331	428	299	514	435	9	13	2,980	3,078
Depreciation and amortization of intangible assets and property, plant, and equipment	1,980	2,008	196	158	368	348	15	3	2,559	2,517

Geographical segment data

Figures in millions of euros	Europe		Americas		Asia		Africa, Australia		Reconciliation		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External sales ¹	30,289	28,519	8,421	8,350	6,798	6,139	812	676			46,320	43,684
Segment assets	23,238	22,390	4,659	4,661	4,218	3,920	498	337	-948	-787	31,665	30,521
Capital expenditures on intangible assets and property, plant, and equipment	2,229	2,164	307	431	415	466	29	17			2,980	3,078

¹ Split based on registered office of the customer.

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

Impairment losses amount to EUR 237 million (prior year: EUR 124 million) for the Automotive Technology business sector, EUR 0 million (prior year: EUR 1 million) for the Industrial Technology business sector, and EUR 4 million (prior year: EUR 19 million) for the Consumer Goods and Building Technology business sector. They are disclosed in non-cash expenses.

25 Additional notes on financial instruments

Net profit or net loss by category

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

Figures in millions of euros	2007	2006
Loans and receivables	-17	-6
Held-to-maturity investments	5	5
Available-for-sale financial assets	505	723
Assets and liabilities held for trading	142	85
Liabilities measured at amortized cost	-95	-169

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

Book values, carrying amounts, and fair values by category

Figures in millions of euros							
	Category pursuant to IAS 39	Carrying amount 2007	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2007
			(Amortized) cost	Fair value recognized directly in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,789	2,789				2,789
Trade receivables	LaR	7,844	7,844				7,844
Other financial assets	LaR/n. a.	1,399	1,242			157	1,034
Other non-derivative financial assets							
Available-for-sale financial assets	AfS	10,348	261	10,087			10,348
Held-to-maturity investments	HtM	107	107				107
Derivative financial assets	FAHfT	201			201		201
Equity and liabilities							
Trade payables	FLAC	3,656	3,656				3,656
Bonds	FLAC	749	749				724
Liabilities to banks	FLAC	1,603	1,603				1,640
Other financial liabilities	FLAC	850	850				878
Finance lease obligations	n. a.	61				61	61
Derivative financial liabilities	FLHfT	28			28		28
Of which aggregated by category							
Loans and receivables		11,876	11,876				11,511
Held-to-maturity investments		107	107				107
Available-for-sale financial assets		10,348	261	10,087			10,348
Assets held for trading		201			201		201
Liabilities measured at amortized cost		6,857	6,857				6,897
Liabilities held for trading		28			28		28
For information purposes, for reconciliation to the balance sheet:							
Other non-financial receivables							
(contained in the positions current sundry other assets and non-current financial assets)		954					
Other non-financial liabilities							
(contained in the positions sundry other liabilities, current and non-current)		3,218					

LaR Loans and receivables
 AfS Available-for-sale financial assets
 HtM Held-to-maturity investments
 FAHfT Financial assets held for trading

FLAC Financial liabilities measured at amortized cost
 FLHfT Financial liabilities held for trading
 n. a. not applicable

Figures in millions of euros

	Category pursuant to IAS 39	Carrying amount 2006	Carrying amount pursuant to IAS 39			Carrying amount pursuant to IAS 17	Fair value 2006
			(Amortized) cost	Fair value recognized directly in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	2,669	2,669				2,669
Trade receivables	LaR	7,724	7,724				7,724
Other financial assets	LaR/n. a.	791	636			155	791
Other non-derivative financial assets							
Available-for-sale financial assets	AfS	10,337	275	10,062			10,337
Held-to-maturity investments	HtM	80	80				80
Derivative financial assets	FAHfT	138			138		138
Equity and liabilities							
Trade payables	FLAC	3,245	3,245				3,245
Bonds	FLAC	749	749				748
Liabilities to banks	FLAC	1,654	1,654				1,681
Other financial liabilities	FLAC	741	741				769
Finance lease obligations	n. a.	68				68	68
Derivative financial liabilities	FLHfT	19			19		19
Of which aggregated by category							
Loans and receivables		11,028	11,028				11,029
Held-to-maturity investments		80	80				80
Available-for-sale financial assets		10,337	275	10,062			10,337
Assets held for trading		138			138		138
Liabilities measured at amortized cost		6,390	6,390				6,443
Liabilities held for trading		19			19		19
For information purposes, for reconciliation to the balance sheet:							
Other non-financial receivables (contained in the positions current sundry other assets and non-current financial assets)		731					
Other non-financial liabilities (contained in the positions sundry other liabilities, current and non-current)		3,173					

Composition of the derivative financial instruments

Figures in millions of euros	Market values				Nominal values	
	2007 up to 1 year	2007 more than 1 year	2006 up to 1 year	2006 more than 1 year	2007	2006
Derivatives with a positive market value						
Interest derivatives	5	29	0	19	1,015	722
of which interest swaps	3	28	0	19	510	563
of which interest derivatives	2	1	0	0	505	159
Foreign currency derivatives	80	10	65	11	1,371	1,848
Other derivatives	2	75	5	38	76	20
Derivatives with a negative market value						
Interest derivatives	3	5	0	6	711	917
of which interest swaps	1	5	0	6	382	844
of which interest derivatives	2	0	0	0	329	73
Foreign currency derivatives	13	2	13	0	821	1,116
Other derivatives	5	0	0	0	282	1

Most of the interest derivatives are interest swaps, the currency derivatives are mainly forward exchange contracts.

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

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

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

Currency risk

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

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

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

A change in the euro of 10% against the foreign currencies listed in the table would have the following implications for the profit before tax:

Figures in millions of euros	10% increase in EUR		10% decrease in EUR	
	2007	2006	2007	2006
CHF	43	50	-43	-50
CNY	-16	-11	16	11
CZK	-17	-2	17	2
HUF	-17	-16	17	16
USD	-26	-43	26	43

A change in the U.S. dollar of 10 % against the foreign currencies listed in the table would have the following implications for the profit before tax:

Figures in millions of euros	10 % increase in USD		10 % decrease in USD	
	2007	2006	2007	2006
CNY	-24	-15	24	15

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

Interest-rate risks

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

An analysis of the interest risk was carried out in accordance with IFRS 7. The sensitivity analysis considered assets and liabilities subject to floating interest rates, available-for-sale fixed-rate securities, and interest derivatives.

A change in the market interest rate by 100 basis points would have the following effect on the reserve from securities in equity and the profit before tax:

Figures in millions of euros	Increase in market interest level by 100 basis points		Decrease in market interest level by 100 basis points	
	2007	2006	2007	2006
Reserve from securities	-266	-272	266	272
Profit before tax	23	18	-23	-18

Share-price risks

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

The analysis of the share-price risk in accordance with IFRS 7 took into account share portfolios in the “available-for-sale financial assets” category, investments measured at fair value, and equity derivatives.

A change in the share price by 10% would have the following effect on the reserve from securities in equity and the profit before tax:

Figures in millions of euros	10% increase in share price		10% decrease in share price	
	2007	2006	2007	2006
Reserve from securities	435	403	-426	-397
Profit before tax	7	36	-16	-42

Other price risks

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

Credit risks

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

Defaults on financial assets subject to credit risks were not foreseeable at balance sheet date.

Liquidity risks

The development of financial assets and liabilities is recorded and monitored on an ongoing basis. Internal directives regulate the duties and responsibilities of liquidity management and planning. The company has liquidity reserves in the form of highly liquid assets totaling EUR 3,340 million (prior year: EUR 3,407 million). In addition to that, there are two established commercial paper programs with a volume of EUR 1,000 million and USD 2,000 million, neither of which have been utilized, as well as a medium-term note program with a volume of EUR 2,000 million, of which EUR 750 million was drawn. Please refer to the section on current and non-current financial liabilities for more information about liquidity risks.

27 Related parties disclosures

As shareholder, Robert Bosch Industrietreuhand KG exercises majority voting rights at Robert Bosch GmbH. In addition, Robert Bosch Industrietreuhand KG is accountable for the internal audit of the Bosch Group. The costs incurred for this of EUR 8 million (prior year: EUR 9 million) were borne by Robert Bosch GmbH.

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

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

As of December 31, 2007, receivables from related parties came to EUR 64 million (prior year: EUR 51 million) and liabilities to related parties to EUR 13 million (prior year: EUR 11 million).

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

Figures in millions of euros	Sales		Receivables		Liabilities	
	2007	2006	2007	2006	2007	2006
EMASA, Equipos y Maquinarias SA, Chile	21	20	2	5	4	
RBS Thermotechnology Co Ltd, China	3	1	1	1	1	
BT Magnet-Technologie GmbH, Germany		4	4	6	1	4
Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, Germany	66	73	16	12		
VB Autobatterie GmbH & Co KGaA, Germany	5	7	14	16	2	1
Ishida do Brasil Ltda, Brazil	1		1			
Weifu High Technology Co Ltd, China	63		19			
KBX Motorbike Products Private Ltd, India	13	8	2	2		
Advanced Driver Information Technology Corporation, Japan					1	1
Akebono Brake Industry Co Ltd, Japan					1	1
Hochiki Corporation, Japan	11		2			
Knorr-Bremse Commercial Vehicle Systems Japan Ltd, Japan		1			1	1
Ohta Iron Works Co Ltd, Japan			1		1	1
Tokuden Renma Kousakusho Co Ltd, Japan						1
Doowon Precision Industry Co Ltd, Korea	11	13	1	1		
Tele Atlas NV, Netherlands		5		1		
Rotzinger AG, Switzerland			1	1	1	1
Associated Fuel Pump Systems Corporation, USA	2	2		6		

Total remuneration of management in key positions

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

The total remuneration of management in key positions totals EUR 33 million in the 2007 fiscal year (prior year: EUR 24 million) and breaks down as follows:

Figures in millions of euros	2007	2006
Short-term benefits	19	16
Post-employment benefits	12	7
Other long-term benefits	2	1

Share-based payments are not made.

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

The Bosch Group grants other related parties compensation totaling EUR 0.1 million (prior year: EUR 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.

28 Additional disclosures pursuant to Sec. 315a HGB

Shareholdings of the Bosch Group

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

Remuneration of members of the board of management and supervisory council

The total remuneration of the members of the board of management comes to EUR 18 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 72 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 2007		Annual average 2006	
	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportionate)	Total	of which BSH, KEFI, PFNA, UAES, ZFLS (proportionate)
EU countries	171,358	16,609	168,848	16,662
Rest of Europe	11,590	2,009	10,304	1,774
Americas	38,844	3,135	37,719	2,806
Asia, Africa, Australia	45,770	5,075	40,883	4,520
	267,562	26,828	257,754	25,762

Stuttgart, March 18, 2008

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, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS's, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 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 Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany: IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the company's managing directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS's as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 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 18, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Franz Wagner	Dieter Wißfeld
German Public Auditor	German Public Auditor

Ten-Year Summary of the Bosch Group

	1998	1999	2000	2001	2002	2003 ¹	2004 ²	2005 ²	2006	2007
Sales revenue	25,735	27,906	31,556	34,029	34,977	36,357	38,954	41,461	43,684	46,320
Share outside Germany as percent	65	66	72	72	72	71	72	73	74	75
Research and development cost ³	1,778	1,921	2,030	2,274	2,487	2,650	2,715	3,073	3,348	3,583
– as a percentage of sales revenue	6.9	6.9	6.4	6.7	7.1	7.3	7.0	7.4	7.7	7.7
Capital expenditure	1,929	1,946	2,111	2,368	2,006	2,028	2,377	2,923	2,670	2,634
– of which in Germany	987	893	851	905	903	1,002	1,057	974	968	1,138
– of which outside Germany	942	1,053	1,260	1,463	1,103	1,026	1,320	1,949	1,702	1,496
– as a percentage of sales revenue	7.5	7.0	6.7	7.0	5.7	5.6	6.1	7.0	6.1	5.7
– as a percentage of depreciation	148	128	118	123	108	118	135	156	116	108
Depreciation of property, plant, and equipment	1,302	1,523	1,788	1,924	1,865	1,713	1,758	1,870	2,309	2,428
Annual average number of associates (thousands)	188	194	197	218	226	229	234	249	258	268
– located in Germany	94	97	91	99	103	105	107	110	110	111
– located outside Germany	94	97	106	119	123	124	127	139	148	157
– as of Jan. 1 of subsequent year	190	195	199	221	224	232	238	251	261	271
Personnel expenses	7,963	8,298	8,950	9,959	10,815	10,994	11,179	11,936	12,534	12,896
Total assets	18,582	20,832	24,504	27,783	27,475	31,995	41,170	45,554	46,940	48,568
Equity	6,069	6,646	8,288	9,014	8,885	11,760	17,428	20,943	22,482	24,825
– as a percentage of total assets	33	32	34	32	32	37	42	46	48	51
Cash flow	2,507	3,258	3,729	3,681	3,352	3,727	3,977	4,352	4,521	5,052
– as a percentage of sales revenue	9.7	11.7	11.8	10.8	9.6	10.3	10.2	10.5	10.3	10.9
– profit after tax	435	460	1,380 ⁴	650	650	1,100	1,870	2,450	2,170	2,850
Unappropriated earnings (dividend of Robert Bosch GmbH)	41	41	2,603 ⁴	50	60	60	63	63	69	72

Currency figures in millions of euros

¹ Before 2004, figures pursuant to the provisions of the German commercial code

² With the exception of profit after tax, without discontinued operations

³ Including development work charged directly to customers

⁴ Special effects as a result of the “distribute-recapture method” at Robert Bosch GmbH

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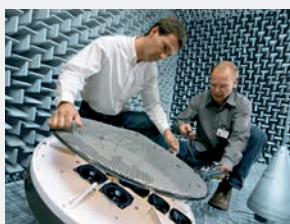
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Kurt Reutlinger and Rolf Jaros, associates in the Corporate Sector Research and Advance Engineering in Stuttgart, study a functional prototype for electric drives, a highly innovative concept related to future hybrid, electric, and fuel-cell vehicles.



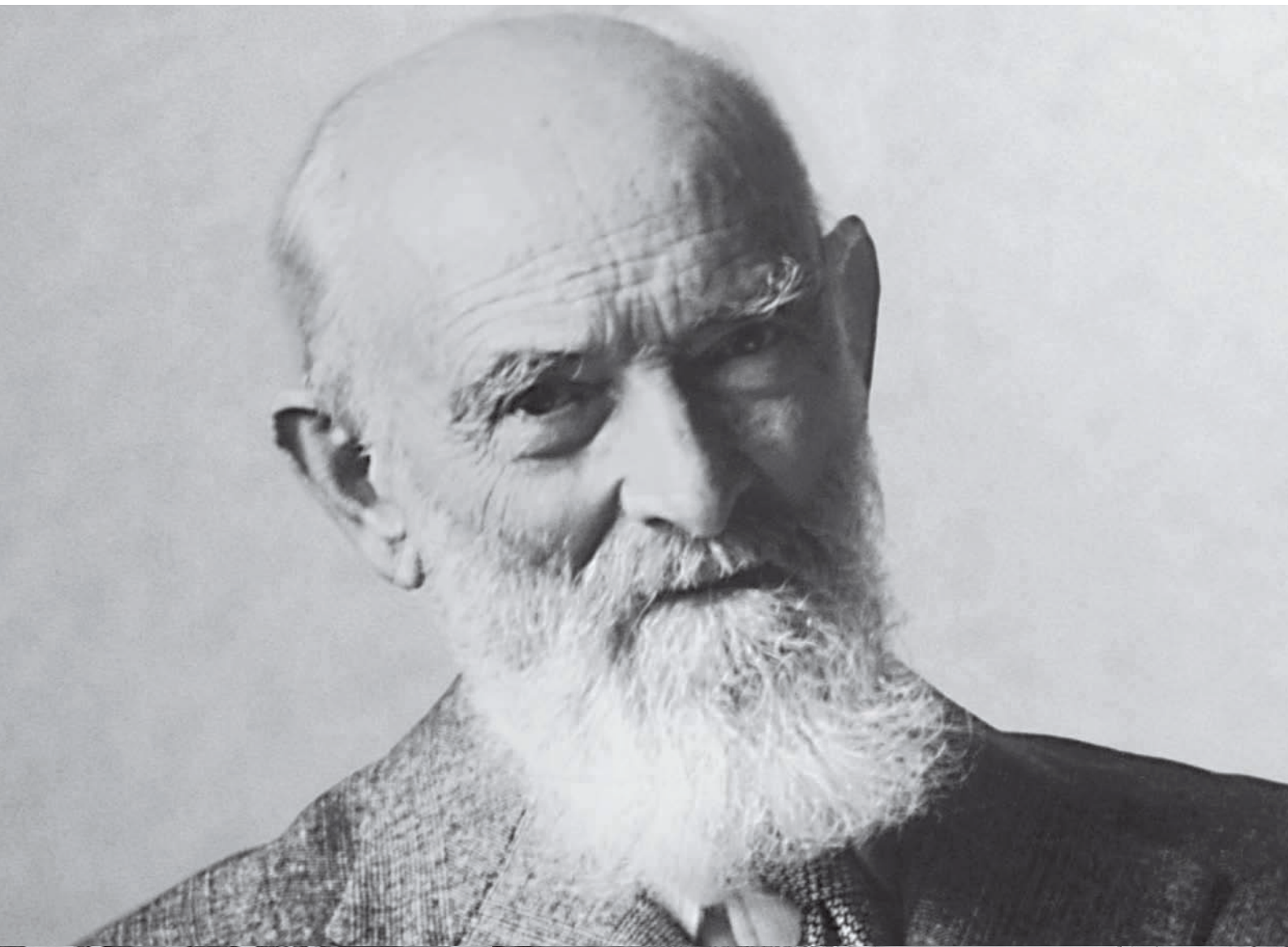
Increasingly, our common-rail injection technology is also helping to cut fuel consumption and lower emissions in large diesel engines. At our Austrian location Hallein, we mainly manufacture injection systems for large diesel engines. They are installed in ships, locomotives, and heavy construction machinery, for example.




To harvest the wind, you need high-quality technology. For example, generator gear units from Bosch Rexroth. They help convert the wind energy captured by a wind turbine's rotor blades into electrical power.



Bosch has excellent resources for making detailed acoustic measurements, including five anechoic chambers. Detailed test series carried out in accordance with internationally recognized industry standards ensure that our acoustic products are of the highest quality.





“It was not always easy to find a happy medium, to steer a middle course between the entrepreneur who needs to assert himself, and the socially-minded businessman – in other words, the employer – with the desire to give his helpers their credit.”

Calling Robert Bosch a philanthropist misses the point. He always regarded himself first and foremost as an entrepreneur. Only a flourishing business could prepare the way for his impressive record as a charitable and responsible businessman.

Robert Bosch achieved ongoing business success only after more than a decade of ups and downs and initial modest achievements as an automotive supplier. With the international success of his products, which after 1900 were sold not only in Europe but also in North and South America, China, Japan, and South Africa, Bosch created a basis that allowed him to pursue concerns which at first glance had nothing to do with his business.

The four pictures under the portrait of Robert Bosch show examples of his commitment as a “socially-minded businessman,” as he himself put it. Left to right: company cafeteria (1951), continued education (1976), the first company outing (1896), and the Bosch Orchestra (1954).



An entrepreneur with a sense of responsibility

Entrepreneurial responsibility and charitable involvement were cornerstones in the life of Robert Bosch. He was convinced of their importance and their necessity, and passed this conviction on to his successors who today honor his legacy by continuing and building on this work.

His sense of responsibility led him to provide benefits for his associates. Bosch improved working conditions by providing modern workplaces, with good ventilation and lighting. He created an apprentice training scheme that offered a solid professional education. He also provided company pensions to care for retirees and their survivors.

Charitable activities ranging from continuing education to international understanding were very important to Bosch. During his lifetime, these activities reached their culmination in the opening of the Robert Bosch Hospital in Stuttgart in 1940, two years before his death. He also made sure that these activities continued. In accordance with his will, Robert Bosch Stiftung GmbH, founded in 1964, promotes projects above all in the sciences, health, international understanding, and education.

But Robert Bosch knew that only a profitable company would be able to realize his vision of corporate responsibility and charitable activity. For that reason, he and his – to date – five successors have invested all their experience and knowledge in helping the company to grow robustly, through innovative products, new business areas, modern manufacturing technologies, and an international focus.

And so it remains to this day. Strong growth is an imperative. Its business purpose at Bosch is to keep the company competitive and profitable. In addition, it enables Bosch to meet its social and environmental responsibilities around the world, even in this age of globalization.



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