

## Global recession pulls down sales and result **Fehrenbach: We are resolutely adhering to our corporate strategy**

### Ten billion euros invested in the future

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- ▶ Difficult start to fiscal 2009
- ▶ Picture varies from business sector to business sector
- ▶ Bosch continues to have very sound financial base

Stuttgart – As a result of the worldwide slump in business activity, the Bosch Group had to record a fall in sales and earnings in fiscal 2008. At 45.1 billion euros, sales were down 2.6 percent year on year. After adjusting for currency effects, they were down 0.5 percent. Profit before tax stood at 940 million euros, compared with 3.8 billion euros in the previous year. At 2.1 percent, return on sales remained below the long-term target level of between seven and eight percent. Despite the unfavorable economic environment, Bosch made considerable investments in the future in 2008. In the past year alone, a total of some ten billion euros was spent on investments in the company's future. "Research, development, and investment remain the basis for securing our future, even in difficult times," said Franz Fehrenbach, chairman of the board of management of Robert Bosch GmbH, at the annual press conference. At 3.9 billion euros, a record sum was spent once more on research and development. At the end of 2008, more than 32,500 associates around the world were working on issues impacting the future. Bosch spent a record amount of 3.2 billion euros on acquisitions, strengthening all three of its business sectors. Capital expenditure accounted for a further 3.3 billion euros.

The Bosch Group expects 2009 to be one of the most difficult years in the history of the company, with significant risks to sales and earnings. "We expect to see a deep recession until well into 2009. The first quarter has clearly confirmed this assumption, with a significant drop in sales," Fehrenbach said. The situation called for a difficult balancing act between

rigorous savings on the one hand, and preserving the company's chances for the future on the other, he said. "According to our estimates, however, the first signs of stabilization should become apparent in the second half of the year, albeit on a low level." The decline in demand since the autumn of 2008 has made corresponding adjustments in the workforce necessary. Currently, some 32,000 staff in Germany are on shorter working weeks, and a further 26,000 have had their working hours reduced in accordance with collective agreements. Outside Germany, some 35,000 associates are affected by reduced working hours. To quote Fehrenbach: "Wherever we are faced with cyclical fluctuations in workload, our aim is to maintain our core team as far as possible. At the same time, however, we have to tackle structural adjustments that are pending anyway, as well as reduce any foreseeable excess capacity."

### **Weak automotive business overshadows successes**

In the business sectors, the picture was a varied one in 2008. The Automotive Technology business sector recorded substantial losses, with sales falling by 6.9 percent to 26.5 billion euros. After adjusting for currency effects, sales were down by 5.1 percent. One major reason for this is to be found in the North American market, which declined by roughly 16 percent in the course of the year. From the middle of the year, this was compounded by the significant cooling of the automotive business in Europe, together with resulting cutbacks in production. In Automotive Technology, the return on sales from operations was 1.2 percent, compared with 5.8 percent in the previous year. This marked decline in the automotive business overshadows the successes achieved with innovative products – successes which allowed Bosch's market position to be strengthened further. They include products which reduce consumption as well as systems for increasing safety. Despite its clearly superior fuel-consumption and CO<sub>2</sub> values, the diesel engine's share in the western European passenger-car market is currently declining, as demand shifts toward lower-cost vehicle segments. To secure its technologically pioneering role, Bosch spent 3.2 billion euros solely on research and development in automotive technology last year.

The Industrial Technology business sector achieved good sales growth in 2008. Sales increased to 6.7 billion euros – a rise of 13 percent, or as much as 15 percent after adjusting for currency effects. If the effects of the first-time pro rata consolidation of ersol Solar Energy AG are disregarded, sales grew by ten percent. At 6.6 percent, the return on sales from operations was down on the previous year. The main reason for this was the increase in raw materials prices. Growth in this sector was chiefly

driven by automation technology and Bosch Rexroth's business with components and gearboxes for wind-power generation. A broader global presence and the development of new products also resulted in a positive business year for Packaging Technology.

In the Consumer Goods and Building Technology business sector, it was possible to increase sales by 1.4 percent to 11.9 billion euros. In local currencies, growth came to 4.2 percent. The main reason for the slowdown in growth was the housing crisis in the U.S. and major European markets. This applies in particular to the power tools, household appliances, and security systems businesses. The heating technology business, by contrast, felt the positive effect of improved incentive schemes for modern heating systems in a number of European countries. Many new acquisitions will not be fully reflected in this business sector's sales until 2009. In 2008, consolidation effects totaled 60 million euros. The return on sales from operations was six percent, compared with 7.5 percent in the previous year.

### **Global footprint pays off**

In the present economic situation, the Bosch Group's broad international presence and its focused diversification have paid off. At least in part, it was thus possible to offset shortfalls in individual regions and products. In Europe, sales fell by 1.9 percent to 29.7 billion euros. This was caused above all by reduced call orders by automakers, both in western and eastern Europe. The most significant setbacks were in North America, which saw a 15 percent drop in sales to 5.9 billion euros. After adjusting for currency effects, the decrease was nine percent. Due to the difficulties facing North American automakers, Automotive Technology was hardest hit. By contrast, sales in South America again grew at a double-digit rate, both in euros and in local currencies, rising by 12 percent to a good 1.7 billion euros. The economic downturn only set in here in the autumn of 2008, when the financial crisis came to a head. In Asia Pacific, sales grew by seven percent after adjusting for currency effects. Because of the weakness of certain currencies, however, sales expressed in euros grew by just 3.2 percent to 7.9 billion euros. Here too, the main reason for the slowdown in growth was the considerable drop in production, especially of Japanese automakers.

### **Sound financial position**

Despite the global recession, the Bosch Group's financial position remains healthy. At the end of 2008, liquidity comprised some eight billion euros of cash and cash equivalents, as well as securities. These funds are largely sufficient to cover the company's financial and pension obligations. In addition, Bosch is financially very flexible, and this situation was further improved this month by a note loan of 500 million euros. With an equity ratio of 49 percent, the Bosch Group's finances are extremely sound. This creates sufficient latitude for pushing further ahead with projects that fundamentally safeguard the company's future.

In March, for example, the foundation stone was laid at the Bosch subsidiary ersol for a new manufacturing facility for crystalline solar cells and modules. Between now and 2012, 530 million euros will be invested in the new manufacturing facility in Arnstadt, Germany, and 1,100 new jobs created. On April 29, a Bosch Rexroth plant for wind-turbine gearboxes will be opened in Nuremberg, Germany. Some 180 million euros will be invested in the plant up to 2013. Further projects in Germany include the opening of a new semiconductor factory in Reutlingen, extension work to the Abstatt site, and plans to pool corporate research and advance engineering activities in the greater Stuttgart area. "In our investments, our strategy is guided by our 'Invented for life' slogan," Fehrenbach said. "We want to provide lasting technological answers to ecological questions. In 2007, 40 percent of our research and development budget was aimed at conserving resources and protecting the environment. This year, the figure is roughly 45 percent. And we now generate a strong third of our sales with products that meet these criteria. Over the next few years, we want to increase this figure significantly."

Fehrenbach therefore believes that the Bosch Group is well positioned for the post-recovery phase: "It is in times like these that Bosch's innermost strengths come into their own – great innovative ability, sound finances, entrepreneurial independence, and a strong corporate culture. We are affected by the current severe crisis, but even this crisis does not call our fundamental strategy into question. We do not constantly redefine our strategy, but stick to it even in constantly changing circumstances, and for as long as the basic premises of our long-term scenarios hold true. There is nothing in the present situation to convince us otherwise. Even in this extremely difficult year, therefore, Bosch will remain quintessentially Bosch."

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*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 280,000 associates generated sales of 45.1 billion euros in fiscal 2008. The Bosch Group comprises Robert Bosch GmbH and its more than 300 subsidiaries and regional companies in over 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. Each year, Bosch spends more than 3.5 billion euros, or eight percent of its sales revenue, for research and development, and applies for over 3,000 patents worldwide. With all its products and services, Bosch enhances the quality of life by providing solutions which are both innovative and beneficial.*

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

*Additional information can be accessed at [www.bosch.com](http://www.bosch.com).*

## Bosch key data 2008

<i>Currency figures in millions of euros</i>	<b>2008</b>	<b>2007</b>
<b>Total sales revenue</b>	45,127	46,320
percentage change from previous year	-2.6	+6.0

<b>Sales revenue of the business sectors</b>		
Automotive Technology	26,475	28,449
Industrial Technology	6,733	5,967
Consumer Goods and Building Technology	11,897	11,732

<b>Sales revenue in the major regions</b>		
Europe	29,720	30,289
of which Germany	11,747	11,595
Americas	7,557	8,421
Asia Pacific, including others	7,850	7,610

<b>Operating result</b>	1,515	3,170
<b>Profit before tax</b>	942	3,801
<b>Profit after tax</b>	372	2,850

<b>Research and development cost</b>	3,889	3,583
as a percentage of sales revenue	8.6	7.7

<b>Capital expenditure</b>	3,276	2,634
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<b>Depreciation of property, plant, and equipment</b>	2,410	2,428
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<b>Equity</b>	23,009	24,825
Equity ratio	49	51

<b>Associates</b> (as per January 1, 2009/2008)	281,717	271,265
located in Germany	114,360	112,300