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**Bosch's contribution to India's dynamic economy:
Affordable Solutions for Environmental Protection and
Accident Prevention**

Dr. Bernd Bohr, Chairman of the Bosch Automotive Group,
at the press conference in Mumbai
on December 6, 2007

Namaste! Ladies and Gentlemen!

These are dynamic times for India – and for Bosch in India too. Many different facts illustrate the pace of change in this country. GDP will increase by 8 to 9 percent this year and next. Automobile production will increase twofold: from the current 2.2 million to 4.4 million units in 2010. And there are a number of key factors that indicate this growth is sustainable. They include the fundamental economic reforms, the increase in spending power, and the huge pool of young and highly skilled workers. And of course the expansion of infrastructure, such as the 45,000 kilometers of new roads that will be built by 2012. Bosch is benefiting from this expansion, but we are also supporting it. Between 2005 and 2008, we are investing some 19 billion rupees or 325 million euros. And by 2010, we will invest close to another 8.5 billion rupees or 170 million euros. These investments in the future clearly demonstrate a growing significance of our Indian subsidiaries. Including exports, sales of our Indian subsidiaries this year will come to more than 57 billion rupees, or nearly one billion euros. Our sales to Indian customers will amount to some 47 billion rupees, or 815 million euros. This is equivalent to a sales increase of nearly 20 percent. In 2008, we expect our sales growth to approach even 30 percent.

All Indian companies to bear the Bosch name in the future

Our commitment to India is reflected not only in these numbers. In future, all our Indian companies will be carrying the Bosch name – including Mico, our largest subsidiary here, in which we recently increased our share from just under 60 percent to around 70 percent. The Mico board of directors today resolved to change the company's name from Motor Industries Company Limited to Bosch Limited. The next step is to seek approval by the company's shareholders and the authorities. At the same time, Robert Bosch India Limited, which focuses on development and services, will be renamed Robert Bosch Engineering and Business Solutions Limited. This name will more closely reflect its business purpose. If we include our other two companies here, Bosch Rexroth India and Bosch Chassis Systems India, this means that all our companies in India will operate under the Bosch name in future.

As much as we are keen to promote awareness of the Bosch name in India, Mico remains a valuable brand for us. It is so well established in the local market that we will continue to use it – particularly for our well-established products for the automotive aftermarket.

In the future Bosch Limited will also have a new head of its management team.

Dr. Albert Hieronimus, who has led Mico for the last four years, is to be appointed chairman of the board of management of Bosch Rexroth AG. He will not be leaving our largest Indian subsidiary for good, since he is to be the chairman of its board of directors. The new head of Bosch Limited will be V K Viswanathan. He is already a member of the management team. I would like to extend my thanks to Mr. Hieronimus and my congratulations to Mr. Viswanathan. This change in leadership indicates well how Bosch balances local capabilities and internationalization to form an Indo-German company in the true sense of the word.

Bosch India Foundation to be established next year

This becomes more evident when we consider our long history in India. We set up our first representative office in Calcutta over 80 years ago. Mico has been a Bosch subsidiary for more than 50 years, and has grown to become the biggest Indo-German company. Our roots in India go far too deep for us to regard this country as only a dynamic sales market. We also live up to our social and ecological responsibility – and this first-hand at our sites. Our commitment in this regard is shown by the many awards we have recently received for our programs to promote health, safety, and environmental protection. But this is not all. We want to consolidate and bolster our activities in this field. This is why we will establish the Bosch India Foundation next year, predominantly for promoting education, health, and charitable projects. We are doing more than ever to be a responsible corporate citizen in India – a corporate citizen which is becoming an ever bigger employer in India. At the beginning of 2008, the Bosch Group will employ more than 18,000 associates in India – nearly 1,800 more than one year ago.

More diesel for less consumption and lower emissions

The 10 percent increase in our headcount within one year reflects the excellent development of our business. There are specific reasons for this: the strong economic growth and the rapid motorization of India. Both developments are beneficial for our business, but they also have to be sustainable. This is where Bosch comes in. When it comes to protecting the environment and conserving resources, Bosch has a broad and well suited portfolio of solutions. Our automotive technologies lead to less fuel consumption and fewer emissions. This is becoming all the more important in view of the emissions standards for road traffic: they are becoming stricter in India, following the lead set by Europe. Bharat Stage III, comparable with Euro 3, has been in force in eleven Indian cities since 2005. This standard will take effect for the country as a whole in 2010.

Legislation does not stop here: It is expected that Bharat Stage IV, comparable with Euro 4, will then be introduced for the large cities.

You might ask yourselves: How can diesel fulfill these stricter emissions standards? The main advantage of the diesel engine is that it requires on average 30 percent less fuel than its gasoline counterpart. That is why it also emits a significantly lower volume of carbon dioxide. Largely because of this efficiency, the share of diesel engines among light vehicles produced in India is set to increase from 38 percent to 45 percent by 2010. However, diesel can only satisfy these impending emissions limits with electronically controlled direct injection – in other words, the Bosch common-rail system. Production of this system has already begun in India. Since 2005, the system's high-pressure pumps have been manufactured in Bangalore, and since 2007 complete common-rail injectors have been made in Nashik. We will manufacture a total of 100,000 common-rail systems in India this year. This figure will rise to 1.3 million by 2010, and we aim to reach the two million mark by 2013. We are expanding our know-how systematically to effectively ramp up production. At present, 65 engineers from Bangalore and Nashik are gaining experience at sites in Germany, Austria, Italy, and Korea. This highlights one of the strengths of Bosch – we have local expertise, backed up by a global network.

The key factor in Asia – local presence in a global network

Our customers in the Indian automotive industry appreciate both: our local presence and our global network. Both are to be expanded even further. Globally, we are the world's largest supplier of automotive technology. For example, this year the Bosch Group will achieve global sales of roughly 46 billion euros. A good 28 billion euros of this will be generated by automotive technology alone. Regionally, Asia Pacific has become the main driver of our growth. Sales in this region will increase by around 13 percent this year in local currency. By 2015, we expect to increase our sales threefold: from currently 7.4 to 22 billion euros. In other words, Asia's share of our global sales will increase from 16 to 25 percent.

Of course, we can only reach these growth targets by increasing our presence in the region. To achieve this, we are investing in the emerging markets, and here India is especially important. We already have a network of 58 production and 18 development sites in Asia Pacific. Some 7,000 of our 30,000 associates in research and development work in this region – that is one in every four. In India alone, we have a development team of more than 3,000 engineers. These associates share in our global technological know-

how. They are also highly committed to an important task in their own country. With their knowledge of local requirements, they are developing the right solutions for local customers.

The advantage of a local presence – our solutions for low-price vehicles

The importance of combining local needs with a global network is illustrated especially well by our success with low-price vehicles. This is a market sector that is growing more strongly in India than in other countries. Up to 2015, unit sales of low-price vehicles are set to increase by 6 percent annually worldwide, and by 13 percent in India. Particularly ambitious projects have been announced in this sector, such as the “small-car project” to develop a car costing around 100,000 rupees, or less than 2,000 euros. This has inspired our Indian developers, working in tandem with German and Chinese engineers, to come up with new solutions. The focus here is on cost-efficient management systems for gasoline and diesel engines, but also on alternators and brakes. And we are especially successful with components tailored to specific customer requirements. Take our “Value Motronic”. In this new management platform for gasoline engines, intelligent software is the key to providing maximum functionality at minimum cost. This gives the notion of innovation a new meaning: adapting and tailoring tried-and-tested technology to offer it at an unprecedented low price. The experience we are gathering in India will also benefit us in other countries. In the area of low-price vehicle equipment, we aim to generate global sales of one billion euros by 2010.

To achieve this, it is important to be familiar with markets and customers. It is only logical that we have chosen India to be responsible for developing key products for the emerging markets. We are locating more production facilities here – also in order to meet our cost targets. We invest in the expansion of common-rail manufacturing facilities in India. And we are launching the production of electronic control units in Naganathapura in 2009. Moreover, we are stepping up production of components for gasoline systems in Bangalore – components such as electric fuel pumps, which will be produced there from 2008 onwards.

These investments have to be seen in the context of excellent opportunities for growth. For example, we have just received our first order for a gasoline injection system for an Indian motorbike. Wherever we look, production volumes in India are increasing – for all the products we manufacture. By 2010, we will be producing 1.5 million starters and two million alternators in India, compared to around half a million of each in 2006. By 2010,

some 4.7 million Indian vehicles will be fitted with our brakes – 1.6 million more than this year.

Increasing safety: ABS for the Indian market

Given this development, it is clear that we will not stop at conventional brake equipment. After all, alongside environmental protection, accident prevention is a top priority on Indian roads. The increase in the number of road deaths in India has been far too great. It has reached an annual figure approaching 100,000. This figure is more than twice as high as in Europe - but in Europe you will find around three times as many vehicles as in India. In other words, there is a pressing need for modern braking control systems. Bosch is a pioneer in the development of these “life saving” systems. In 2006, for example, 76 percent of all new cars worldwide were fitted with the ABS anti-lock braking system, but only 8 percent in India. However, this figure is set to double by 2012. Bosch is preparing for this. Not only in terms of sales and application but also by setting up an ABS production in India. This is due to roll out in late 2008.

India’s knowledge for the world: our technological power-house

But Bosch high-tech is more than ABS. Our innovative products include the ESP electronic stability program, gasoline direct injection, as well as driver assistance and navigation systems – to name just a few examples. Over the long term, we want to introduce other innovations of this type to India – as soon as a local market exists. But even now, Indian technology is an integral part of these innovations, thanks to the know-how contributed by our services company, which is soon to be renamed Robert Bosch Engineering and Business Solutions Limited. Wherever in the world we develop an electronic control unit for automotive technology, this company is involved. It is responsible for important platform-elements for our engine control units worldwide. And it takes charge of software process maturity at Bosch. Moreover, it coordinates the development of our components for the Autosar project, whose objective is to introduce a standardized software architecture in the automotive industry. In other words, it is a technological power-house with know-how extending far beyond local projects. At all events, its range of expertise has expanded considerably over time, from electronics hardware to diagnostic systems for the aftermarket. The Bangalore site, which was originally intended to supplement development activities in other countries, has long since become an engineering center in its own right. It has even become our largest engineering center outside Germany. And its expansion is set to continue. The future Robert Bosch Engineering and Business Solutions currently employs around 4,500 associates in all its service areas. And this is set to grow to some

6,000 by the end of 2010. Because the labor market for software specialists is now fiercely competitive in Bangalore, we are expanding our new location in Coimbatore. We intend to employ some 2,500 associates there by the end of 2010. Now more than ever, we are relying on India's "brain trust".

Protecting the climate: our hydraulics for wind turbines

This "brain trust" goes beyond the automotive technology sector. Our Indian services company develops software for all our business sectors – for industrial technology as well as for consumer goods and building technology. The Bosch Group has a broad presence, both in India and across the world. Mico, soon to be renamed Bosch Limited, is the Indian market leader for both power tools and video surveillance systems. And Bosch Rexroth India is a leading supplier here for the mechanical engineering industry and also for the power engineering industry. Our hydraulic systems are already fitted in more than 20 dams and nearly 1,400 wind turbines across India. As broad as this range of products and services may be, there is one common factor linking them: We are helping to reduce carbon dioxide emissions. Across all our business sectors, Bosch provides technological solutions for climate protection – and this applies equally to emerging markets like India.

Summary – our responsibility and opportunities in India

I am now coming to the end of my speech, which has highlighted four specific drivers of our growth in India:

- First of all, the Indian automotive industry is rapidly expanding. Its share of vehicle production in Asia Pacific will increase from six to nine percent by 2015. Bosch wants to grow with its customers. More than ever, we are developing and manufacturing locally here in India.
- Secondly, the economic breakthrough in India needs to be in line with the aims of protecting the environment and conserving resources. We have the solutions for this challenge – and they go beyond automotive technology. More than anything else, however, we help to make the process of motorization in India sustainable. We are providing the subcontinent with economical and clean drive systems, both for gasoline and diesel engines.
- Thirdly, there is an urgent need for greater road safety in India. Accidents can be prevented by modern roads, but also by modern technology. It is good that the infrastructure is being expanded. What a company like Bosch can do is to contribute to the extra vehicle safety that is needed. India is a country where cars are increasingly equipped with ABS braking systems.

- My fourth and final point is that accident prevention and environmental protection have to remain affordable for Indian consumers. The market for low-price vehicles is growing at an above-average rate in India, but these vehicles also have to be safe, clean and economical. For this purpose we are developing tailor-made solutions for our Indian customers.

The bottom line is that India's dynamic growth needs a sustainable basis, and we can help to bring this about. We are keenly aware of our ecological responsibility in India – and this responsibility also offers business opportunities. With all our Indian companies trading under the Bosch name in future and joining forces to establish a foundation, the message is clear: we feel very much at home here.

Dhaniavad! Thank you for your attention!