



Difficult year expected in 2009

## **Fehrenbach: corporate strategy paying off**

### Research and development expenditure remains high

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- ▶ Headcount increased by roughly four percent in 2008
- ▶ Investments in the future to be continued
- ▶ International presence to be extended

Stuttgart –The Bosch Group expects 2009 to be one of its most difficult years in living memory. This is due to the strained situation of the global economy, which is placing an especially heavy burden on the automotive industry. “From today’s perspective, we cannot yet say what fiscal 2010 will be like,” said Franz Fehrenbach, chairman of the Bosch board of management. More clarity in this respect was not expected until the second half of 2009, he said. Nonetheless, the company intends to get by without making any drastic cuts in personnel. “It is our objective to retain our core workforce if at all possible during this difficult phase,” Fehrenbach said. Especially in Germany, he added, the company was confident that it could achieve this, thanks to the many flexible worktime tools available. It would, however, be more difficult in countries that do not have programs such as worktime accounts, shorter working hours, or shorter working weeks. “Here, unfortunately, we cannot rule out personnel adjustments,” Fehrenbach said. Worldwide, the Bosch Group employed 282,000 associates as of January 1, 2009, compared with 271,000 in the previous year. In Germany, the number of Bosch associates increased by a strong 2,000 to 114,000. Of this number, roughly 1,500 joined Bosch as a result of first-time consolidations.

### **No cutbacks in investments in the future**

“We have to manage the difficult balancing act between savings and important investments in the future,” Fehrenbach said. Thus, while all cost items were undergoing a critical review, at the same time all forward-looking projects and innovation efforts would be continued. Projects such

as the expansion of the engineering center in Abstatt and the acquisition of land for the research center in Malsheim (both in Germany) will be continued as planned.

The Bosch Group will not make any cutbacks in occupational training. "This year, we shall again be running these programs at full capacity," Fehrenbach said. Worldwide, the company provides occupational training to more than 6,000 young people, 4,400 of them in Germany alone.

### **Fiscal 2008 below expectations**

The significant turn for the worse in global economic developments also affected the development of the Bosch Group in fiscal 2008. Despite the sharp appreciation of the euro, sales and earnings developed as expected in the first half of the year, and were generally satisfactory. After adjusting for currency effects, sales increased by roughly five percent. However, the second half of the year, and especially the fourth quarter, brought a downturn, which for some sectors was severe. According to the preliminary figures now available, the sales of the Bosch Group came to roughly 45 billion euros in nominal terms, or 2.8 percent less than in the previous year. At constant exchange rates, sales were 0.6 percent below their prior-year level.

The greatest losses were recorded in Automotive Technology, which was seven percent down year on year. By contrast, the Industrial Technology business sector was able to grow by 13 percent, thanks to a high backlog of orders. "In recent months, however, order intake has fallen considerably in this sector, too," Fehrenbach said. In the Consumer Goods and Building Technology business sector, sales grew by 2.5 percent after adjusting for currency effects. In nominal terms, sales were roughly on a par with the previous year.

In regional terms, the Bosch Group sustained its worst setback in North America, where sales fell by 15 percent. In Europe, sales were 2 percent down on the previous year. In Asia, too, sales have declined in recent months, with the result that growth was much slower in the year as a whole, at just 2.3 percent. However, exchange-rate effects play a great role in both Asia Pacific and North America. In local currency terms, sales grew in Asia by seven percent, while the decline in North America was roughly ten percent. These unsatisfactory business developments are also reflected in the development of result. At an expected 2.5 percent of sales, profit before tax in 2008 was significantly lower than the eight percent return achieved in the previous year.

### **Strategically well positioned**

Despite these extremely difficult conditions, Fehrenbach also had positive news: “With our focused diversification, continued internationalization, and orientation to the “Invented for life” slogan, we are convinced that the strategy we are pursuing is the right one.” As part of this policy of purposeful further development, a series of important partnerships and acquisitions were concluded in 2008. Most importantly, Bosch entered a new area of business with a promising future – photovoltaics – when it acquired ersol Solar Energy AG in Erfurt, Germany. Bosch Rexroth was able to round off its product range in mobile hydraulics by purchasing the Swedish company Hägglunds Drives. All the company’s business sectors were strengthened by various other acquisitions. Altogether, Bosch spent some 3.4 billion euros on acquisitions and shareholding increases in 2008, significantly more than in the previous year. In addition, new partnerships secure the company a leading position in areas of future importance. For example, a joint venture to develop lithium-ion batteries was set up with Samsung. This will ensure Bosch a preeminent role in the future market of electric mobility. A joint venture with Mahle is intended to serve the growing demand for turbochargers as a way of increasing the efficiency of internal-combustion engines.

### **Great innovative strength**

In the past year, Bosch was able to further consolidate its position as a driver of innovation, registering 3,850 patents, which exceeded the record set in 2007 by a further 18 percent. Research and development spending was increased by roughly eight percent to 3.9 billion euros. With sales falling concurrently, this meant that the overall R&D ratio in the Bosch Group rose to roughly nine percent, or as much as twelve percent in Automotive Technology. Bosch thus continues to lead the field in R&D in the automotive industry. As a result of these efforts, innovative product developments played a major role in sales developments in every business sector. In Automotive Technology, these developments included gasoline direct injection and the start-stop system. In Industrial Technology, gearboxes for wind turbines were especially in demand, while the products in demand in Thermotechnology included condensing technology and systems for the utilization of renewable energies. In the area of consumer goods, the products gaining greater market share included cordless power tools and garden tools, as well as energy-saving household appliances. Further impressive proof of Bosch’s high level of innovative competence was provided when the company was once again singled out for the Federal German President’s Innovation and Advanced Technology Award,

which was presented to a team of Bosch researchers for new key processes in micromechanics.

### **Expanding global presence**

The internationalization of the Bosch Group was also continued in 2008. New markets were opened up and existing ones extended. The regional subsidiaries in Japan and India became wholly owned, and were completely integrated into the Bosch Group. In Vietnam and Indonesia, Bosch established new regional companies in order to benefit from growth in the ASEAN countries. In Vietnam, a first plant is already under construction, and is scheduled to open this year. In future, it will manufacture belts for continuously variable transmissions in passenger cars. New research and technology centers were set up in Singapore and St. Petersburg in order to strengthen the company's global research network. In the Inner Mongolia region of the People's Republic of China, a new winter test center for automotive technology went into operation at the end of November 2008. This will allow customers in the Asian market to be provided with even stronger on-site support. Today, Bosch operates in roughly 150 countries through its regional companies and subsidiaries, as well as sales branches.

### **Bosch remains on course**

The steps taken in 2008 have further reinforced the company's strategic position. At the same time, fundamental megatrends such as the ever closer networking of the global economy, the catching-up process in the emerging markets, and the growing demand for new technologies that protect the environment and conserve resources, continue to set the agenda for its business activities. With its entrepreneurial independence, high innovative potential, and broad international presence, the Bosch Group is therefore well prepared for the post-recovery phase. "Even in these difficult times, we shall further expand our competitive position," Fehrenbach said.

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*The Bosch Group is a leading global supplier of technology and services. According to preliminary figures, some 282,000 associates generated sales of roughly 45 billion euros in the areas of automotive and industrial technology, consumer goods, and building technology 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 billion euros 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).*