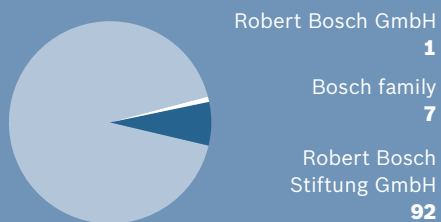
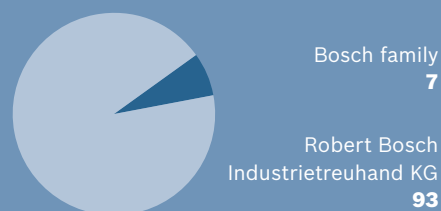


F.01

Shareholders of Robert Bosch GmbH**Shareholding****Voting rights**

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F.02

Bosch Group business sectors

Mobility Solutions

(formerly Automotive Technology)

- Gasoline Systems
- Diesel Systems
- Chassis Systems Control
- Electrical Drives
- Starter Motors and Generators
- Car Multimedia
- Automotive Electronics
- Automotive Aftermarket
- Automotive Steering¹



Industrial Technology

- Drive and Control Technology²
- Packaging Technology

Consumer Goods

- Household Appliances³
- Power Tools



Energy and Building Technology

- Thermotechnology
- Security Systems

¹ Robert Bosch Automotive Steering GmbH (formerly ZF Lenksysteme GmbH, or Steering Systems division; included in the 2014 financial statements at equity; completely acquired Jan. 30, 2015)

² Bosch Rexroth AG (100% Bosch-owned)

³ BSH Hausgeräte GmbH (formerly BSH Bosch und Siemens Hausgeräte GmbH, included in the 2014 financial statements at equity; completely acquired Jan. 5, 2015)

Fundamental information about the group

The group

The Bosch Group encompasses some 340 subsidiaries and regional companies in roughly 50 countries. Including its trading and service partners, the group is represented in some 150 countries. The parent company is Robert Bosch GmbH, which is headquartered in Stuttgart. It started out as “Workshop for Precision Mechanics and Electrical Engineering,” founded in Stuttgart in 1886 by Robert Bosch (1861–1942). In 1917, the company temporarily changed its legal form into that of a stock corporation (*Aktiengesellschaft*); in 1937, it reorganized as a close corporation, Robert Bosch GmbH. Since 1964, Robert Bosch Stiftung GmbH has been the majority shareholder. It currently holds 92 percent of the capital stock.

As a charitable foundation, Robert Bosch Stiftung GmbH has no influence on the strategic or business development of the Bosch Group. The voting rights accruing to its share are held by Robert Bosch Industrietreuhand KG, an industrial trust. The entrepreneurial ownership functions are carried out by the trust. Most of the remaining shares and voting rights are held by the founder’s descendants. This ownership structure guarantees the Bosch Group’s entrepreneurial independence, 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.

Businesses

The Bosch Group is divided into four business sectors. Since the beginning of 2015, these have had English names only: Mobility Solutions (formerly Automotive Technology), Industrial Technology, Consumer Goods, and Energy and Building Technology. These correspond to the former reporting segments. Previous operations in crystalline photovoltaics have been largely disposed of or wound up. The subsidiary aleo solar AG in Oldenburg and Prenzlau, Germany, in which Bosch now has a stake of more than 95 percent, is in liquidation. For the most part, the 2013 management report assumed that the group’s continuing operations would not include crystalline photovoltaics.

Mobility Solutions business sector

Bosch is one of the world’s largest automotive suppliers. The business sector comprises the following divisions:



Gasoline Systems

The Gasoline Systems division develops and manufactures innovative technologies for internal combustion engines powered by gasoline, natural gas, and ethanol, as well as systems and components for hybrid and electric vehicles and motorcycles. These include engine management systems, fuel supply systems, fuel injection systems, ignition systems, sensors, connectors, electric drive units, power electronics, battery systems, and transmission technology. The trend here is from components supplier to systems provider – both in the management of internal combustion engines and electric drive units and in the combination of these two powertrains in hybrids and plug-in hybrids, through to the interplay with the braking system in order to recover energy.

Diesel Systems

The Diesel Systems division is a systems supplier of key powertrain components. The division offers an extensive range of energy-efficient, eco-friendly diesel injection systems for passenger cars and commercial vehicles, regardless of engine size, as well as for other applications. It focuses primarily on the common-rail system, which comprises high-pressure pumps injecting at pressures of up to 2,500 bar, the rail, and various injectors (solenoid and piezo). The division also provides air management systems such as mass air-flow sensors, EDC

electronic diesel control, and exhaust-gas management systems such as Denoxtronic, as well as solutions for diesel hybrid vehicles. Gasoline Systems and Diesel Systems are working ever closer together in the areas of engine management, sensor systems, and powertrain electrification.

Since 2014, the fifty-fifty joint venture Bosch Mahle Turbo Systems GmbH & Co. KG, Stuttgart, has been assigned to the Diesel Systems division. It previously formed part of Gasoline Systems. It is still consolidated according to the equity method. That is to say, its pro-rata share of equity is reported in the balance sheet and its after-tax income is reported in operating result. The joint venture develops and manufactures exhaust-gas turbochargers for gasoline and diesel engines for use in passenger cars, commercial vehicles, and large-scale industrial power units. Bosch Emission Systems GmbH & Co. KG, Stuttgart, develops, manufactures, and integrates exhaust-gas treatment systems, mainly for construction machinery and commercial vehicles, but also for SUVs. We also manufacture products for the U.S. market through our companies located in the United States. Bosch Emission Systems also supports engine and vehicle manufacturers all over the world with turnkey projects.

Chassis Systems Control

The Chassis Systems Control division develops and manufactures innovative components, functions, and systems aimed at further improving driving safety and comfort. These comprise brake-actuation products such as master cylinders and brake boosters, including braking assistance systems. ABS, TCS, and ESP® electronic braking control systems are an important area of activity. This also incorporates ABS and MSC stability control systems for motorcycles. The division also supplies sensors such as speed, steering-angle, and yaw-rate sensors, as well as electronic devices to protect passengers and pedestrians, including airbag control units and crash sensors. A fast-growing area is that of driver-assistance systems based on ultrasound, radar, and video sensors, also as the basis for automated driving. The division's portfolio also includes products such as radar-based speed control (ACC adaptive cruise control), predictive emergency braking systems, and lane-keeping systems.

Electrical Drives

The broad array of products offered by the Electrical Drives division stretches from a wide variety of electromechanical com-

ponents to entire systems for bodywork applications, including innovative and energy-efficient actuators, as well as systems and components for engine thermal management, air-conditioning, and windshield cleaning. The product range also comprises actuators for electric windows, seat adjustment systems, and sunroofs, fan modules and engine-cooling drive systems, pumps and valves for cooling systems, air-conditioning components, front and rear wiper systems, as well as wiper arms and blades. Electrical Drives also makes motors for electric steering systems, for ABS and ESP® pumps, as well as for e-bikes and e-scooters.

Starter Motors and Generators

The Starter Motors and Generators division develops and manufactures starter motors and alternators for passenger cars and commercial vehicles. The extensive product catalog includes long-life starters for gasoline and diesel engines, especially also for use in fuel-saving – and therefore CO₂-reducing – start-stop systems. Its alternators provide the vehicle with a reliable energy supply and their high efficiency helps to significantly reduce fuel consumption. The gap between start-stop systems and hybrid powertrains is bridged by the BRS boost recuperation system, based on highly efficient generators which allow braking energy to be recovered.

Car Multimedia

The Car Multimedia division offers intelligent solutions that help make the integration of in-car entertainment, navigation, telematics, and driver-assistance systems better and more flexible, and as easy as possible to operate. Vehicle infotainment architectures are increasingly developing into connected systems, also utilizing the internet. These include driver information and infotainment systems that can be used worldwide and that feature natural-language voice control, freely programmable displays, and head-up displays. The division also offers terminals and communications systems for use in commercial vehicles, passenger cars, and even on motorcycles.

Automotive Electronics

Automotive Electronics develops and manufactures microelectronics. Additional core competencies are systems integration and vehicle calibration. The product portfolio ranges from components such as semiconductors, sensors, and MEMS (microelectromechanical systems), through control units for body electronics, braking control systems, and engine man-

agement systems (also contract manufacturing of the above), to non-automotive applications such as sensors for consumer electronics. As of 2014, Bosch Connected Devices and Solutions GmbH, Reutlingen, also offers sensors, software, and complete solutions for the internet of things, including devices for smart homes. Automotive Electronics also includes the eBike Systems unit, which is Europe's leading supplier of drive and control units for bicycles with electric motors.

Automotive Aftermarket

The Automotive Aftermarket division offers diagnostic and repair-shop technology for the aftermarket and for workshops worldwide, as well as a comprehensive range of spare parts for cars and commercial vehicles – from new parts, to reconditioned spares, to repair solutions. The product portfolio consists of Bosch original-equipment products, as well as products and services developed and manufactured in-house for the spare parts market. Under the “Automotive Service Solutions” label, it also provides testing and repair-shop technology, diagnostics software, service training, and technical information and services. The division is also responsible for the Bosch Car Service and AutoCrew repair-shop franchises, two independent repair-shop chains with more than 16,500 and 800 locations respectively. The division also provides fleet management services.

Automotive Steering (formerly Steering Systems)

At the end of January 2015, we acquired all shares in the fifty-fifty joint venture ZF Lenksysteme GmbH, Schwäbisch Gmünd, Germany, which in the future will operate under the name Robert Bosch Automotive Steering GmbH. In the 2014 consolidated financial statements, the company is still consolidated in accordance with the equity method. The division manufactures and sells steering technology for passenger cars and commercial vehicles. In addition to complete steering systems, steering columns, and steering pumps for vehicles ranging from small cars to commercial vehicles, the product line also covers components such as valves, universal joints, and steering shafts. Electric steering systems are becoming increasingly important: they are already of great significance for driver assistance systems, and will in the future be essential for electric and automated vehicles.

Other businesses

Bosch's ETAS Group companies provide innovative solutions for embedded software systems that are used in the automotive and

other industries. ETAS's subsidiary escrypt GmbH Embedded Security, Bochum, Germany, is primarily concerned with data security. For over ten years, this company has offered data security-related software, advice, and training for a wide range of industries. The Bosch Engineering GmbH subsidiary, headquartered in Abstatt, Germany, offers a wide range of customers tailored solutions based on tried and tested technology used in large-scale series production. For example, it provides solutions for sports cars and off-road vehicles, but also for railcars, marine applications, and industrial engines. Bosch's motor racing activities are also based there.

Industrial Technology business sector

This business sector comprises two divisions:



Drive and Control Technology

The Bosch Rexroth AG subsidiary, based in Lohr, Germany, specializes in drive and control technology and is one of the world's leading suppliers in this field. It offers customized drive, control, and actuator solutions for the industrial automation, mobile machinery, and commercial vehicle segments. Since the sale of its pneumatics business at the beginning of 2014, the division has focused on electrical, hydraulic, and mechatronic components and systems. The division is active in every branch of industry and more than 80 countries as a systems partner, service provider, and supplier. Moreover, it offers a comprehensive range of services and is involved in large-scale international projects.

Packaging Technology

This division is one of the world's leading providers of process and packaging solutions for the pharmaceuticals, foodstuffs, and confectionery industries, as well as selected segments of the beverages industry. Its portfolio includes individual modules, customer-specific systems, and complete solutions. These are complemented by a comprehensive after-sales service portfolio. This division also includes ATMO, Bosch's in-house supplier of assembly systems and special-purpose machinery. ATMO develops flexible, scalable plans for assembly systems and builds customized solutions in the field of testing and calibration technology. The portfolio ranges from planning to turnkey plants, with ramp-up support, and includes a comprehensive array of services.

Consumer Goods business sector

The business sector comprises the following two divisions:



Power Tools

With brands such as Bosch, Dremel, and Skil, Bosch is one of the world's leading suppliers of power tools and accessories. The Power Tools division has a broad range of products aimed at both the professional and do-it-yourself markets. In addition to power tools such as hammer drills, impact screwdrivers, and jigsaws, the product line also includes gardening equipment such as lawnmowers, hedge trimmers, and high-pressure cleaners. One area of focus is convenient, high-performance cordless equipment. The division also offers innovative, digital laser measurement tools for both professional and DIY users. The

accessories include a comprehensive range of abrasive systems, drill bits, and saw blades.

Household Appliances

In January 2015, we finally acquired all shares in the former fifty-fifty joint venture BSH Bosch und Siemens Hausgeräte GmbH, based in Munich, Germany. The company is now officially known as BSH Hausgeräte GmbH. This joint venture, too, is included in the Bosch Group's 2014 consolidated financial statements using the equity method. The household-appliance manufacturer, which is among the leading suppliers in Europe and the world, has a product portfolio that ranges from washing machines and tumble dryers through refrigerators and freezers, stoves and ovens, dishwashers, and vacuum cleaners, to small appliances such as coffee makers, irons, and hot-water appliances. The household appliance specialist sells its products under the main Bosch and Siemens brands, as well as under regional and specialty brands such as Gaggenau, Neff, Constructa, Zelmer, Balay, and Pitsos.

Energy and Building Technology business sector

The business sector covers a broad spectrum of products and services in the fields of heating, air-conditioning, and security.

Security Systems

The Security Systems division provides products and services in the fields of security and business services. The product portfolio encompasses video-surveillance, intrusion-detection, and fire-detection systems, as well as access-control, public-address, and evacuation systems, and professional audio and conference systems. In Germany and selected European countries, Bosch's Building Security business unit provides one-stop tailor-made security solutions, including services such as planning, financing, operation, and maintenance. In other selected countries, Bosch develops customized security solutions for large-scale projects; these are implemented on site by a systems integrator. Via the Bosch Service Solutions business unit, we provide services in the area of business processes in more than 30 languages.

Thermotechnology

In Europe, the Thermotechnology division is a leading manufacturer of energy-efficient heating products and hot-water solutions. The division's products are sold under international



and regional brand names such as Bosch, Buderus, Worcester, and Junkers. The product portfolio ranges from floor-standing and wall-mounted heaters, through heat pumps, solar thermal systems, and solid-fuel boilers, to cogeneration plants and industrial boilers.

The business sector includes the service subsidiary Bosch Energy and Building Solutions GmbH, based in Ditzingen, Germany. It was consolidated for the first time in 2014. The company specializes in services to increase energy efficiency in non-residential buildings. Its customers include manufacturing companies and owners of large real estate properties, but also companies from the healthcare sector.

Companies not allocated to business sectors

Our subsidiary Bosch Software Innovations GmbH, Berlin, develops solutions for the connected world based on its own software suite (i.e. software platform). It provides standardized applications, particularly in the areas of energy, industry, and mobility.

Opportunities, objectives, and strategy

Fundamental direction

New “We are Bosch” mission statement as the basis

In 2014, in the shape of our new “We are Bosch” mission statement, we created a framework for the future strategic orientation of the Bosch Group and its business sectors. The mission

statement focuses on fundamental messages of the former “House of Orientation” and develops them with reference to future requirements. The starting point remains the mission of securing the company’s future, true to the spirit of its founder Robert Bosch – in other words, ensuring the company’s strong and meaningful development and securing its financial independence. Our goal is to develop products that are “Invented for life,” that fascinate, that improve quality of life, and that help conserve natural resources. In this respect, “products” means not only physical products, but also software and services.

Our strategy is based on the focal points formulated in the new mission statement: customer focus, change, and excellence. These focal points are derived from factors such as megatrends, changes in the competitive environment, innovations, customer expectations, resource scarcity, and political developments. In terms of products and business models, we want to find the best solutions for our customers. It is increasingly important to offer products tailored to customers and markets and to exploit the innovation potential at our engineering centers worldwide.

Excellence in all areas is essential in order to achieve our targets for growth, earnings, and agility on a lasting basis. In this respect, we measure ourselves against our best competitors. We aim to secure and increase the value of the company on the basis of efficient processes, lean structures, and high productivity. A business environment that is changing at an ever increasing rate calls for increased agility. To this end, we are constantly developing our concepts for leadership and management, as well as our organization.

The strategic focal point “change” underlines our ambition to play an active part in shaping the far-reaching changes taking place in markets and technology. These changes present significant opportunities for our company – above all in the areas of energy efficiency, electrification, automation, emerging markets, and connectivity. To achieve this we want to build on our strengths: the Bosch culture, our high level of innovation and quality, and our broad global presence. We continue to base our strategy and our actions on Bosch values: a clear future and result focus, responsibility and sustainability, initiative and determination, openness and trust, fairness, reliability, and credibility, legality, and diversity.

Change opens up major strategic opportunities

With respect to change, we have thoroughly analyzed the strategic opportunities arising from it. The strategic focus on energy efficiency is concerned with energy saving, both in products and in internal value-added. Drivers include the growing demand for energy, ever tighter climate-protection regulations, and the finite nature of fossil fuels. Despite the current development in the price of oil, in the longer term these factors will lead to rising energy prices and hence to growing demand for energy-efficient products. This affects our entire product portfolio. We generate some 40 percent of our sales with products that contribute to energy efficiency, environmental protection, and resource conservation. These products currently account for more than half our research and development expenditure.

Electrification is of particular importance for the Mobility Solutions business sector. Based on our current estimates, electric vehicles will cease being a niche product in the next five years. By 2020, we expect annual production of 2.5 million electric vehicles, around 3 million plug-in hybrids, and 6.5 million hybrid vehicles in a global market of approximately 113 million vehicles. In 2014, the total number of electric and hybrid vehicles produced still came to less than 2 million units. The key drivers for electrification and electromobility include ever stricter standards for consumption and emissions, falling battery costs, suitability for everyday use (i.e. range), but also driving enjoyment, fascination, and connectivity.

Automation primarily affects the Mobility Solutions and Industrial Technology business sectors. As traffic density continues to grow, automated driving can help reduce the number of accidents and improve road use. Drivers will be able to use their commute more efficiently and have a more comfortable journey. In these areas we expect to see substantial growth, but also changes in the competitive environment due to new players in the market. In Industrial Technology, increasing automation and

robotics are leading to improved human-machine interaction. This creates opportunities to increase product quality and productivity, expand functionality, conserve resources, and better protect workers' health and safety.

The emerging markets of Asia, South America, and eastern Europe are home to most of the world's population. Despite the current slowdown in growth, in the long term they will experience higher rates of growth than the industrialized nations. Their prosperity is increasing. There is demand for affordable products that often have to meet special requirements of the local market, such as robustness and ease of repair. When it comes to customer focus, these requirements are becoming increasingly important. Another emerging, and for us promising, market is Africa. The subsaharan region is currently growing at an average annual rate of 5.5 percent, and its enormous pent-up demand gives it great long-term growth potential. We are significantly expanding our sales presence in Africa.

Connectivity is an overriding theme that affects all business sectors. It is being driven by the miniaturization of electronics and the availability of ever more powerful sensors, data networks, and computers. More and more products can be inexpensively



connected to the internet. In view of our expertise in many product areas, our software expertise, and our expertise in sensor technology as one of the world's leading supplier of MEMS sensors, we believe this offers us huge opportunities. Through new business models, services, and competition from other sectors such as the IT industry, connectivity has the potential to profoundly change value chains and the competitive landscape.

It will also lead to more customized and flexible production, combined with shorter innovation cycles.

Global business targets defined for the Bosch Group

The Bosch Group's business targets are derived from the "We are Bosch" mission statement, the strategic focal points, and the competitive environment. We aim for annual sales growth of 8 percent on a long-term average, with 3 percent of this coming from acquisitions. We have also set ourselves the goal of an EBIT margin of 8 percent, which we derive from benchmarks. This margin is necessary in order to finance organic growth. By 2020, we aim to double our sales in Asia Pacific and the Americas compared with 2013, to grow faster than the market in Europe, and to increase our sales in Africa to 2 billion euros. In terms of business sectors, we plan to strike a better balance between Mobility Solutions and the other business sectors. The complete acquisition of the former joint venture BSH represents a major step in this direction. Following the complete acquisitions of BSH and ZF Lenksysteme, and in light of the full consolidation of these companies' sales and earnings (previously: pro-rata after-tax income), the above long-term targets will be reviewed.

Strategy and innovation

Mobility Solutions – more than automotive technology

The new name "Mobility Solutions" reflects the extended remit of the former Automotive Technology business sector. Over the next few years, we expect to see a change toward connected, automated, and electric driving. On this basis, we plan to develop the business sector from a supplier of systems and components to one that offers not only products but also complete solutions through the provision of additional services.

The complete acquisition of ZF Lenksysteme, a technology leader in the growth area of electric steering, is an important strategic step in this direction. The acquisition enhances our ability to achieve new USPs in the area of safety through the integration of steering and braking. Electric steering has significant potential to reduce the fuel consumption of vehicles with internal combustion engines, in particular through better coordination of the powertrain, steering, brakes, and driver assistance systems. Start-stop coasting is one example. Electric steering is also a vital component in many safety-critical assistance systems in passenger cars and, in the future, in light commercial vehicles.

It is therefore a key element in the future world of automated driving. The new subsidiary is represented worldwide and, as part of its globalization strategy, has recently been investing above all in North America and Asia.

In powertrain technology, highly efficient internal combustion engines remain an important market, partly in view of increasing hybridization. At the same time, electric vehicles are gaining in significance. In the area of gasoline direct injection systems, we expect a similar boost to that seen in the case of diesel direct injection, which is currently growing strongly due to the Euro 6



standards for passenger cars and stricter standards worldwide for commercial vehicles. In Europe, it is expected that roughly half the new vehicles with gasoline engines will be equipped with direct injection by 2016, and around 60 percent by 2020. Another growth market is China, where all new vehicles must have an average fuel consumption of only five liters per 100 kilometers by 2020. This too will lead to a general shift away from manifold injection toward gasoline direct injection systems. A similar development can be expected in the United States, owing to tighter consumption requirements. The substantial up-front investments in gasoline direct injection that we made in the past are therefore paying off. For the South American market, we have adapted gasoline direct injection to allow the system to be used with ethanol as well. However, we are continuing to develop manifold fuel injection, which is still dominant in the hybrid vehicles of Japanese automakers.



The commercial vehicle business, with which we generate around one-quarter of our sales in Mobility Solutions, offers further significant growth opportunities in powertrain technology. Moreover, we are increasingly stepping up our activities in the off-highway sector. Bosch supplies all core components for commercial-vehicle diesel powertrains from a single source. One current driver of global demand is the stricter emissions standard China IV. Electronically controlled high-pressure injection and exhaust-gas treatment have become mandatory for new commercial vehicles in China. In other countries too, exacting standards are helping to boost sales figures. In 2014, for the first time, we delivered almost one million Denoxtronic exhaust-gas treatment systems for heavy trucks and buses. Emissions standards for off-highway vehicles are also becoming more stringent. We benefit from this through Bosch Emission Systems. We also launched a new generation of starters in 2014, which offer substantially higher starting power and so are also of interest for large engines in the off-highway sector. In the field of brake control systems, a new system tailored to the U.S. market went into series production at a North American manufacturer.

Particularly in Europe and the U.S., we are focusing on connectivity in commercial vehicles as well. We expect all new trucks in these regions to be offered with internet access by 2016. Bosch is already one of Europe's leading providers of infotainment for trucks and buses in Europe. We also connect the powertrain and transmission with the navigation system to achieve further fuel savings. Using an electronic horizon generated by navigation data, the Eco.Logic motion system calculates an efficient driving strategy. In the future, internet-based real-time data will be added so as to include road work, for example.

We are also expanding our two-wheeler business. Today, around 60 million two-wheelers with internal combustion engines are produced worldwide each year. According to our estimates, the market will grow to around 110 million units by 2020. About 80 percent of two-wheelers with internal combustion engines are sold in Asia, where small bikes with engines below 250 cubic centimeters are a vital means of transport. Since 2014, we have offered a low-cost electronic fuel-injection system for this market, which provides considerable savings in fuel and emissions compared with the unregulated carburetors prevalent up to now. For these markets, we have also developed a low-cost antilock braking system, featuring just one brake circuit.

We continue to develop safety products for high-performance motorcycles. Even now, every third motorbike in Europe is equipped with ABS. By 2017, this will be mandatory for all motorcycles. In addition, we are pioneers in the field of MSC motorcycle stability control, which ensures much safer braking and acceleration when leaning into bends. We also presented a connectivity control unit for motorcycles for the first time in 2014. This box acts as a communication hub. It is able to gather operational data and, via an automatic emergency call system, to alert the emergency services and summon help to an accident scene. In addition, the box can provide the basis for additional services and connect with external devices such as a smartphone via an additional Bluetooth interface. Initial applications include an advanced on-board computer, troubleshooting software, and an app-controlled immobilizer.

In the area of automated driving, we expect to see an evolutionary process. Legal and technical hurdles must be overcome before fully automated driving can become a reality. A breakthrough is therefore unlikely until the next decade. Partially automated functions will soon be entering series production. Increasingly extensive driver assistance systems form the basis of this development. We cover the entire product range in this area. The product portfolio includes parking assistants, traffic jam assistants, predictive emergency braking systems, road sign recognition, lane-departure warning systems, drowsiness detection, and intelligent lighting control. From 2015 onward, we will be supplying Google with radar sensors, which are a prerequisite for automated driving.

The ABS, TCS, and ESP® electronic braking control systems are fundamentally important for automated driving. Since 2014, ESP® has been mandatory in the European Union for all new vehicles. In 1995, we were the first manufacturer to put ESP® on the market. Since then, we have manufactured over 100 million systems. Other key technologies include radar, video, and ultrasound sensors. Demand for these sensors will likewise increase significantly. In 2014 alone, we sold more than two million radar and video sensors, twice as many as in the previous year. In addition, the MRR rear radar sensor went into series production in 2014. This helps drivers to change lanes safely and provides information for other assistance functions.

Bosch is a pioneer and a leading global supplier of MEMS sensors, of which more than five billion have been manufactured since large-scale series production began in 1995. Besides automotive electronics, another important area of application is consumer electronics. Bosch sensors can already be found in more than half the world's smartphones. The sensors are able to measure more and more different variables. In early 2015, our subsidiary Bosch Sensortec GmbH, Reutlingen, Germany, achieved a world first with the launch of a sensor which measures the pressure, humidity, temperature, and quality of air in a single housing. At the same time, MEMS sensors are becoming increasingly minute. Since 2014, Bosch Sensortec has offered the world's smallest and most economical sensor unit. In one housing, it measures acceleration and yaw rate extremely precisely. Among other things, it is suitable for "wearable" applications such as fitness wristbands.

Another growth trend is the ever increasing connectivity of vehicles, especially due to the possibilities offered by the internet. Navigation and infotainment systems, for which we also expect substantial growth, form the basis. New display and control concepts are required for this purpose. In 2014, we launched an instrument cluster that functions without mechanical moving parts and features a large monitor allowing maximum flexibility



for configuration and display. Other innovations include head-up displays, which present information directly in the driver's field of vision so as to increase safety. In multimedia systems, we have offered an infotainment system with a wide range of connectivity options since 2014. The Bosch integration solution mySPIN

allows smartphones and their apps to be integrated very easily and openly into the vehicle's infotainment system. We organized a "hackathon" in Berlin in 2014. Around 30 independent software developers, designers, and innovative internet users were invited to develop additional apps for mySPIN.

In electromobility, we have so far been awarded around 30 contracts. One of them is the Fiat 500e, launched in 2014 with a Bosch electric motor, power electronics, battery pack, and regenerative braking system. Bosch components are also to be found in Google's test fleet, where, in addition to the radar sensor, electric motor, and power electronics, we also supply key parts of the electrical powertrain, as well as the steering system. Each year, we invest around 400 million euros in activities relating to the development of electromobility. We employ around 1,800 people in this area. The beginning of 2014 saw the launch of the new joint venture Lithium Energy and Power GmbH & Co. KG, based in Stuttgart, which we established with the Japanese companies GS Yuasa International Ltd., Kyoto, and Mitsubishi Corporation, Tokyo. The company will develop the next generation of lithium-ion battery technology. Our research and advance engineering sector is also working on future battery technologies.

We regard it as a strategic advantage that we cover the whole electrical powertrain and are thus able to operate as a systems supplier: from the battery – including cells, battery management, and power electronics – through different types of electric motors, to all-round expertise in systems integration. This also includes hybridization of passenger cars, vans, and commercial vehicles. In the future, our boost recuperation system, a 48-volt entry-level hybrid, will allow fuel-saving coasting with the engine stopped. The goal is to develop an electric hybrid for heavy trucks by the end of the decade. Furthermore, our subsidiary Bosch Engineering has premiered a control unit for fuel-cell systems in the off-highway segment. Tougher standards in this sector, particularly in Europe and the United States, are driving the electrification of industrial trucks, municipal vehicles, and airfield vehicles, for example.

For us, however, electromobility goes well beyond the automobile. This is why we are expanding our e-bike and e-scooter activities. We successfully introduced a new generation of drive systems for the e-bike in 2014. China is one of the main markets



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for e-scooters. In China alone, 120 million e-scooters are already on the road. An electric motor developed for that country's needs is setting new standards in quality and performance.

In 2014, we collaborated with the Principality of Monaco to carry out a pilot project on smart city services. These services provide a virtual link between the urban infrastructure and public services. Since 2011, the modular software suite of our subsidiary Bosch Software Innovations has provided the basis for a networked and user-friendly charging infrastructure for electric vehicles in Singapore, and since 2013 for a fleet management service in Germany. From 2015 onward, the software suite will be used as a platform for a customized, intermodal transport concept in Stuttgart. A "Charge&Pay" app developed by Bosch for Mercedes-Benz makes it easier for users to recharge electric vehicles at public and internet-enabled charge spots. The app already covers 3,000 such spots and 230 operators. We are also exploring the practical use of electromobility with more than 100 partners from business, academia, and public authorities as part of the "LivingLab BWe mobil" initiative. In 40 projects in southwest Germany, some 2,000 electric vehicles are to be put on the road and over 1,000 charge spots to be installed in the Stuttgart region and the city of Karlsruhe by the end of 2015.

We also operate in the market for telematics services. Via an on-board diagnostics system, information is sent to Bosch for data analysis. Based on the analyzed data, fleet operators can arrange early servicing, for example. We anticipate significant

growth opportunities for the eCall emergency call system, since it is expected that all passenger cars and commercial vehicles in Europe will have to be equipped with such an emergency call system from March 2018 onward. We offer not only the on-board unit, but also further support via service centers.

Industrial Technology – the future world of connected industry

The Industrial Technology business sector's Drive and Control Technology and Packaging Technology divisions operate at different stages of the value chain. In the case of Drive and Control Technology, we operate mainly as a supplier of components and systems for mechanical and process plant engineering businesses in a wide range of industries. Packaging Technology is a specialized mechanical engineering unit that provides solutions relating to packaging.

Drive and Control Technology is currently in the process of reorganization. With its product areas of mobile hydraulics, industrial hydraulics, electrical drives, controls, and linear technology, the division focuses on the mobile and industrial applications market segments. The volatility of mechanical engineering markets in particular calls for leaner and more agile structures. Given the requirements that arise from this, we have taken a first step by announcing a program to improve efficiency at the corporate headquarters of Bosch Rexroth, in the Industrial Applications unit, and in the hydraulics plant at the company's headquarters in Lohr. An important development is the shift in regional demand toward Asia and the Americas, and the resulting challenges with regard to value added. Other needs arise from the rapidly growing importance of mid-price products for emerging markets. These markets can only be partially developed with exports from Germany and Europe. Important global technological trends include energy efficiency, increasing electrification and electronification, and, in particular, the growing connectivity of industrial production.

One example of a cost-effective innovation tailored to local needs in emerging markets is the electrohydraulic hitch control for tractors. In 2014, we began selling this control in India, the world's largest market and manufacturer in this sector. Innovations such as the new generation of frequency converters launched in 2014 contribute to greater efficiency through demand-based delivery of electromechanical energy.



Open core interface technology, launched by Bosch Rexroth in 2014, expands the open core engineering environment and gives mechanical engineers more flexibility. The new interface allows machine manufacturers to independently extend the Bosch Rexroth standard controls to include customized machine functions, so as to generate competitive advantages for their customers and protect their individual process know-how. Bosch Rexroth has also developed a web connector which acts as a bridge to web-based applications and is thus an essential component for exploiting the possibilities of Industry 4.0 in state-of-the-art production facilities.

We aim to be a leading provider in the connected industry market of the future, above all with our activities in the Industrial Technology business sector. We also see ourselves as a leading exponent of connected industry in our own plants, of which there are more than 200 worldwide. We expect significant productivity gains in manufacturing processes with a wide variety of product types, thanks to reduced set-up times and improved logistical processes. We will also achieve savings through greater energy efficiency and better harmonization of machinery and installations with each other and their environment.

Besides hardware and software expertise in the field of mechanical engineering, we have extensive sensor expertise and, in the shape of our subsidiary Bosch Software Innovations, an internet specialist with its own software suite. To take connected industry forward quickly, we have created an internal, cross-divisional

innovation cluster which coordinates activities across the company. We have already equipped more than 20 of our factories with RFID (radio-frequency identification) solutions to improve logistical processes in manufacturing. We have also tested various aspects of connected industry in more than 70 pilot projects.

These include new methods of quality assurance, as well as business opportunities arising from proactive maintenance and repair. This requires additional sensors for data collection and pinpointed analysis in real time. At our plant in Blaichach, Germany, we use smart adaptive testing to record data for each individual solenoid valve and are able to reduce test times through customized examination of batches. On an assembly line for hydraulic valves which went into operation at our Homburg location in 2014, we already practice connected production to a large extent and are able to produce a large range of variants without long set-up times.

As a member of the German "Industry 4.0 platform" initiative and the U.S. "Industrial Internet Consortium" (IIC), Bosch is committed to developing the necessary standardization and data security. In addition, we participate jointly with partners in research projects such as CoCoS (context-aware connectivity and service infrastructure for cyber-physical production systems), which is supported by the German Federal Ministry for Economic Affairs and Energy. This project is concerned with integrated information and communication infrastructures that allow systems comprising machines, warehousing systems, and other equipment to share information, even between different companies.

In Packaging Technology, we plan to expand our market presence still further. Europe and North America will continue to drive innovation in the future. We also expect above-average growth in Asia and Africa. We are therefore planning a joint venture in India to complement our Verna (Goa) site, and in this respect have signed agreements to acquire 49 percent of Klenzaid's Contamination Controls Pvt. Ltd, Mumbai, which manufactures process, packaging, and clean-room technology for the international pharmaceuticals industry. In Japan, we have moved into a new, enlarged facility devoted to inspection technology. We also intend to develop new sales markets in eastern Europe and South America.



At the same time, we will continue to expand our offering particularly in the pharmaceuticals, foodstuffs, and confectionery industries. We plan to expand our technical expertise and the value chain both through innovation and acquisitions. Furthermore, we will increasingly offer turnkey installations to customers as a complete package. Here, too, the opportunities offered by connected industry will play an increasing role. Our internal automation service provider ATMO belongs to the Packaging Technology division. It began selling its own measuring and production technology products in external markets for the first time in 2014. As well as measuring systems, these also include the APAS production assistant. With its highly sensitive sensor skin, this robot has been certified as able to work with humans directly and collision-free, without the need for additional guards. It provides a flexible solution for the retroactive automation of manual workplaces. In small-series production, it can be used for assembling machines.

Consumer Goods – market position greatly strengthened

At the beginning of 2015, we strengthened the Consumer Goods business sector significantly with the takeover of all shares in the former joint venture BSH. In the future, the business sector will account for around one-quarter of the Bosch Group's total sales. The 50 percent interest was acquired for a price of three billion euros. In addition, a dividend of 250 million euros was paid to each of the previous shareholders prior to closing the transaction. In BSH, we have acquired a leading household-appliance manufacturer, a business that has been successful and profitable over many years with strong brands, and which puts its faith in innovative products. The company will be fully consolidated for the first time this year, and the 2015 annual report will then present full details of the company and its strategy.

With its strategic and technological approach, BSH is an excellent fit for Bosch and our "Invented for life" ethos. The company's products are designed with an emphasis on smart technology, convenience, and ease of use, making the lives of people around the world easier and more comfortable. In particular, it focuses on energy-efficient and resource-conserving products. Technological opportunities exist for increased cooperation between the Bosch Group and BSH, particularly in the promising field of the internet of things. Household appliances will be even more energy efficient in the future thanks to smart-home concepts. Ease of use, functionality, and customer benefit will be enhanced.

The Power Tools division is one of the world's leading suppliers of power tools, accessories, measuring equipment, and garden tools. Bosch Power Tools maintains its outstanding market position above all through regular product innovations focusing on user benefits and, as a result, strong brands. In 2014 alone, we launched more than 100 new products in Germany. The technology remains dominated by the trend toward cordless devices. Nearly half the world's power tools are equipped with rechargeable batteries, and lithium-ion technology is continuing to gain ground. In Europe, it is now used in more than 80 percent of all cordless devices.

Besides continually expanding the product portfolio for cordless appliances and increasingly efficient rechargeable batteries, we are also focusing on innovative wireless charging technology. With our wireless charging system, we are pioneers in the field of inductive charging for cordless power tools. The new chargers and batteries are aimed initially at professional users. Cordless devices are also gaining importance in the world of garden tools. We are expanding our product range to include commercial garden maintenance, and will initially launch cordless lawnmowers and trimmers in 2015. Compared with gasoline-powered appliances, they are not only more convenient but also have the advantage of generating less noise pollution. Furthermore, we are using innovative, brushless EC motors in more and more power tools, which set new standards with regard to product and battery life and are completely maintenance-free. EC stands for electronic commutation; in other words, DC motors with permanent magnets and electronic commutation using transistors.

Power Tools is also expanding its product range in the fast-growing market segment of measurement tools, where we are likewise



aiming for greater connectivity. In 2014, we introduced the GLM floor plan tablet-computer app for professional applications. This allows tradespeople and planners to draw floor plans quickly and easily on a scale of 1:50, using digital technology instead of pencil and paper. We are also winning many new users in the DIY segment with our handy, easy-to-use measuring instruments. As a further innovation in the accessories business, we launched a range of saw blades for professional multi-cutters. The blades' special geometry allows wood and metal to be cut 30 percent faster than with conventional saw blades.

Power Tools is also expanding its offering in online sales and online services. "My Bosch" is a communication platform designed for this purpose. DIYers can share ideas and discuss projects via either the "1-2-do.com" community initiated by us or the Pinterest social network. Bosch experts provide specific assistance relating to Bosch garden tools and power tools if needed. In addition, we use the online channel YouTube to provide information to customers via video. We are also represented on other social networks.

In the medium-to-long term, we anticipate above-average growth opportunities in emerging markets. Here, we are cultivating markets such as China, India, Brazil, and Russia. Market-driven products that take local purchasing power into account are the key to success. One example is the compact cordless screwdriver which we successfully launched in ten countries, including China, South Africa, and India, in 2014.

Energy and Building Technology – a worldwide growth market

We see worldwide growth opportunities in the market for energy and building technology, as demand for energy continues to grow at the same time as requirements for resource conservation and energy efficiency are stepped up. Energy demand has doubled over the past 40 years or so, also due to increasing urbanization. Buildings account for about 40 percent of global energy consumption, with heating taking the largest share of the energy market. However, some 75 percent of all installed heating systems are not energy efficient.

The heterogeneous markets in energy and building technology that have existed up to now are undergoing significant changes. This opens up new potential, above all if intelligent, connected control systems are used. We also expect these markets to converge more and more. However, major regional technical differences continue to exist between Europe and Asia. In the field of energy and building technology, the market for private customers as well as the market for products, systems, and solutions for commercial buildings currently have a worldwide volume of around 60 billion euros. They are recording annual growth of around 4 to 5 percent. The global market for commercial building services is growing even more strongly at around 9 percent, with a current total market of around 20 billion euros.

Our goal is to become a leading global supplier of intelligent energy and building technology. To achieve this, we aim to increase Energy and Building Technology sales to 8 billion euros by 2020. We anticipate major growth opportunities in three business segments: residential buildings, commercial buildings, and services. We are focusing on a combination of technical products and systems as the basis for heating and security installations, software and sensors, and comprehensive services for energy management, remote monitoring, and business process management.

For residential buildings, our portfolio includes eco-friendly products for heating, hot water, and cooling. The intelligent networking of heating systems is playing an increasingly important role. In 2014, we sold around 50,000 internet-enabled boilers, twice as many as in 2013. Smart heating helps to optimize heating systems and allows them to be controlled by devices such as smartphones or tablet computers. Since the spring of 2014, for example, we have offered such an app under our Buderus

brand, jointly with a major German utility. Another example is the wifi-enabled Nefit Easy thermostat, which we now sell in the United Kingdom as well as in the Netherlands.

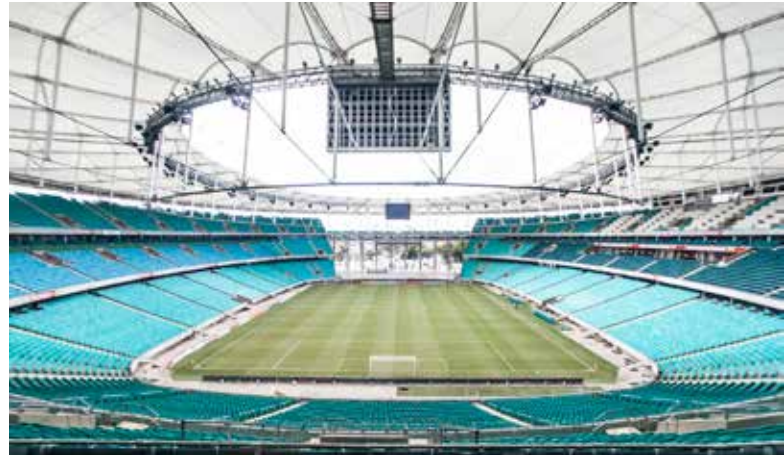
In 2014, we presented a system comprising a solar installation combined with modern heat-pump technology and a battery. At the heart of this system is an intelligent controller called e.Control, which is connected to the household's electricity meter and monitors energy use around the home. This solution allows users to consume most of their self-generated solar energy on site. We are also working to globalize the business and establish ourselves in the Chinese market. We benefit from being the first European company to manufacture gas-fired condensing boilers, air conditioners, and commercial boilers for the region in China itself.

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For commercial buildings, we offer heating, hot-water generation, cooling, ventilation, power generation, and storage solutions, as well as large-scale heating installations. Especially in the case of commercial buildings, energy efficiency and associated cost savings, as well as the intelligent networking of energy systems, play a significant role. Our product portfolio ranges from networked hot-water and heating systems, highly efficient systems for combined heat and power generation, and waste heat recovery (ORC systems), through cogeneration plants, to electricity storage solutions and energy-efficiency advisory services.

In addition, we are a leading international supplier of products, solutions, and services for security and communication. The main priority is the protection of human life, buildings, and property. Around half the business currently relates to video surveillance with internet-enabled cameras. In 2014, we launched further new products. With them, we are setting new standards in areas such as the detailed monitoring of large sites, including football stadiums. In 2015, we will launch innovative products allowing 360-degree video surveillance.

We are also expanding our building technology business, which up to now has been focused on Germany, the Netherlands, and Switzerland. In this area we offer a one-stop shop for the planning, construction, maintenance, and financing of security systems and solutions. Our main customers are the manufacturing industry, the public sector, banks, and service providers.



In this context, integrated and connected security solutions are playing an increasing role.

A further strategic element is the expansion of our service business, with which we aim to achieve sales of around one billion euros by 2020. We took an important step in the North American market at the beginning of 2015 with the acquisition of Climatec, LLC, based in Phoenix, Arizona (USA). This company offers building-automation, energy-efficiency, and security solutions. We also intend to grow our services in the field of energy efficiency through our service subsidiary Bosch Energy and Building Solutions, which is active in the German and European markets.

Furthermore, we have reorganized our business services operations, which are assigned to the Security Systems division. In this business, we are already one of the world's biggest providers. Since fall 2014, these services have no longer been provided under the Bosch Communication Center name, but as Bosch Service Solutions. This underlines our broader approach as a provider of services for business processes. Focal points include service solutions for transport and buildings, as well as customer communications and support. In the field of transport, for example, Bosch offers the automatic eCall emergency service for Mercedes-Benz vehicles in 27 European countries and ten languages. For buildings, Bosch Service Solutions offers cloud-based video surveillance, which can be connected to a control center that intervenes in response to certain events. We are already represented at 26 locations in 15 countries. In 2014, two new locations were added in the U.S. and the Philippines. Further locations are planned in the Americas and Asia. Independent studies forecast annual growth in the market for business process services of 5 to 6 percent, reaching a total volume of more than 200 billion dollars by 2017.

Our cross-selling activities are also assigned to the Energy and Building Technology business sector. Here, we offer solutions that are aimed in particular at verticals such as mining, hotels, large stadiums, airports, automobile manufacturing, train stations, and theaters. In 2014, we already achieved sales of more than 600 million euros through cross-selling. This included, for example, joint activities by the Drive and Control Technology, Security Systems, Automotive Aftermarket, and Power Tools divisions relating to the widening of the Panama Canal. For the renovation of the Cologne Opera, Drive and Control Technology



is supplying stage equipment, while Thermotechnology and Security Systems are supplying parts of the building technology.

Using agile units to enter new business areas

The accelerating pace of change in our business environment opens up additional opportunities through new business activities. We set aside an overall budget of approximately one percent of sales per year for new or related business areas. We deploy agile, independent teams to develop these new areas. Fields that are fundamentally new to the Bosch Group are designated new business areas. At Bosch Healthcare Solutions GmbH in Waiblingen, Germany, we have brought different approaches in the field of medical technology together under one roof. At the same time, we are divesting our telehealth and telecare operations. One of our new business areas' focal points is stationary electricity storage. This includes the Braderup project, a hybrid battery with a total capacity of 3 MWh which went into operation in 2014. It stores electricity generated by a community wind

farm and feeds it into the grid as required. We designed and built the hybrid, and developed the electronic control system and related software.

We use innovation clusters to develop new business areas on the internet of things on a cross-divisional basis. Here, we combine the IT and internet expertise of Bosch Software Innovations with the domain expertise of our divisions. Bosch Connected Devices and Solutions, based in Reutlingen, Germany, grew out of such an innovation cluster. It now has a workforce of around 100. Since 2014, it has offered compact electronic products and software know-how for connecting devices and objects on the internet of things. At the end of 2014, we announced our intention to set up an international joint venture with ABB and Cisco. Its aim will be to develop and operate an open software platform for smart-home applications. It is hoped that this will allow easy exchange of data between different manufacturers' devices.

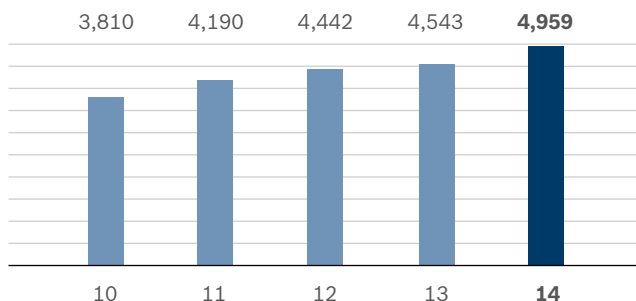
Furthermore, Robert Bosch Start-up GmbH, Ludwigsburg, Germany, commenced operations in 2014, providing internal start-ups with premises and infrastructure, a legal framework, and business expertise. We address the special needs of emerging markets with new business teams in those countries. For example, a team in India has developed a low-cost method of eye examination, which can give early warning of the onset of blindness, and thus allow preventive measures to be taken. In mature markets too, we aim to systematically develop additional growth opportunities, and have set up region-specific projects in Europe, North America, and Japan. Moreover, Robert Bosch Venture Capital GmbH, based in Gerlingen, Germany, participates in start-up companies and thematic funds.

But agile teams are not only employed to develop new business areas. In our existing businesses, we are using pilot projects to gather experience in order to prepare for dynamic changes. For example, the Car Multimedia division has a number of self-organizing teams. In a rapid succession of flexible development stages, working at the interface with the fast-paced world of consumer electronics, they develop software components and apps for the connected vehicle. Within Chassis Systems Control, we have worked with globally networked teams to develop chassis and safety systems for our customer Tesla. For this,

F.03

Total research and development cost¹
Bosch Group 2010–2014

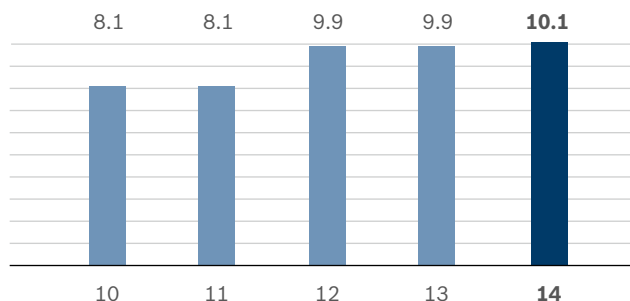
Figures in millions of euros



F.04

Total research and development cost¹
Bosch Group 2010–2014

Figures as a percentage of sales revenue


¹ Including development cost charged directly to customers

we received Tesla's "Excellent Development Partner" award in 2014. In the Power Tools division, a pilot project is underway to develop a new platform for pneumatic hammers at our location in Hangzhou, China. The project focuses on customer needs in emerging markets.

**Standardized processes –
the basis for greater efficiency and agility**

In a large company, simplified and standardized processes are an important prerequisite for greater efficiency, but also for more flexibility. We are developing a number of projects in this area. The "One BBM" project in the Mobility Solutions business sector creates the basis for simplified, cross-divisional collaboration. The goal is to standardize all processes from order placement to receipt of payment. This includes standardization of IT systems. A closely related issue is the development of central services in financial accounting (shared services). In the "OneAccounting at Bosch" project, we are bringing together all finance and accounting functions throughout the world. We intend to increase efficiency and effectiveness through consistent rules and IT standards, and by setting up a small number of specialized shared service centers.

The "target business plan" project that we have started in management accounting will have considerable implications. It will greatly simplify and speed up the process of group-wide business planning, and reduce planning effort. Targets derived from external benchmarks will be taken as the starting point for planning. The focus will then be on developing and carrying out measures designed to achieve the planning targets. We will introduce the target business plan for the first time in 2015, in the context of the 2016 business plan.

When it comes to simplifying processes, we deliberately involve Bosch associates. One example is the oneIT@i-Buy project, which creates a user-friendly environment for the procurement of indirect materials such as office supplies or IT services. The resulting Simplify! BonaPARTe procurement tool is now being introduced. A new, user-friendly interface with fewer input fields and an automatic, cross-catalog search feature quickly guides the user to the required product. A high degree of standardization and simplified sign-off rules also help speed up and simplify the operation. The "Bosch Human Resources System 3.0" project was also further rolled out in 2014. The multi-year project aims to introduce a new worldwide HR organization and an integrated information system, known as HR Global. So far it has already been introduced in more than 50 countries; by the end of 2015 it should cover more than 70.

Report on economic position

A good performance overall

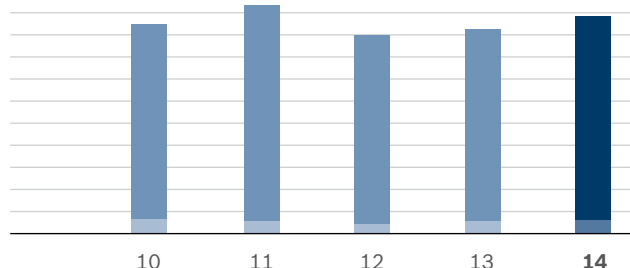
The Bosch Group developed favorably overall, despite a weak economic environment. Sales growth was greater than forecast. In addition, our earnings forecast was fulfilled. Developments varied considerably across the business sectors and regions. The most successful business sectors were Mobility Solutions and Consumer Goods, while Asia Pacific and North America reported the best sales performance regionally.

F.05

Development of sales revenue and EBIT**Bosch Group 2010–2014**

Figures in millions of euros

| | | | | | |
|---------------|--------|--------|--------|--------|---------------|
| Sales revenue | 47,259 | 51,494 | 44,703 | 46,068 | 48,951 |
| EBIT | 3,181 | 2,709 | 2,118 | 2,751 | 3,030 |



Controlling system

The Bosch value concept as the basis for control

The Bosch value concept combines value creation with value preservation in order to achieve the group's business targets even in a complex, dynamic, and volatile environment. Particularly for an unlisted company such as the Bosch Group, being able to expand and maintain profitability over the long term is crucial for financing future growth. We secure value by closely tracking cost trends and through liquidity management that includes centralized financial planning.

The main control parameters are sales growth, earnings before interest and taxes (EBIT), and the internal "operating value contribution" indicator. The operating value contribution is calculated in the same way as EBIT, but also deducts the cost of capital. Internal reporting is based in principle on the International Financial Reporting Standards (IFRS). However, in certain respects, such as recognition of impairment losses, pension provisions, and provisions for losses arising from delivery commitments, internal reporting deviates from external accounting. The earnings fluctuations associated with these factors are adjusted for operational control and the executive incentive program.

Value contribution targets are used to calculate the result-based portion of executives' variable remuneration, from section-manager level to the board of management. They are also used for calculating associates' performance-related bonuses. The value contribution is also the basis for portfolio management. The central internal reporting tool is a monthly business report,

which contains an up-to-date overview of the operating units' performance indicators. It provides both a variance analysis of target versus actual figures and a year-on-year comparison. The report is based on the business plan, which draws on comprehensive market forecasts and is embedded into longer-term strategic corporate planning.

Macroeconomic and sector-specific environment

Weak economic environment

World economic output, measured on the basis of global GDP, rose by 2.7 percent in 2014, just below our forecast of 2.8 percent. We began the fiscal year with a cautious assessment that economic conditions would improve only slightly compared with 2013. The only development we did not expect was the severe deterioration of the economy in South America, particularly Brazil. Total economic output in the advanced economies grew by 1.8 percent, somewhat stronger than the forecast of 1.6 percent. On the other hand, emerging markets grew by 4.3 percent, lagging behind our estimate of 5 percent.

At 2.7 percent, global economic growth in 2014 was again below the long-term trend of 3.3 percent. Reasons included the lingering effects of the sovereign-debt crisis in Europe, political tensions in eastern Europe, Japan's disappointing performance, and structural problems in a number of emerging markets. Added to this was the critical situation in certain countries in the Middle East. On the other hand, the North American economies performed positively. China again recorded strong growth of 7.4 percent, though this was well below the growth rates of previous years.

On average, commodity prices developed more weakly than we originally anticipated. In particular, oil and other fuel prices decreased significantly over the course of the year. Industrial and precious metal prices also fell year on year, in some cases significantly so. We believe this was due to slower growth in emerging markets and, in the case of oil and gas, increased supply. The euro performed largely as expected over the year. The average exchange rate of 1.33 euros to the dollar was slightly above our forecast of 1.30 euros. However, the euro recorded an unexpectedly sharp fall in the second half of the year.

In our core markets, the total number of vehicles produced worldwide in 2014 reached 90.4 million units, an increase of around 3 percent compared with the previous year, and thus in line with our growth forecast. Production of heavy trucks reached 3.1 million units, slightly less than the previous year. In our previous year's forecast we had assumed growth of 1 percent. Production of passenger cars and commercial vehicles in the European Union increased by 4 percent, a better performance than forecast, as we had expected only slight growth. Vehicle production in North America rose by 5 percent, a further slight year-on-year increase. Contrary to expectations, production figures in South America fell by a double-digit amount. As predicted, the strongest growth in vehicle production was in China, with an increase of 8 percent. However, this meant the growth rate fell to roughly half the previous year's. In India, production figures declined slightly owing to a weak first half-year, while our forecasts had predicted slight growth.

Weak economic performance overall in 2014 dampened global investment activity to a slightly lesser extent than in previous years. However, the performance of the mechanical engineering sector was disappointing overall. Admittedly, mechanical engineering output grew respectably, by just under 5 percent, well above the previous year's figure of 1.3 percent. However, production has stagnated since the spring of 2014. This mainly affected the emerging economies, notably Brazil and Russia, but also China to a lesser extent. In our important core European market, mechanical engineering production recovered slightly in the second half of the year, and slightly exceeded its prior-year level. Order intake also climbed slightly, which points to a moderate increase in European mechanical engineering.

Global private consumption grew by 2.3 percent in 2014, slightly below the forecast of 2.5 percent. This was mainly due to a weaker increase in emerging markets. But in the advanced economies too, consumption lagged behind our forecast. This particularly affected Japan, where households significantly reduced their spending after value added tax was increased in April 2014. Southern European countries, which were particularly affected by the European sovereign-debt crisis, showed rising levels of consumption for the first time since 2011. Global construction activity, as measured by construction expenditure, was more or less as we expected, and slightly stronger than in 2013. In the euro zone, this expenditure once again fell slightly. Moreover, construction activity in the Americas and Asia did not grow as strongly as in 2013.

Course of business and sales trend

Sales growth better than forecast

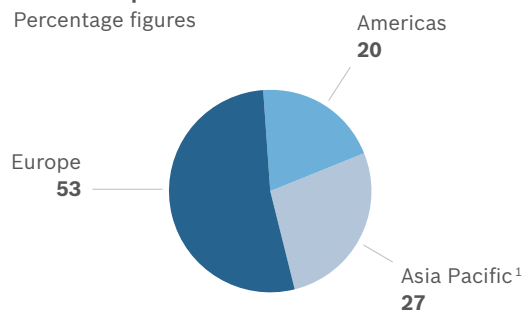
Despite only moderate global economic growth, the Bosch Group's sales rose by 6.3 percent to 49 billion euros. These figures exclude the discontinued crystalline photovoltaics business. The discontinued photovoltaics business achieved a low sales figure of 20 million euros in 2014. After adjusting for exchange-rate effects, Bosch Group sales exceeded the prior-year figure by 7.4 percent. Sales growth thus comfortably exceeded the forecast target range of 3 to 5 percent. Exchange-rate losses caused by the euro's temporary strength total approximately 500 million euros. Our forecast had assumed exchange-rate effects of around 1 billion euros. The most significant exchange-rate effects in Europe were recorded against the Russian ruble and Turkish lira, in South America against the Brazilian real, and in Asia against the Indian rupee, Japanese yen, and Korean won. On the other hand, the exchange-rate effects over the year against the U.S. dollar were comparatively small.

The sales effects as a result of divestments are in total 170 million euros higher than the effects from newly consolidated companies. The main new consolidations relate to the regional company in Indonesia, several companies in China, and Bosch Energy and Building Solutions. They are countered above all by the sale of the Drive and Control Technology division's pneumatics segment at the beginning of 2014. The complete acquisitions of the joint ventures BSH Bosch und Siemens Hausgeräte GmbH and

F.06

Sales structure by region Bosch Group 2014

Percentage figures



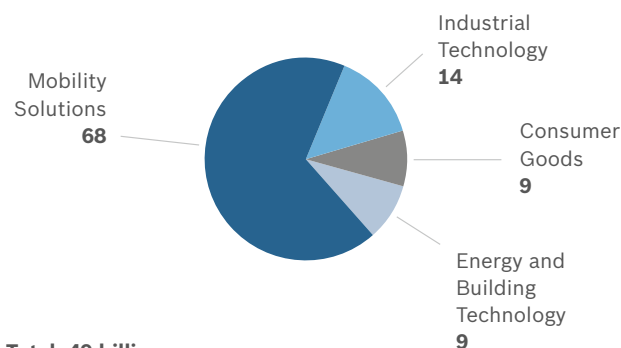
Total: 49 billion euros

¹ Including other countries

F.07

Sales structure by business sector Bosch Group 2014

Percentage figures



Total: 49 billion euros

ZF Lenksysteme will not affect the reported sales figures until 2015. The same applies to the acquisition of the U.S. building service provider Climatec. In December 2014, we disposed of our Garden and Watering unit, based in Peoria, Illinois (USA). However, this is still included in the 2014 sales figures.

Strongest regional growth in Asia Pacific

Regionally speaking, our strongest sales growth was in Asia Pacific, with a double-digit increase of 17 percent in nominal terms to 13 billion euros, and 19 percent after adjusting for exchange-rate effects. At just under 27 percent of total sales revenue, the region's share of sales reached a new high. Sales growth was especially strong in China, rising a nominal 27 percent to 6.4 billion euros. More stringent emissions regulations led to strongly increased demand for new generations of diesel and gasoline injection systems. But in other areas too, such as display systems, we achieved good growth. Sales in Korea were also very strong compared with the previous year. This is partly because we now operate the business with engine management systems for gasoline-powered vehicles ourselves, after an earlier joint venture was wound up. In India, sales growth picked up again year on year, particularly in local currency. In Japan too, we recorded significant growth in local currency terms.

In North America, sales reached 8.5 billion euros, an increase of 8.6 percent in nominal terms and 9.3 percent after adjusting for exchange-rate effects. This was primarily thanks to the Mobility Solutions business sector, but Industrial Technology also posted a good sales performance. On the other hand, we suffered a significant decline in sales in South America. In particular, Brazil's automotive industry faced a difficult economic situation, leading to a sharp decline in production figures. This was compounded by the depreciation of the Brazilian real. Sales in South America decreased by 13 percent in nominal terms to 1.5 billion

euros. After adjusting for exchange-rate effects, the decline was 4.4 percent. In Europe we were able to increase sales by 2.1 percent to 26 billion euros. This was a positive result against the backdrop of a still difficult economic situation in the euro zone, tensions in eastern Europe, and negative effects due to the sale of the pneumatics segment. In Russia, sales in euros decreased significantly, though in local currency our sales increased.

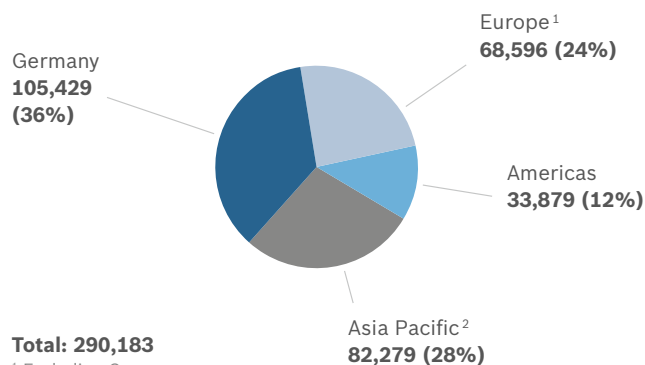
Mobility Solutions the fastest growing business sector

Performance also varied by business sector. As forecast, sales in the Mobility Solutions business sector rose by more than the average for the company as a whole. Sales rose 8.9 percent to 33.3 billion euros, an increase of 9.9 percent after adjusting for exchange-rate effects. In particular, there was strong demand for modern gasoline direct injection systems, transmission control systems, and continuously variable transmissions in 2014. Especially in Europe and China, our diesel technology business benefited from the ramp-up of new injection systems that meet the more stringent new Euro 6 and China IV exhaust emission standards. Exhaust-gas treatment systems remained very much in demand.

We achieved strong growth with innovative infotainment systems. There was a very substantial increase in demand for driver assistance systems. Brake control systems also developed favorably. Sensors, particularly sensors for consumer electronics, performed very positively. We also enjoyed great success in drive systems and control units for bicycles with an additional electric drive. In the Starter Motors and Generators division, we were successful with new generations of products such as start-stop systems. Bosch alternators for commercial vehicles were also in demand. The Electrical Drives division noticed the effect of its improved competitive position, which was due to

F.08

Associates by region Bosch Group 2014, as per Dec. 31, 2014



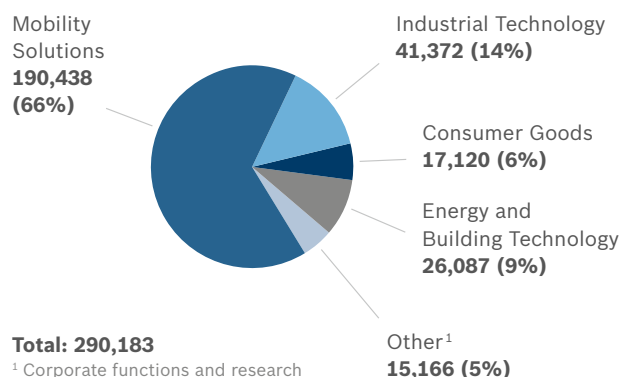
Total: 290,183

¹ Excluding Germany

² Including other countries

F.09

Associates by business sector Bosch Group 2014, as per Dec. 31, 2014



Total: 290,183

¹ Corporate functions and research

new heating and air-conditioning products. The spare parts business declined somewhat in 2014, especially in the independent aftermarket segment.

42

Sales in the Industrial Technology business sector continued to lag behind forecast. Sales declined by 2.0 percent in nominal terms to 6.7 billion euros, a drop of 1 percent allowing for exchange-rate effects. However, this was partially due to the disposal of the Drive and Control Technology division's pneumatics business at the beginning of 2014. Excluding these consolidation effects, sales increased by 2.5 percent, and 3.6 percent after adjusting for exchange-rate effects. Continuing economic weakness in the mechanical engineering segment particularly affects the Drive and Control Technology division. The market in China especially, where we made substantial investments in previous years, performed less well than expected. The packaging machinery business was stable, but there were regional differences. High growth rates in North America and eastern Europe were offset by declines in Asia and South America. Packaging machinery for the pharmaceuticals industry performed well, as did services. Our business with major international companies in the foodstuffs sector was also successful.

In the Consumer Goods business sector, sales rose by 5.0 percent in nominal terms to 4.2 billion euros, an increase of 7.0 percent after adjusting for exchange-rate effects. The sales figure relates to the Power Tools division only, as the previous fifty-fifty joint venture BSH was not yet consolidated in 2014. Power Tools again achieved very good results with a range of innovations. This concerns not only the expansion of our range of high-performance cordless appliances, but especially also laser devices in the measuring tools segment. The PLR15 digital laser rangefinder, aimed at the DIY market, has been sold nearly one million times

since its launch at the end of 2013. Demand for garden tools and accessories was also good.

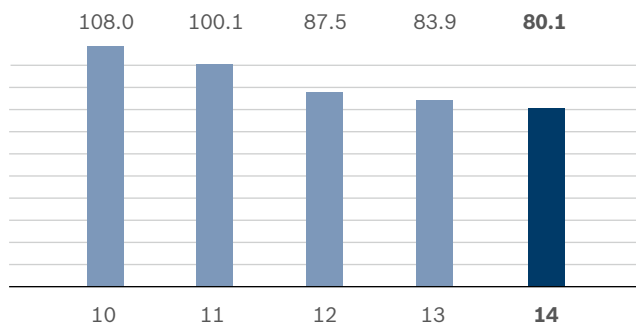
In the Energy and Building Technology business sector, we achieved sales of 4.6 billion euros with the Thermotechnology and Security Systems divisions. This was a nominal 1.7 percent above the previous year's figure, or 2.6 percent adjusted for exchange-rate effects. The Thermotechnology division was affected by the weakness of the German market. Demand in Russia also fell significantly short of expectations. On the other hand, the business performed well in the important U.K. market. The service subsidiary Bosch Energy and Building Solutions, consolidated for the first time, generated strong sales growth. The Security Systems division increased its sales in the building technology business, especially in its main market Germany, and in the product business, particularly in the case of IP-based video systems and portable speaker systems.

Rise in number of associates worldwide

Disregarding the joint-venture takeovers that have since been closed, the number of Bosch Group associates worldwide rose by 8,800 to 290,200. It should be noted that the 2,100 associates of the now divested pneumatics segment of the Drive and Control Technology division, as well as the workforce of the discontinued crystalline photovoltaics operations, were still included in the previous year's figures for 2013. Shortly before the end of 2014, we disposed of our Garden and Watering unit in the U.S., with its workforce of around 460. On balance, the effects of consolidation on headcount canceled each other out in 2014. Through first-time consolidations, 4,400 associates were added, while 4,200 people ceased to be employed by the Bosch Group owing to deconsolidation and divestments.

F.10

Development of CO₂ emissions Bosch Group

As a percentage of value added¹

¹ Difference between total net sales (third-party sales, intercompany sales, internal deliveries) and planned cost of materials procured externally

The biggest change in associate numbers took place in Asia Pacific (which in this case comprises other regions including Africa). The number of associates there rose by 8,800 to 82,300. In Europe, the number of associates was virtually unchanged at 174,000. The reduction caused by the disposal of pneumatics and photovoltaics was offset by expansion in Romania, Turkey, and Hungary. In Germany, the number of associates declined by 1,900 to 105,400, again largely due to consolidation effects. In North and South America, the number of associates increased by a total of roughly 400 to 33,900. The number in North America rose by around 700 to 25,300. In South America, it fell slightly by some 300 to 8,600. The number of associates employed worldwide in research and development increased by approximately 3,000 in 2014, to 45,700.

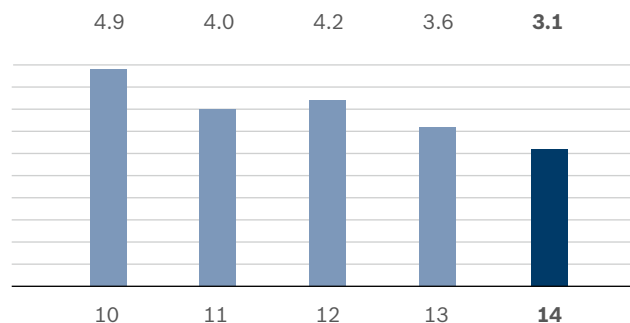
Training and continuing professional development are very important at our company. Worldwide, around 6,100 young people were in apprenticeship schemes at Bosch in 2014. Germany leads the field here with 4,300 apprentices. This is due to the strong tradition of dual education in companies and schools. At our locations worldwide, moreover, we have many training centers of our own that provide training specifically for technical trades. These include locations in France, Turkey, India, China, and Vietnam, as well as Brazil and North America. In 2014, we created around 100 additional apprenticeships for young people from southern Europe, about half of them in their countries of origin (Spain, Portugal, Italy) and half in Germany.

In 2014, we spent around 200 million euros on associate training, providing a total of 46,000 classroom-based events for 515,000 participants, significantly more than the previous year. On average, each of our associates attended 1.8 classroom-based events. In addition, 300,000 web-based training modules were

F.11

Development of occupational health and safety Bosch Group accident rate, 2010–2014

per million hours worked



completed. The Robert Bosch Kolleg offers continuing professional development at college level for specialists and executives.

We made further progress toward our goal of further increasing the number of international executives and of women in leadership positions. In the overwhelming majority of our focus countries, the percentage of local executives now stands at over 80 percent. We managed to raise the share of women in leadership positions, from 12.2 percent in 2013 to 12.9 percent in 2014. Our target is 20 percent by 2020. In countries such as China or Spain, this target is already exceeded. In 2014 we held our first global Diversity Day. For 24 hours, there were participative campaigns, discussions, and networked events around the world, designed to demonstrate the diversity within the Bosch Group. Diversity also means having mixed-age teams. Bosch has operated a senior expert model for the last 15 years. Besides Germany, Bosch Management Support GmbH has subsidiaries in the United Kingdom, the United States, Japan, Brazil, and India. At the present time, 1,600 former associates who retired for age reasons make their experience and expertise available when professional advice is needed for a limited period.

Great importance of environmental protection and occupational health and safety

Bosch has always considered environmental protection and occupational health and safety to be very important. Moreover, Robert Bosch GmbH has been a member of the United Nations Global Compact since 2004, and is committed to its ten worldwide principles for responsible corporate management.

For us, “Invented for life” is also about reducing the environmental impact of our production processes. Our target for 2020 is to cut relative, production-related CO₂ emissions from our locations

T.01

Most important items of the income statement

Figures in millions of euros

| | 2014 | 2013 |
|---|---------------|---------------|
| Sales revenue | 48,951 | 46,068 |
| Cost of sales | -31,963 | -30,460 |
| Gross profit | 16,988 | 15,608 |
| Distribution and administrative cost | -9,469 | -8,562 |
| Research and development cost | -4,959 | -4,543 |
| Other operating income and expenses | 214 | 86 |
| Profit from entities consolidated using the equity method | 256 | 162 |
| EBIT | 3,030 | 2,751 |
| Financial income | 345 | 76 |
| Profit before tax | 3,375 | 2,827 |
| Income taxes | -714 | -540 |
| Profit after tax | | |
| from continuing operations | 2,661 | 2,287 |
| from discontinued operations | -24 | -1,036 |

44

by 20 percent from their 2007 level. In 2014, CO₂ emissions were already 19.9 percent lower than the 2007 reference level. At 2.5 million metric tons, they were on the same level as in the previous year. The effects created by the disposal of the energy-intensive photovoltaics business and by the first-time consolidation of energy-intensive sites such as the spark plug manufacturing facility in Nanjing largely balance each other out.

Our total energy consumption came to 6,102 gigawatt hours (previous year: 6,218 gigawatt hours). We are achieving further improvements with regard to CO₂ emissions through measures aimed at optimizing the energy value stream. For example, we have optimized the control unit assembly lines in the Automotive Electronics division. As a result, we are saving around 3,000 metric tons of CO₂ there.

We also attach immense importance to making continuous improvements in occupational health and safety. The total number of job-related accidents stood at 1,660 in 2014, compared with 1,787 in 2013. The relative number of job-related accidents per million hours worked further decreased to 3.1 (previous year: 3.6). This figure was also well below the current target figure of 3.4. We intend to make further progress in the coming years, and have therefore started worldwide training for executives using web-based training modules.

Results of operations

Further improvement in operating result

We fulfilled our forecast for result in 2014. In our continuing operations, we were able to slightly improve EBIT (earnings before interest and taxes). It rose to 3 billion euros, compared with a like-for-like previous-year figure (excluding the discontinued operations in crystalline photovoltaics) of 2.8 billion euros.

In 2014, the impact on result due to discontinued operations was small. The related decline in EBIT amounted to 24 million euros. We improved EBIT margin by 0.2 percentage points to 6.2 percent, and by approximately one percentage point excluding exceptional items and consolidation effects. Last year's exceptional net gain of 370 million euros, which resulted from the revaluation of the assets of the Chinese subsidiary United Automotive Electronic Systems Co., Ltd., Shanghai, is significant in this respect. The company was fully consolidated for the first time in 2013.

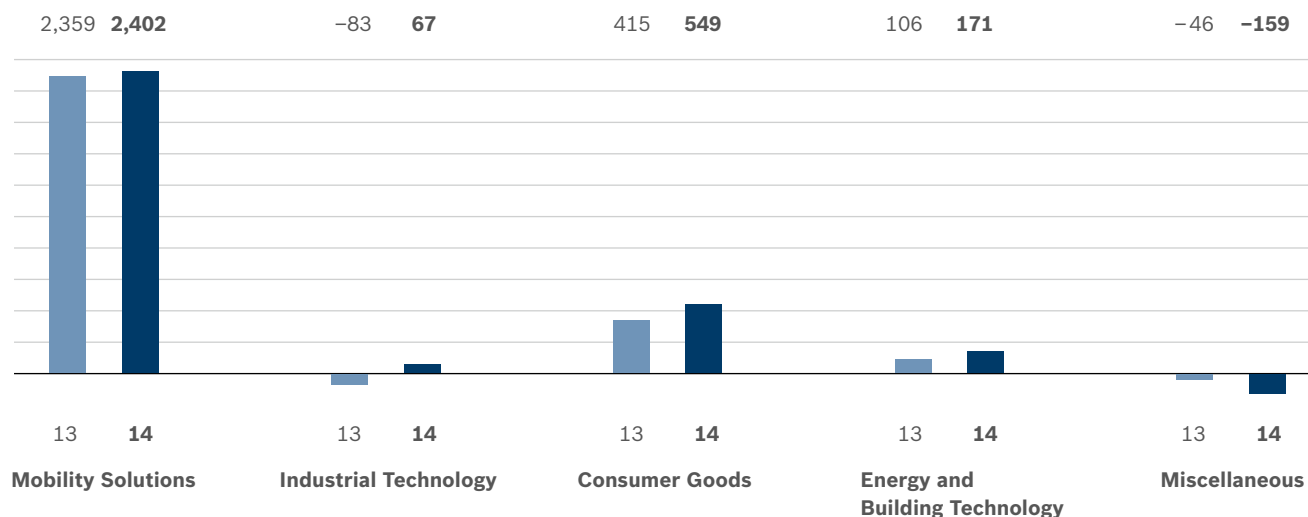
The improvement in result is a further step toward our target EBIT margin of 8 percent. Compared with the previous year, and including the separately reported activities in crystalline photovoltaics, EBIT improved quite significantly. Including the cost of exiting this business, in 2013 we posted EBIT of only 1.5 billion euros and an EBIT margin of 3.2 percent.

Of the most important income-statement items, cost of sales increased by just under 5 percent, and thus at a slower rate than sales. Gross profit as a ratio of sales thus improved by roughly one percentage point year on year. Distribution and administrative cost increased by some 11 percent, and thus at a higher rate than sales. This was due to additional burdens in sales, mainly as a result of higher warranty provisions. At 5 billion euros, research and development cost is some 400 million euros higher than in the previous year. R&D intensity rose to 10.1 percent, compared with 9.9 percent in the previous year. The Mobility Solutions business sector accounted for around 82 percent of development costs, while Industrial Technology accounted for around 8 percent, and Consumer Goods (including other activities) and Energy and Building Technology for roughly 5 percent each.

F.12

EBIT by business sector Bosch Group 2013/2014

Figures in millions of euros



Profit before tax totaled 3.4 billion euros and corresponded to a margin of 6.9 percent. At 345 million euros, financial income is 269 million euros up on the previous year. The main reasons are positive effects from changes in exchange rates and an improved investment result. We thus report an improved profit after tax from continuing operations of 2.7 billion euros, compared with 2.3 billion in the previous year. Including the discontinued photovoltaics business, we achieved an after-tax profit of 2.6 billion euros in 2014, compared with 1.3 billion euros in 2013.

Our internal control parameter, the operating value contribution, is calculated only for the consolidated group used in internal reporting. The operating value contribution – exclusive of all activities in photovoltaics – is positive at around 400 million euros. In 2013, operating value contribution was negative, at minus 220 million euros. The significant improvement in the operating value contribution relative to EBIT is especially due to the different method of calculation. The operating value contribution was not affected by the non-recurring net gain as a result of the revaluation of the assets of the Chinese subsidiary United Automotive Electronic Systems in the previous year.

The most crucial difference between EBIT and the operating value contribution is the imputed 2.6 billion-euro (previous year: 2.5 billion-euro) cost of capital, which reduces the operating value contribution compared with EBIT. Further differences in depreciation and amortization and other items total some 0.1 billion euros (previous year: 0.5 billion euros).

Of our business sectors, Mobility Solutions generated EBIT of 2.4 billion euros, or an EBT margin of 7.2 percent. Margin was thus lower than in the previous year. To a large extent this was

due to the extraordinary net gain of the revaluation of assets following the full consolidation of the Chinese company United Automotive Electronic Systems in the previous year. Without this one-off effect, the year-on-year improvement in result is roughly 0.9 percentage points. On the other hand, the revaluation of the net assets of United Automotive Electronic Systems in the previous year will lead to increased depreciation and amortization from 2014 onward. Additional quality provisions also have a negative impact.

Due to a sluggish performance, the Industrial Technology business sector posted a positive result of only 67 million euros, which was however an improvement on the negative EBIT of around 80 million euros reported in the previous year. We have launched an extensive program to improve the business sector's result. EBIT in the Consumer Goods business sector amounted to around 550 million euros (previous year: 415 million euros). The double-digit margin of 13.1 percent was attributable to the inclusion of the pro-rata after-tax income of the joint venture BSH Bosch und Siemens Hausgeräte GmbH. In the Energy and Building Technology business sector, we increased result to around 170 million euros, against 106 million euros in the previous year. Margin was 3.7 percent, compared with 2.3 percent the previous year. We are working hard to further improve the business sector's profitability.

Net assets and financial position

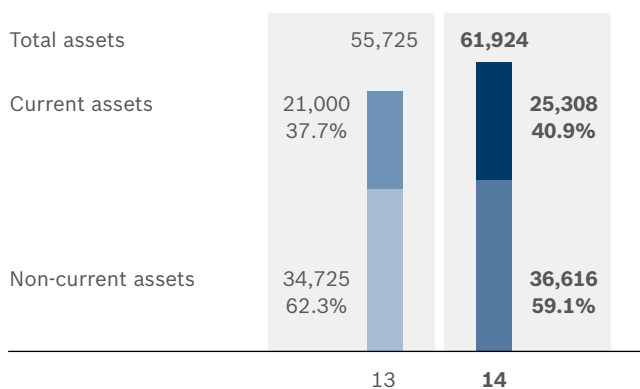
Very solid statement of financial position

As before, the statement of financial position remains very solid. Our 2014 equity ratio was roughly 48 percent, compared with roughly 50 percent the previous year. This still includes

F.13

**Structure of the statement of financial position
Bosch Group 2013/2014**
Assets

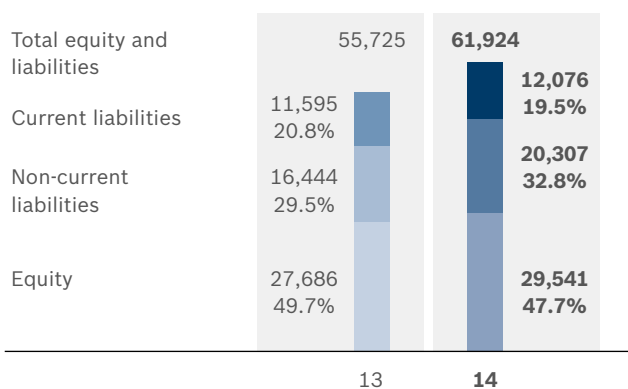
Figures in millions of euros and as a percentage of total assets



F.14

**Structure of the statement of financial position
Bosch Group 2013/2014**
Equity and liabilities

Figures in millions of euros and as a percentage of total equity and liabilities



only the pro-rata share of equity of the joint venture companies fully taken over by the beginning of 2015. On the balance-sheet date, total assets stood at 61.9 billion euros, against a prior-year comparative figure of 55.7 billion euros.

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The increase in assets was primarily due to a 2.4 billion-euro increase in financial assets. Liquidity as reported in the statement of financial position stood at 15.6 billion euros on the balance-sheet date, compared with 13.2 billion euros in the previous year. Apart from cash and cash equivalents, liquidity as per the statement of financial position includes marketable securities and bank balances with a term of more than 90 days. Thanks to good financial resources, we were able to finance the acquisition of all shares in the previous fifty-fifty joint ventures without difficulty. Non-current assets also increased disproportionately. Other key factors included an increase in property, plant, and equipment, higher trade receivables, and larger inventories as a result of increased sales and exchange-rate effects.

The biggest changes in equity and liabilities concerned the provisions reported under non-current liabilities, mainly because of higher pension provisions. Due to the reduction in discount rates, particularly for pension obligations in Germany, these had to be adjusted from an average of 3.5 percent in the previous year to 2 percent. The resulting increase in pension provisions was recognized in other comprehensive income, which negatively impacted equity by 1.8 billion euros. In total, however, equity rose by a total of 1.9 billion euros to 29.5 billion euros, essentially due to the good earnings situation and to exchange-rate effects. Other significant changes on the equities and liabilities side involved financial liabilities, which increased by approximately 700 million euros.

We took advantage of favorable interest rates to place two new bonds with maturities of 10 and 25 years for a total volume of 1 billion euros. The bond placement increased the proportion of financial liabilities raised in the capital markets, while lowering the level of bank borrowings. The bond interest rates are between 1.543 percent and 5.125 percent. The average maturity of the financial liabilities also increased because of the long terms of the new borrowings. Nonetheless, the more favorable interest rates meant that the average interest rate of the financial liabilities was reduced. Most of the remaining financial liabilities are denominated in euros.

Rise in capital expenditure

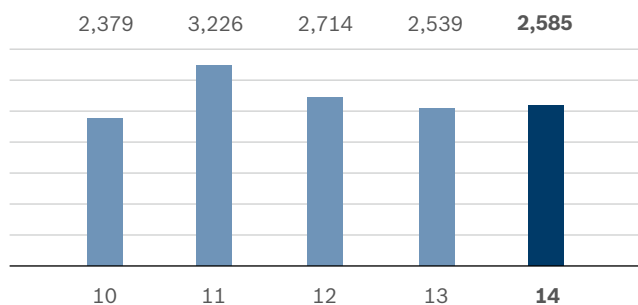
Bosch Group capital expenditure amounted to approximately 2.6 billion euros in 2014, some 50 million euros more than in 2013. As at the balance-sheet date, existing investment commitments as a result of orders already placed totaled roughly 500 million euros. Thanks to our very good liquidity position, we have ample financial resources at our disposal.

We invested around 1.7 billion euros in our European locations, compared with 1.6 billion euros in the previous year. Capital expenditure in Germany was roughly 1.1 billion euros, compared with 910 million euros the previous year. Focal points included the expansion of capacity for semiconductors and sensors, particularly at the Reutlingen location, and in the areas of gasoline direct injection systems and diesel technology. We also started moving into the new research center in Renningen, close to our corporate headquarters, which will be completed in 2015. This multi-year investment project will cost around 300 million euros in total. Another large-scale, multi-year project is the expansion of the main distribution center for vehicle spare parts in Karlsruhe.

F.15

Capital expenditure Bosch Group 2010–2014

Figures in millions of euros



There was significant investment in Europe outside Germany in the new automotive technology plant in Samara, Russia, though we are diluting our plans somewhat in view of the market situation. Among other things, it will manufacture antilock braking systems, wiper systems, and alternators; later it will also manufacture starters. In addition, the Thermotechnology division opened a new plant in Engels, Russia, in 2014, where we manufacture industrial boilers and wall-mounted conventional boilers. We also completed our new Russia headquarters in Moscow and further expanded the development center in Budapest. At our location in Cluj, Romania, we started manufacturing operations for electronic control units. In Bursa, Turkey, we expanded our manufacturing operations for high-pressure injectors for diesel vehicles. For this, we are investing around 300 million euros in total between 2013 and 2015.

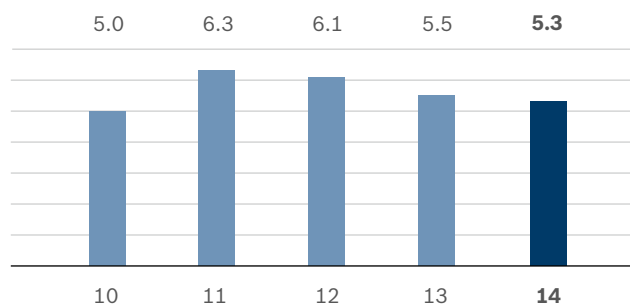
In Asia Pacific, we invested around 620 million euros, after 615 million euros the previous year. Here, the investment in expanding capacity related especially to locations where we produce diesel and gasoline direct injection systems, above all in China. We also set up a new location in Qingdao, China. In Ho Chi Minh City, Vietnam, we began the construction of a new development center. Another focal point was India, where we invested around 160 million euros in the expansion of existing manufacturing facilities and a new software and engineering center at the Bangalore location.

In North and South America, we invested some 220 million euros, compared with 290 million euros in 2013. The main focus of these investments in the Americas included the expansion of the engineering location in Plymouth, Michigan (USA), and of the manufacturing sites in Toluca and Juárez, Mexico. Moreover,

F.16

Capital expenditure Bosch Group 2010–2014

As a percentage of sales revenue



we began producing the latest generation of ABS and ESP® systems at our plant in Aguascalientes, Mexico, in 2014, and expanded our capacity accordingly. We also opened our first center for software development and engineering services in the Americas. Located in Guadalajara, Mexico's second largest city, we are investing around 5 million dollars in the first phase. The development center will offer cross-divisional programming and calibration services, mainly for the automotive industry and other Bosch locations in North and South America.

Broken down by business sector, we invested 2.2 billion euros in Mobility Solutions, as in the previous year. In Industrial Technology, we invested some 170 million euros, after 165 million euros the previous year. We invested approximately 130 million euros in the Consumer Goods business sector, compared with 120 million the previous year, and in Energy and Building Technology we invested 70 million euros, following 80 million the previous year.

Liquidity

Strong financial position and healthy liquidity situation

The Bosch Group has a strong financial position. In 2014, cash flow was 4.9 billion euros or 9.9 percent of sales, against comparative prior-year figures of 4 billion euros or 8.6 percent of sales. The increase is primarily due to the significant improvement in profit before tax.

Liquidity at year-end as per the consolidated statement of cash flows (cash and cash equivalents) stood at 5.5 billion euros, compared to 3.8 billion euros the previous year. In addition, the available financing under our euro medium-term note and

T.02

Bosch Group, statement of cash flows

Figures in millions of euros

| | 2014 | 2013 |
|---|--------------|--------------|
| Cash flow | 4,866 | 3,956 |
| as a percentage of sales | 9.9 | 8.6 |
| Liquidity at the beginning of the year (Jan. 1) | 3,799 | 3,120 |
| Cash flows from operating activities | +3,835 | +4,276 |
| Cash outflows from investing activities | -2,772 | -3,872 |
| Cash flows from financing activities | +470 | +302 |
| Other activities | +181 | -27 |
| Liquidity at the end of the year (Dec. 31) | 5,513 | 3,799 |

commercial paper programs totaled 4.25 billion euros and 2 billion U.S. dollars.

Cash inflows from operating activities are a good 0.4 billion euros lower than in the previous year. This was due to lower increases in provisions and a year-on-year fall in liabilities. Cash outflows from investing activities were 1.1 billion euros lower than in the previous year. This was especially due to the reduced use of securities as a capital investment. The cash inflow from financing activities was 0.2 billion euros higher than in the previous year. A key factor was the higher net cash inflow from financial liabilities.

The Bosch Group has a central financial and currency management system. This is designed to control payment flows to optimum effect and to limit the risks of currency exposures at the Bosch Group level. Central financial management also manages our borrowings and investments. Our investment strategy is therefore aimed at broad diversification of shares and interest-bearing securities. Standard & Poor's reaffirmed Robert Bosch GmbH's long-term rating of AA- (with a "stable" outlook).

Report on post-balance sheet date events

Joint venture acquisitions change structure

The complete takeover of the two previous fifty-fifty joint ventures ZF Lenksysteme and BSH Bosch und Siemens Hausgeräte GmbH had a significant impact on the group's figures. As joint ventures, they were recognized only with their pro-rata equity capital in the statement of financial position and with their pro-rata after-tax income in the EBIT of the respective business sectors and the consolidated financial statements.

If their sales figures are included completely in the 2014 financial statements, the Bosch Group's sales figure, on a like-for-like basis (also excluding discontinued operations in crystalline photovoltaics), is just under 7 percent higher than in 2013, at some 64 billion euros. The sales of the Mobility Solutions business sector increase by roughly 9 percent to some 37 billion euros. In view of the good sales performance of BSH, the sales of the Consumer Goods business sector rise by some 7 percent, reaching approximately 15.5 billion euros. Full consolidation considerably alters the relative shares of sales among the business sectors. The boost to the Consumer Goods business sector improves the balance between Mobility Solutions and the other three business sectors. If the joint ventures' associates are fully included, headcount increases by around 68,000 to approximately 357,800. Here too, the share of the Consumer Goods business sector increases significantly.

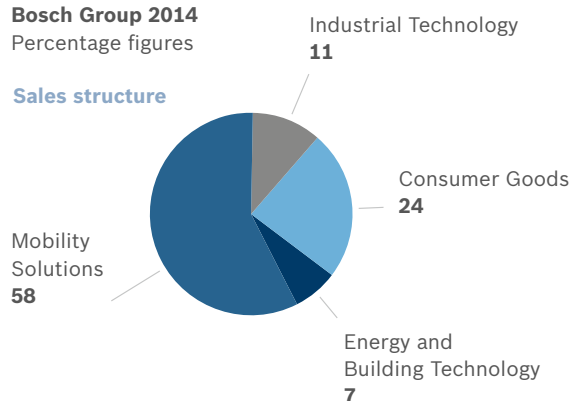
Still applying this premise, the Bosch Group's operating EBIT comes to 3.7 billion euros, with a margin of just under 6 percent. EBIT is roughly 0.5 billion euros higher than the comparative value for 2013, and margin nearly half a percentage point higher. This does not take account of the effects on earnings of the forthcoming revaluation of the at-equity shares of the two joint ventures due to the takeovers, as these do not have to be disclosed until 2015. For the Mobility Solutions business sector, this would result in EBIT of 2.6 billion euros and a margin of some 7 percent, and for Consumer Goods roughly one billion euros and just under 7 percent.

Apart from this, there were no events of material importance subsequent to the end of the reporting period that have not been covered in the business report section.

F.17

Pro forma statements¹ Bosch Group 2014 Percentage figures

Sales structure



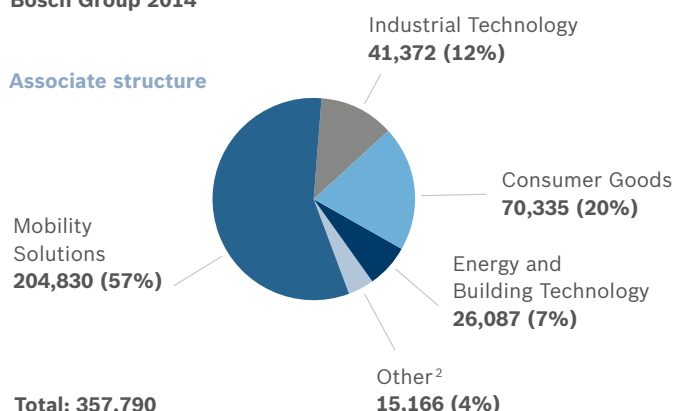
Total: 64 billion euros

¹ Complete pro forma inclusion of the former joint ventures BSH Bosch und Siemens Hausgeräte and ZF Lenksysteme

F.18

Pro forma statements¹ Bosch Group 2014

Associate structure



Total: 357,790

¹ Complete pro forma inclusion of the former joint ventures BSH Bosch und Siemens Hausgeräte and ZF Lenksysteme

² Corporate functions and research

Outlook

Economic prospects remain subdued

For 2015, we expect a further year of subdued economic growth. We anticipate global economic growth of 2.7 percent. Growth will therefore remain similar to the 2014 level and well below the long-term trend of 3.3 percent. The advanced economies are likely to achieve growth of just under 2 percent, helped above all by robust growth in the U.S., where we expect GDP to increase by 2.5 percent. In the European Union, we are assuming that growth will remain sluggish in 2015 as well, reaching approximately 1.3 percent – a similar level to 2014. Stronger momentum is building in Spain and Portugal, but the French and Italian economies will likely do no more than stagnate in 2015.

The slow pace of reforms and continuing uncertainty about the future of monetary union will depress the investment climate, even in the economically stronger countries. In Germany, as a result, we expect economic output to rise by little more than 1 percent in 2015.

Globally speaking, the strongest momentum is likely to continue to come from the emerging markets, particularly in Asia. However, at just over 4 percent, their rate of growth will not accelerate significantly compared with 2014, and will remain well below the long-term average. As concerns the prospects for South America, we are very cautious. In addition, the outlook for the Russian economy has deteriorated significantly. In China, growth is expected to be slightly below the 2014 level.

The ongoing euro crisis, structural weaknesses in emerging markets, and the various geopolitical hotspots pose significant risks in 2015. These are counterbalanced by the positive effects of low

oil prices, which provide economic stimulus for industrialized countries particularly. Nonetheless, given the many burdens and the geopolitical risks, we continue to take a cautious view of future economic developments.

In our core markets, our assumption is that global production figures for passenger cars and commercial vehicles will grow by some 3 percent, to approximately 93 million vehicles. In the heavy-truck segment, there are signs of slight growth. Once again, the biggest increase in overall production of passenger cars and commercial vehicles is expected to be in China.

In mechanical engineering, we see only a small chance of a sustainable recovery and expect somewhat reduced production growth of around 4 percent compared with 2014. Many customers are still operating at less than capacity, and there is continuing uncertainty about the future economic performance of some emerging markets and the euro zone. We are more optimistic about the prospects for the U.S., where a generally stable economic situation should encourage companies to invest.

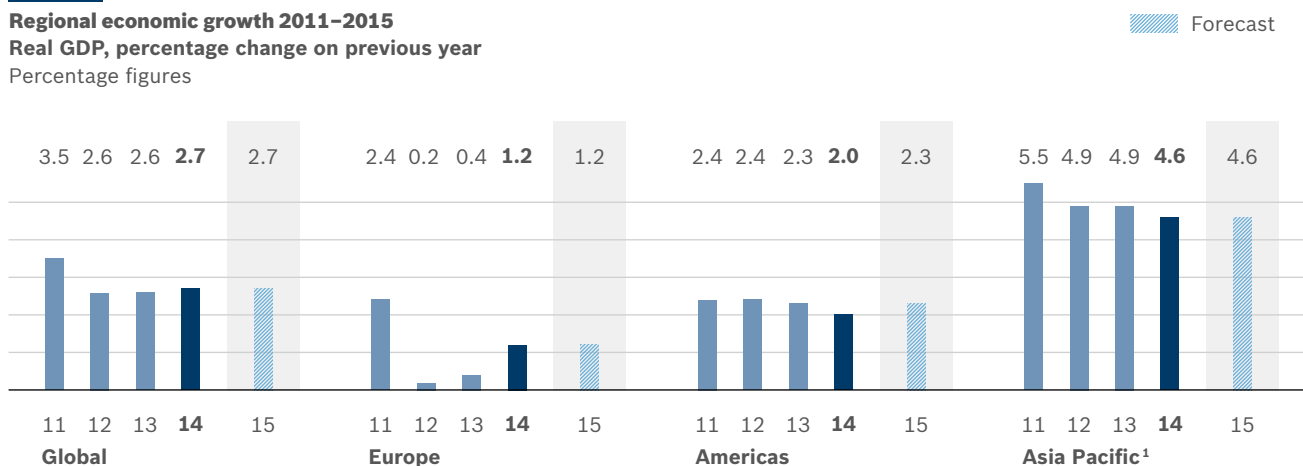
Private demand is expected to improve on a global level. Especially in the southern European markets which are important for our business, generally stronger growth is expected for 2015. Another supporting factor is the low oil price, which significantly increases purchasing power despite the weaker euro. We believe that the global construction business – another important market – will again see growth in 2015, at roughly the same level as in 2014. Impetus will come mainly from North America, but increasingly from the euro zone as well.

Sales growth and improved profitability

Against the backdrop of a still subdued economic environment,

F.19

Regional economic growth 2011–2015
Real GDP, percentage change on previous year
 Percentage figures



¹ Including other countries

we anticipate sales growth for the Bosch Group in a range of 3 to 5 percent in the 2015 financial year. The forecast includes the fully acquired companies BSH Hausgeräte GmbH and Robert Bosch Automotive Steering GmbH as of the respective closing dates, and is calculated relative to a pro-forma base figure of around 64 billion euros in 2014. The Mobility Solutions business sector is expected to increase its sales by a significantly larger amount than the company as a whole, and to exceed the target range.

We also plan to at least slightly improve the operating EBIT of the Bosch Group on this basis. Moreover, the revaluation of the at-equity assets of BSH Hausgeräte and Robert Bosch Automotive Steering will lead to an extraordinary gain in EBIT; in subsequent years, however, the revaluations will lead to increased depreciation and amortization, with a negative impact on earnings. It is not yet possible to make a reliable forecast for operating value contribution based on the new scope of consolidation. The forecast improvements in EBIT relate especially to the Mobility Solutions business sector.

Report on opportunities and risks

Opportunities

Overall, we continue to see good growth opportunities for the Bosch Group. This is also reflected in our long-term target for annual sales growth in the consolidated group. For the consolidated group that has existed up to now, this target has averaged 8 percent. This assessment is essentially unchanged compared with the previous year. Reasons for this include our favorable position as a result of a broad sectoral presence, our high level

of innovation, and our strong international presence. Special strategic opportunities will arise as a result of the growing importance of energy efficiency (and hence resource conservation), electrification, automation, the further expansion of our presence in emerging markets, and increased connectivity, especially through the internet of things. For further explanations, see the “Opportunities, objectives, and strategy” section, which describes specific opportunities in more detail, as well as the strategies that we are developing in response.

Risks

Comprehensive risk management system

The Bosch Group’s risk management system is part of strategic and operations control. From strategic planning at the group level through medium-term planning by the operating units to our operational controlling, we consistently use risk management tools. At all levels of risk management, a key element is defining and implementing measures derived from the risk management system. The board of management of Robert Bosch GmbH – with support from the corporate departments – is responsible for risks of group-wide importance. The executive management of the divisions and the presidents of the regional organizations are responsible for identifying risks at the point of origin and for managing any necessary measures.

Strategic risks relate mainly to market developments and competitors, innovations in technologies and business models, acquisitions, and the Bosch brand. Therefore we constantly monitor developments at our main competitors. We also carry out business-field, competitor, and scenario analyses. In addition, we prepare forward-looking assessments of planned positions of the Bosch Group in the technological fields and business

models relevant to our company. Comprehensive strategic assessments of potential projects help control risks associated with acquisitions. To protect our brand, we carry out proactive reputation management, analyze social media, and carry out activities of our own in this area.

As part of operational controlling, an overview of all economically relevant transactions is compiled every month on the basis of a comprehensive reporting system, along with a list of major opportunities and risks. At meetings of committees such as the foreign exchange, raw materials, and investment committees, specific risks are examined on a regular basis. We have a group-wide liquidity planning system and permanently monitor our financial resources.

Overall risk assessment

We are not currently aware of any risks, beyond the market-related risks mentioned in the outlook above and the risks of the business sectors listed in this report, which could materially affect the net assets, financial position, and results of operations of the Bosch Group in 2015. Nor does the Bosch Group have any risk exposures that could jeopardize the group's continued existence as a going concern. An overall assessment of all risks confirms that our forecast is plausible. There are no significant differences from the previous year that would affect this overall assessment.

Risks affecting the business sectors

We analyze the medium-term risks for the business sectors in the risk areas of market, customers, competition, purchasing, technology, value-creation model, and business environment. The risks for our company are predominantly in the areas of market, customers, and competition. We assess any medium-term risks that we identify. An important criterion here is the product of the estimated economic impact and the estimated probability of occurrence.

| Probability of occurrence | Description |
|---------------------------|------------------|
| Low | Up to 16 percent |
| Medium | Up to 33 percent |
| High | Up to 50 percent |

Risks with a probability of occurrence of at least 50 percent are considered in our annual or interim forecasts. The assessment is based on our current planning.

We categorize these risks' economic impact as low, medium, high, and very high in terms of their relation to the anticipated accumulated EBIT of the respective business sector over a medium-term horizon of four years.

| Degree of impact | Definition of impact |
|------------------|---|
| Low | Minor impact on the profitability of the business sector concerned |
| Medium | Some negative impact on the profitability of the business sector concerned |
| High | Considerable negative impact on the profitability of the business sector concerned |
| Very high | Damaging negative impact on the profitability and operations of the business sector concerned |

Particular risks, that is to say, risks with at least a medium economic impact and probability of occurrence, relate in the case of the Mobility Solutions business sector to changes in automobile manufacturers' terms of delivery that could potentially be at automotive suppliers' expense. In addition, a large number of particular risks exist, each with low economic impact and different probabilities of occurrence. These particular risks relate above all to achieving target market shares and delivery shares, the targets for market positions in emerging countries, price trends, market changes due to new business models, technologies, competitors, environmental aspects, and potential substitution of diesel with natural gas. We counter these risks through extensive planning and tracking of results in acquiring delivery contracts, deliberate expansion of our presence in emerging markets, a broad customer and product portfolio, intensive market surveillance, and global trend scouting.

Added to this, extensive warranty exposure presents a fundamental risk. Due to automakers' extensive platform and modular-design strategies, quality issues relating to individual products can result in large-scale recalls. We counter these risks with continuous improvement of our quality management system.

In the Industrial Technology business sector, the Drive and Control Technology division is exposed to high and very high risks with at least medium probability of occurrence. These relate to the particular volatility of markets, increased price erosion, and growing competition partly as a result of market consolidation. We counter these risks with a product portfolio that is tailored specifically to the needs of the market and a comprehensive restructuring program.

In the Consumer Goods business sector, in which BSH is not yet included, particular risks concern above all the growing importance of sales over the internet. Measures include the consistent expansion of our own internet activities. In the Energy and Building Technology business sector, particular mention should be made of risks of price erosion due to increasing competition from Asian suppliers and of sales risks due to the high pace of innovation in IP technologies. In addition, there are risks associated with a potential trend toward low-price products, declining purchasing power in western Europe, rising personnel costs in the services business, and the proliferation of internet-based business models. Measures mainly concern the increased development of IP-enabled products and products for low-price market segments. We are also increasing productivity in the services business.

Due to our broad regional and sectoral presence, medium-term strategic and operating risks are on the whole broadly diversified. Our risk management system clearly presents the existing risks affecting each of the business sectors. By implementing deliberate measures, we limit both the probability of occurrence and the economic impact of the risks. Overall, the analysis of opportunities and risks shows that we operate in an environment rich in opportunities. Accordingly, there are currently no foreseeable sustained or severe threats to our profitability.

Risk management in group accounting

The internal control and risk management system for group accounting ensures proper accounting and financial reporting. The main components are a mandatory group-wide chart of accounts, mandatory standards for bookkeeping systems, group-wide accounting manuals, and software for recording the necessary data and for consolidation. Changes in legislation or accounting standards are examined with regard to their relevance to the consolidated financial statements and are included during regular updating in the accounting manuals, charts of accounts, and consolidation software. Group-wide compliance is ensured through controls and technical advice from the corporate accounting department.

The consolidated financial statements are prepared centrally on the basis of data reported by subsidiaries. The data are initially checked for plausibility by the corporate accounting department, with the data being reviewed from different regional and specialist perspectives. Consolidation then follows. The principle of dual control applies at every level. The quality of data recording and consolidation is ensured by means of authorization and access regulations. The system is supplemented by internal control measures which are implemented locally according to uniform group-wide standards, in which financially critical processes are spot-checked for accuracy.

IT risks: We have put in place comprehensive measures, valid throughout the company, to provide organizational and technical protection against all types of data loss, manipulation, and theft. We respond to constantly growing demands in the area of cyber-crime, protection of intellectual property, and sabotage risks, as well as increasing awareness of data protection in social networks, with our broad-based and well trained IT-security and data-protection organization. We ensure high availability of IT systems through redundant systems that run independently of location.

Legal risks, compliance: There are no apparent legal risks that could materially impair the net assets, financial position, or results of operations of the Bosch Group in fiscal 2015. This includes all risks resulting from ongoing or imminent litigation and compliance matters. The principle of legality is an integral part of Bosch's values. We deal rigorously with violations of applicable laws or the Bosch Code of Business Conduct. Reinforcing and monitoring compliance with this principle is the task of our global compliance organization. Worldwide classroom-based programs, web-based training courses, and a great number of publications are used to ensure that everyone in the group is aware of the need to comply with existing laws, rules, and regulations.

In 2014, the effectiveness of our existing compliance organization was the subject of a thorough review and confirmed by an external audit. Independently of this, we decided on a number of measures to strengthen our compliance organization and further develop the compliance management system. We began carrying these measures out in 2014. They include more intensive exchange about compliance issues between executives and their associates. Our aim is to move away from a largely rules-based form of compliance to one primarily based on values.

In addition, we set up a dedicated corporate department for compliance management at the start of 2015. It reports to the chief compliance officer, who coordinates the compliance organization and reports to the board of management direct or, if necessary, to the chairman of the supervisory board. Professionally, the compliance officers in the regions and divisions are assigned to the chief compliance officer. In addition, we have developed a concept for regularly analyzing risk in the divisions. This will be applied for the first time in 2015. For each division, we ascertain risk indicators, on the basis of which risk scenarios are drawn up, which are then tested through structured interviews with executives from the division under review. In a final step, measures are defined and taken to minimize the compliance risks that have been identified and confirmed.

Since 2010, the EU Commission and other antitrust authorities have been investigating a number of automotive suppliers for alleged anticompetitive behavior. The Bosch Group is also affected by these antitrust investigations. As early as 2013, we set aside 150 million euros as a provision for the associated risks. The company continues to cooperate fully with the authorities in their investigations into these allegations. Our negotiations with the competent U.S. antitrust authority (Department of Justice) about a settlement of the investigations against Bosch have reached an advanced stage. With respect to the ongoing investigations by the Brazilian antitrust authority relating to spark plugs, the existing leniency agreement leads Bosch to believe that it will not have to pay a fine. In connection with the anticompetitive behavior being investigated, we are preparing ourselves for burdens resulting from civil-law claims for damages. At the present time, however, these cannot be quantified.

Financial risks: The operating business of the Bosch Group is affected by fluctuations in exchange and interest rates. The aim of business policy is to limit these risks. Our strategy of maintaining a strong global presence with local production and worldwide purchasing activities generally reduces currency risks. A foreign exchange balance plan showing net positions per foreign currency is used as the basis for controlling currency risks. If necessary, these risks are hedged through centralized hedging transactions. Internal regulations and guidelines set down a mandatory framework and define responsibilities relating to payment transactions, investments, and hedging activities. According to our regulations, financial instruments such as forward transactions and interest swaps may only be used in connection with the operating 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. Their credit ratings are constantly monitored and limits are adjusted accordingly.

We have extensive financial assets. 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 is to secure appropriate, risk-adjusted returns on invested capital. Here, we endeavor to spread our investments as widely as possible. A limit system is used to closely monitor investment risk. Prescribed risk limits for the specific investment categories limit the potential loss. The impact of changes in interest rates on borrowed funds is sharply limited over the short and medium term by balancing the maturities of financial liabilities. Changes in financial assets and liabilities are monitored on an ongoing basis. We identify liquidity risks as part of our liquidity planning. Thanks to our good credit rating and existing financing arrangements, we have good access to the capital markets.