



Five percent growth to 43.7 billion euros **Bosch: “Long-term strategy paying off”** Slight decrease in return

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- ▶ Strong growth in Asia and in the two business sectors Consumer Goods and Building Technology as well as Industrial Technology
- ▶ Research and development expenditure remains high
- ▶ Global headcount increases to roughly 260,000

Stuttgart – The Bosch Group has reached its growth target for 2006. Global sales grew by more than five percent to 43.7 billion euros. Return, by contrast, was slightly down. The pre-tax result is expected to have been at the lower end of the target corridor of between seven and eight percent of sales. Once again, the growth drivers were the Asia Pacific region and the Consumer Goods and Building Technology business sector, as well as the Industrial Technology business sector. “Our long-term strategy is paying off. We have been able to significantly expand our presence in Asia, and to strongly grow our business outside of automotive technology,” said Franz Fehrenbach, chairman of the Bosch board of management, at the press briefing on the preliminary figures for 2006 in Stuttgart.

All the business sectors of the Bosch Group made a positive contribution to growth and result in 2006, but the level of year-on-year growth of those contributions varied considerably. The Automotive Technology business sector, the main pillar of business at Bosch with a 62 percent share of total sales, grew by 3.5 percent to nearly 27.2 billion euros. Without consolidation effects, growth was one percentage point less. The highest growth was recorded by the Consumer Goods and Building Technology business sector, where sales grew by roughly 10 percent to nearly 11 billion euros. The Industrial Technology business sector also developed positively, growing by more than seven percent. However, it only discloses sales growth of a good five percent to 5.5 billion euros, as its brake-disk business has been transferred to the Automotive Technology business sector.

In regional terms, Bosch grew very strongly in Asia, with a plus of 13 percent. In China and India, Bosch sales grew by significantly more than 20 percent. Business in Latin America and in eastern Europe grew by 14 and 13 percent respectively. The increase in sales in North America and western Europe was more moderate by comparison (4.5 and 3 percent respectively). The development of headcount in the Bosch Group reflected this growth of business in the regions. At the end of 2006, some 260,000 associates were employed at Bosch – compared with 251,000 in 2005. It was above all in the growth regions that these new jobs were created. In Germany, the number of associates remained stable, at around 110,000. Research and development expenditure remained on a high level: in 2006, it came to 3.3 billion euros, or the equivalent of 7.6 percent of sales, compared with 7.4 percent in 2005. “We continue to make considerable upfront investments in innovation and future growth. However, this depends on a level of earnings that remains sound in the long term,” Fehrenbach said.

Automotive Technology: conditions continue to worsen

The business environment in 2006 was, in Fehrenbach’s words “a mixed bag” – there was “tailwind, but also plenty of headwind.” In Automotive Technology in particular, conditions worsened significantly: the selling prices that could be demanded in the market fell by an average of three to four percent. At the same time, Bosch was faced with a further 240 million-euro increase in already high raw materials prices, especially for noble and nonferrous metals. In addition, capacity utilization fell, especially in the North American plants, due to the considerable sales difficulties experienced by the major U.S. automakers. It was not possible to completely compensate for these developments with the strong growth in business in Asia and with cost reductions. “In 2007, there will not be any appreciable change in the business environment. It is above all the internationalization of our innovations that promises to generate considerable growth in the years to come,” Fehrenbach said.

Bosch is currently working with Indian automakers in roughly 30 engineering projects for the application of diesel injection systems – and in China, there are as many as 50 such projects. In North America, too, the “clean diesel” has promising potential. High fuel prices and the reintensified environmental debate will provide a significant boost to demand for diesel in the United States. Bosch also expects ESP®, its Electronic Stability Program, to show improved figures: the share of vehicles in the U.S. equipped with ESP® is expected to double from 36 percent in 2006 to 72 percent in 2010. In the same period, Bosch

intends to triple its annual sales of ESP® in the United States to some three million units per year.

Consumer Goods and Building Technology as well as Industrial Technology remain on growth course

All the divisions in the Consumer Goods and Building Technology business sector made a contribution to the business sector's positive development – from household appliances, to power tools, to thermotechnology and security systems. At the end of January 2007, Bosch acquired FHP Manufacturing Company, a leading U.S. manufacturer of electrical heat pumps. "This step fits into our strategy: it strengthens our Consumer Goods and Building Technology business sector, reinforces our presence in the United States, and positions us in the growing area of renewable energies," Fehrenbach said. In 2006, Bosch had already bolstered its activities with a series of shrewd acquisitions. They include companies such as Telex Communications, Purolator, and the TeleAlarm Group. Bosch is also successfully launching new products. To take the example of power tools: 12 out of 15 of the best-selling power tools in German DIY stores are made by Bosch. The Ixo alone – a handy cordless drill/driver based on lithium-ion technology – has so far been sold six million times the world over.

In the Industrial Technology business sector, Bosch Rexroth grew strongly once more, while Packaging Technology stabilized its position. Positive stimuli for the business with industrial technology came from Europe – especially Germany – and from Asia. In China alone, Bosch Rexroth sales grew by some 30 percent. It was in China, too, that Bosch Rexroth was awarded a prestigious contract: the hydraulic drive for the world's biggest Ferris wheel, which will go into operation in time for the Beijing Olympics in 2008, will be provided by Bosch Rexroth.

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The Bosch Group is a leading global manufacturer of automotive and industrial technology, consumer goods, and building technology. In fiscal 2006, some 260,000 associates generated sales of 43.7 billion euros. Set up in Stuttgart in 1886 by Robert Bosch (1861-1942) as "Workshop for Precision Mechanics and Electrical Engineering," the Bosch Group today comprises a manufacturing, sales, and after-sales service network of more than 280 subsidiaries and some 13,000 Bosch Service Centers in over 140 countries.

The special ownership structure of the Bosch Group guarantees its financial independence and entrepreneurial freedom. It makes it possible for the company to undertake significant up-front investments in safeguarding its future, as well as to do justice to its social responsibility in a manner reflective of the spirit and will of its founder. A total of 92% of the share capital of Robert Bosch GmbH is held by the charitable foundation Robert Bosch Stiftung. The entrepreneurial ownership functions are carried out by Robert Bosch Industrietreuhand KG.

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