

[01] Good start to the current year - Bosch improves sales in all business sectors

[02] More growth, more connectivity: how Bosch is using its present strengths to open up the business of the future

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Annual press conference 2015
**Good start to the current year –
Bosch improves sales in all business sectors**
Economic and technological strength
for the business of the future

April 29, 2015
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- ▶ Growth targets surpassed in 2014, despite difficult environment
- ▶ Sales growth in all business sectors and regions
- ▶ Sales expected to rise by 3 to 5 percent in 2015
- ▶ Increasing importance of software competence
- ▶ 15,000 software engineers, 3,000 for the internet of things

Stuttgart – The Bosch Group has made a good start to 2015. In the first quarter, sales grew by roughly 13 percent.¹ After adjusting for exchange-rate effects, the increase was 5.4 percent. For the current fiscal year, the global supplier of technology and services expects its sales to grow 3 to 5 percent after adjusting for exchange-rate effects. Because these effects are considerable, Bosch expects its nominal sales growth to be higher than this range. Presenting the annual financial statements in Gerlingen, Germany, Dr. Volkmar Denner, the chairman of the Bosch board of management, said: “Our economic and technological strength in our established fields of business allows us to open up new market segments.” Internet-enabled products and internet-based services are one of the focal points of the company’s future sales growth. “We are driving connectivity forward in all our business sectors and playing an active role in shaping it,” Denner added. In 2014, Bosch launched many new products and connectivity solutions. They include web-enabled ovens and software solutions for connected heating systems and buildings, as well as for connected industry and connected mobility.

¹Sales figure assumes that the consolidated group includes BSH Hausgeräte GmbH and Robert Bosch Automotive Steering GmbH.

Business developments in 2014: significant progress

In 2014, product innovations again helped Bosch to further improve its market position in many areas. In the past business year, the company increased its sales by a nominal 6.3 percent to 49 billion euros. Adjusted for exchange-rate effects, growth was 7.4 percent. As a result of negative exchange-rate effects to the tune of some 500 million euros, the temporarily strong euro had a considerable impact on the sales figure. This strong development of sales also contributed to an improved result. Earnings before interest and taxes (EBIT) rose to 3 billion euros last year – a year-on-year increase of roughly 10 percent. Bosch thus disclosed an EBIT margin of 6.2 percent in 2014. This is roughly one percentage point better than the value for 2013, adjusted for one-off and extraordinary effects. “Our rigorous work on costs also played a part in this significant improvement in result. In 2014, we were successful despite only moderate global economic growth,” said Dr. Stefan Asenkerschbaumer, the Bosch chief financial officer and deputy chairman of the board of management. Following the [complete takeover of BSH Bosch und Siemens Hausgeräte GmbH](#) (now BSH Hausgeräte GmbH), the supplier of technology and services has strengthened its position in the area of smart homes. And with the [acquisition of ZF Lenksysteme GmbH](#) (now Robert Bosch Automotive Steering GmbH), Bosch has added to its portfolio in the growth area of automated driving.

Mobility solutions for tomorrow’s traffic

For Bosch, automated driving is a significant area of growth. The company is successively launching new driver assistance systems. For example, 2015 will see the start of series production of remote-controlled parking, the traffic jam assist, and an assistance function for evasive maneuvers and turning against oncoming traffic. In the Mobility Solutions business sector, more than 2,000 engineers are working to make the auto pilot for drivers a reality. When it comes to the mobility of the future, Bosch is not only concerned with automation, but also with connectivity and electrification. As of now, the company has received 30 orders relating to electrical powertrains. Each year, Bosch invests nearly 400 million euros in electromobility, not least in [further developing battery technology](#). “We were instrumental in the success story of the diesel. We want to do the same for the electrical powertrain,” Denner said. One key to the market success of electrical powertrains is their suitability for everyday use. For example an [app developed by Bosch](#) gives drivers access to a network covering 80 percent of all web-enabled charge spots in Germany. For users, this means that recharging their electric vehicles is easy.

Today, Bosch sees itself as a supplier of mobility solutions that cover more than just the car. In 2014, systems such as gasoline and diesel direct injection were once again extremely successful. Increasingly, they are being joined by software

solutions and mobility services. “Connectivity makes completely new solutions possible for the multimodal traffic of the future. And in established areas as well, it will play a significant role in creating customer benefit and conserving resources,” Denner said. Last year, for example, Bosch debuted connected [electronic engine management systems for two wheelers](#). Riders can use their smartphones to read and evaluate vehicle data.

Growing significance of software competence

In the connectivity business, there is a new “3S”: sensors, software, and services. Bosch is the globally leading manufacturer of micromechanical sensors, more commonly known as [MEMS sensors](#). This year, it will manufacture 1.6 billion such “sensory organs,” nearly 25 percent more than in the previous year. Moreover, for some years now, the technology company has been expanding its software competence. Today, one in three of the 45,700 associates working in research and development is a software engineer. Three thousand engineers are working on the internet of things alone. “For Bosch, software expertise is a key competence for the future,” Denner said. “Embedded software is already one of our strong points, and we are successively adding to this with IT software know-how.” Only recently, Bosch acquired the connectivity specialist [ProSyst](#), a supplier of gateway software and middleware. In smart homes, ProSyst’s software acts as an interpreter for the devices of different manufacturers.

Bosch IoT suite: platform for the internet of things

One central software platform for the internet of things is the [Bosch IoT suite](#). It orchestrates communication and data exchange between web-enabled objects such as factory machinery, heating systems, and security cameras. The Bosch IoT suite can also analyze and process the kind of big data generated in areas such as connected manufacturing. Bosch also makes parts of its IoT suite accessible for open-source developers. “Our IoT suite is meant as an invitation to participate. In shaping the connected world, we put our faith in open solutions, since we believe they will drive forward the manufacturer-independent networking of devices and machines,” said Denner, whose responsibilities on the Bosch board of management include research and advance engineering.

A multitude of services on the internet of things

According to Denner, the business potential of the internet of things lies above all in the services that can be derived from connectivity. “Bosch is in equal measure a supplier of technology and services, and both are an advantage for us in the connectivity business.” Even today, Bosch offers a wide range of service solutions for many industries and customers. For example, its Security Systems division offers telematics services such as eCall for 500,000 vehicles in 16 languages. By the end of 2015, Bosch will have facilitated the connectivity of some

100,000 vehicles for the fleet management of leasing and insurance companies. At the Hannover trade fair, Bosch presented its [remote service manager](#). In connected manufacturing, it makes the remote maintenance of machinery possible.

Data security and data protection in the connected world

With growing connectivity, there is also a growing demand for data security and data protection. “The decisive factor for the widespread acceptance of connected solutions will be data protection, and thus people’s trust,” Denner said. In this context, the Bosch CEO called for rapid adoption of the EU General Data Protection Regulation. “Both legally and technologically, there is still much to be done to make Europe truly ready for the internet of things.” In the area of data security, the company is already in good shape. Bosch employs more than 100 associates who specialize in secure data transfer. The company operates a center of competence in which it brings together relevant know-how in areas such as cryptographic methods and the management of certificates.

The business year 2014 by region and business sector

Asia Pacific: growth region number one

In **Asia Pacific**, Bosch grew its sales 17 percent (19 percent after adjusting for exchange-rate effects) in 2014, to 13 billion euros. 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.

Americas: significant growth in North America, difficult environment in South America

Our business in **North America** developed very well, growing 8.6 percent to 8.5 billion euros. Adjusted for exchange rates, the increase was as much as 9.3 percent. In **South America**, weak automotive production and weakness of the Brazilian real had a negative effect on sales developments. At 1.5 billion euros, sales were down by an exchange rate-adjusted 4.4 percent on the previous year. In nominal terms, the drop in sales was 13 percent.

Europe: economic situation remains difficult

Despite an economic situation that remained difficult, Bosch increased its sales in **Europe** by 2.1 percent to 26 billion euros. Adjusted for exchange-rate effects, growth was 2.5 percent. The region thus accounted for 53 percent of total sales. In Germany as well, sales were up year on year, at 10.8 billion euros.

Mobility Solutions: growth twice as fast as the market

The **Mobility Solutions** business sector was once again able to accelerate its rate of growth. Sales rose 8.9 percent (9.9 percent after adjusting for exchange-rate effects) to 33.3 billion euros. Bosch thus grew twice as fast as the automotive market. The business sector's EBIT was 2.4 billion euros, and its EBIT margin 7.2 percent. Without one-off and consolidation effects, the year-on-year improvement in operating result is roughly 0.9 percentage points.

Industrial Technology: back on a growth path

In 2014, the **Industrial Technology** business sector's sales amounted to 6.7 billion euros, a nominal 2 percent below the previous-year level (1 percent after adjusting for exchange-rate effects). This slight drop is due to a weak market, as well as to the divestment of the sector's pneumatics business in early 2014. Excluding this consolidation effect, sales increased by 2.5 percent, and 3.6 percent after adjusting for exchange-rate effects. All in all, Industrial Technology improved its EBIT to 67 million euros.

Consumer Goods: market leader in power tools

Encouraging growth was posted by the **Consumer Goods** business sector. Its sales grew 5 percent to 4.2 billion euros, or 7 percent after adjusting for exchange-rate effects. Last year, the business sector generated EBIT of some 550 million euros and an EBIT margin of 13.1 percent. Its EBIT included the pro rata after-tax profit of the BSH Bosch und Siemens Hausgeräte GmbH joint venture.

Energy and Building Technology: enhanced competitiveness

In 2014, the **Energy and Building Technology** business sector increased its sales by 1.7 percent (2.6 percent after adjusting for exchange-rate effects), to 4.6 billion euros. Its EBIT came to some 170 million euros. EBIT margin stood at 3.7 percent.

Headcount: 12,000 new hires this year

In 2015, Bosch plans to take on some 12,000 graduates worldwide, 1,200 of them in Germany alone. Total Bosch headcount grew by some 9,000 in 2014, to 290,000. Following the integration of the former fifty-fifty joint ventures BSH Bosch und Siemens Hausgeräte GmbH and ZF Lenksysteme GmbH, the Bosch Group now employs roughly 360,000 associates (as per April 1, 2015).

Press photos: 1-RB-21093, RB-21094, 1-RB-21095, 1-RB-21096, 1-RB-21097, 1-RB-21098, 1-RB-21099, 1-RB-21100, 1-RB-21101, 1-RB-21102, 1-RB-21103, 1-RB-21104, 1-RB-21105, 1-RB-21106

Video materials:

[How Bosch is already putting Industry 4.0 into practice](#)

[Industry 4.0 video material – application examples](#)

[Solutions for tomorrow's mobility – from fully-automatic parking to the connected city](#)

[The car as part of the internet – what benefits does this offer to drivers?](#)

[Does an electric car drive differently? 18 volunteers find out](#)

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The Bosch Group is a leading global supplier of technology and services. It employs roughly 360,000 associates worldwide (as per April 1, 2015). The company generated sales of 49 billion euros in 2014. Its operations are divided into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. The Bosch Group comprises Robert Bosch GmbH and its roughly 440 subsidiary and regional companies in some 60 countries. Including its sales and service partners, Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. In 2014, Bosch applied for some 4,600 patents worldwide. The Bosch Group's strategic objective is to create solutions for a connected life. Bosch improves quality of life worldwide with products and services that are innovative and spark enthusiasm. In short, Bosch creates technology that is "Invented for life."*

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

Additional information is available online at www.bosch.com and www.bosch-press.com, <http://twitter.com/BoschPresse>.

*The sales figure disclosed for 2014 does not include the former joint ventures BSH Bosch und Siemens Hausgeräte GmbH (now BSH Hausgeräte GmbH) and ZF Lenksysteme GmbH (now Robert Bosch Automotive Steering GmbH), which have since been taken over completely.



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April 29, 2015
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**More growth, more connectivity:
how Bosch is using its present strengths
to open up the business of the future**

A presentation by Dr. Volkmar Denner,
chairman of the board of management,
and Dr. Stefan Asenkerschbaumer,
deputy chairman of the board of management
at the annual press conference on April 29, 2015

Check against delivery.

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Ladies and gentlemen,

If a company can only see the future through the telephoto lens of megatrends, it has already lost its way. At Bosch, we actively seize the future, and make it part of our present – we don't wait for things to occur, but make them happen. This is the theme of today's annual press conference, to which I would also like to welcome you most sincerely. To give you one example: for a long time now, connectivity has been more for us than a long-term prospect for change in our area of business. In fact, it is something we are driving forward in all our operating units – we are actively shaping it, and we are supplying products and working on projects for the internet of things. It is precisely because we are so strong in our established areas of business that we can open up new ones. Bosch's dynamism rests on solid foundations.

But let's start by looking at where Bosch stands today. There are three things I'd like to mention first:

Bosch is in good shape

A first glance at the business situation

————— *Review of 2014*

Despite weak economy, growth target surpassed and result significantly improved

————— *Outlook for 2015*

Good start to the current year: growth between 3% and 5% likely, with margin improving further

————— *Strategy*

Innovations for hardware, software, and services: connectivity offers opportunities in existing and new areas of business

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- In 2014, we surpassed our growth target, despite a weak global economy. Sales revenue grew by more than 6 percent. We were also able to considerably improve result.
- In 2015, we want to improve result once more, while growing sales by between three and 5 percent. We have made a good start to the year, with significant sales growth in all areas.
- Looking beyond the current year, one of the keys to our continued success will be our unabated innovative strength. The internet of things offers opportunities in existing and new areas of business.

But companies will not be able to bring this into being on their own. The right political and economic framework has to be in place. For example, it would be fatal if today's low energy prices were to tempt us to relax in our efforts to improve energy efficiency. But above all, politicians and industry leaders must seize the opportunity that connectivity offers – not just for Bosch, but for European industry as a whole. We cannot allow Silicon Valley to exploit this opportunity alone. Most importantly, this means high-speed broadband networks, harmonized data-protection legislation, and a single digital market in the European Union. Both legally and technologically, there is still much to be done to make Europe truly ready for the internet of things. And while these demands are not new, they have still not been met. When it comes to Europe and the internet, my urgent appeal to politicians is finally to practice what they have long been preaching...

That said, we will not sit idly by until they do. Our new mission statement, "We are Bosch," defines what it is that motivates us. It is the desire to shape change, to focus systematically on our customers, and, not least, to pursue business excellence. In his review of 2014 and outlook for the present year, Mr. Asenkerschbaumer will illustrate how well we are living up to this aspiration. First then, the figures – from which my comments on strategy will follow. Mr. Asenkerschbaumer, over to you...

Presentation structure

1 **The business year 2014 and outlook for 2015**

Dr. Stefan Asenkerschbaumer

2 **Strategy: Opportunities in existing and new areas of business**

Dr. Volkmar Denner

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Business figures: Bosch has made significant progress

Ladies and gentlemen,

As Mr. Denner just said, the Bosch Group developed well in 2014. In addition, the complete takeover of BSH and ZF Lenksysteme, now known as Automotive Steering, represents a giant step forward for us. But in last year's financial statements, these two companies are still only included with their pro rata after-tax result, and not with other key figures.

Business year 2014

Global economy 2014 – only weak environment

Global economic output

- Only moderate growth in the global economy
- Slower pace of growth in emerging markets
- Growth in Europe better than forecast

Global vehicle production

- Up 3% to 90.4 million vehicles

Private consumption

- Rise in global private consumption slightly lower than expected

Global construction activity

- Slight year-on-year increase in construction-related investment

Mechanical engineering

- Performed less well than expected

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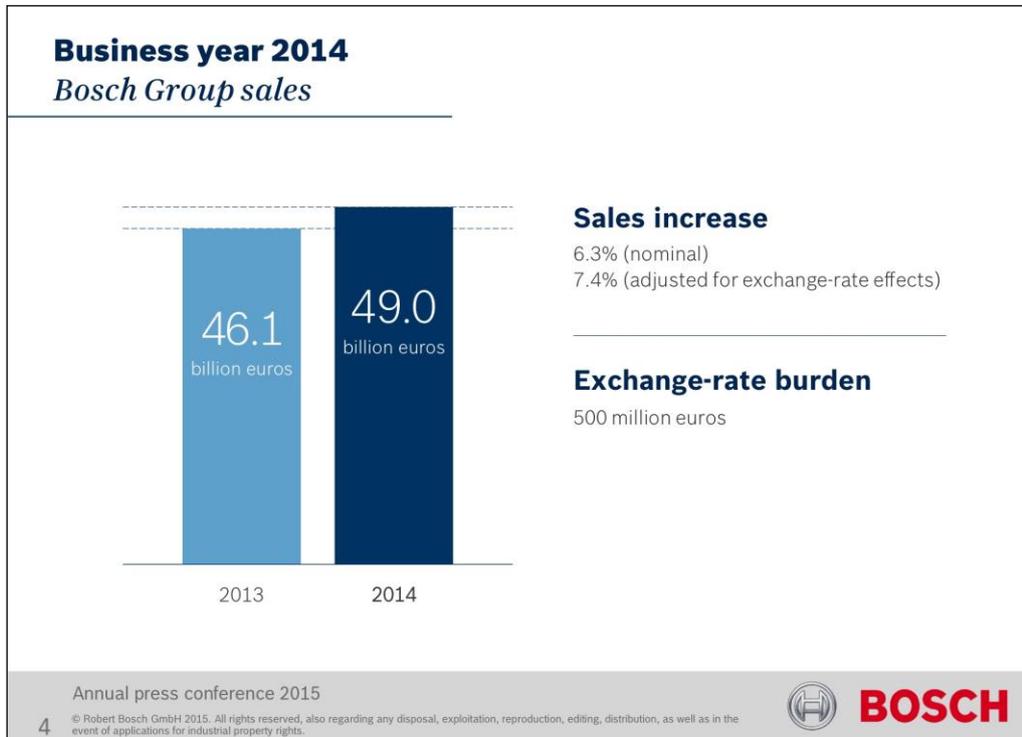
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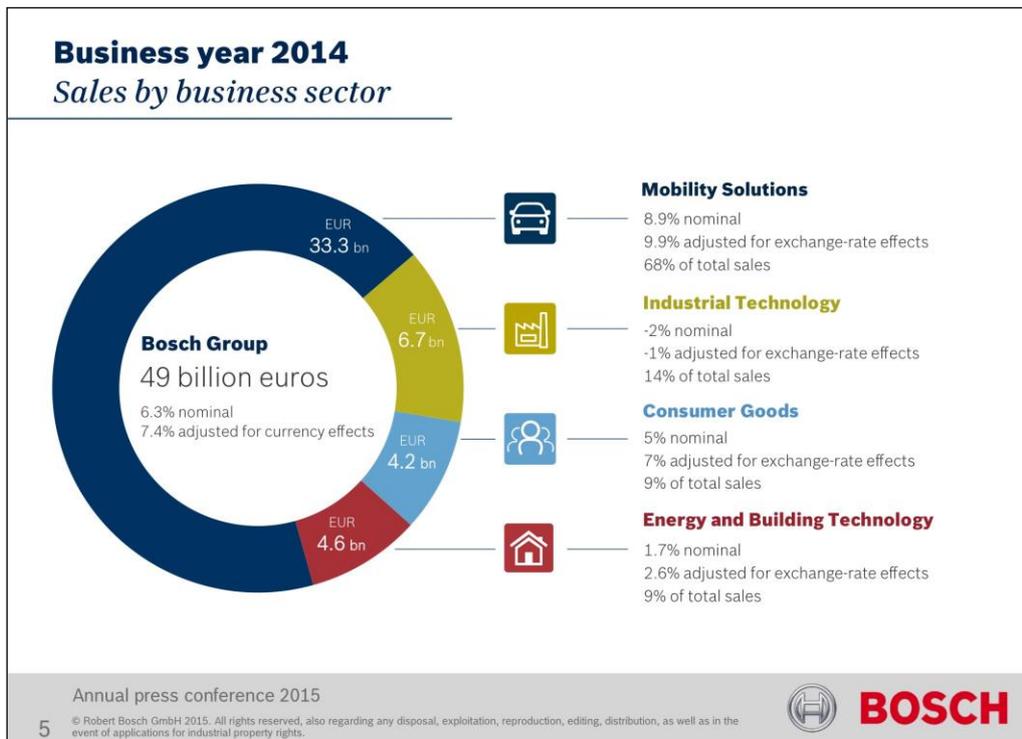
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In 2014, we were successful despite only moderate global economic growth. For example, the pace of growth in the emerging markets slowed. This also applies to China, despite a growth rate that remains high. In countries such as Russia and Brazil, the situation is difficult. Growth in Europe, by contrast, was better than expected. Developments in segments that are important for us, such as vehicle production, private consumption, and construction activity, were also on the moderate side, while the mechanical engineering market developed only weakly.



Nonetheless, we increased sales by 6.3 percent to 49 billion euros. Adjusted for exchange-rate effects, growth was as much as 7.4 percent. Global headcount rose by 8,800 to 290,200. Exchange-rate burdens as a result of an initially strong euro in 2014 came to 500 million euros. By contrast, consolidation effects reduced result by a modest 170 million euros. At the start of 2014, we divested our pneumatics operations in the Drive and Control Technology division, which is part of the Industrial Technology business sector. Our newly created regional companies, mainly in Indonesia and China, were not able to fully offset the effect this had on sales.

Mobility Solutions, our largest business sector, developed very favorably. Since the beginning of the year, all our business sectors have had English names only.

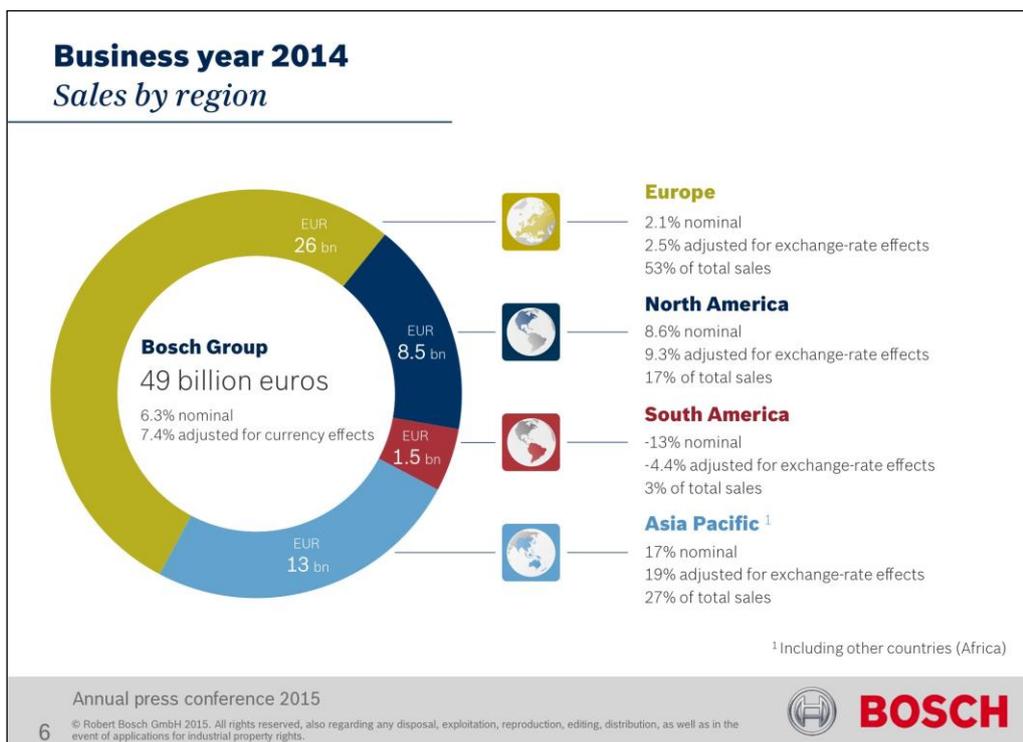


In Mobility Solutions, we were able to grow our sales by a healthy 8.9 percent, to 33.3 billion euros. We were especially successful with diesel and gasoline injection systems, but also with driver-assistance and infotainment systems.

In the Industrial Technology business sector, the 2 percent drop in sales to 6.7 billion euros (a 1 percent drop after adjusting for exchange-rate effects) was due to the weak mechanical engineering market and the sale of our pneumatics operations. Excluding this consolidation effect, sales increased by 2.5 percent, and 3.6 percent after adjusting for exchange-rate effects.

Good growth was also posted by the Consumer Goods business sector. Its sales grew 5 percent to 4.2 billion euros, or 7 percent after adjusting for exchange-rate effects. The sales figure still relates to the Power Tools division only. Once again, we were very successful thanks to the expansion of our range of cordless tools, as well as to our laser measuring tools.

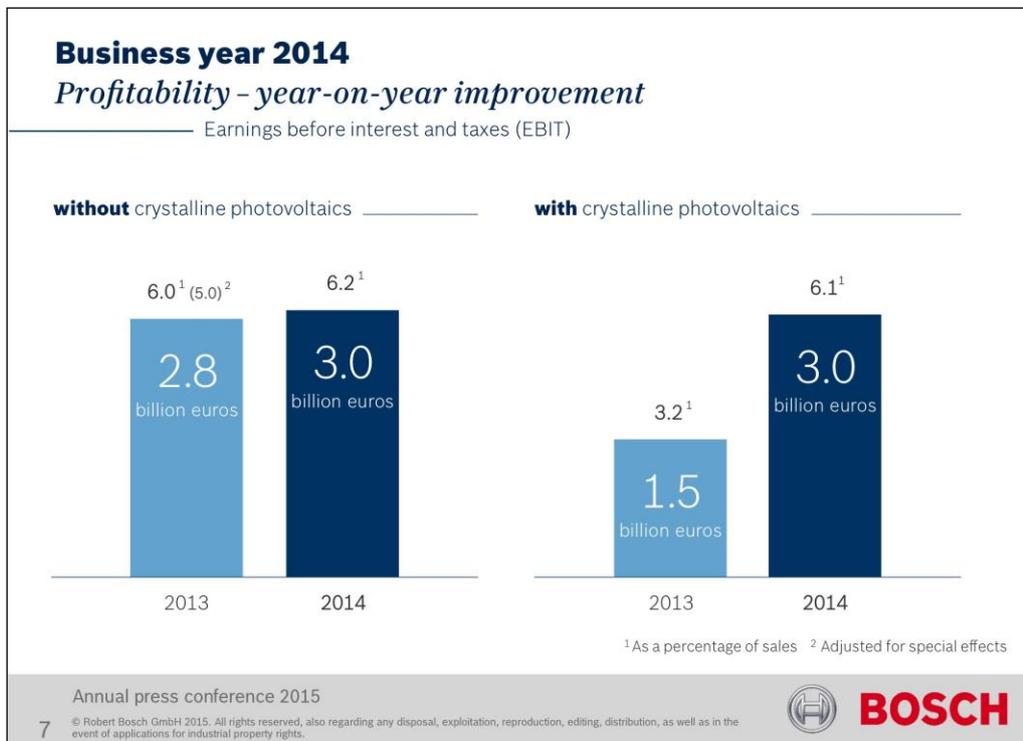
In the Energy and Building Technology business sector, market developments in the Thermotechnology division differed considerably from region to region. We felt the effects of the weak German market, and in Russia as well demand remained below expectations. By contrast, we grew well in the United Kingdom. In the Security Systems division, we were successful with web-enabled video systems and portable speaker systems. In addition, we increased our building technology sales in the important German market. In this area we offer a one-stop shop for the planning, construction, maintenance, and financing of security solutions. One example of this is the connected solution for the “Zoofenster” complex, one of the most striking new buildings in Berlin.



Regionally speaking, we further expanded our presence in Asia Pacific. We increased our sales there to 13 billion euros – a rise of 17 percent, or as much as 19 percent after adjusting for exchange-rate effects. The region’s share of total sales thus rose to 27 percent. We now employ some 82,300 associates there, 8,800 more than in 2014. We grew especially strongly in China, with

sales growing 27 percent to 6.4 billion euros. But we also posted significant growth, especially in local currency, in countries such as Japan, Korea, and India. For the emerging markets – especially in Asia but also in other regions – we are increasingly offering products that are tailored to local market requirements.

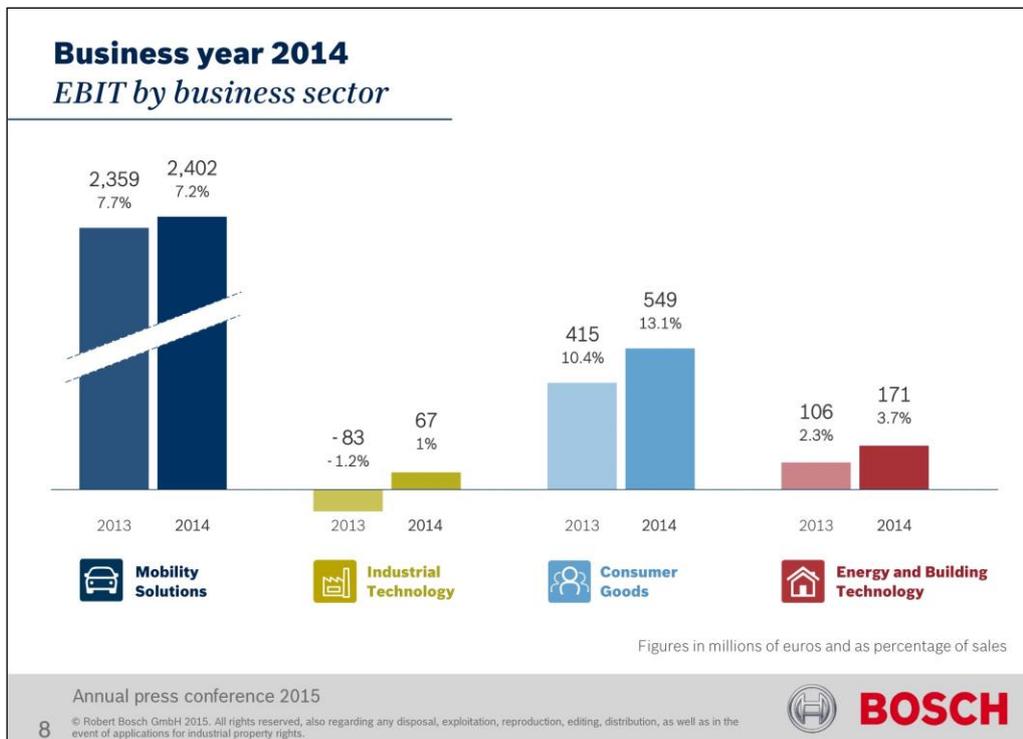
Our business in North America developed very well, growing 8.6 percent to 8.5 billion euros. Adjusted for exchange rates, the increase was as much as 9.3 percent. Mobility Solutions was especially successful. At the same time, we felt the effect of the weak South American automotive market, as well as of the weak Brazilian real. The result was a 13 percent drop in sales. Adjusted for exchange-rate effects, the drop was still 4.4 percent. In Europe, given the continuing difficulties in many euro zone countries and the tensions in Eastern Europe, we are satisfied with our 2.1 percent growth figure.



This encouraging development of sales also contributed to an improved result. As in the previous year, our consolidated financial statements are based on our business operations without crystalline photovoltaics. These previous operations have now been largely disposed of or wound up. We generated EBIT of three billion euros and an EBIT margin of 6.2 percent.

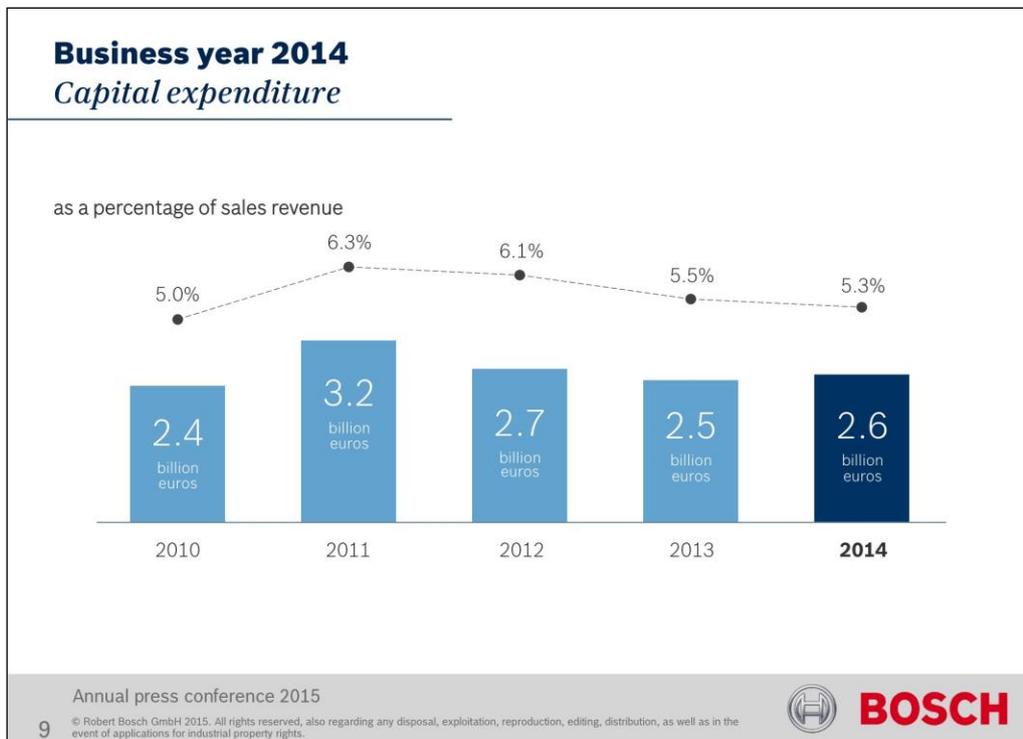
But we also worked rigorously on our costs. The year-on-year improvement in operating result, adjusted for one-off and consolidation effects, is a good percentage point in terms of EBIT margin. The most significant one-off effect was from the previous year – the revaluation of the assets of our Chinese subsidiary UAES, which was consolidated for the first time in the previous year.

We have coped well with our exit from crystalline photovoltaics. Including the operations in crystalline photovoltaics that we discontinued in 2014, we were able to double EBIT in 2014.

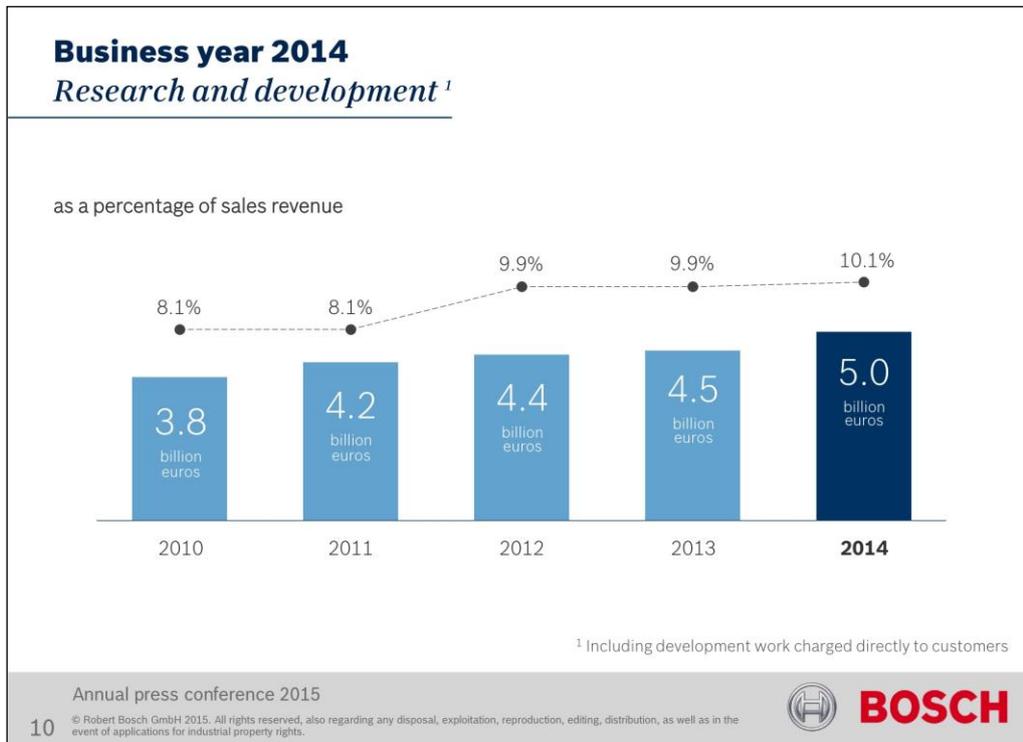


All business sectors improved their EBIT. The main contributor to result is the Mobility Solutions business sector, with EBIT of 2.4 billion euros and an EBIT margin of 7.2 percent. At first glance, this has gone down. But here too, we can see the above-mentioned one-off effect from the consolidation of UAES. In operating terms, we were able to improve margin by 0.9 percentage points. The Industrial Technology business sector also generated a positive result in 2014, despite restructuring its Drive and Control Technology division. We want to realign the division and gear it better to its changing markets.

The Consumer Goods business sector was also able to improve its result and its margin. That said, its double-digit margin is overstated. It is attributable to the former pro rata inclusion of BSH's after-tax profit. However, BSH's sales are not consolidated. Even without this effect, the margin is very encouraging, and better than in the previous year. In the Energy and Building Technology business sector, our measures to improve competitiveness are showing effect, with margin up to 3.7 percent.



Turning now to capital expenditure and research and development expenditure, the former rose only slightly in 2014. For us, this is a positive fact. Since 2014, a new, localized control system for capital expenditure has been in place. The divisions' budgets are determined by a clear formula, and they can carry forward budgets to successive years. Our aim is to create greater flexibility by granting more entrepreneurial freedom. This is our response to the rapidly changing conditions in which we do business.



Mr. Denner will shortly illustrate the sheer variety of pioneering areas in which we are working – whether these be automated and electric driving or connectivity and software. These activities are also the reason our research and development expenditure rose roughly 9 percent last year, to 5 billion euros or 10.1 percent of sales.

Business year 2014

Very solid statement of financial position



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

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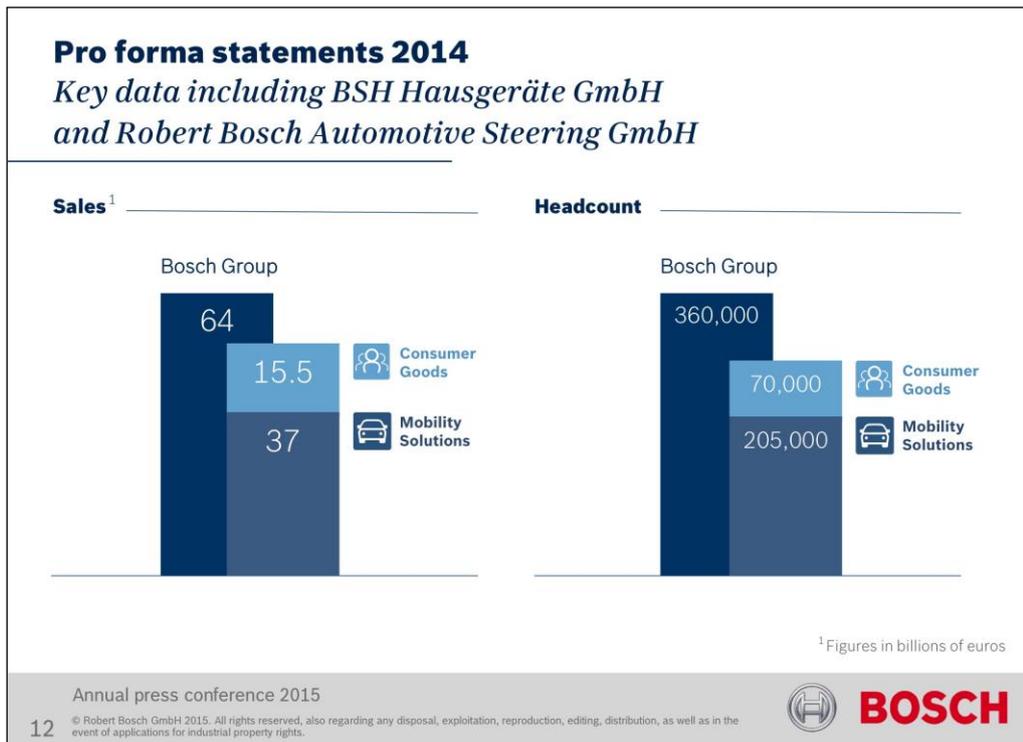


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In tackling these areas of the future, we can build on a very sound financial position and solid net assets. At 48 percent, our equity ratio is extremely comfortable. Like many major companies, we had to increase our pension provisions last year, due to the low interest rates. At Bosch, however, this resulted in only a slight drop in equity ratio. At an early stage, we converted to a defined contribution plan, and in 2002 we were the first German company to introduce a pension fund, with which we have been very successful. Worldwide, we offer company pension schemes in accordance with nationally defined parameters. We see this as part of our responsibility to our workforce.

Last year, moreover, we increased our share of non-current liabilities by issuing a 10-year bond for 750 million euros and a 25-year bond for 250 million euros. In addition, Bosch Group liquidity as per the statement of financial position stands at 15.6 billion euros. This meant we were able to finance the acquisitions of all BSH and ZF Lenksysteme shares without difficulty. We are currently the only industrial enterprise in Germany to have a

Standard & Poor's AA-rating. Financial excellence is important for us, since it helps us safeguard our long-term independence.



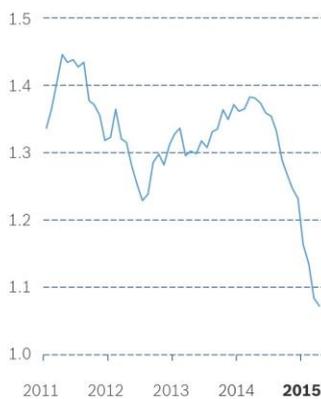
As I mentioned, our figures for 2014 include the pro-rata after-tax profit of BSH and Automotive Steering only. Had the two companies been fully consolidated in 2014, we would be among the ten largest German industrial, trading, and services companies in terms of sales. Applying this premise, Bosch Group sales are 15 billion euros higher, at 64 billion euros. EBIT is some 700 million euros higher, at 3.7 billion euros, and headcount rises from some 290,000 to roughly 360,000. The changes in the Consumer Goods business sector are especially big, with sales rising by 11 billion euros to some 15.5 billion euros, and headcount increasing by some 53,000 to roughly 70,000.

So much for my review of 2014.

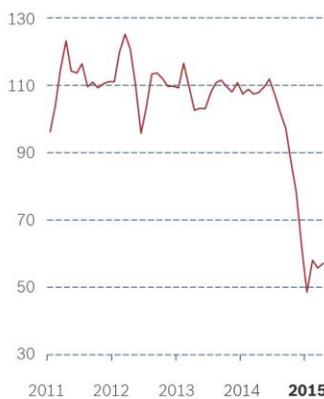
Economic influencing factors

Considerable effects of euro and oil price

Exchange rate
euro to the dollar



Oil price
in dollars



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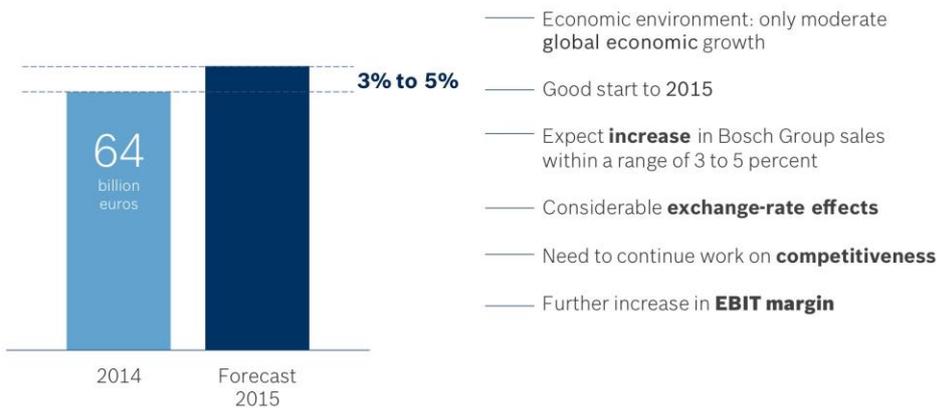
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The depreciation of the euro has continued this year. Both this and the considerably lower oil price should provide economic stimuli in 2015, especially in the industrialized countries. But let me offer a word of caution here: exchange-rate and raw-materials effects such as these are not sustainable. If we want to hold our own in the global marketplace, we must continue to work persistently on our competitiveness – especially in Europe. Yet in major euro zone countries, we can see that unit labor costs are rising, and thus adversely affecting competitiveness.

Outlook:

A good start to 2015

Sales



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In the Bosch Group, we have made a good start to the current year. Including BSH and Automotive Steering, we increased sales on a like-for-like basis by roughly 13 percent, and by 5.4 percent after adjusting for exchange-rate effects. For the year as a whole, we are forecasting a 3 to 5 percent increase in sales. There is a good chance we will exceed this due to exchange-rate effects. But notwithstanding the tailwind provided by the weak euro, we will work hard on further strengthening the profitability of our operations.

For example, we will introduce a further major project this year, switching over to the target business plan in our business planning. In this way, we not only want to considerably simplify and speed up our planning process, but also – and very importantly – to give our divisions more entrepreneurial freedom. In addition, our controlling will be done on the basis of just a few target variables, reporting will be streamlined, and processes will be simplified and standardized. This is a further step toward reducing complexity.

Our aim is to make our company more flexible and more agile – as a basis for its strategic further development. Mr. Denner will now go into this strategy in more detail.

Presentation structure

1

The business year 2014 and outlook for 2015

Dr. Stefan Asenkerschbaumer

2

Strategy: Opportunities in existing and new areas of business

Dr. Volkmar Denner

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BOSCH

Strategy – how our vision of the future is changing the way we perceive our business

The new mission statement
Five areas of business change

Energy efficiency
Automation
Connectivity
Electrification
Emerging markets

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...Thank you, Mr. Asenkerschbaumer. How will our business develop in the years ahead? That is the question I will now attempt to answer as concretely as possible. Our new “We are Bosch” mission statement highlights five aspects of our changing business world – emerging markets, electrification, automation, energy efficiency, and (not least) connectivity. In other words, we have a clear conception of how our business is changing. And above all, we act according to this conception. As the example of Asia given by Mr. Asenkerschbaumer showed, we are seizing our opportunities in the emerging markets. As I said at the start of my presentation, we do not wait for the future to arrive, but work to make it happen here. By way of example, I will now look at three developments:

- First, innovative technology is helping our business sectors to grow.
- Second, we are expanding our software competence relating to connectivity.
- And third, we are developing more and more services on the basis of the internet of things.

Business sectors are growing – also into the future

The future is one hundred percent
Two complete takeovers that match our strategy



BSH Hausgeräte:

- Important for the Bosch brand for decades
- Important for the future of smart homes

Robert Bosch Automotive Steering:

- Important, so that cars can steer automatically in the future as well
- Important, since electric steering is also a basic technology for the electric car

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Let's look first of all at how our business sectors are developing. Just recently, we used acquisitions to strengthen two business sectors: Mobility Solutions and Consumer Goods. In both cases, we seized the opportunity to completely take over joint ventures that we not only know well, but that also fit well into our vision of the company's future.

- One is BSH Hausgeräte. For decades now, it has played a significant role in shaping the Bosch image. And more recently, it is helping shape the future of smart homes.

- The other is Bosch Automotive Steering. Its acquisition means that, apart from sensors, we now have at our fingertips all three functions that are vital for controlling automated driving – not just brakes and powertrains, but also steering.

So it is not just in terms of figures that we have strengthened our business here, but more importantly in terms of strategy as well. Mobility Solutions is already our largest business sector and the main driver of our growth. With steering systems on board, it will be able to grow even faster through innovative technologies. The business sector is geared to the mobility of the future, and to bringing about driving that is automated, electric, and connected. We can see progress in three areas:

Growing on the path to automated driving
New systems, greater unit sales in driver assistance



- Many new assistance systems in 2015
- 2,000 engineers
- Highway pilot by 2020
- *Doubling of sensor unit sales in 2014 and 2015*
- Global market leader for radar sensors

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- We are coming closer to automated driving through driver assistance, which is already a successful line of business. It is a field in which our development work can rely on the innovativeness of 2,000 engineers. One of our targets is to have a highway pilot ready for series production by

2020, which will steer cars automatically on freeways. Both technologically and business-wise, we are making huge strides here. This year, we will launch a number of new assistance systems – for remote parking, as well as for traffic jams, evasive maneuvers, and turning against oncoming traffic. And in 2015, just as in 2014, our unit sales of automotive radar and video sensors will double. In fact, we are now the global market leader for radar sensors.

Bosch's next alternative powertrain

Making the electric car a success – just like the diesel



- *Already 30 orders, ten of them for plug-in hybrids*
- Order for entry-level hybrid for the middle class
- Electrical powertrain in 15% of all new vehicles by 2025
- Halving of battery costs by 2020

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**BOSCH**

- In the area of powertrain electrification, we had already received 30 orders by the start of this year. Of these, ten alone were for plug-in hybrids, both in China and for German automakers. “Plug-in” means electric driving in the city and a combustion engine for long distances. This is a configuration we will be seeing more of, especially in large vehicles. But we can also give the combustion engine electrical support in mid-size vehicles. Here, our solution takes the form of the boost recuperation system – an entry-level hybrid that can easily be integrated into existing engine concepts. We currently have a large order for this system from a German automaker.

Projects such as these open up the market. Ten years from now, 15 percent of all new vehicles worldwide will have an electrical powertrain. Making these powertrains affordable, and halving battery costs by 2020 – these are our aims. Each year, we spend nearly 400 million euros on the development of electromobility. Bosch technology was instrumental in the success story of another alternative powertrain – the diesel. We want to do exactly the same with the electrical powertrain.

Even now, connected is the best way to drive
Solutions for the traffic of the future



- Bosch interconnects 80% of web-enabled charge spots in Germany
- *Filling up the modern way: locate the nearest charge spot, one-click payment*
- Getting about the modern way: use one charge card for trains, buses, car-sharing, and bike-sharing

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- The vehicles of the future will be automated and electric. Better still, however, they will be connected. Our development work considers all these areas. We are not simply suppliers of powertrain systems, but also of infrastructure solutions for electromobility. Bosch currently networks 80 percent of the web-enabled charge spots in Germany. Finding the nearest charge spot, paying in one click, whether in Cologne or Berlin – the Charge&Pay app we have developed for Mercedes-Benz makes all this possible. However, connected driving can be much more, as we are currently demonstrating here in Stuttgart, where one charge card is all that

is needed for car-sharing, bike-sharing, train and bus travel, as well as for admission to amenities such as swimming pools or libraries. The software for this comes from Bosch.

It doesn't always have to be four wheels
Mobility Solutions also means solutions for two-wheelers



- Bosch makes motorcycling safer: with motorcycle stability control, its *ESP for motorbikes*
- Bosch reduces consumption and emissions: with injection systems instead of carburetors for motorcycles in emerging markets

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Examples such as these show that Mobility Solutions is more than just a new name for Automotive Technology. Instead, it stands for a three-pronged expansion of our portfolio:

- First, new products. We are opening up new areas of application beyond the car, for example with our two-wheeler business unit in Yokohama.
- Second, new customers. Apart from automakers, we also supply the operators of charge spots and other items of infrastructure.
- Third, new services. Going beyond our product business, we are developing services, including solutions for smart transportation in cities.

Consumer Goods is developing no less strongly. Following the acquisition of BSH, this is our second largest business sector. Not least, we benefit here from the strength of the Bosch brand. And we are strengthening it still further through innovations that win consumers over:

Innovations make markets

The clout of Bosch power tools

- Bosch is the global market leader, and continues to grow strongly
- World first: wireless charging system for cordless lithium-ion tools
- Laser measuring tools with single-button operation – *nearly one million sold since sales began at end of 2013*
- New laser measuring tools transfer data to image on tablet
- Robot lawnmower can be conveniently controlled by smartphone



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- Our Power Tools division is a global market leader that continues to grow strongly. Again and again, its innovations have opened up new markets. This is as true of measuring tools as it is of cordless tools with lithium-ion rechargeable batteries. And the pace of innovation remains high. In the shape of wireless charging systems, we have just recently launched a world first for cordless tools, one that will make tradespeople's lives easier on a lasting basis. Such ease of use is important, as is also demonstrated by our laser rangefinder, which can be operated by pushing just one button. Since it was launched at the end of 2013, we have sold it more than a million times. In this way, we are repeating the success story of the Ixo, which is still the world's best-selling power tool. Moreover, our laser measuring tools for tradespeople now also feature a Bluetooth interface

that allows measurements to be transferred to an image on a tablet PC. And at Power Tools as well, connectivity is giving rise to innovations. For example, our Indego robot lawnmower can now be remotely and conveniently controlled by smartphone.

The high-tech kitchen

Sensors and internet for household appliances



- New ovens equipped with sensors from automotive field
- *Home Connect on a smartphone or tablet PC allows household appliances to be controlled while away from home*
- 2015 will see further connected household appliances, such as refrigerators, washing machines, and dryers

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- Similarly, BSH's course is one of growth and innovation. In this case, its innovations for the kitchen also have their origin in the automobile. One example is our new generation of ovens equipped with sensors. By constantly measuring the moisture level of the foods inside, cakes turn out perfectly baked. The sensor used here is a lambda sensor from automotive technology. Even if we have only now fully taken over the household-appliance business, we have already made use of synergy effects. And we will be using these effects even more in the future. Here as well, connectivity is giving rise to innovations. With its Home Connect app, BSH Hausgeräte already makes it possible to remotely control ovens and dishwashers. Further connected appliances will join them this year, such as refrigerators, dryers, and washing machines. They will feature a number

of new functions, such as a flexible start program. This factors in the weather conditions before switching on the washing machine or dryer, so that as much locally generated power as possible is used. This saves energy costs. Moreover, remote diagnosis will be possible for all these connected household appliances. In this way, we can cut down on expensive after-sales repairs.

Tiny but online
Everything is connected thanks to micromechanical sensors

- Micromechanical sensors make doors and roads web-enabled as well
- Bosch is *the world's biggest manufacturer* of micromechanical sensors for automotive and consumer electronics



2014
1.3
billion units

2015
1.6
billion units

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- Making our own products web-enabled is an objective we are pursuing in all our business sectors. We have just premiered a new generation of boilers with touchscreen control and an online interface. Here again, remote diagnosis is an important application. It means that a service engineer does not have to visit every time there is an error message. We have so far been able to sell 75,000 connected heating systems, and this number will have risen to 150,000 by the end of 2015. In order to exactly record and transmit the condition of as many objects as possible, our micromechanical sensors are also becoming part of the internet. We make more of these sensors than anyone else: in 2014, we manufactured

1.3 billion of them, and in 2015 this figure will be 1.6 billion. Completely new solutions arise when micromechanical sensors go online.

They can be integrated inconspicuously into parking lots, where they register occupancy or vacancy and help generate a real-time parking map on the internet. Looking for a parking space will thus no longer be nerve-wracking – that too is a Bosch development project.

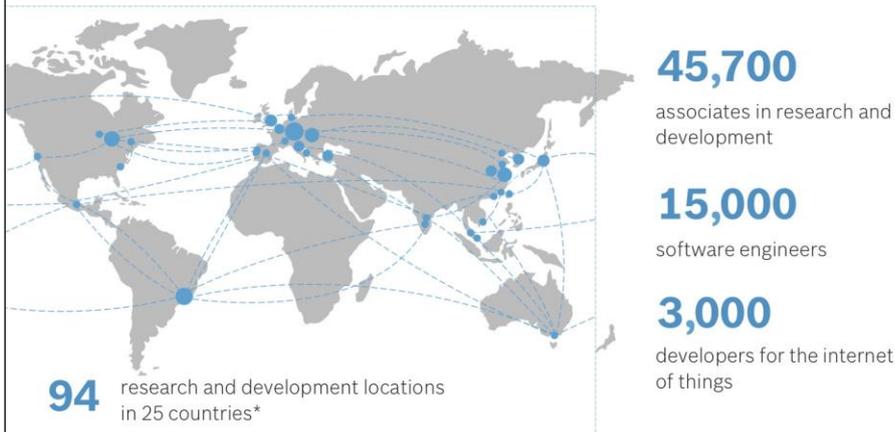
Key competence – expanding software know-how

This example clearly shows how we are using the internet of things to open up new business.

- In a first step, we derive data from things. Here, micromechanics is indeed a key technology, since it makes not only electronic systems intelligent, but also electronics-free objects such as doors, windows, or parking spaces.
- In a second step, we derive services from the data. To do this, we have to have intelligent software. This is an area in which we are rapidly expanding our know-how. And it brings me to the second point of my comments about strategy.

Bosch as a software company

Researchers and developers across the globe



*Locations with 50 or more associates as per December 31, 2014

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Let me give you some figures first: Bosch currently employs some 45,700 associates in research and development. Even now, one-third of these associates are software engineers. And more than 3,000 engineers are concerned solely with the internet of things – a figure that is set to rise.

This year, we plan to hire 12,000 university graduates, nearly three-quarters of them engineers and software specialists. Especially for young graduates, Bosch is an exciting company to work for – not least because of the rapid changes in research and development. There are three points I would like to mention here:

The campus, the ideas, the speed

Creativity and agility in research



- At the new research center, 1,700 creative people from every kind of engineering discipline work together
- *Start-up platform* quickly transfers research results into new business
- Agile development combines working methods from worlds of industry and IT

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- The first is our new research center in Renningen near Stuttgart, where 1,700 creative people from every kind of engineering discipline work together. This enables the kind of exchange of ideas associated with a university campus – in the U.S., say.
- The second is our company’s own start-up platform, designed to rapidly make research findings outside our core business ready for the market. This encourages entrepreneurial flexibility within a large company.
- The third is the growing importance of agile working methods from software development – like “scrum” that do not need any detailed instructions, but instead quickly “sprint” to initial solutions.

And while development according to specifications remains important and necessary at Bosch, especially in the hardware business, it is now being joined by iterative and sprint-like procedures. In this way, we are combining the requirements of the worlds of industry and IT. And even in our automotive business, we are supplying new players such as Google and Tesla. So

regardless of whether this business develops in an evolutionary or disruptive way, Bosch will be part of it.

The computer on wheels
Embedded software in engine control units



- Bosch is *the world's largest manufacturer of engine control units*
- Double-digit growth rates in 2015, as in 2014
- Share of software is rising – also so that components can be controlled flexibly, thus saving fuel

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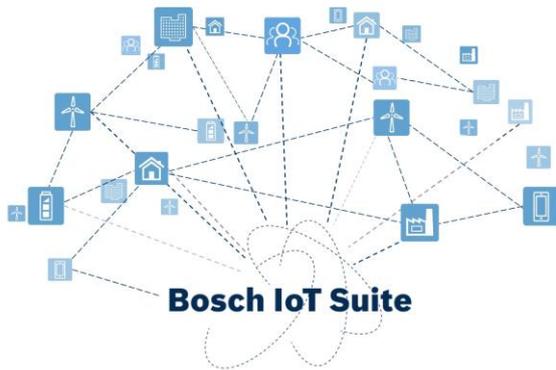


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For Bosch, one thing that is certain is that systems and software engineering is the key competence of the future. Up to now, the focus of our know-how has been on embedded software – i.e. software integrated into things such as our engine ECUs. We are the world's leading manufacturer of such devices, with double-digit growth rates in 2015 and 2014. Here as well, the share of software is rising constantly, whether in order to control components to reduce consumption and CO₂ emissions, or to make more variants possible quickly and cost-effectively.

Conductor of machines

Bosch IoT suite orchestrates the connected world



- Bosch has launched the second generation of its software platform for the internet of things
- Invitation to participate: *750,000 engineers* can use the suite to develop solutions
- New: big data management for the analysis of huge amounts of data

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Over the long term, therefore, our strength in embedded software will remain important. At the same time, however, we are complementing it with know-how in the kind of IT software found in computer networks. Even now, our subsidiary Bosch Software Innovations is part of the IT industry, and for us, it is precisely this business that is the catalyst of connectivity. At the beginning of the year, the company launched the second generation of the Bosch IoT suite, its software platform for the internet of things. We have also contributed parts of this suite to Eclipse, a large open source community. Our aim here is to create a common language for the manufacturer-independent networking of equipment and machinery. This gives rise to common standards, and our new software suite is expressly intended as an invitation to such collaboration. Even now, the global partnerships Bosch Software Innovations has set up mean that some 750,000 software developers can use our platform to create solutions and applications.

But what does our IoT suite actually do? Let me use a metaphor. The suite is a kind of conductor of machine-to-machine communication. It identifies any

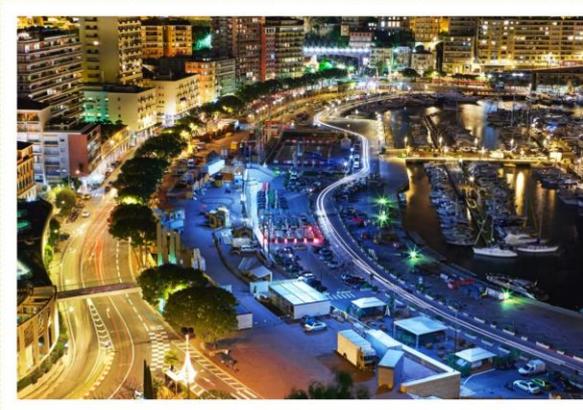
objects that are web-enabled and orchestrates the exchange of data. Not least, the rules for automatic decisions can be defined in the suite – such as when patterns of wear and tear should be reported and preventive action taken to service the machine. What is new about the second generation is its big data management function, which is important for such proactive maintenance. The big data interface is designed in such a way that it can be used not only by highly specialized mathematicians but also by IT staff with Microsoft Office skills. The suite helps not only to orchestrate data exchange among objects, but also to interpret it.

Development work will continue. We want to further add to the Bosch IoT suite. This also explains why we recently completed the takeover of the middleware specialist ProSyst. This is a company that provides things such as gateway software, which is practically an interpreter for the heating systems and security cameras of different manufacturers. Software makes technical systems more intelligent, and more communicative as well. In both cases, Bosch is putting itself at the forefront of technological developments.

Benefits of connectivity – services are on the rise

The services business is on the rise
The internet of things is giving birth to services

- The criterion for success: solutions have to offer real benefit
- Good credentials: Bosch also has in-house service centers
- Already a broad scope of services:
from connected energy to the connected city



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But how do these developments translate into new business? The crucial thing here is to have solutions that offer their users clear benefits. In the end, therefore, it is the services we derive from the internet of things that are important – which brings me to my third point. When it comes to harnessing connectivity to generate new service-based business models, Bosch has good credentials. We not only have our own software platform in-house, but service centers as well. Even now, these process telematics services such as eCall for 500,000 vehicles in 16 languages. Bosch is a provider of both technology and services, and both are an advantage for us in the connectivity business.

Indeed, Bosch is the only company that is active on all three levels of connectivity: sensor technology, software, and services. And for many years now, our services projects have been broad in scope. For example, we offer solutions for connected cities – and this not only in Stuttgart, but also in Monaco. And we are using the internet of things to control power grids in

Austria's Vorarlberg region, as well as in Berlin. Our services business is on the rise, as the following examples show:

Beyond the pilot phase
The business with connected mobility is getting into gear



The image shows a black Drivelog CONNECTOR device with a white car icon and the Drivelog logo. To its right is a smartphone displaying a green checkmark and the text 'Deinem Auto geht's gut.' Below this, there are three data points: 497, 8.2, and 7.64, followed by a green bar chart and the value 64.82€.

- Reading out ECU data and driving patterns makes fuel saving and predictive maintenance possible
- **Already four orders** for the management of entire vehicle fleets
- And the Drivelog mobility portal offers a smartphone app specifically for drivers

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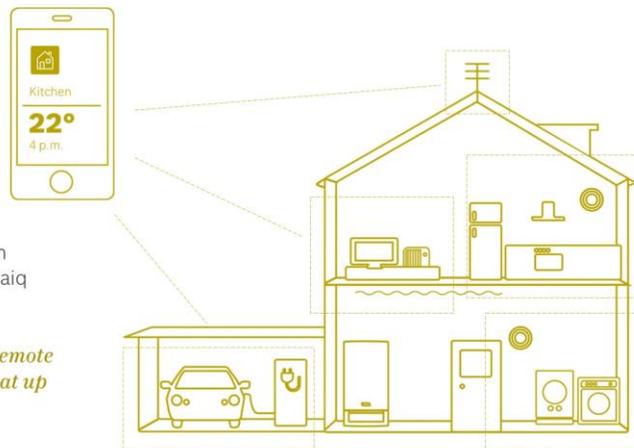
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- At leasing and insurance companies, our management solutions for large vehicle fleets have now passed the pilot stage. We have already received four orders to supply services that record and transmit ECU data and driving patterns, and use this information as the basis for developing proactive vehicle servicing or for providing tips on how to save fuel. By the end of 2015, some 100,000 vehicles will be connected with these services alone. And one of the services drivers will soon be able to access direct on our Drivelog mobility portal is a real-time analysis of their driving behavior to help them save fuel. For this, they need a smartphone app and a connector for reading out the ECU data. By the end of the year, we will likely have connected a further 100,000 vehicles with this service.

Bosch as a systems integrator

Strength in the growing smart-home market



- Technological basis: the open software platform of the Mozaik joint venture
- Application example: *using remote control on smartphone to heat up individual rooms*

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- We are also coming closer to the smart home of the future, and this in two ways: we are creating the technical basis, and we are developing some initial applications. Mozaik operations, our joint venture with ABB and Cisco, will begin operation very soon. Its objective is to establish an open software platform for smart homes. In this context, “open” also means open for the developments of different suppliers from diverse industries. On the other hand, we are already launching actual solutions, such as a remote control for activating the radiators in different rooms via a smartphone. This system also automatically turns down radiators if windows or doors are open. Bit by bit, we will integrate other domains into our solutions, such as household appliances or security systems. In the home just as in the car, Bosch will become a systems integrator. This is our strength in a market that will grow strongly over the next few years. In both domains, we can interconnect many things.

Efficient despite batch size of one *Success with connected manufacturing*



- Bosch is a leading provider and leading exponent of Industry 4.0
- New solutions presented at the Hannover trade fair
- Multi-product line at the Homburg plant achieves *nearly 10 percent higher productivity*

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- In connected industry as well, Bosch is active on a number of levels, both as a leading provider and as a leading exponent. We are not only a member of the German “Industrie 4.0” platform, but also of the international “Industrial Internet Consortium.” Only recently, we presented two new solutions at the Hannover trade fair. The first was our Remote Service Manager, which allows machinery to be serviced remotely over the internet. The other was our Process Quality Manager, a solution that uses the operational data from industrial bolt-tightening machines to avoid risks in real time – an application that we currently are trying out at a customer. In our own plants, 100 projects relating to connected production are underway. Indeed, an independent panel of judges singled out one of them, our multi-product line at our Homburg location in Germany, for its “Industrie 4.0 Award.” In Homburg, we use more than 2,000 different components to manufacture some 200 variants of hydraulic control modules for mobile applications. The work stations recognize each individual workpiece and retrieve the appropriate work plans from the server. The result is batch sizes of one, nearly 30 percent less inventory,

and as much as 10 percent more productivity. Industry 4.0 improves the competitiveness of high-cost locations, also at Bosch.

Trust as a competitive advantage – our values in a connected world

Ladies and gentlemen, although I have spoken mainly about new technologies and their application, I would like to close by speaking about a value that long predates the internet: trust. I am convinced that the connected world also depends crucially on this value. Today, we have to translate this value into data security and data protection.

Trust as a competitive advantage

Data security and data protection for the connected world

- *More than 100 specialists in secure data transmission*
- Hardware security module to protect against hacker attacks
- Company principles for the protection of personal data



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- Our company already employs more than 100 associates who specialize in secure data transfer. And we have set up a Bosch Group center of competence for this subject area. Its expertise lies in the field of encrypted data exchange – all the way from cryptographic methods to the management of certificates. In addition, we have developed a hardware security module that protects our control units against hacker attacks.

- When it comes to protecting personal data on the internet of things, Bosch has principles of its own. A clear legal framework is only one side of the coin. It is just as important that a company like Bosch should clearly state what it means by transparency when handling personal data – for example, asking customers explicitly for their consent before using it. This creates trustworthiness, which we believe will be a unique selling proposition in the future.

In other words, the Bosch way also applies to the internet of things: we will give our company values precedence over commercial advantage. Indeed, people's trust will be a business advantage on the internet of things. It will be in our own interest not to simply generate data with our sensors, but also to be cautious about how we use that data. In this respect as well, we are actively shaping the change in our business. Economically and technically, we are currently creating the foundations for a successful future: growth and innovative technology in our business sectors, increasing software expertise, and the services business that is becoming increasingly important as things become more connected. We want to ensure that the best of Bosch is still to come.