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Focusing on the user:

**Bosch Power Tools relies on innovation
and shapes the development of the industry**

Speech by Henk Becker,

President of the Robert Bosch Power Tools GmbH

on the occasion of the press conference

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Check against delivery.

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Ladies and gentlemen,

Today, we have shown you how Bosch Power Tools creates innovation: We derive our ideas for innovative products and services from the user and their requirements. By taking this approach, we are able to improve productivity and safety for tradespeople and make sure that DIY enthusiasts get the most out of their projects. We would like to tell you about our business figures – and give you an insight into our strategy: How are we paving the way for future growth?

Bosch is growing faster than the market

I would like to start with where we have come from. You see, Bosch grows faster than the market. While our sales has grown four percent per year on average over the last ten years, the global market has grown only three percent during this time. And the gap compared to the German market is even bigger: Sales in this market has increased by three percent during this period, but we have been much more successful, achieving growth of eight percent. We now come to the year 2018. Especially pleasing: We achieved double-digit growth in over 20 countries, including the key emerging markets of Brazil, China and India.

Power Tools grows two percent after adjusting for currency effects

We generated sales of 4.6 billion euros in the past year. This means that Power Tools grew by two percent after adjusting for currency effects, though nominally this corresponds to a decline of two percent. Why? Currency effects totaling around 200 million euros had a significant negative impact on our sales. The economic situation is getting harsher. In addition to the negative impact of counteractive currency effects, we are feeling the effects of increasing market volatility. However, we could improve our profitability last year – and we strive for further increase. Only this way we can invest in innovations also in future. This is how we ensure our success in the long-term. This enables us to continue making upfront investments, fulfilling the future needs of users – for example with innovations such as Biturbo and YouSeries.

At Bosch Power Tools, we are committed to shaping the development of the industry. But how exactly are we paving the way for continued profitable growth in the future? How will we meet users' needs and expectations?

Our strategy will continue to be based on four growth segments:

- We bring user-focused innovations to the market – both for DIY enthusiasts and tradespeople.
- We seize the opportunities offered by increasing digitalization – through connectivity and through services such as apps.
- We are resolute in continuing our long-term commitment in emerging markets.
- We continue to focus on our strong Bosch brand.

Innovation drives our business

Our success factor is innovative strength. Where does that come from?

You have seen it again today: We always look at things from the user's perspective – the user's needs form the basis for our innovations. We call this approach "Design Thinking". We systematically research the needs and desires of our users, and focus on these when developing tools and services.

"Design Thinking" has three core elements:

- Firstly: We work in cross-functional teams – colleagues from completely different areas, for example Development, Marketing and Logistics, work together on a product or service.
- Secondly: Innovation needs inspiration. We create a working environment that fosters creativity and collaboration. This includes technical equipment for mobile work, spaces that enable focused individual work as well as feedback and communication, but also flexible working hours. You can see how much we value the working environment simply by looking at our site here: We have invested some 35 million euros in a new building, which we moved into in November 2018. This new building comprises 14,000 square meters of office space over six floors and provides space

for around 600 employees, who so far had been working in other buildings.

- Thirdly: Our work processes involve systematic iterations. In the development process, we check time and again whether the user finds our product useful, can operate it easily, enjoys using it and also whether the product meets the aesthetic requirements.

You can see how far-reaching our “Design Thinking” approach is by looking at our global innovation, YouSeries – a DIY revolution in our opinion. “Design Thinking” also enables us to reach new target groups, as with the YouSeries we are not just appealing to conventional DIY enthusiasts. Simple, compact, different: Drill/driver, multi-sander and dry vacuum cleaner follow the trend toward miniaturization and offer stylish strength in a new format. With innovations like this, we are creating technology that is invented for life.

One innovation for professionals is X-Lock – the new accessory-change system for angle grinders. Previously, lots of small steps were needed to fit a disc. Now, it just takes one click. Many parts like tensioning nuts, flanges and keys, are no longer needed, and the change can be completed in a matter of seconds – some of you were able to see it for yourselves at the world premiere at Bau trade fair in Munich in January. Doing away with tensioning nuts also enables tradespeople to grind at a flat angle without damaging surfaces.

In the end though, it is of course the user who decides whether an innovation is a success. The most popular power tool worldwide is our Ixo – an innovation that obviously appeals to users. Since it was launched in 2003, we have sold around 18 million Ixo tools. In 2019, we are releasing the sixth generation of the Ixo – reinventing it once again.

What else helps us to be innovative? One factor is the synergies that we are able to take advantage of within the Bosch Group. The “Power for All” system incorporates DIY and garden tools, as well as household appliances from our

colleagues at BSH. When it comes to bringing innovations quickly to the user, we also work together with external partners – like with X-Lock.

Bosch is seizing the opportunities offered by digitalization

Increasing digitalization offers huge opportunities. The connectivity of products and services is the second strategic growth segment that I would like to talk to you about today. Our division being part of Bosch has many advantages for users. The film [“Live like a Bosch”](#) shows this with a wink of the eye.

You can also see Indego, our robotic lawnmower, in the film. Indego is not just a connected product – it is also our first product to use artificial intelligence. With the aid of classified data sets, we develop algorithms that are checked automatically through machine learning. This enables Indego to master certain situations more efficiently, such as the detection of obstacles on the lawn. Our vision is each Indego will use artificial intelligence to learn about its own environment and make decisions. Then every user will be able to say: I have the best Indego for my garden!

Of course, digitization is a great opportunity not just to offer tools but also to offer services with added value. We introduced you to the Bosch DIY & Garden App today. This app enables users to access information, as well as ideas for renovating, decorating and gardening, wherever they are, whenever they need it. They can also use the app to document projects and share them with friends.

Power Tools sets its sights on continued growth in emerging markets

Industrialized markets still account for the majority of our sales – but we see huge opportunity in emerging markets, where there is much stronger population growth. In these emerging markets, the most important thing is ensuring that products are available locally and are affordable. We have developed a product range specifically for these markets – robust and affordable tools that are easy to maintain. We already offer 55 tools that have been developed specifically to meet the needs of users in emerging markets, and we are continuously expanding this range.

We have spoken a lot about our activities in Africa over the past few years. To convince users there that it is worth making the switch from manual tools to power tools, we now have nine sales organizations in the region. We added Angola and Egypt in 2018. We are also continuously expanding the network of logistics and service centers. I can tell you that our commitment in Africa brings us great pleasure – not just because of the potential that the market offers. We believe that we can help drive positive development in this region with our power tools and our service.

We are investing in a strong brand

Last but not least, we rely on our strong brand. Bosch is the only manufacturer of power tools to offer products for all user groups under one brand: For tradespeople, for DIY enthusiasts, for amateur gardeners.

Bosch is launching more than 100 new products in Germany in 2019

Over the past year, we have brought more than 100 new products to market in Germany alone – and we will be doing the same in 2019. These are innovations that bring DIY enthusiasts joy and increase the productivity of tradespeople. You will shortly have the opportunity to try out our innovations for 2019 yourself.

I would like to briefly recap the most important points:

- Bosch Power Tools stands for innovation. We are driving the development of the entire industry.
- Our strategy is based on four key points: Innovation, digitalization, emerging markets and a strong brand.
- Our primary focus is and always will be the user and their needs. With Biturbo for professionals and the YouSeries for DIY enthusiasts, we are revolutionizing power tools.

Thank you for your attention.

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The Robert Bosch Power Tools GmbH, a division of the Bosch Group, is one of the world's leading providers for power tools, power tool accessories and measuring tools. In 2018, its roughly 20,000 associates generated sales of 4.6 billion euros, about 85 percent of which outside of Germany. With brands such as Bosch and Dremel, the division stands for customer focus and great engineering progress. The core success factors are innovative strength and pace of innovation. In 2019, Bosch Power Tools will again launch more than 100 new products onto the German market in its four business segments power tools, accessories, measuring tools and garden tools.

The Bosch Group is a leading global supplier of technology and services. It employs roughly 410,000 associates worldwide (as of December 31, 2018). According to preliminary figures, the company generated sales from operations of 77.9 billion euros in 2018. Its operations are divided into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. As a leading IoT company, Bosch offers innovative solutions for smart homes, smart cities, connected mobility, and connected manufacturing. It uses its expertise in sensor technology, software, and services, as well as its own IoT cloud, to offer its customers connected, cross-domain solutions from a single source. The Bosch Group's strategic objective is to deliver innovations 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 Bosch Group comprises Robert Bosch GmbH and its roughly 440 subsidiary and regional companies in 60 countries. Including sales and service partners, Bosch's global manufacturing, engineering, and sales network covers nearly every country in the world. The basis for the company's future growth is its innovative strength. At 125 locations across the globe, Bosch employs some 69,500 associates in research and development.

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