



## In the wake of a deep recession First signs of recovery Structural change in the automotive industry expected

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Frankfurt am Main / Stuttgart – “Never before has the Frankfurt Motor Show been held in such an economically difficult year. While the worst of the economic turbulence seems to have passed, the structural challenges that our industry faces are becoming ever clearer.” With these words, Franz Fehrenbach, chairman of the Bosch board of management, opened the Bosch press conference at the Frankfurt Motor Show 2009. Commenting on important trends in the industry, he singled out the shift of automotive sales growth to the emerging markets, the development of new drive technologies, and the ever stricter demands imposed worldwide on environmental and passenger protection. “This year’s Frankfurt Motor Show is taking place at a time in which the automotive industry is undergoing major change as its technology is transformed,” said Fehrenbach. The automotive industry, he went on to say, is not only successfully containing the effects of the worst recession in decades, it is also gearing up for one of the most promising waves of innovation in a long time. This is of course a double challenge, particularly for a leading and technologically strong supplier like Bosch.

The economic downturn, meanwhile, has clearly left its mark on the business results of the Bosch Group. Sales for 2009 are expected to fall by about 15 percent, or some 38 billion euros. In the company’s automotive businesses, sales may decline by as much as 20 percent. As a consequence, operating result will be clearly negative. With an estimated headcount of 270,000, the Bosch Group will have some 10,000 associates fewer at the end of 2009 than it had at the beginning of the year. Over the same period, headcount in its automotive businesses will drop from 168,000 to some 160,000 – a reduction which is still moderate compared to the overall decline in sales.

#### Flexible response to the economic downturn

In order to avoid redundancies, Bosch has responded to the decline in sales with all the flexible working time measures at its disposal. Worldwide, some 100,000 Bosch Group associates currently have reduced working hours. "And we shall stand by this policy," said Fehrenbach, "though we do expect the economic situation to improve in the course of this year."

Bosch has recently been seeing signs of such an improvement in its worldwide businesses. For Fehrenbach, these signs, which have been cumulating over the past few months, point to the start of a recovery, albeit still at very low levels. For 2009, he expects fourth-quarter sales to be up again as compared to the weak fourth quarter of 2008. In principle, this relative improvement in year-on-year sales should also support growth in the coming year. "At the same time," said Fehrenbach, "we have to look at the figures. On the whole, it could take us until 2012 to regain the levels of 2007, the pre-recession levels." As a result, Bosch expects an underutilization of its capacities to continue in the years to come.

Saving money and at the same time securing the future – all Bosch sectors are currently mastering this balancing act. This holds especially true for its research and development units. In 2009, Bosch will be spending some 3 billion euros on R&D in its automotive businesses alone. Such investment demonstrates Bosch's long-term orientation, which for Fehrenbach will also strengthen the company in its future innovation projects.

#### Conserving resources and protecting the environment are top priorities

Conserving resources and protecting the environment are central issues at Bosch. Half of the company's total R&D budget goes toward achieving these aims. And the company is operating on at least two major fronts here. On the one hand, it has set itself the target of reducing the fuel consumption and with it the CO<sub>2</sub> emissions of the internal-combustion engine by 25 to 30 percent. In combination with further technological improvements of automakers, in just a few years it will be possible to manufacture a middle-class car consuming less than 3 liters of fuel per 100 kilometers and emitting far less than 99 grams of CO<sub>2</sub> per kilometer.

On the other hand, Bosch is working at full speed on alternative drive technologies for hybrid and purely electric vehicles, as well as on lithium-ion batteries which are to serve as energy store for these vehicles. Bosch already has 400 associates working full time on hybrid and electric drive concepts, and will have 500 by the end of this year. At the same time, more than 400 associates are currently at work in the SB LiMotive joint venture readying batteries for the electric drive for series production. Ground has just been broken in Korea for a new plant.

For Bosch, the vision of accident-free driving is just as important as alternative drive concepts. At the beginning of 2010, Bosch is teaming up with Audi to begin series production of its automatic emergency braking system, an innovation that according to relevant studies can prevent three out of four rear-end collisions. Since this system is of such critical importance to passenger safety, Bosch engineers are linking the ESP® electronic stability program here not only with radar sensors, but also with video sensors in order to capture and evaluate the vehicle's immediate environment. Here, and for the first time in critical situations, this additional information from the video sensors will automatically trigger a full emergency braking operation. This automatic emergency braking system, as well as further systems developed and made available by Bosch, have made driving considerably safer.

Apart from developing new systems, Bosch is continuously at work to optimize systems already available in the market. One clear benefit of this continuous improvement is the company's ability to make advanced technology affordable for everyone. The ESP® electronic stability program, for example, now costs only 25 percent of what it cost in its first generation. In addition, the company is currently introducing the world's first radar sensor with silicon-germanium technology. With this innovation, Bosch is rendering technically advanced radar-based driver assistance systems feasible for lower vehicle classes. Even for emerging markets such as India's, Bosch is creating unconventional solutions. As one example, Bosch developed extremely cost-effective systems and technologies for the Tata Nano low-price vehicle – with solutions deriving for the most part from Bosch engineers in emerging countries.

This is why Fehrenbach sees the automotive industry as intact and dynamic as ever, even in these difficult times. The high regard for individual mobility demonstrated in the industrialized world will grow, especially in the emerging markets. Ensuring the safety of drivers and passengers is an important part of this development, as is protecting the environment. Making the advanced technology required for this affordable is something Bosch sees both as a challenge and as an opportunity.

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*The Bosch Group is a leading global supplier of technology and services. In the areas of automotive and industrial technology, consumer goods, and building technology, some 280,000 associates generated sales of 45.1 billion euros in fiscal 2008. The Bosch Group comprises Robert Bosch GmbH and its more than 300 subsidiaries and regional*

*companies in over 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. Each year, Bosch spends more than 3.5 billion euros, or eight percent of its sales revenue, for research and development, and applies for over 3,000 patents worldwide. With all its products and services, Bosch enhances the quality of life by providing solutions which are both innovative and beneficial.*

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

*Additional information can be accessed at [www.bosch.com](http://www.bosch.com).*